

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JULY 1820" on the left, "MISSOURI 1892" on the right, and "WE STAND DIVIDED" at the bottom.

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**Department of Conservation  
Employees' Benefit Plan**

Report No. 2020-122

December 2020

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Department of Conservation Employees' Benefit Plan

Personnel Costs	The Department of Conservation Employees' Benefit Plan (CEBP) does not allocate to the CEBP Trust Fund the proportionate share of personnel costs of Missouri Department of Conservation (MDC) employees who administer the CEBP. Salaries and benefits provided to MDC employees who administer the CEBP are paid from the Conservation Commission Fund. Because these personnel costs were not identified and allocated to the CEBP, these costs, which represent at least 11 percent of total administrative costs and 1 percent of total costs during the year ended December 31, 2019, were not covered by the CEBP.
Other Postemployment Benefits Liability	The CEBP has not evaluated its Other Postemployment Benefits (OPEB) liability amounts or considered prefunding the OPEB liability. In addition, the CEBP has not obtained experience studies and audits of actuarial valuations.
Contractor Performance Guarantees	The CEBP did not monitor performance guarantees of the Third Party Administrator. The CEBP did not require the TPA to timely submit the performance guarantee report and supporting audit for 2019.
Board Composition	The Board of Trustees does not consist of members representing varied and balanced interests. As of August 2020, all Board members were active MDC employees.
Conflict of Interest Policy	The Board of Trustees does not have a conflict of interest policy.
Electronic Communication Policy	The MDC's records management and retention policy, followed by the CEBP, does not comply with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri State Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

In the areas audited, the overall performance of this entity was **Good**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Conservation Employees' Benefit Plan

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## **NICOLE GALLOWAY, CPA** **Missouri State Auditor**

Honorable Michael L. Parson, Governor  
and  
Conservation Commission  
and  
Sara Parker Pauley, Director  
Missouri Department of Conservation  
and  
Board of Trustees  
Department of Conservation Employees' Benefit Plan  
Jefferson City, Missouri

We have audited certain operations of the Department of Conservation Employees' Benefit Plan (CEBP), in fulfillment of our duties under Chapter 29, RSMo. The CEBP engaged Evers & Company, Certified Public Accounts (CPA's), LLC, to audit the CEBP's financial statements for the 2 years ended June 30, 2020. To minimize duplication of effort, we reviewed the CPA firm's audit report for the 2 years ended June 30, 2018, since the report for the 2 years ended June 30, 2020, had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2019. The objectives of our audit were to:

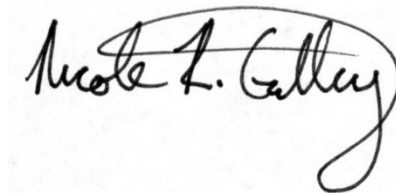
1. Evaluate the CEBP's internal controls over significant management and financial functions.
2. Evaluate the CEBP's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, contracts, and other pertinent documents; interviewing various personnel of the Missouri Department of Conservation; and analyzing comparative data obtained from the CEBP. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the CEBP's management and was not subjected to the procedures applied in our audit of the CEBP.

For the areas audited, we identified (1) a deficiency in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Conservation Employees' Benefit Plan.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kim Spraggs, CPA, CGAP
Audit Manager:	John Lieser, CPA
In-Charge Auditor:	Emily Barraclough, CPA
Audit Staff:	Devin Jackson
	Shelby Reams

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# Department of Conservation Employees' Benefit Plan Management Advisory Report State Auditor's Findings

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## **1. Personnel Costs**

The Department of Conservation Employees' Benefit Plan (CEBP) does not allocate to the CEBP Trust Fund the proportionate share of personnel costs of Missouri Department of Conservation (MDC) employees who administer the CEBP. As a result, these costs were paid from the Conservation Commission Fund rather than the CEBP Trust Fund and were not covered by plan premiums.

