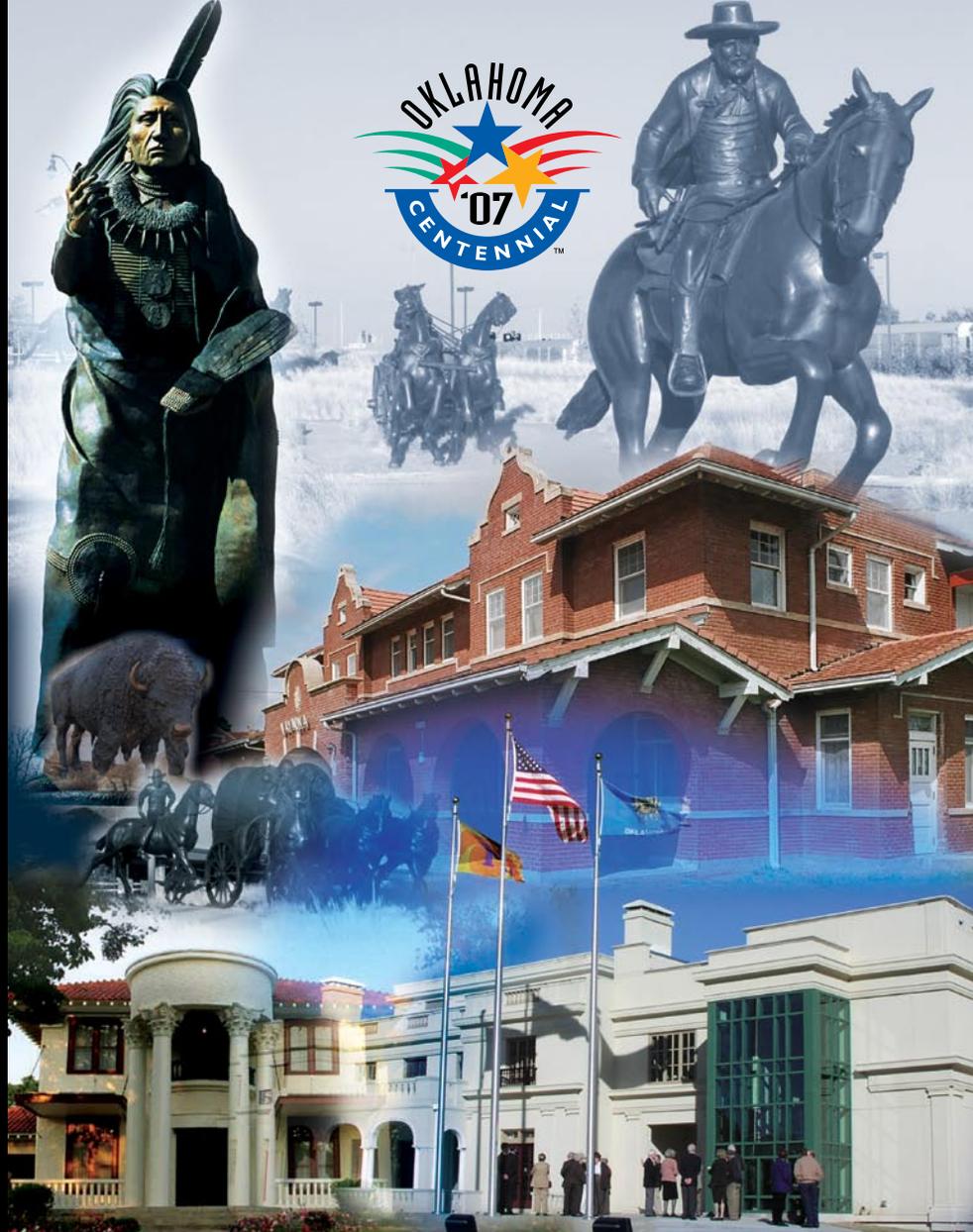


Annual Report 2006 *Summary*



EMPLOYEES
Benefits Council





Oklahoma Centennial 2007: A Time to *Celebrate Oklahoma!*
 Celebrate Oklahoma! A Unique History. An Extraordinary Future.

Shown above, top left then clockwise: Standing Bear bronze sculpture in Ponca City; The Land Run bronze sculptures in Oklahoma City; Waynoka Transportation Museum in Waynoka; Tulsa Historical Society in Tulsa; the Mattie Beal Mansion in Lawton and the heroic size bronze buffalo statue in Idabel.

Centennial text: Jeanie Edney, Oklahoma Centennial Commission

Photos: Fred Marvel for the Oklahoma Centennial Commission

(exception: Standing Bear Memorial by Jim Argo)

Dear State Employee,

This **Summary Annual Report** is information taken in part from a much larger and more comprehensive annual statistical report. I hope you find the contents of this report an indication of the success of the Employees Benefits Council (EBC) and our continued commitment to the agency mission statement.

EBC's mission statement is **"To provide State employees flexible benefits designed for choice and cost effectiveness, superior administration, and promotion of healthy lifestyles."** Everything EBC does is in pursuit of accomplishing this mission statement.

