

REPORT FROM THE SUPERINTENDENT

Office of Superintendent of Schools
Board of Education Meeting of June 14, 2012

SUBJECT: BOARD MONITORING SYSTEM – DISTRICT GOAL 4: INCREASE MANAGEMENT EFFICIENCY AND EFFECTIVENESS – BENEFITS MANAGEMENT OVERSIGHT REPORT

At the February 11, 2010 meeting, the Board of Education implemented a revised Board Monitoring System in order to efficiently maintain and measure achievement of Houston Independent School District (HISD) goals and adherence to its core values. The monitoring system was designed to give district administrators clear direction on how to meet the board's expectations in these crucial areas.

Board Policy AE(LOCAL) states “[T]he administration shall report to the Board on each goal and core value using the specific method and timing set out below . . .”

In reference to the district’s **Goal 4: Increase Management Effectiveness and Efficiency**, the first attached report provides information regarding the objective stating that **Programs and Services Will Be Evaluated for Effectiveness**. The policy states that “[T]he District shall have a decentralized organizational structure that will promote autonomy and innovation in schools. With a Districtwide commitment to performance over compliance and a shared accountability system in place, the District shall employ best practices of administrative principles to make optimal use of District resources and taxpayer dollars.”

This report provides the information requested for the 2011–2012 fiscal year.



Board Monitoring System: Goal 4

EXECUTIVE SUMMARY

BOARD MONITORING REPORT – BENEFITS SUMMARY

Purpose

The Houston Independent School District (HISD) exists to strengthen the social and economic foundation of Houston by assuring its youth the highest-quality elementary and secondary education available anywhere. In fulfilling this goal, HISD's Board of Education has designed a program to systematically monitor the district's goals and core values. The Board Monitoring System will report on each goal and core value on a routine basis. The goal currently under review is **District Goal 4: Increase Management Efficiency and Effectiveness**. What follows is the summary and results of the review of the HISD Information Benefits department.

Benefits Department Mission and Goals

The Benefits Department is responsible for administration and support of the district's benefit programs, workers' compensation, retirement services, and drug-free workplace program in an efficient and effective manner. Most functions of the Benefits Department are funded through either the Health Insurance Fund or the Workers' Compensation Fund. Additional functions remaining within Benefits are the management of unemployment compensation claims, employee support services, and general administration services for the department. Benefits supports the district's goals as follows:

Goal 1. Increase Student Achievement

- a. Employee Attendance – provide support benefits designed to improve attendance of teacher and support staff

Goal 2. Improve Human Capital

- a. Staff Quality – Retain a high quality workforce and attract top talent by providing a positive work climate and ongoing support and training
- b. Benefit Programs – Provide benefit programs to meet needs of employees by providing a wide array of medical and voluntary benefit programs
- c. Wellness Initiatives – Develop and manage a number of employee wellness initiatives and healthy lifestyle campaigns

Goal 3. Provide a Safe Environment

- a. Employee Safety – Provide Risk Management and other departments data on employee accident trends for analysis and focus to improve employee safety

Goal 4. Increase Management Effectiveness and Efficiency:

- a. Benefit Programs – Regularly market and evaluate benefit programs to provide innovative and cost-effective solutions to provide quality and efficient care for employees and covered dependents
- b. Provide business and education supporting solutions

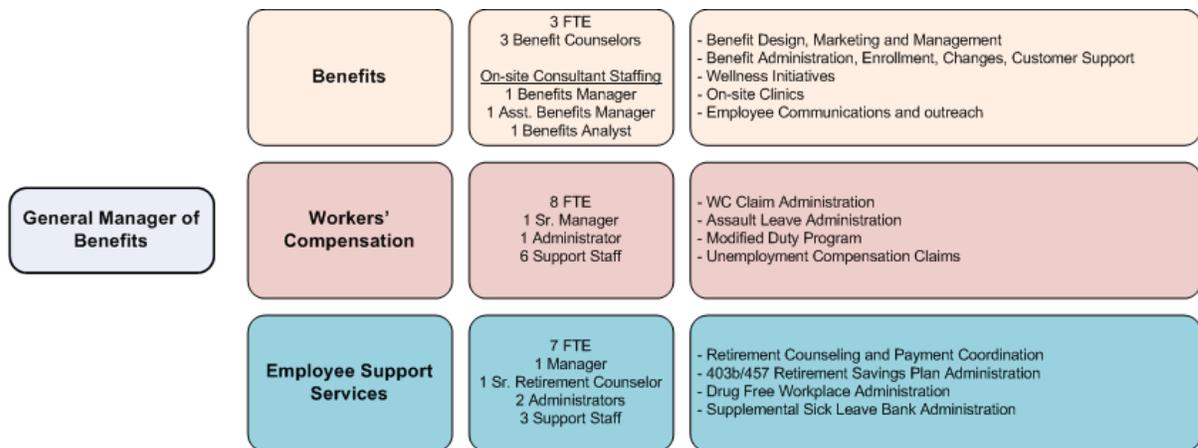
Goal 5. Improve Public Support and Confidence in Schools:

- a. Transparency/Accountability – Provide easily accessible and accurate information about the extent to which actual performance compares to targeted performance
- b. Accountability – Provide rigorous employee drug testing program that meets or exceeds federal guidelines in accordance with board policies and administrative guidelines

Goal 6. Create a Positive District Culture:

- a. Health and wellness - Support employee health and well-being with benefits and wellness programs
- b. Claim support - Assist employees injured on-the-job with claim support and modified duty programs
- c. Create customer-centric culture by providing the highest level of service to our internal and external customers.