The CEBP is administered by MDC employees. Except for personnel costs, all administrative costs of the CEBP are paid from the CEBP Trust Fund. Administrative costs paid from the CEBP Trust Fund during the year ended December 31, 2019, totaled about \$1.4 million. The CEBP sets premiums annually based on claims experience, administrative costs, and other cost factors.

Salaries and benefits provided to MDC employees who administer the CEBP are paid from the Conservation Commission Fund. In accordance with the CEBP procedures manual, five MDC employees serve as board members, and five Human Resources Division employees and two Financial Services Division employees perform part-time administrative duties for the CEBP. Two of these employees, the Administrative Services Division Chief and the Human Resources Division Chief, serve as board members and perform administrative duties for the CEBP. Upon our request, the CEBP estimated the proportionate share of the 12 MDC employees' salaries (excluding benefits) for services provided to the CEBP totaled approximately \$159,000 during the year ended December 31, 2019. Because these personnel costs were not identified and allocated to the CEBP, these costs, which represent approximately 11 percent of total administrative costs and 1 percent of total costs, were not covered by the CEBP.

The Trust Agreement establishing the CEBP grants power to the Board of Trustees to pay all expenses of the CEBP including "such amounts as may be agreed to by the MDC in payment to the MDC for administrative services rendered the Benefits Plan and Trust Fund." Additionally, the Government Finance Officers Association (GFOA)<sup>1</sup> recommends, "governments calculate the full cost of the different services they provide." A complete accounting of CEBP administrative costs, including MDC salaries and benefits related to the CEBP, is necessary for the CEBP to accurately allocate all costs to the plan and ensure all costs are covered by premiums.

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<sup>1</sup> "Full Cost Accounting for Government Services," Government Finance Officers Association, January 2002, <<https://www.gfoa.org/materials/full-cost-accounting-for-government-services>>, accessed on October 1, 2020.



Department of Conservation Employees' Benefit Plan  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The Board of Trustees work with the MDC to pay from the CEBP Trust Fund the proportionate share of personnel costs of MDC employees performing administrative services for the CEBP.

## Auditee's Response

*The CEBP Board of Trustees' written response is included at Appendix A.*

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## 2. Other Postemployment Benefits Liability

The CEBP has not evaluated its Other Postemployment Benefits (OPEB) liability amounts or considered prefunding the OPEB liability. In addition, the CEBP has not obtained experience studies and audits of actuarial valuations.

The CEBP's OPEB liability is the projected future retirement healthcare benefit payments for current and retired employees that is attributed to those employees' past periods of service. To comply with financial statement reporting requirements, the CEBP obtains annual actuarial projections of its OPEB liability. As of June 30, 2019, the CEBP's OPEB liability totaled approximately \$150 million. At December 31, 2019, the CEBP's Trust Fund balance (available for payment of claims for active and retired employees) totaled approximately \$11 million.

### Liability and funding

The CEBP has not evaluated or considered prefunding its OPEB liability.

The CEBP pays medical claims from the CEBP Trust Fund for both active and retired members when the medical expenses are incurred (pay-as-you-go). Consequently, the CEBP has not funded any of the OPEB liability or developed a funding plan. While the CEBP reviews the sufficiency of the Trust Fund balance monthly and strives to maintain a fund balance reserve equal to at least 2.5 months of current claims expenses, the review does not include a consideration of the OPEB liability and the CEBP has not determined an appropriate reserve for the OPEB liability.

The GFOA<sup>2</sup> recommends governments prefund their obligations for OPEB "once they have determined that the employer has incurred a substantial long term liability. In most cases, employers can make long term investments to cover these obligations through a separate trust fund that should, over time, result in a lower total cost for providing postemployment benefits." Additionally, the GFOA<sup>3</sup> states "[f]inancing other postemployment benefits as they are earned (prefunding) rather than as they come due (pay-as-you-go

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<sup>2</sup> "Establishing and Administering an OPEB Trust," Government Finance Officers Association, September 2016, <<https://www.gfoa.org/materials/establishing-and-administering-an-opeb-trust>>, accessed on September 23, 2020.