Areas where significant progress have been made in pursuing this mission statement are evidenced by several award-winning services provided by EBC. Each year more and more employees are experiencing the convenience of using the Web-based online enrollment feature of the Benefits Administration System (BAS). The most recent Option Period resulted in more than 60 percent of all State employees enrolling online for Plan Year 2007. It is a simple and fast way to make benefit choices for the upcoming Plan Year. Also, a two year Wellness pilot program, referred to as OKHealth, was a huge success and was made available to nearly 37,000 State employees on a voluntary basis as of January 2006. So far, more than 6,400 employees have initiated participation in this wonderful health mentoring program. Improving health has many benefits for both the employee and the State. It is the one sure way to reduce rising health care costs; something we have all experienced the consequences of in recent years. Additionally, EBC introduced a debit card in 2006 for participants in Flexible Spending Health Care and Dependent Care Accounts. Members can use the card for direct deductions from their member accounts, thereby foregoing the paper reimbursement process for the majority of services and products they purchase. The member paid a small service fee for use of the debit card in 2006, but beginning January 2007, there is no charge for use of this convenient debit card.

Finally, another award-winning production by EBC is the Option Period Enrollment Guide and Video. Both are very informative and professional in their content and presentation.

EBC continues to face challenges such as HMO coverage for rural Oklahoma. HMOs offer an alternative to the State's medical plan, HealthChoice. Another challenge is the rising premiums for health insurance. Solutions are difficult because these challenges are complex and dynamic. Progress is being made addressing these areas and will continue to be an area of concentration for EBC in the future.

Please feel free to contact me with any questions or comments about this 2006 Annual Report Summary.

Sincerely,



Mitch Parsons, Executive Director



Mitch Parsons
Executive Director



Dear State Employee:

The cost of medical care and health insurance continues to increase each year, and there appears to be little immediate relief on the horizon. The cost to the State agencies for paying each employee's benefit allowance likewise continues to grow significantly each year. Like other large employers, EBC and the State of Oklahoma continue to work hard to balance benefit levels, cost, and choice for State employees. We remain dedicated to providing State employees with quality, affordable choice.

To help improve their health, we encourage State employees to take advantage of the OKHealth Wellness Program, which became available to all employees in 2006. Thousands of employees are already doing so. This program is also a key to containing future health insurance premium increases.

In 2007, we are also very pleased to be able to offer the debit card for flexible spending accounts free of charge to all participants. Even more employees will now be able to take advantage of this convenient service.

I encourage you to keep up with EBC news and activities including the State Wellness Program via our website. If you have questions, concerns, or comments, please contact EBC by phone at **(405) 232-1190** or toll free at **(800) 219-8115**; or e-mail us. Email addresses and staff phone numbers are available on the "Contact Us" page of our Web site.

Sincerely,



Bryce L. Fair
Chairman



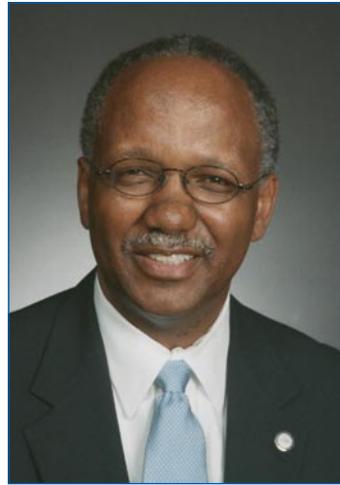
Bryce Fair

*Council Chairman,
Appointee of the President Pro
Tempore of the Senate
Served since 1993*



Susan Reed

*Council Vice-Chair,
Gubernatorial Appointee
Served since 2003*



Oscar B. Jackson, Jr.

*Council Secretary, Administrator
and Cabinet Secretary for Human
Resources and Administration,
Office of Personnel Management
Served since 1992*



Becky Payton

*Gubernatorial Appointee
Served since 2006*



Denver Talley

*Appointee of the Speaker of the
House of Representatives
Served since 2003*

EMPLOYEES Benefits Council



The Employees Benefits Council (EBC) is your employee benefits department. We design, select, and administer benefits for you and your family. Our mission is to provide expert benefits management that includes designing for choice and cost effectiveness, superior administration, and promoting healthy lifestyles. You know us for our commitment to service, choice, and innovation. The State of Oklahoma realizes that employee benefits attract and help retain qualified employees. That is why the State is committed to providing benefits tailored to fit the needs of you and your family.