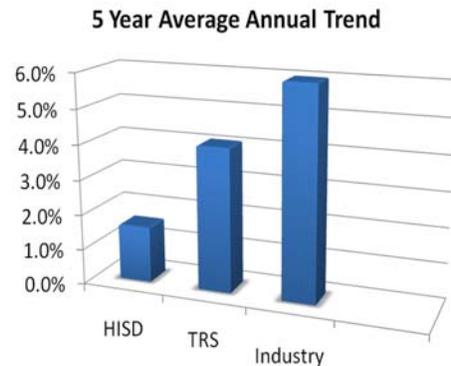
Organizational Chart



Medical Plan – Design and Performance

Houston ISD has five medical plans with the medical benefits administered by Aetna and pharmacy benefits managed by Caremark. In 2011, the district made significant changes to the benefits program. New medical plans through Aetna were introduced, including a tiered hospital program where employees can use any hospital currently in the Aetna network, but have higher out of pocket costs if choosing a hospital system that is considered a higher cost hospital provider (tier II). Specialist providers are similarly tiered into higher and lower cost providers with similar

higher costs for participants to use tier II specialists. The hospital and specialist tiers are designed to encourage participants to use more efficient providers, saving both the members and the plan significant amounts for these high cost services. Houston ISD also has implemented a fully customized Memorial Hermann only network through Aetna with nearly 40 percent of employees selecting this custom network. Nearly all employees have now elected one of the four consumer options.



The initial performance of the new tiered program is significant. For the 2011–2012 fiscal year, the Health Insurance Fund is expected to realize a fund increase of \$17 million instead of a fund loss of \$1.6 million. While the projected enrollment has declined 4.4 percent from 16,701 to 15,975 and total revenues are expected to decline from \$121.5 million to \$107.3 million, medical claims are expected to decrease 25 percent to \$66.5 million and pharmacy claims are expected to decline 19 percent to \$14.2 million. In reviewing 2011 plan year data, the district's medical program saw significant improvements in many of Aetna's benchmark measures including such measures as a 13.5 percent decrease in emergency room admissions and a 20.9 percent decrease in total medical cost per member per month.

The district's pharmacy program also saw significant improvements in many of Caremark's benchmark measures including a 17.1 percent decrease in the total gross cost and a 4.7 percent decrease in the total net cost of specialty drugs.

Additionally, HISD has recently issued a Request for Proposal for administration of its medical and pharmacy programs. The proposals have been received and are currently being reviewed as the district continues to look for opportunities to improve quality and efficiency in the medical program.

Benefits Administration

The district has utilized a fully outsourced solution for benefits consulting and administration since 2000. The benefits administration and consulting service agreement with Mercer is a broad service agreement providing a wide range of services for Houston Independent School District, including benefits administration, benefits communication, on-site administration support, and various consulting related services.

Benefits Outlook Call Center

The Benefits Outlook Call Center operates from 7AM to 7PM Monday through Friday with a state-of-art call tracking and case management system including the ability to record and replay all inbound and outbound calls from the call center. The call center representatives are supported with a defined knowledge base system that allows the representatives to have detailed facts about HISD benefit programs, costs, vendor information and much more. In addition to managing and staffing for increased calls during open enrollment each fall, the call center handles ongoing calls for new hire enrollments, COBRA benefit continuation, life status changes and general benefit questions.

Benefits Administration – 2010 and 2011 Calendar Year		
	<u>2010 YTD</u>	<u>2011 YTD</u>
Enrollments		
Call Center Enrollments	6,106	3,286
Web Enrollments	19,305	10,613
Call Center		
Total Calls Received	31,051	23,698
Average wait time	2:16	0:22
Data Handling		
Carrier files sent	884	772
Total records sent	59,812,172	42,968,075

Data Management

Another part of the benefits administration service is the data and Web system managing all of the district's 22,600 benefits-eligible employees across the 22 vendor providers supporting various medical, pharmacy, wellness, voluntary benefits and other support services. The administration system receives a weekly data upload from HISD Peoplesoft to identify a wide variety of actions, such as newly benefits eligible employees and individuals no longer eligible for benefits. Newly benefit eligible employees receive emails to enroll for benefits and a customized benefit election system based on the benefits that are available to that employee (some benefits, such as the flexible spending account (FSA) + Discount Benefits plans are only available to employees with lower annual incomes. Benefits has a

Web enrollment system to handle new hire elections and open enrollment changes, which is linked to a single sign-in portal powered by WebMD from the HISD employee portal. Individuals no longer eligible for benefits are also identified and sent HIPAA certificates of prior medical coverage (if elected) and sent communications on medical plan benefits available through COBRA. After Mercer has applied all of the changes during a payroll cycle, a data file with the benefit deductions and amounts is sent to the Payroll Department for uploading into Peoplesoft.

Benefits Department

The Benefits department on-site staff manages the data feeds between Mercer and Peoplesoft to ensure data accuracy. They handle court ordered benefit requirement issues, Medicare secondary payer data calls and claim payment issues, appeal review management, billing verification, vendor management, employee customer service issues, and problem resolution and other issues.