<sup>3</sup> "Ensuring Other Postemployment Benefits (OPEB) Sustainability," Government Finance Officers Association, January 2016, <<https://www.gfoa.org/materials/ensuring-other-postemployment-benefits-opeb-sustainability>>, accessed on September 23, 2020.



Department of Conservation Employees' Benefit Plan  
Management Advisory Report - State Auditor's Findings

funding) offers significant advantages in terms of equity and sustainability and should be formalized through a specific funding policy for postemployment benefits." Given the relatively large size of the CEBP's OPEB liability, the CEBP should evaluate the liability and consider implementing policies and procedures to prefund the OPEB liability. Such procedures include adopting a funding policy requiring appropriate contribution amounts to reduce the unfunded OPEB liability amount and accounting for OPEB contributions and costs through a separate trust fund.

Experience studies and actuarial audits

The CEBP has not obtained an experience study comparing actual experience with actuarial assumptions used in the determination of the OPEB liability or obtained an independent actuarial audit to ensure (1) the reliability of the amounts reported in actuarial reports, and (2) the reasonableness of the actuarial methods and assumptions used by the CEBP's actuary. The CEBP has utilized the same actuarial firm for all previous OPEB liability valuations.

According to the GFOA,<sup>4</sup> "[e]xperience studies, performed no less frequently than every five years, can help to ensure the assumptions are in line with the plan's demographic and economic experience, or can be used as a guide to make necessary changes. Likewise, a comprehensive audit of the plan's actuarial valuations performed by an independent actuary at least once every five to eight years can be used to evaluate the appropriateness of the actuarial methods, assumptions, and their application." Without periodically obtaining experience studies or actuarial audits or similar services, the CEBP has less assurance regarding the reliability of the CEBP's actuarial reports.

## Recommendation

The Board of Trustees work with the Conservation Commission to evaluate the OPEB liability and consider establishing policies and procedures to prefund the OPEB liability. Additionally, the Board should periodically obtain experience studies and audits of actuarial valuations of the OPEB liability and make changes to the actuarial assumptions if necessary.

## Auditee's Response

*The CEBP Board of Trustees' written response is included at Appendix A.*

### 3. Contractor Performance Guarantees

The CEBP did not monitor performance guarantees of the Third Party Administrator (TPA).

The TPA processes and pays medical and prescription claims for the CEBP. During the year ended December 31 2019, the TPA paid CEBP claims totaling approximately \$18 million, and the TPA received approximately \$440,000 in service fees.

<sup>4</sup> "The Role of the Actuarial Valuation Report in Plan Funding," Government Finance Officers Association, <<https://www.gfoa.org/materials/the-role-of-the-actuarial-valuation-report-in-plan>>, accessed on October 1, 2020.





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Department of Conservation Employees' Benefit Plan  
Management Advisory Report - State Auditor's Findings

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The TPA contract establishes performance guarantees for various service areas, including accuracy and timeliness of claims processing and timeliness of customer service response. The contract provides that claims processing performance should be measured through an annual external audit of 2 percent of paid claims. The contract requires the TPA to submit to the CEBP a report summarizing performance for each guarantee by January 31 of the following year. For any performance guarantees not met, the TPA is required to pay penalties to the CEBP.

The CEBP did not require the TPA to submit the performance guarantee report and supporting audit for 2019. After we inquired about the performance guarantee report, the CEBP obtained the report from the TPA on August 5, 2020, more than 6 months after it was due. The report indicated the TPA met each of the performance guarantees.

Review of TPA reports and audits of compliance with performance guarantees is a necessary component of contractor monitoring procedures and helps ensure payments for healthcare are proper and that the TPA provides quality and reliable services in accordance with contract terms. Additionally, the GFOA<sup>5</sup> recommends plan sponsors consider auditing claims to ensure TPAs pay benefits according to plan rules to help contain healthcare costs.