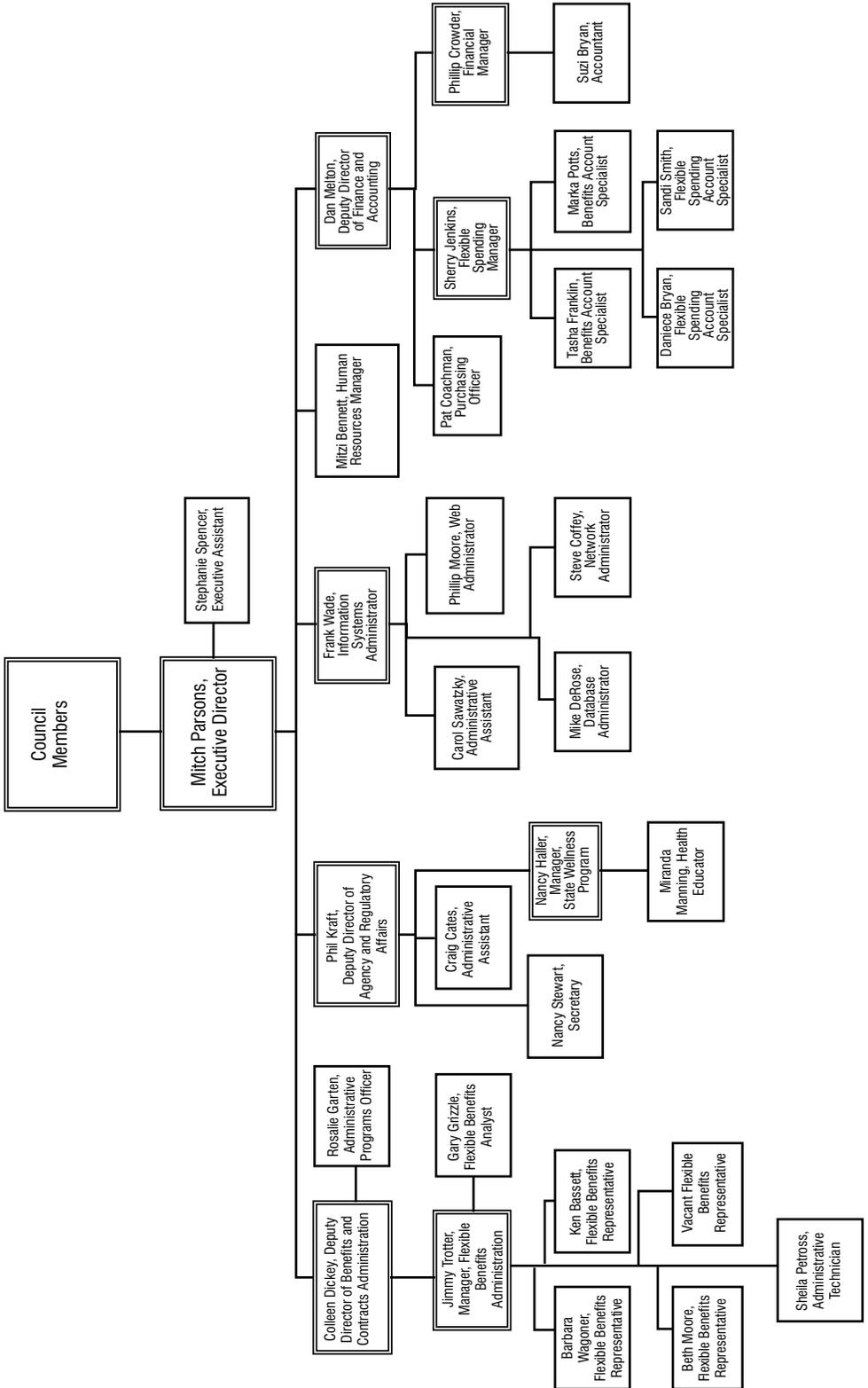
EBC is a non-appropriated State agency created in 1992. Currently, EBC provides services to nearly 37,000 employees with only 31 full-time-equivalent positions and a budget of approximately \$5.3 million annually.

EBC is governed by a five-member Council of professionals. The five-member Council consists of the following: Chairman Bryce Fair, appointed by the President ProTempore of the Senate; Vice Chairman Susan Reed, a gubernatorial appointee; Secretary Oscar B. Jackson, Jr., Administrator and Cabinet Secretary for Human Resources and Administration, Office of Personnel Management; Becky Payton, a gubernatorial appointee; and Denver Talley, appointed by the Speaker of the House of Representatives.

EBC operates under the leadership of Mitch Parsons and is organized into five divisions: Agency & Regulatory Affairs, Fiscal & Support Services, Contracts and Benefits Administration, Information Services, and Human Resources. The Agency & Regulatory Affairs division is responsible for legislative matters, interagency and media relations, strategic planning, and Wellness. Fiscal & Support Services manages areas of accounting, payroll, and flexible spending accounts. The Contracts and Benefits Administration division handles plan eligibility, contracting, enrollment, and communications such as the annual option period guide and video. Information Services is responsible for all the network and applications architecture, information infrastructure, email systems, Benefits Administration System and flexible spending system. The Human Resources division is responsible for developing and implementing agency policies, providing recruitment and selection services, and administering staff training and development programs.

Individual agency benefits representatives, called Benefits Coordinators, are also an important part of who we are. Benefits Coordinators are a vital link to the Council because they provide administrative support at the agency level.

Employees Benefits Council



As a State employee you have choices. Each year, you select among plans that fit your insurance needs. EBC provides you these required “core” benefits plan choices (health, dental, disability, and basic life insurance coverage) within the guidelines set by law. In addition, we offer optional benefits choices including vision, supplemental life insurance, flexible spending account participation* and coverage for eligible dependents. The State provides you with a benefit allowance to purchase these benefits. We continually evaluate the marketplace, identifying additional benefit choices. For Plan Year 2006, EBC provided coverage through the following carriers:

Health Plans:

- Aetna (HMO)
- CommunityCare Managed Care Plans of Oklahoma (HMO)
- GlobalHealth Incorporated (HMO)
- PacifiCare (HMO)
- HealthChoice (High and Basic)

Dental Plans:

- Assurant Benefits Corporation
- CIGNA Dental
- Delta Dental of Oklahoma
- HealthChoice

Vision Plans:

- CompBenefits
- Primary Vision Care Services (PVCS)
- Spectera
- Superior Vision Plan Services
- Vision Service Plan (VSP)

Disability and Life Insurance:

- HealthChoice

*EBC offers flexible spending health and dependent care accounts. Qualified under provisions of the Internal Revenue Code, these accounts allow you to allocate a portion of pretax compensation to an account to be used during the calendar year to pay for eligible medical or dependent care expenses.