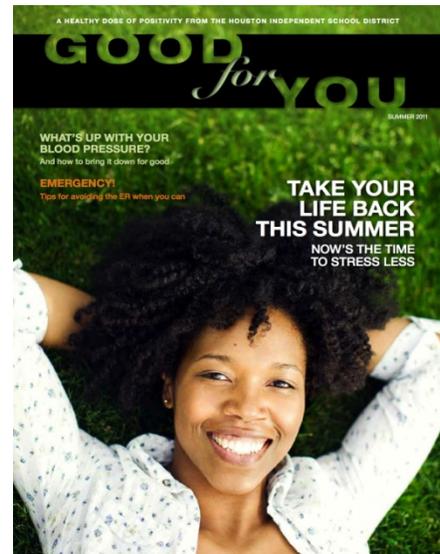
The administration of the discount benefits plan + FSA, which is available to the 6,094 benefits-eligible employees who earn less than \$25,000, is also handled by the Benefits department on-site staff members. This is not insurance, but for the eligible employees who are not enrolled in a district medical plan, an FSA does provide a \$500 district-funded flexible spending account (FSA) at little or no cost to the employee. A campaign is completed each Open Enrollment period to ensure that employees understand their benefit options.

Houston Healthiest Employer

In recognition of Houston ISD's many programs to improve employee health and wellness, The Houston Business Journal recently recognized Houston ISD as one of the 25 Houston's Healthiest Employers.

Voluntary Benefits

Houston ISD also offers a wide range of voluntary benefits, including three dental options through two vendors, two vision options, term life insurance, disability benefits, cancer care plan, critical illness plan, accident plan, hospital indemnity plan, and personal legal plan. The district also has a general medical flexible spending account, a dental and vision only flexible spending account, and a dependent care flexible spending account. Houston ISD also offers to lower-paid employees a \$500 flexible spending account program with discount and other medical support services at either no cost or \$5 per month



to participate if they did not elect one of the five medical plans offered by Houston ISD. Several benefit options have some very complex rules to properly manage the benefits, such as the life insurance plans which have an evidence of insurability requirement. During open enrollment, the benefits administration system must track and manage dual elections for employees newly eligible for benefits in November and December to elect benefits for the current year, and make open enrollment elections for the next calendar year, with unique rules and benefits applying to each election year.

In 2011, the dental, vision, life insurance, and disability insurance programs were marketed under a combined request for proposal. As a result of the proposal, new life insurance and disability carriers were selected with an overall rate reduction for employees between 19 percent and 27 percent. The marketing effort through W. J. Alexander and Associates (WJA) has been very beneficial and a huge success for the district over the years. In comparing the rates paid prior to Mercer's and WJA's assistance to the rates currently in effect, employees will have saved nearly \$42 million from 2001 through 2012. In 2012 alone, employees are expected to save nearly \$2 million in voluntary benefit costs compared with costs in 2011. These numbers are based on January 2011 current enrollment.

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HISD Employee HEALTH & WELLNESS CENTER
by Concentra

FROM RASHES TO GASHES, WE MAKE IT ALL BETTER.
(FOR A WHOLE LOT LESS)
\$35 OFFICE VISIT, FREE ANNUAL EXAM.
NEW ADDITIONAL LOCATIONS OPEN

APPROFFABLE MEDICAL CARE JUST FOR YOU AND YOUR COVERED DEPENDENTS.
Now it's easy to get the personal, high-quality medical attention you need, without spending an arm and a leg. The new HISD Employee Health & Wellness Centers, run by Concentra, are here for all your affordable health care and great care. And employees who are eligible for benefits can use the new centers. So because you're enrolled in the HISD medical plan, you're eligible for special rates that save you even more. Starting May 23, so are your covered dependents age 18 and over!

CONCENTRA PROVIDES YOUR MEDICAL BENEFITS.
The services you receive at the Health & Wellness Centers are provided by Concentra, a highly regarded health care company focused on improving America's health care system. Although the Health & Wellness Centers are not associated with HISD, the Concentra physicians and staff extend the HISD medical plan and can help you make the most of your plan. Also, please rest assured, your health information is not shared with the District. It remains completely confidential as required by law.

LOCATIONS

HEALTH NEWS ROOM
Educational Support Center
in the former Bellwood Center
4432 Dowling Street
Houston, Texas 77052
(713) 957-3908

STOP IN CALL OR SCHEDULE AN APPOINTMENT ONLINE.

HISD Employee HEALTH & WELLNESS CENTER
by Concentra

HOW TO OPEN
Medical Support Center
4301 Redford Street
Downtown Houston, Texas
500' east of the campus
Houston, Texas 77051
(713) 732-3532

CLINIC HOURS
Monday and Friday 7AM – 4PM
Tuesday thru Thursday 8AM – 5PM
Closed daily from 11 – 2PM