## Recommendation

The Board of Trustees timely obtain and review annual reports and audits of TPA compliance with performance guarantees.

## Auditee's Response

*The CEBP Board of Trustees' written response is included at Appendix A.*

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## 4. Board Composition

The Board of Trustees does not consist of members representing varied and balanced interests.

The CEBP Trust Agreement requires the 5-member Board of Trustees consist of the MDC Administrative Services Division Chief; the MDC Human Resources Division Chief; and three members appointed by the Conservation Commission, including one MDC Division Chief and two members of the CEBP. As of August 2020, all Board members were active MDC employees.

Because all Board members are MDC employees, the governance structure does not allow for a variety of interest groups to be represented. For example, the Trust Agreement does not require the Board include representation of retirees, and none of the current Board members are retirees. As of December 31, 2019, retired CEBP members totaled 1,144, or approximately 27 percent of total membership (4,191).

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<sup>5</sup> "Strategic Health-Care Plan Design," Government Finance Officers Association, February 2009, <<https://www.gfoa.org/materials/strategic-health-care-plan-design>>, accessed on September 23, 2020.



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Department of Conservation Employees' Benefit Plan  
Management Advisory Report - State Auditor's Findings

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The GFOA<sup>6</sup> recommends the governing board for OPEB plans have a composition that reflects "the varied interests of those responsible for funding the plan and should include plan participants and retirees, citizens of the governmental unit, and officers of the plan sponsor, as well as independent directors" to ensure balanced deliberations and decision making. Providing for varied and balanced representation of a plan's governing board helps ensure decisions are unbiased and the interests of all parties are considered.

**Recommendation**

The Board of Trustees work with the Conservation Commission to ensure the Board consists of a varied and balanced representation of key stakeholders.

**Auditee's Response**

*The CEBP Board of Trustees' written response is included at Appendix A.*

**Auditor's Comment**

The CEBP Board of Trustees' response states the Board believes its member composition is varied and balanced. However, as stated in the finding, representation from various key stakeholder groups, including retirees, would help ensure the Board is balanced in its deliberations and decision making, and is considered a best practice by the GFOA.

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**5. Conflict of Interest  
Policy**

The Board of Trustees does not have a conflict of interest policy.

While the MDC has policies requiring employees, including CEBP Board members, to disclose outside employment, the MDC policy does not require disclosure of other financial interests such as stock ownership, gifts, and paid travel expenses. In addition, without a conflict of interest policy, the Board does not have policies for how to handle actual conflicts of interest or the appearance of conflicts of interest, or to require board members to recuse themselves from decision-making actions relevant to their personal financial interests.

The GFOA<sup>6</sup> recommends the governing board of benefit plans adopt policies to discourage board members from voting on matters that advance their personal financial interests. To help ensure board decisions are made in an objective and unbiased manner, the CEBP should develop a conflict of interest policy requiring board members disclose financial interests, outlining procedures for handling actual or the appearance of conflicts of interest, and requiring board members to recuse themselves from decision-making actions involving personal financial interests.

**Recommendation**

The Board of Trustees develop a conflict of interest policy.

**Auditee's Response**

*The CEBP Board of Trustees' written response is included at Appendix A.*

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<sup>6</sup> "Governance of Public Employee Postretirement Benefits Systems," Government Finance Officers Association, March 2010, <<https://www.gfoa.org/materials/governance-of-public-employee-postretirement-benefits>>, accessed on September 23, 2020.



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## 6. Electronic Communication Policy

The MDC's records management and retention policy, followed by the CEBP, does not comply with the Missouri Secretary of State Records Services Division guidance,<sup>7</sup> as approved by the Missouri State Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

The CEBP does not have a records management and retention policy, but follows MDC policy. While the MDC's Communication Systems policy addresses the retention of emails initiated from MDC communication systems, the policy does not address all of the issues set forth in the guidance, including the retention of messages sent from text messages and other third party platforms, such as personal email accounts and personal devices, when they represent official business of the state.