EBC is progressive. We continually improve the quality and cost-effectiveness of the services and the products we offer.

The State Wellness Program

EBC works hard to balance benefit levels, cost, and choice. However, successfully managing health benefits today involves more than plan design and cost management. It involves building a “culture of health” by providing a resource for State employees to successfully manage their health. In January 2006, EBC implemented the OKHealth Wellness Mentoring program as a resource for employees to address health risk factors, which contribute to preventable illnesses. By promoting healthy lifestyle choices and encouraging behaviors and attitudes among employees that are essential to good health, the OKHealth program will lower health utilization, which in turn will lower health insurance premiums.

The OKHealth program offers employees a unique and effective solution for better health by incorporating wellness, disease management, and health mentoring into a single, comprehensive wellness-mentoring program. Employees are required to complete a detailed health risk assessment, which stratifies participants into one of five risk tiers, based on potential health problems. Each risk tier determines the frequency of mentoring as well as goals and action plans for the employee. In 2006, more than 6,400 employees expressed an interest in the program with 70 percent of those employees completing the health risk assessment. With a dedicated staff of eight professional health mentors, employees participating in the program at twelve weeks have already been successful in lowering elevated systolic and diastolic blood pressure, LDL cholesterol, triglycerides, weight, blood glucose, and cigarette smoking.

To encourage participation in the program, employees are eligible to receive two wellness incentives. The first incentive includes an initial visit to a primary care physician and lab work at no out-of-pocket cost to the participants. The second wellness incentive is a discount at a participating fitness center. A third possible incentive being offered by some agencies is the OKHealth pay incentive. Agencies electing to offer a pay incentive are authorized to pay participants \$100 (Bronze), \$300 (Silver), or \$500 (Gold) for successfully completing the program. The incentive consists of three separate payments payable to a participant upon completion of the (1) initial enrollment, (2) twelve-week follow up, and (3) achieving goals at the twelve-month follow up. There are many other ancillary benefits from having healthy employees such as less absenteeism and increased productivity.



The OKHealth Mentoring program is part of Oklahoma Governor Brad Henry's State health initiative for a Strong and Healthy Oklahoma. The Governor announced bold reforms to help our State employees stay healthy and set examples for all Oklahomans. "You know as one of Oklahoma's largest employers, State government must lead the way," said the Governor. "And we must create an effective health program for State employees. I am very proud of the Employees Benefits Council that has led the development of an innovative, successful initiative that will offer every State employee the opportunity to learn how to take control of their health. The idea is to get people excited about health, to actually encourage healthy habits in State government, throughout the largest employment system in the State of Oklahoma. Think about the way we have approached things in the past. Most State agencies have smoking breaks—smoking breaks! Why not, walking breaks? I think walkers should have the same opportunities that smokers have. It's a simple, simple thing to implement."



Each year, the Oklahoma Office of Personnel Management hosts Quality Oklahoma Team Day to recognize successful projects that instill excellence in all day-to-day State operations and activities throughout State government. During the May 2, 2006 Quality Oklahoma Team Day awards ceremony held at the State Capitol, the OKHealth Mentoring program was awarded the prestigious Team Day Specialty Award for Motivating the Masses. The Specialty Award is presented to the project that involved a large amount of people, agencies, and partners.

Benefits Administration System (BAS)

EBC is very proud of its Benefits Administration System (BAS). This unique, customized system is unlike any other in the country. The previous benefits system had limitations inherent with a mainframe environment. For example, the old system had in excess of 100 screens making it cumbersome for all who used it, particularly, the 200-plus statewide Benefit Coordinators. This system was replaced by BAS in 2002. EBC now houses and maintains the Internet-based benefits system. The system uses state of the art technology to provide a user-friendly environment, a convenient method to access benefits-related information, faster online data entry, more effective interface with other agencies and carriers, and far superior accounting and reporting capabilities. BAS interfaces with the State's PeopleSoft computer network known as CORE. Governor Brad Henry awarded EBC with a Governor's Commendation for successfully implementing the customized Internet-based Benefits Administration System. During a Quality Oklahoma Team Day awards ceremony held at the State Capitol Building on May 8, 2003, EBC earned the Quality Oklahoma Red Tape Reduction Award for the new benefits system. In the Quality Oklahoma Awards for 2006, The BAS Online Enrollment Module was runner-up in the Motivating the Masses and the Red Tape Reduction Award.

All State agency Benefits Coordinators have been trained on the new system and currently use it to process new employee benefit enrollment and mid-year change information for existing employees. In addition, all employees can use the online enrollment each year to enter their benefit elections, verify their flexible spending accounts and peruse the State's online benefits enrollment system. This is the fourth year EBC has made the online system available to nearly 37,000 active State employees. As the benefits office for State employees, EBC completed the 2007 option period with 60 percent (22,228) of statewide employees choosing their benefits online. In surveys, of which 11 percent of employees participated, the online enrollment was given high marks with 99 percent of employees recommending online enrollment to other employees.