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Benefit Communications

In addition to benefits administration, a full range of benefits communication programs is managed by Mercer, through Langrand and Company. After the benefit programs are approved annually in August by the Board of Education, the communications staff members update all of the open enrollment materials by mid-October, including a benefits highlights piece that is printed and mailed to all benefit eligible employee's home with summary information on major changes to the next year's benefit program. Additionally, a detailed benefit guide is produced, printed in limited quantities for new hires and presentation distribution, and posted on the Benefits Website. A special package is also prepared for Benefit coordinators to help with open enrollment presentations, including a short benefits video highlighting the major changes in the next year's benefit program. The Benefits Website has a major update each year moving the major annual benefit changes to the appropriate locations as

well as archiving older benefit information/materials. Communications also provide ongoing support in promoting a wide range of wellness programs and materials such as monthly health and benefit e-news materials emailed to benefit eligible employees, HISD on-site flu

vaccination programs, mobile mammography program, summer employee assistance sessions, HISD health and wellness clinic promotion, and special issue communication needs. Communications is a key part of the effective program to make material interesting and informative so that participants can understand important elements of their benefit program. It also requires extensive effort to manage and update all of the various materials posted on the Benefits Website so that the information contains current program details. This year, Langrand and Company received two Addy Awards from the Houston Advertising Federation for the 2012 benefits campaign as a whole (silver award) and the 2012 benefits video (silver award).

Employee Wellness Programs

Employee Health & Wellness Centers

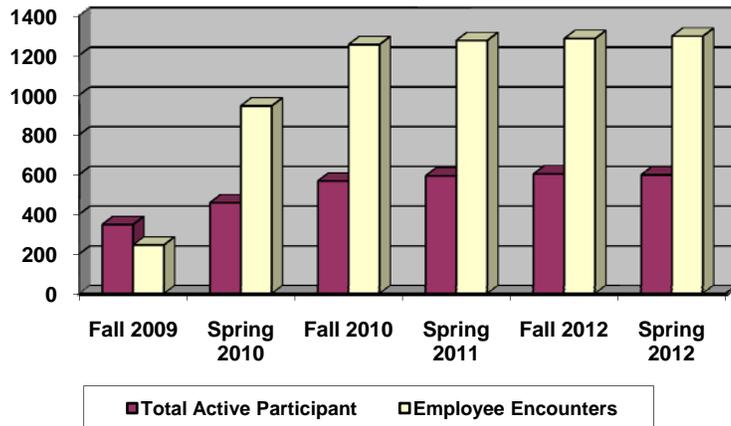
In October 2010, the district opened its first on-site health and wellness clinic at the Hattie Mae White Educational Support Center, with another at Attucks Middle School that opened in April 2011. Since opening the clinics, the service was expanded in May 2011 to include covered dependents over the age of five and eliminating the clinic \$35 copayment in November 2011. Through April 2012, the clinics have had 6,472 office visits and annual physicals. The Hattie Mae White clinic also recently began operations for a half-day on Saturday.



Kennedy Benefits Group

The Kennedy Benefits Group provides a wellness program to the HISD transportation employees. The program is designed to allow participants to maximize the benefits and programs already in place, leverage underutilized benefits and implement cutting-edge worksite level programs that serve to identify, engage, and motivate high-risk employees to choose a healthier lifestyle that embraces fitness and nutrition.

Worksite programs include an African dance and aerobic fitness, water aerobics, line dancing, workplace workout, and two walking programs, Mission Possible and Walk Across Texas. Health screenings, CPR and First Aid classes were also conducted. Initially, the program experienced steady growth for 18 months, and now has leveled off with approximately 40 percent of employees participating to some extent each month.



Employee Flu Vaccinations

Flu shots were made available to all HISD employees during the fall of 2011. Texas Vaccine Institute, a sub-contractor for Aetna and the provider for the 2011–2012 flu inoculations, began HISD flu shots in August and concluded the end of October. Over 8,500 employees obtained flu shots.



COMING SOON

2011 FLU VACCINATIONS FOR HISD EMPLOYEES

Free flu vaccinations will be scheduled during the months of September and October at all HISD locations. The schedule will be posted on the HISD portal by September 9, 2011 and will be updated weekly. Texas Vaccine Institute will be providing the flu vaccinations for HISD employees only (HISD badge number required).

No sign-up is necessary. Employees may get their vaccination at their workplace or any other HISD location listed on the schedule. The vaccine for 2011 will contain both the seasonal and the H1N1 antibodies in the same vaccine.



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With our mobile mammography program, you can get your mammogram in the comfort of your home. We'll bring the mammography unit to you, so you don't have to travel to a mammography center.

For more information, call 1-800-4-A-ROSE or visit our website at www.rose4breast.org.

The Rose Mammography Screenings

The Benefits Department hosted the Rose (a nonprofit organization) to provide mobile mammography screenings to HISD employees. The screenings were conducted at the Hattie Mae White Administration Building, Central Motor Pool and Food Service. Per the National Cancer Institute, several large studies conducted around the world show that breast cancer screening with mammograms reduces the number of deaths from breast cancer for women ages 40 to 69, especially for those over age 50. The Rose accepts all HISD medical insurance plans and if uninsured, women may qualify for a free mammography. The Rose also offers a reduced rate cash price and payment plans.

EAP Brown Bag Workshops

In partnership with the Employee Assistance Program (ValueOptions), the Benefits Department is presenting 45 brown bag workshops during the 2011-2012 year at the Hattie Mae White Educational Support Center and other locations in HISD.

These workshops are being offered to employees and provide information, strategies and resources for resolving concerns related to emotional health, personal development, and workplace issues. Subject matter experts developed the course materials and training is delivered by experienced facilitators. Topics include healthy eating, managing health behavior change, financial fitness, effective communication in the workplace, stress management and healthy well-being, and managing multiple priorities at work. All district employees are welcome and employees are encouraged to sign up via e-Train.