Proper retention of electronic communications is necessary to ensure all documentation of official business of the state is retained.

### Recommendation

The Board of Trustees work with the MDC to update the records management and retention policy to comply with the Missouri Secretary of State Records Services Division electronic communications guidelines.

### Auditee's Response

*The CEBP Board of Trustees' written response is included at Appendix A.*

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<sup>7</sup> Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/RecordsManagement/CommunicationsGuidelines.pdf>>, accessed September 23, 2020.

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# Department of Conservation Employees' Benefit Plan

## Organization and Statistical Information

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The Missouri Department of Conservation (MDC) is constitutionally created pursuant to Article IV, Section 40(a). The general functions of the MDC are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. The MDC is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. The Conservation Commissioners serve without compensation for staggered 6-year terms.

Effective January 1, 2000, the Conservation Commission established the Department of Conservation Employees' Benefit Plan (CEBP). The CEBP provides medical, life, and accidental death and dismemberment insurance to salaried employees and retirees of the MDC, and a limited high deductible medical plan to eligible hourly employees. Medical benefits are self-insured by the CEBP, while life and accidental death and dismemberment (AD&D) insurance are covered by commercial insurance. Dental and vision benefits are available to MDC employees through the Missouri Consolidated Health Care Plan. The MDC employees and retirees can also enroll spouses and dependents as members in the CEBP. As of December 31, 2019, there were 2,996 active members, 1,144 retired members, 38 hourly members, and 13 Consolidated Omnibus Budget Reconciliation Act (COBRA) members enrolled in the CEBP.

Contributions to the CEBP are from premiums paid by the MDC and participating employees and retirees. The CEBP sets medical premiums annually based on recent trends in actual claims experience, administrative costs, and other cost factors. During the year ended December 31, 2019, the MDC, as employer, subsidized medical plan premiums for active salaried and hourly employees at 68 percent of total premiums and for retirees at up to 35 percent of total premiums depending upon the retiree's years of service. The MDC also subsidized 100 percent of the basic life and AD&D premiums for active salaried employees.

### Board of Trustees and Key Personnel

The responsibility for the operation and administration of the CEBP is vested in a 5-member Board of Trustees. The Board consists of the MDC Administrative Services Division Chief; the MDC Human Resources Division Chief; one MDC Division Chief appointed by the Conservation Commission to serve a 5-year term; and two members of the CEBP appointed by the Conservation Commission to serve a 3-year term.



Department of Conservation Employees' Benefit Plan  
Organization and Statistical Information

The members of the Board of Trustees as of December 31, 2019, were:

Name and Title	Membership	Term Expires
Brad Farwell, Board Chair	Appointed Member	December 31, 2020
Jacob Careaga, Board Vice Chair	Appointed Division Chief	August 1, 2023
Cynthia Voss	Administrative Services Division Chief	(1)
Thomas Neubauer	Human Resources Division Chief	(1)
Matthew Markley (2)	Appointed Member	December 31, 2019

(1) The member is appointed based on his/her role at the MDC and the term does not expire.

(2) Robyn Parker was appointed as of January 1, 2020, to replace Matthew Markley.

In addition to serving as board members, the MDC Administrative Services Division Chief and the MDC Human Resources Division Chief perform other part-time administrative duties for the CEBP. Also, as of December 31, 2019, seven other MDC employees performed part-time administrative duties for the CEBP (five MDC Human Resources Division employees and two MDC Financial Services Division employees).

## Consultants

The CEBP contracts with HealthSCOPE Benefits, Inc. for third party administrator services; Anthem Blue Cross and Blue Shield for network provider services; Express Scripts, Inc. for pharmacy benefit management services; Willis Towers Watson US LLC for consulting services; The Central Trust Bank for investment management services; Milliman, Inc. for actuarial services; Evers & Company, CPA's, LLC, for auditing services; Gerber Life Insurance Company for stop loss insurance services; and The Hartford for life and AD&D insurance services.

