

**Montgomery County Board of Education
Audit Committee Minutes**

July 1, 2005

A meeting of the Montgomery County Board of Education Audit Committee was held at the Carver Educational Services Center in Room 120 on Friday, July 1, 2005. In attendance were:

Members: Mr. Stephen Abrams, Chair
 Dr. Charles Haughey, Member
 Mr. Gabe Romero, Member

Guests: Mr. Doug Rowe, MERCER Human Resource Consulting

Staff: Mr. Larry A. Bowers, Chief Operating Officer
 Ms. Suzanne G. DeGraba, Chief Financial Officer
 Mr. G. Wesley Girling, Vendor Relations
 Mr. Philip J. McGaughey, Internal Auditor
 Mr. Roland Ikheloa, Ombudsman/Staff Assistant

The meeting was called to order by Mr. Abrams at 8:33 a.m.

Experience study of the actuaries

A report of the study of actuarial methods and assumptions for the Employees' Retirement and Pension systems was presented to the members of the Audit Committee by Mr. Rowe. The study was conducted over a four-year period from July 1, 2000, through June 30, 2004, for evaluation of the actuarial assumptions. MERCER recommended changes in several actuarial assumptions. These changes were discussed by the Audit Committee members at this meeting.

Mr. Bowers recommended a 15-year amortization period for the Unfunded Actuarial liability in order to bring the actuarial and real value closer together. Compared to other counties, Montgomery County is somewhat more conservative.

The Audit Committee agreed to accept the changes being recommended and to bring these changes to the full Board.

Medicare Part D

With new regulations for the administration of Medicare Part D becoming effective January 2006, Mr. Girling presented the Audit Committee with an overview of the prescription drug program under Medicare Part D and what the school system currently offers retirees.

The Audit Committee discussed several options, including dropping MCPS prescription coverage for retirees, modifying coverage for MCPS to be a secondary coverage, and keeping the existing prescription coverage. One of the regulations stipulates that the system can apply for a subsidy, which would be 28 percent of qualified Medicare Part D claims. In order for MCPS to apply for the subsidy, the school system's subscription plan would have to be totally self insured and equivalent to the Medicare Part D plan.

The Audit Committee members agreed to keep the school system's current plan and apply to receive the subsidy.

Discount Prescription Drugs

The Audit Committee discussed possible cost savings on prescription drugs. Staff shared that the system is exploring sending out RFPs to get lower costs for mail order prescriptions, including using companies in Canada. The school system would need to look at the company infrastructure, experiences, and if there would be viable cost savings to MCPS. MCPS also would need to look at whether there would be any violations of law.

The Audit Committee declined to make a recommendation at this time, saying that additional analysis is needed before a decision can be made.

The meeting adjourned at 9:33 a.m.

Recorder: Becky Gibson