Pretax Benefit Purchases

EBC provides State employees a valuable benefit through taking advantage of a federal law that permits employers to make benefits choices available to employees without subjecting those employees to taxation on the amount contributed toward the purchase of benefits. For Plan Year 2006, State employees used this tax strategy to purchase more than \$273 million in benefits.

Federal Insurance Contributions Act (FICA) Savings

The State of Oklahoma and its employees have saved an average of \$4.16 million per year in Social Security and Medicare FICA taxes through the benefit plans offered by EBC. Employees participate in their benefit plans on a pretax basis thereby reducing FICA taxes. This method of offering benefits will continue to be a tax savings measure (See Table 5, page 18).

Flexible Spending Accounts

You can also take advantage of additional tax savings through participation in EBC's flexible spending health and dependent care accounts. The amount placed in these accounts lowers your income subject to taxation. These accounts allow you to contribute to an account before taxes to fund certain qualifying medical and dependent care expenses. For Plan Year 2006, combined contributions to these accounts were approximately \$8.8 million. Participation in these accounts amounts to significant tax savings for State employees. These funds can be distributed automatically through our direct deposit services. Over 8,200 employees have utilized a flexible spending health care account during Plan Year 2006 for health-related expenses and over 600 State employees utilized a dependent care account (See Tables 6 & 7, pages 19 & 20). EBC offers a Web site, which allows State employees to review their flexible spending account activity via the Internet.





2006 was a year of mixed results for employee benefit plans. Medical and prescription drug cost trend increases continue to moderate from prior years. However, even with this moderation, healthcare costs continued to increase significantly more than most consumer prices and employees' wages.

The underlying reasons for medical costs increasing faster than most other consumer products and services remain generally unchanged from recent years. Increased utilization of expensive (but often effective) technology, the aging of the workforce, costly new drugs, declining health of the general population and relative reductions in provider reimbursement by other governmental programs all continue to contribute to rapidly rising healthcare costs. Employee benefit plans remain susceptible to the financial pressures from these external forces.

Although 2006 increases were lower than previous years, prescription drug cost increases continue to push overall healthcare trend. Employers continue to introduce and expand programs that encourage the use of generic drugs and home delivery (mail order) prescribing as the primary tools to help control drug cost increases. A growing number of plan sponsors are introducing a fourth drug tier to address very expensive "specialty drugs." Clinical programs such as step therapy, drug quantity management and preauthorization of certain drugs are being used to better manage drug utilization while not restricting access to needed medications.

In order to keep their health plans affordable, employers have continued to modify benefits. Copays, deductibles and coinsurance levels continue to rise. In some cases, medical networks are being reduced to increase provider discounts. These trends are likely to continue for the foreseeable future as employers try to balance affordability, provider choice and adequate levels of insurance protection.

In 2006 public plan sponsors began planning for a significant new change in governmental accounting rules that will affect their plans beginning in 2007 and 2008. GASB (Governmental Accounting Standards Board) Statement 45 will require public employers to calculate and include in their financial statements the actuarial costs of providing future retiree healthcare benefits. This accounting change, which becomes effective for the State in its next fiscal year beginning in 2007, will put added financial pressure on public employers that provide retiree healthcare benefits by requiring them to estimate and disclose the future costs of these benefits.

GASB 45 will accelerate the trend among public sector plan sponsors of adding disease management and wellness/prevention programs. These proactive measures, such as the State's OKHealth Program, can help lower GASB liabilities by reducing the long-term health plan trend increases. As medical cost increases are reduced, GASB actuarial liabilities will also decline.

Serving more than 63,000 total covered plan participants, with nearly 37,000 active State employees, EBC continues to develop innovative and creative approaches to serving the employees of the State of Oklahoma. Some of the most significant new developments in 2006 and 2007 are as follows:

Expanded OKHealth Program

Beginning in 2006, EBC's innovative OKHealth wellness mentoring program was expanded from a pilot to a full time program. EBC recognized the need to help employees improve their personal health. OKHealth provides the resources and support to assist employees in establishing and achieving personal health objectives. As overall employee health improves, future medical plan costs are better controlled with HMO premiums and HealthChoice contribution rates being favorably affected. Financial incentives for participation in the OKHealth Program are available (varies by agency). Over 6,400 employees have expressed an interest in OKHealth with many more expected in 2007.

Maintained the Number of Medical HMO Carriers and Options

For 2007, the number of HMO carriers available to State employees remained at four. All four HMOs offer a Standard as well as an Alternative Plan. In total, State employees have the choice of eight HMO and two PPO plan options for 2006. Further, all four dental and five vision providers returned for 2007.

New Flexible Spending Account (FSA) Features

In 2006, EBC added Flexible Spending Account claim history and detail to the Benefit Administration System (BAS). Also, FSA debit cards were offered to employees in 2006. The Flexible Spending Account Team received the Governor's Commendation Award in 2006 for the State employee debit card program.