Additional information regarding the CEBP's provisions and benefits, assets, investments, financial activities, consultants, and actuarial valuations can be obtained by contacting the CEBP Benefits Staff directly at (573) 522-4115, extension 3225, or by emailing HRBenefits@mdc.mo.gov.



Appendix A  
 Department of Conservation Employees' Benefit Plan  
 Auditee Responses - Board of Trustees



CONSERVATION EMPLOYEES  
 BENEFITS PLAN P.O. BOX 507, JEFFERSON CITY, MO 65102-0507

December 1, 2020

The Honorable Nicole R. Galloway, CPA  
 Missouri State Auditor  
 PO Box 869  
 Jefferson City, MO 65102

Dear Auditor Galloway,

The Board of Trustees of the Conservation Employees' Benefits Plan (CEBP) is providing this letter in response to the recommendations of the audit of certain operations of the Department of Conservation Employees' Benefit Plan.

1. **Personnel Costs** – The Board of Trustees work with the MDC to pay from the CEBP Trust Fund the proportionate share of personnel costs of MDC employees performing administrative services for the CEBP.

*The Board of Trustees understands the importance of ensuring all costs to the plan are covered by premiums. However, for the five MDC employees that serve as board members, the Trust Agreement establishing the CEBP indicates in Article V, Section 6 "Expenses. The Board shall serve without compensation for their services as such, but shall be paid for any necessary expenses incurred in attending meetings of the Board or in the performance of other duties by the Board. Duties performed for the Plan by any member of the Board shall be considered duties in connection with the regular employment of the individual, and he shall suffer no loss in regular compensation by reason of the performance of such duties."*

*The Board of Trustees believes the administrative burden of tracking specific time related to insurance administration vs. overall MDC benefits for Compensation and Benefits personnel is unnecessary to ensure all costs of the plan are covered by premiums. The estimated proportionate share of \$159,000 for administrative services provided to the CEBP during the year ended December 31, 2019 is immaterial to the Plan's assets and the overall premium contributions in 2019. Therefore, the Board respectfully declines to track personnel costs to reimburse MDC for employees performing administrative services for CEBP and will continue to consider these expenditures part of MDC's contribution.*

		TRUSTEES		
BRYAN PARKER	CYNTHIA OWEN	TOM NEUBAUER	JACOB CAREAGA	BRADY FARWELL
EDUCATION	CONSERVATION BUSINESS SERVICES	HUMAN RESOURCES	INFRASTRUCTURE MANAGEMENT	STATEWIDE RESOURCE MANAGEMENT



Appendix A  
Department of Conservation Employees' Benefit Plan  
Auditee Responses - Board of Trustees

2. **Other Postemployment Benefits Liability** - The Board of Trustees work with the Conservation Commission to evaluate the OBEP liability and consider establishing policies and procedures to prefund the OPEB liability. Additionally, the Board should periodically obtain experience studies and audits of actuarial valuations of the OPEB liability and make changes to the actuarial assumptions if necessary.

*The Board of Trustees will communicate the prefunding recommendation to the Conservation Commission since the prefunding of the OPEB liability is the responsibility of the employer and not the OPEB plan itself. However, while we recognize that it is a recommended "best practice" to set aside assets to fund this liability, there is no accounting standard that requires this.*

*The Board understands the "best practice" recommendation of experience studies and audits of actuarial valuations; however, there is no requirement to do so. We may consider this after researching the cost/benefit of such an expenditure.*

3. **Contractor Performance Guarantees** - The Board of Trustees timely obtain and review annual reports and audits of TPA compliance with performance guarantees.