Free EAP Brown Bag Workshop for HISD employees
Email: employeeassistance@hisd.net

BENEFITS OUTLOOK
Health. Wellness. Life.

THE EMPLOYEE ASSISTANCE PROGRAM IS HERE FOR YOU.

Join us for our Brown Bag Lunch Workshops offering real help for issues that affect your emotional, personal and professional well-being. Bring your lunch and discover expert tips, tools and resources that might just change your life.

HATTIE MAE WHITE
Educational Support Center
Place: 1:00 pm

This series is brought to you by the Benefits Office in partnership with Value Options, providers of the HISD Employee Assistance Program. There's no charge for these workshops, and attendance is voluntary. However, space is limited, so we encourage you register through e-TRAIN.

For more information about the Employee Assistance Program, visit Benefits.Outlook.com, powered by WOOD.

For Brown Bag Workshop information, contact the Benefits Department at 713-554-6455.

Workshop Topics

EAP Program Introduction
June 27
Find out what EAP services are available

Financial Fitness
June 21
Learn how to plan and budget!

Effective Communication in the Workplace
July 3
Learn to recognize the factors that interfere with communication

Stress Management and Healthy Well-Being
July 22
Discover the impact of negative stress, and ways to cope

Estate Planning, Wills and Trusts
August 2
Find out why planning is important, resources available, how it works

About the Employee Assistance Program
The EAP is a free and confidential resource that helps you resolve personal problems before they affect your health, relationships or job performance. The program is available to all employees, dependents, family members and members of your household whether or not you participate in a medical plan.

To sign up to receive news from HISD via e-mail, visit www.hisdatrad.org/subscribe. This e-mail, including any attached files, may contain confidential privileged information meant for the sole use of the intended recipient. Any review, use, distribution, or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive information for the intended recipient), please contact the sender by reply e-mail and delete all copies.

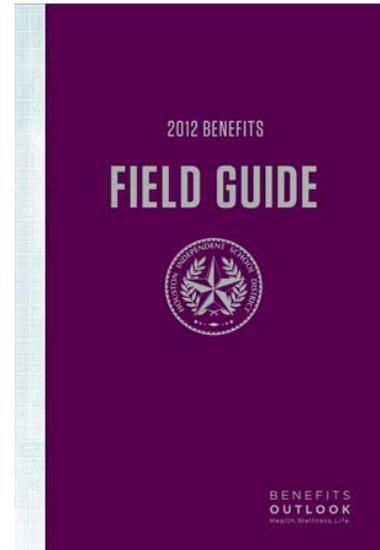
Open Enrollment Communication

Each fall the Benefits Department conducts open enrollment for all HISD benefit eligible employees. In order to keep employees well informed about the upcoming changes in the district's benefits, and to ensure employees have the support they need to select the plans that are right for them, an integrated communication campaign is developed and implemented. The following details the 2011 open enrollment campaign:

- 2012 benefit message—e-mail message sent to all employees outlining benefit changes at a high level: August 19
- Leadership Brief—print piece sent to all district leaders outlining new initiatives for 2012; introduces open enrollment messaging to leaders to cascade to employees: week of September 26
- Pre-enrollment newsletter—print piece targeting all employees outlining changes for 2012 at a high level; provides context for decision-making and begins to introduce the tools available to help employees make the best decisions during Open Enrollment: week of October 3
- HISD TV—interviews on relevant benefit topics and Open Enrollment video: October through end of Open Enrollment
- Open enrollment (OE) video—shown at employee meetings and also available online; offers highlights of what's new for 2012 and tips to make the most of your

health: mid-October for train-the-trainer sessions and November for employee meetings

- Benefits Toolkit—print piece produced in English and Spanish; accompanies OE video to supplement content: mid-October
- Benefits Highlights—print piece mailed to the home of all benefits-eligible employees; outlines changes for 2012 at a high level, provides details about all medical plan and network options as well as high-level information about each voluntary option and health and wellness programs: mailed October 12–14
- Benefits Field Guide
- Discount Benefit Plan + FSA Campaign
- Interactive Benefits Guide
- Benefit Counselors—conduct train-the-trainer sessions
- Posters for open enrollment meetings
- Wallet cards
- Enrollment confirmation emails
- Post-enrollment e-newsletter



Benefit Counselors

Benefit counselors attended and/or participated in school staff member meetings to update and inform employees on the HISD benefit programs and resources such as the on-site Health and Wellness Centers, training workshops offered through the Employee Assistance Program (EAP), flu vaccinations, mammography screenings, and Benefits Outlook Website. The counselors also participated in the training for the campus benefit coordinator training sessions which are held before the start of open enrollment and participate in the enrollment sessions and labs during open enrollment.

Open Enrollment Elections and Calls Received

During open enrollment a total of 13,700 elections were made by employees via the call center and Web enrollment. A total of 4,871 calls were received by employees with an average answering speed of 59 seconds.