In conclusion, Gallagher Benefit Services, Inc., the Employees Benefits Council's benefit consultant and actuary, is proud to be associated with an organization the caliber of EBC. Based on our experience of working with governmental plans, we find that EBC continues to be among the most innovative, progressive and responsive state health plan organizations. We continue to support EBC's mission of providing State employees with "flexible benefits designed for choice and cost effectiveness, superior administration and promotion of healthy lifestyles."

Gallagher Benefit Services
Greenwood Village, Colorado



Our challenge in today's marketplace is to select and offer quality plan choices at competitive premiums to employees in metropolitan and rural Oklahoma.

In 2006, State employees had the opportunity to choose between four dental plan carriers and five vision plan carriers. Significant inroads were made in the choice of health carriers resulting in the addition of two HMO providers (Aetna and PacifiCare), allowing eligible employees a choice of five health plans and ten health plan designs. However, we continue to face challenges in offering HMO choice to rural communities. HMO coverage is limited in these areas due to the current business models of the HMOs and contracting difficulties experienced by HMOs when approaching coverage in areas outside the larger metropolitan regions.

A second important challenge facing EBC is the rising cost of healthcare. We are not immune to the nationwide trends of rising healthcare costs, exacerbated by an aging State workforce and higher-than-average medical plan utilization by employees and their dependents. All of these factors contribute to higher premium costs and point to a continued need for cost containment and wellness efforts.

EBC is positioned to turn these challenges into opportunities. We continue to explore new health insurance concepts and products that emphasize the sharing of costs and provide incentives for employees to be cost conscious when utilizing healthcare. Through these new types of products, we can all become more efficient purchasers and users of healthcare thereby lowering our costs.



The following pages illustrate selected statistics relating to the benefits offered by EBC. A full report of statistical data can be obtained by calling our offices at (405) 609-3410 or (800) 219-8115, ext. 110.

Enrollment for active State employees for Plan Year 2006 is shown in Table 1. Total active member health plan enrollment for Plan Year 2006 was 36,900. The total number of individuals covered by a health benefit plan (employee and eligible dependents) was over 63,000.

Table 1

Health Plans

HEALTH PLANS	EMPLOYEE ONLY ENROLLMENT
HealthChoice High	22,298
HealthChoice Low	2,996
CommunityCare Standard	956
CommunityCare Alternative	5,896
GlobalHealth Standard	1,310
GlobalHealth Alternative	728
Aetna Standard	1,224
Aetna Alternative	245
PacifiCare Standard	359
PacifiCare Alternative	882
TRICARE	39

DENTAL	EMPLOYEE ONLY ENROLLMENT
HealthChoice Dental	27,888
Assurant Dental	2,464
CIGNA Dental	1,102
Delta Dental	5,479

VISION PLANS	EMPLOYEE ONLY ENROLLMENT
Vision Service Plan	12,566
Superior Vision Services	1,611
Primary Vision Care Services	1,348
Spectera	1,583
CompBenefits	1,949

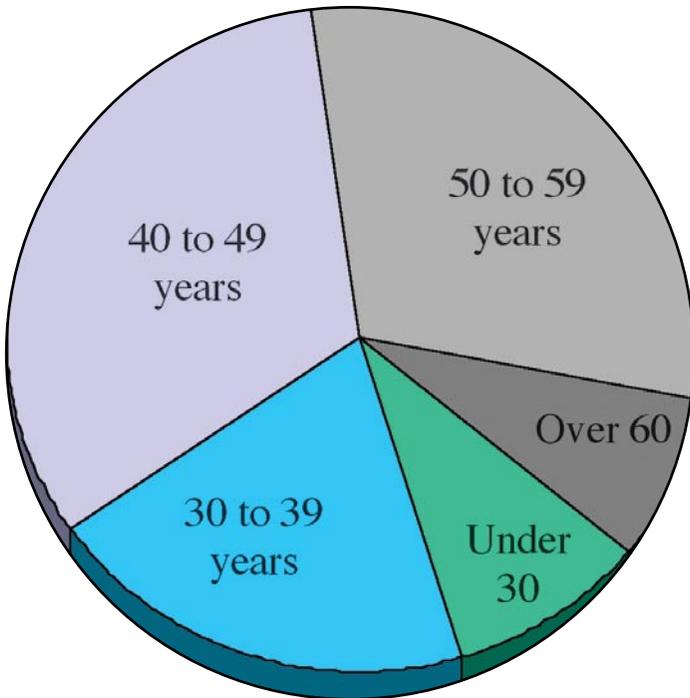
The average age of active State employees enrolled for Plan Year 2006 increased slightly from Plan Year 2005. For Plan Year 2006, the average age of active State employees was 46.10 years compared to 46.06 years during Plan Year 2005.