*The Board of Trustees concurs with the recommendation and has built into the Insurance Board calendar specific target dates to ensure the Board obtains and reviews annual reports and audits of Third Party Administrator (TPA) compliance with performance guarantees. This review has historically been completed by the Board, but was overlooked in 2020. As the State Auditor noted, the report indicated the TPA did meet each of the performance guarantees.*

4. **Board Composition** - The Board of Trustees work with the Conservation Commission to ensure the Board consists of a varied and balanced representation of key stakeholders.

*The Board of Trustees understands the importance of ensuring the Board consists of a varied and balanced representation of key stakeholders. We believe the Board composition is varied and balanced. Two board positions serving a 3-year term are selected from the medical insurance membership. All Plan Members, both retired and active, are invited to submit their name for consideration for the Board of Trustees. Careful consideration is given to all applicants to ensure adequate representation for our plan members as these positions serve as member advocates. Therefore, the Board of Trustees will continue to consider all applicants, including retirees, but do not feel the requirement to include a retiree is appropriate as this is a voluntary, uncompensated position.*

5. **Conflict of Interest Policy** - The Board of Trustees develop a conflict of interest policy.

*The Board of Trustees concurs with the recommendation to develop a conflict of interest policy specifically for the CEBP Board of Trustees and will require each Board Member to*



Appendix A  
Department of Conservation Employees' Benefit Plan  
Auditee Responses - Board of Trustees

*sign an acknowledgement of such policy to ensure Board members understand the policy and will recuse themselves from decision making actions relevant to their personal financial interests. However, the policy will not require formal disclosure of personal financial interests.*

6. **Electronic Communication Policy** - The Board of Trustees work with the MDC to update the records management and retention policy to comply with the Missouri Secretary of State Records Services Division electronic communications guidelines.

*The Board of Trustees concurs with the recommendation. MDC is in the process of amending its Cell Phone Policy regarding retention of electronic communications (text messages) to be more closely aligned with the recommendations set forth by the Secretary of State. Further, the Board will adopt MDC's records management and retention policy for the CEBP.*

Sincerely,

A handwritten signature in cursive script that reads "Brad Farwell".

Brad Farwell  
Chairman



Appendix B

Department of Conservation Employees' Benefit Plan  
Comparative Statement of Income and Expenses

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Income</b>					
Employer contributions	\$ 10,088,388	10,104,260	10,472,755	11,129,020	11,318,782
Active employee contributions	4,588,870	4,510,222	4,578,740	4,630,931	4,606,557
Retired employee contributions	3,825,436	3,964,338	3,489,988	3,112,254	3,004,553
Refunds	1,965,557	2,128,458	1,813,718	1,629,243	1,543,494
Reinsurance reimbursement	1,036,797	885,954	229,981	0	285,939
Investment earnings	278,947	203,901	140,813	111,295	139,804
Other	55,615	83,947	114,736	145,772	185,207
<b>Total Income</b>	<b>21,839,610</b>	<b>21,881,080</b>	<b>20,840,731</b>	<b>20,758,515</b>	<b>21,084,336</b>
<b>Expenses</b>					
Medical claims	11,953,156	9,519,315	12,803,086	12,134,584	11,417,442
Prescription claims	6,530,911	5,719,842	5,874,319	5,535,205	4,943,024
Fees	1,362,756	1,386,405	1,085,031	902,518	956,255
Life insurance	1,188,855	1,097,170	869,731	849,291	846,054
Reinsurance	898,103	784,062	849,307	783,720	1,054,242
Health savings accounts	305,450	301,450	274,750	181,925	389,400
Other	42,876	32,218	30,171	27,016	32,796
<b>Total Expenses</b>	<b>22,282,107</b>	<b>18,840,462</b>	<b>21,786,395</b>	<b>20,414,259</b>	<b>19,639,213</b>
<b>Income over (under) Expenses</b>	<b>\$ (442,497)</b>	<b>3,040,618</b>	<b>(945,664)</b>	<b>344,256</b>	<b>1,445,123</b>

Source: CEBP Profit and Loss Statements