EMPLOYEE SUPPORT SERVICES

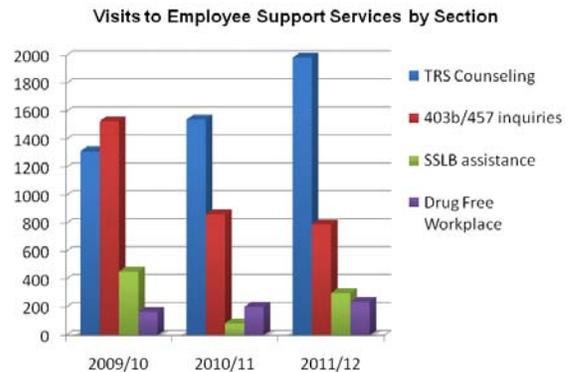
Employee Support Services - Overview

Employee Support Services (ESS) is a department created to provide Texas' Teacher Retirement System (TRS) and voluntary tax-sheltered savings plan benefit information and services to employees using a direct-contact customer service model. This communication occurs through one-on-one and telephone counseling, via appointments and walk-ins. Using this communication method allows better understanding of TRS retirement procedures and 403(b) and 457 retirement plan transactions; two areas that directly affect employees' financial well being. Employees get first-hand knowledge from employee experts who are dedicated to combating the misinformation that typically abounds about these financial benefits.

The chart below represents overall visits to the retirement storefront for fiscal years 2009, 2010, and 2011.

Some of the areas administered by Employee Support Services include:

- Retirement Counseling
- Supplemental Sick Leave Bank (SSLB)
- Drug-free workplace program
- 403b and 457 retirement savings plans



All of the programs administered by the department are tied together by a central goal of providing exceptional service to the district's employees by being fully accessible and clearly explaining available benefit options. This goal helps to ensure that employees can focus on the overall strategic direction of the district.

Retirement Counseling

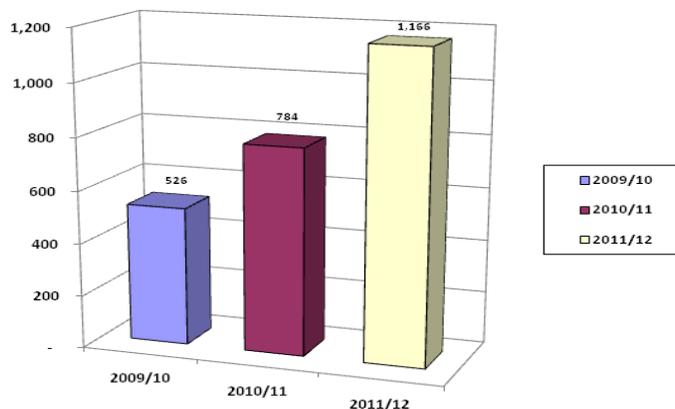
The process of retirement from TRS, after many years of dedicated employment to the district, is potentially a very stressful event if an employee does not have the proper understanding of the paperwork and options that are available. The decisions that are made at the time of retirement are non-reversible and will affect the rest of the employee's life. The handbook, supplied by TRS, is a 72 page document on everything from the DROP program to the TRS health care benefits. More specific information about TRS health care benefits can be found in another handbook published by TRS. In most cases, it is a daunting

task for employees to read and understand these publications without questions and corresponding answers and because TRS is based in Austin it places added stress on employees to travel there for answers. For instance, the decisions that must be made or considered at the time of retirement include the following:

Selecting joint and survivor payout	Members can select from 5 different benefit options. This decision is irreversible.
Partial lump sum options	Some members can choose to receive 12, 24, or 36 months of their benefit payments up front.
Purchasing of service credits	Withdrawn service and other types of service can be bought in order to enhance retirement benefits.
Life after retirement	Many potential employees have the misconception that they can return to work, after retirement, without limitations.

The chart below represents retirements that are processed through the retirement storefront. It does not represent the entire number of counseling sessions as many employees make appointments with counselors to simply review their options as they near retirement; but they are not quite ready.

Retirement Counseling Sessions per Fiscal Year



TRS reports that there were 10,088 face-to-face meetings with members from across the state of Texas in TRS offices during their fiscal year which ended on August 31, 2011. The HISD Retirement Storefront had face-to-face meetings with 3,081 members, during that same time period; nearly a third of the total number of statewide members seen by 28 TRS benefit counselors.

As of August 31, 2011, TRS reports that there were 1,516,366 active members (not yet receiving benefits) in TRS. Nearly 3 percent of those members are HISD employees.

In a 2006 Sunset review of the TRS the following was reported: *Because TRS did not offer individual counseling outside of Austin, at least one West Texas school district created its own assistance program to counsel employees preparing for retirement. The school district conducts about 1,000 in-person, individual sessions per year. District officials created the program out of fears that some employees were retiring without fully understanding their decisions or how to correctly complete the paperwork (Sunset Review, April 2006, issue 2, p. 1222).*

In response to the Sunset review, as of 2009, TRS established limited field locations throughout Texas. As of May 2012, no field locations have been established in Houston.