Table 2

AVERAGE AGE OF STATE ACTIVE EMPLOYEES:	46.10 yrs.
AGE CATEGORY	% OF POPULATION
Under 30 yrs.	11%
30 to 39 yrs.	17%
40 to 49 yrs.	28%
50 to 59 yrs.	32%
Over 60	12%

GENDER DISTRIBUTION

Male: 43%
 Female: 57%



All Carriers/Employee Only

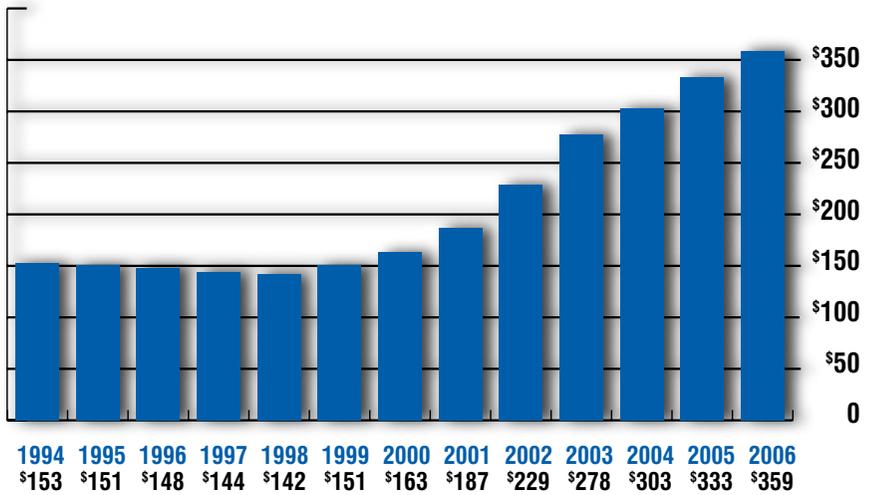
Health insurance premiums have sustained a continuing increase since the late 1990's. Table 3 illustrates the trend for the average of State employee health benefit plan premiums during a 12-year period ending December 31, 2006. Table 3 shows employee-only coverage for all carriers (HMO and HealthChoice's Medical).

Table 3

HEALTH INSURANCE PREMIUM COMPARISON

(All Carriers/Employee Only)
(Rounded Monthly Premium)

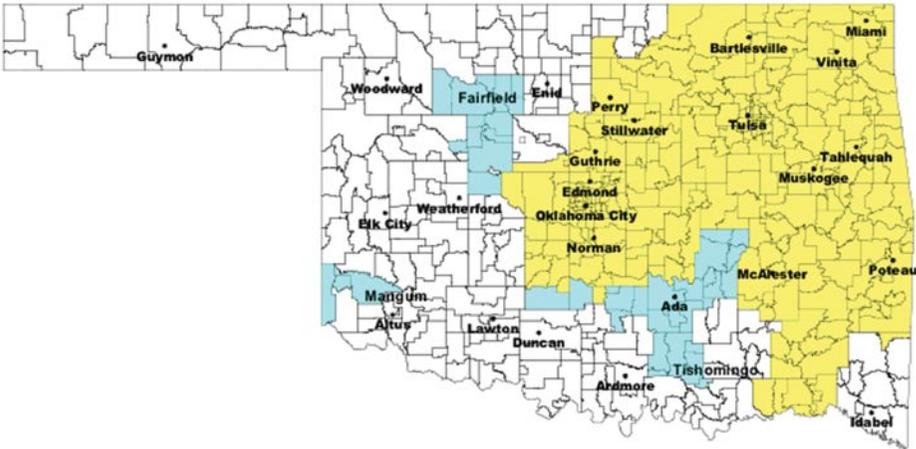
AVERAGE PREMIUM EMPLOYEE



For Plan Year 2006, HMO coverage was offered in the Oklahoma City and Tulsa metropolitan areas as well as the Eastern part of the State. Coverage was expanded into 34 additional zip codes. More than 80.8 percent of active employees had a choice of at least one HMO. Of these, 31 percent enrolled in an HMO for Plan Year 2006. Table 4 reflects the HMO service areas available for Plan Year 2006 and areas expanded in Plan Year 2007. The State's self-insured medical plan, known as HealthChoice, was available statewide.

Table 4

**COVERAGE THROUGH HEALTHCHOICE, AETNA,
COMMUNITYCARE, GLOBALHEALTH, AND PACIFICARE**



Yellow indicates HMO service areas available in 2006. Blue indicates expanded HMO service areas available in 2007. HealthChoice is available throughout the State.

FICA savings by the State and the Employee

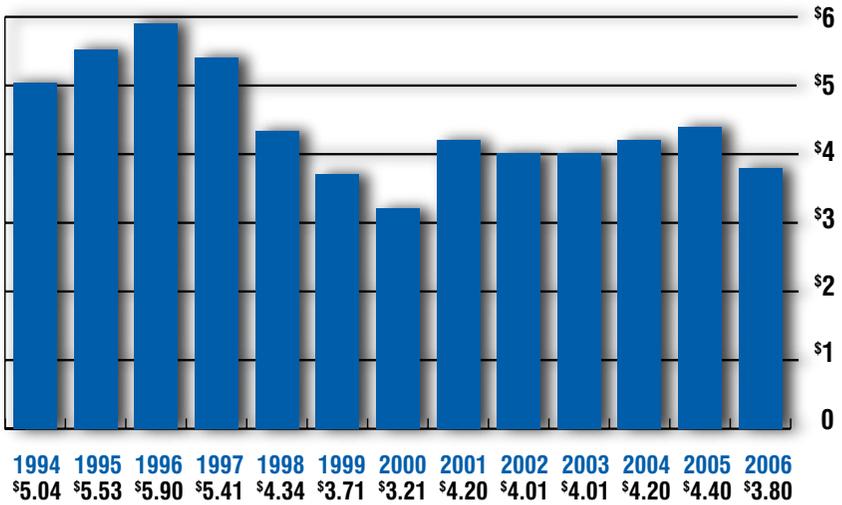
The flexible benefits plan administered by EBC allows the State and its employees to experience FICA tax savings. Table 5 illustrates the total savings by the State and its employees during a 12-year period ending December 31, 2006.