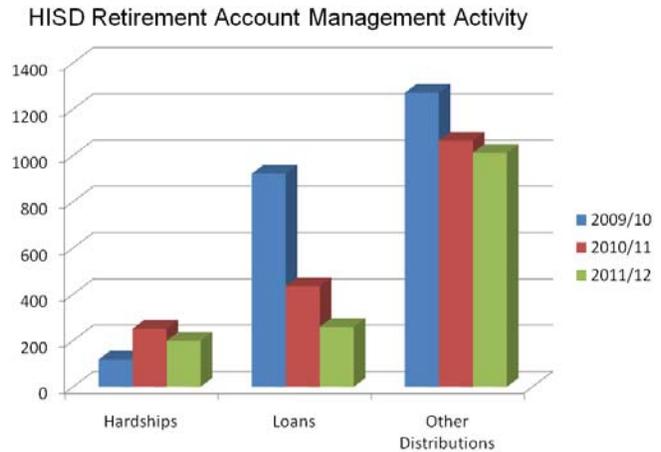
Retirement Saving Plan Administration

HISD sponsors both governmental 403(b) and 457 voluntary retirement plans as well as a Roth 403(b) plan. Currently, there are more than 30 financial service vendors who are approved for servicing the HISD 403(b) plan, with five vendors approved for the 457 plan. In accordance with final IRS regulations that were issued in 2007, the district monitors and ensures that all loans, hardship withdrawals and transfers are administered properly through the maintenance of properly executed service agreements with all active vendors. Non-compliance could result in both plans entirely losing their tax favored status. Various reports are available to the plan administrators that allow the district to conduct monthly self-audits of these and other transactions, necessary for the proper operation of the plan. The district uses a Web-based third party administration platform which uses the industry recognized file process that allows 403(b)/457 vendors to share information through one central database. Per IRS regulations, it is ultimately the district's responsibility, as the sponsor of these plans, to ensure that the plans are in compliance.

IRS regulations call for oversight over the operation of 403(b) plan by plan sponsors. To comply with these regulations and to improve employee self-service of retirement plans, HISD implemented a Web-based administration platform called Retirement Manager.

Currently, the average annual amount of contributions to the 403(b) and 457 plans is \$28,726,288, with a combined average number of 9,208 employees to both plans. The total assets currently in the plans are \$264,754,710 for the 403(b) and \$14,928,081 for the 457 plan.

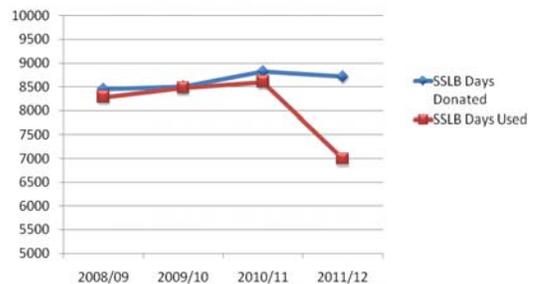
In addition to transactions that are able to be processed through Retirement Manager, the department must accurately process and approve certain transactions for employees who are no longer employees but still hold HISD accounts, which are categorized as "Other Distributions. The following chart represents the number of transactions that have been processed each fiscal year with current year fiscal year data through April 30, 2012.



Supplemental Sick Leave Bank (SSLB)

The Supplemental Sick Leave Bank is a bank of personal leave days given by employees who want to voluntarily participate in a plan to extend leave for employees who have serious illnesses. The purpose for creating a supplemental sick leave bank is to allow employees who have used all of their accumulated vacation, state and local leave the opportunity to request up to 30 additional leave days if a catastrophic illness causes an absence from work during the program plan year.

Supplemental Sick Leave Bank
by Plan Year (9/1 to 8/31)



As a member of the Supplemental Sick Leave Bank, an employee may receive a benefit of as many as 30 days during the program plan year. Employees may apply for benefits as many times as the need arises, as long as the total number of days used does not exceed the 30 day benefit limit per year. The Supplemental Sick Leave Bank is not an accumulation of leave bank; therefore the employee must have exhausted all accumulated vacation, state and local leave prior to applying for benefits.

For the SSLB plan year ending August 31, 2011, there were 8,823 employees/days donated to the bank, while 8,600 new days were taken/used from the bank. Since the bank's inception, the trend has always been more days donated to the bank than used. The current year analysis represents days donated during open enrollment for the new plan year. The days used for 2011–2012 reflect the number of SSLB days used through April 30, 2012. It is not anticipated that the total SSLB days used for the current plan year will exceed the days donated.

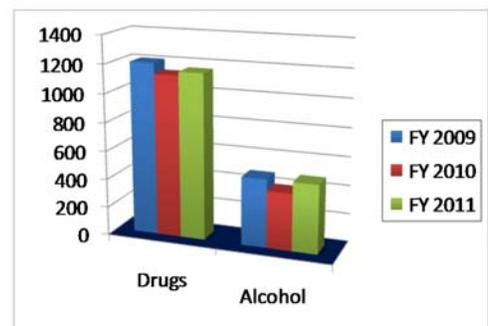
The district sends out communication three times a year to all employees advising them of their opportunity to join or terminate enrollment in the bank. The pre-enrollment campaign is conducted during the spring, open-enrollment is during the fall and a special enrollment is conducted to coincide with the district's health benefits open-enrollment. Following open enrollment, ESS staff members upload applicable data into PeopleSoft which will allow the deduction of one local personal leave day from employees who are newly enrolled in the bank.

Members of the bank apply for usage of days from the bank, once their physician deems that they have a serious illness that will cause that person to take time off work. The physician must sign an HISD Physician Statement as verification. If the SSLB member has exhausted all of their leave days, including vacation, the ESS staff member then coordinates with the third party administrator to this program to get final approval for the use of days. The administrator makes the ultimate decision, based on the physician's statement and the particular illness and/or injury code used by the doctor or hospital. ESS then contacts the employee with the decision.

Drug Free Workplace

The district Drug-Free Workplace Program was developed in response to federal requirements for the testing of all transportation employees. See Reference (i). The Board of Education decided to apply the Drug-Free Workplace Program not just to transportation employees, but to all employees performing driving or safety-sensitive functions (including police officers who carry firearms, motor vehicle mechanics and inspectors, transportation aides, operators of hazardous equipment, custodial staff, and Food Services employees).

Drug-Free Workplace Testing



The district has approximately 1,100 employees with a commercial drivers license who are directly covered under the federal DOT regulations. In addition, the district has approximately 3,200 employees who are in positions that are classified as safety-sensitive. The federal government does not require testing of these employees under DOT regulations; however, the district has chosen to apply the same standards to both classes of employees. The HISD Drug-Free Workplace staff members work closely with the district's

third party drug and alcohol testing provider to administer a program that not only meets the requirements of the federal Department of Transportation, but also the more rigorous requirements set forth and established by the HISD Board.

The district conducts the following types of employee drug and alcohol testing through a contracted third party provider:

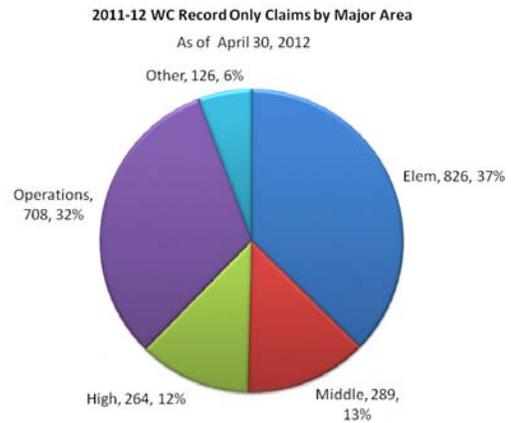
- Pre-employment
- Return to Testing Pool
- Reasonable Suspicion
- Post Accident
- Random Testing
- Return to Duty
- Follow-up Testing

Drug and alcohol training is also required for all supervisors who have the authority to order reasonable suspicion tests on any district employee. Recurrent training for supervisory personnel is not a federal requirement, however, it is required by HISD every four years.

Workers' Compensation

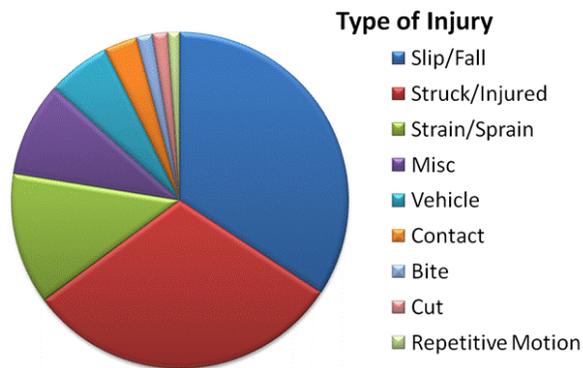
Houston Independent School District has been self-insured for Workers' Compensation claims since 1979. Houston ISD does purchase specific stop loss coverage in the case of a large single claim or event involving multiple claims. Currently, HISD has a \$1 million deductible on all claims with coverage excess of this amount through Star Insurance. HISD contracts with Avizent as our third party claims administrator for Workers' Compensation claims adjusting and administration.

In the 2011–2012 fiscal year as of April 30, 2012, there have been 2,213 reported workers' compensation accidents. Of those 2,213 reported accidents, 338 are currently considered indemnity (lost time) claims, 752 medical only claims and 1,123 record only claims. The chart above shows these claims by major area:



The chart below shows the 2011–2012 fiscal year employee accidents by major type of accident. It should be noted that strains and sprain injuries are much more common in indemnity claims than medical only claims or report only claims.

2011-2012 Fiscal Year as of April 30, 2012
Employee Injuries by Type of Injury
All Claims



Unemployment Compensation

Due to staff reductions this past summer, unemployment compensation claims and costs have increased significantly this fiscal year. Houston ISD is self-insured for unemployment compensation claims and is billed quarterly by the Texas Workforce Commission. For the current fiscal year, Houston ISD has been billed \$3,508,638 for the July through September 2011 period, which tends to be our highest quarter as it covers much of the summer period. Houston ISD was billed \$2,795,415 for the October through December 2011 quarter and was reflective of a declining, but continuing liability for individuals affected by the staff reductions during the summer of 2011. Claims are still expected to be higher than normal, but declining from prior quarters through the first two quarters of 2012.

HISD utilizes Employers Edge as a third party claims administrator to assist HISD in handling the unemployment compensation claims and audit quarterly payments. As part of the audit process, Forward Edge has disputed \$274,954 off the billed charges between July 1, 2011 and December 31, 2011. The Texas Workforce Commission determined that \$23,570 of the disputed charges were correct, and Houston ISD received reimbursement of \$251,384 as a result of the audits for this six month period.

For 2011–2012 fiscal year as of March 31, 2012, there have been 1,609 unemployment compensation claims. Below are statistics on these claims:

Unemployment Compensation Claims
2011-12 Fiscal Year as of March 31, 2012
Status of Claims