Table 5

FICA SAVINGS

(State & Employee)

(In Millions)



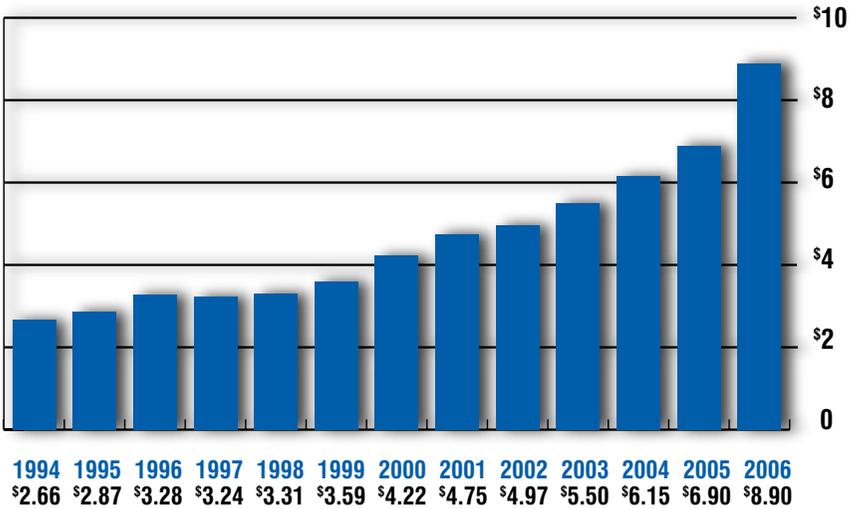
Fund Utilization for Plan Year 2006

For Plan Year 2006, 8,200 active State employees utilized a flexible spending health care account for health-related expenses. Participation increased 24 percent from Plan Year 2005. The average contribution was \$1,078 per year, a .5 percent increase from the previous year.

Table 6

FLEXIBLE SPENDING HEALTH CARE ACCOUNT FUNDS

(In Millions)



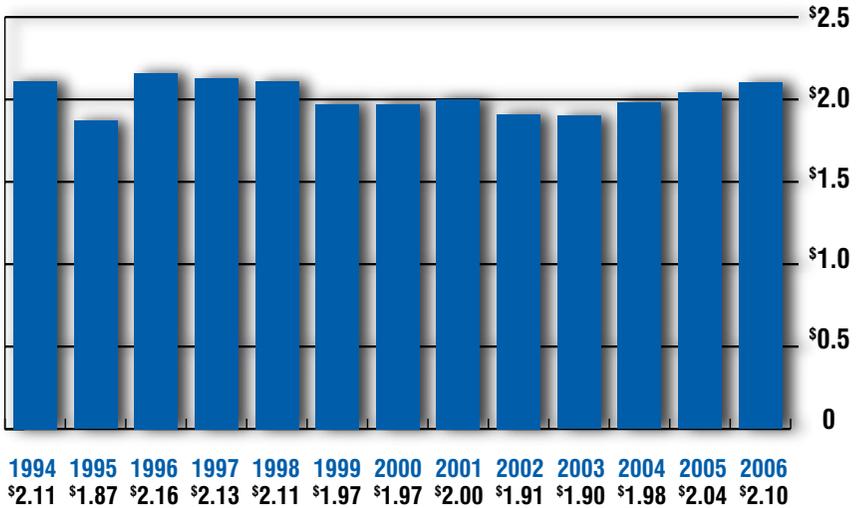
Fund Utilization for Plan Year 2006

For Plan Year 2006, 635 active employees utilized a flexible spending dependent care account for dependent care expenses. Participation increased 2 percent from Plan Year 2005. The average contribution was \$3,320 per year, a 2 percent increase from the previous year.

Table 7

FLEXIBLE SPENDING DEPENDENT CARE ACCOUNT FUNDS

(In Millions)





Look Who's Celebrating 100 years!

The Employees Benefits Council is proud to join the Oklahoma Centennial Commission in marking 100 years of statehood. It would be impossible to celebrate Oklahoma without recognizing the important role State employees play in making this State great! With 100 years behind us, and many more ahead, the State of Oklahoma would not exist without the hard work and accomplishments of State employees. The Employees Benefits Council is committed to offering State employees a competitive and comprehensive benefits program, because we understand the importance of your insurance coverage.



This publication, printed by the University of Oklahoma's Printing Services Division, is issued by the Employees Benefits Council as authorized by its Executive Director. Five hundred copies have been prepared and distributed at a cost of \$4,300. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries. (#31452, 01/07)

Our Mission — To provide state employees flexible benefits designed for choice and cost effectiveness, superior administration, and promotion of healthy lifestyles.

Our Vision — To be the foremost authority in flexible benefits with results of attaining the highest level of customer satisfaction.



405-232-1190

1-800-219-8115 TOLL FREE

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