CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING
Thursday November 16, 2017 9:00 A.M.

CJPRMA Office
3201 Doolan Road, Suite 285
Livermore, CA 94551
(925) 837-0667

MINUTES

I. CALL TO ORDER

- Vice President Greer called the meeting to order at 9:29 am.

II. ROLL CALL

PRESENT:

1) Lucretia Akil, *Alameda*
2) Jamie Cannon, *Chico*
3) Emily Combs, *Fairfield*
4) Steve Schwarz, *Fremont*
5) Jas Sidhu, *Livermore*
6) Janice Magdich, *Lodi*
7) Astrida Trupovnieks, *NCCSIF*
8) Cecilia Quiambao, *Petaluma*
9) Lynette Frediani, *Redding*
10) Kim Greer, *Richmond*
11) Amy Northam, *REMIF*
12) David Rawe, *Roseville*
13) Mary Ann Perini, *San Leandro*
14) Stacey Peterson, *San Rafael*
15) Dominique Kurihara, *Santa Rosa*
16) Roger Carroll, *SCORE*
17) Gail Kiyomura, *Stockton*
18) Laura Marquez, *Sunnyvale*
19) Claudia Quintana, *Vallejo*
20) Celeste Garrett, *Vacaville*
21) Marinda Griese, *YCPARMIA*

OTHERS PRESENT:

22) Amanda Tonks, *Santa Rosa*
23) Theresa Roland, *Stockton*
24) Andria Borba, *Vacaville*
25) David Clovis, *CJPRMA*
26) Lola Deem, *CJPRMA*
27) Rick Buys, *CJPRMA*
28) Saima Kumar, *CJPRMA*
29) Marcia Hart, *CJPRMA*
30) Susanna Banuelos, CJPRMA
31) GeorgeAnne Meggers-Smith, *Vacaville*
32) A. Byrne Conley, *Gibbons & Conley*
33) Dr. William Deeb, *AON Risk Services*
33) Mujtaba Datoo, *AON Global Services*
34) Craig Bowlus, *AON Risk Services*
34) Robert Lowe, *Alliant Insurance Services*
35) Marcus Beverly, *Alliant Insurance Services*
36) Martin Cassell, *Chandler Assets Management*
37) Chris Carmona, *City of Redding/George Hills*

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

- The general manager asked to amend the agenda by adding an item to Closed Session for the City of Santa Rosa. A motion was made by Director Carroll and seconded by Director Akil to amend the agenda. Directors Cannon, Combs, Schwarz, Sidhu, Trupovnieks, Frediani, Greer, Northam, Rawe, Perini, Peterson, Kurihara, Quiambao, Magdich, Kiyomura, Marquez, Quintana, Garrett, and Griese approved the motion. Motion passed.

III. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Vexler, Talya v. City of Fremont
   Court: Superior Court of the State of California, County of Alameda
   Case No.: HG13692644

2. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Miller, Mary v. City of Willits
   Court: Superior Court of Mendocino County
   Case No.: CVPM-16-67506

3. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Harter, Lena v. City of Santa Rosa
   Court: Superior Court of the State of California, County of Sonoma
   Case No.: SCV255401

IV. ACTION ON CLOSED SESSION ITEMS

- The Board of Directors conferred with staff regarding litigated claims and provided direction.

V. PRESENTATIONS

- The general manager presented Director Garrett with a plaque for her upcoming retirement.

VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS. STATE LAW PROHIBITS ACTION BY THE BOARD ON NON-AGENDA ITEMS.

VII. COMMUNICATIONS

1. Board of Directors

2. General Manager/Secretary
3. Next Scheduled Meetings: Executive Committee (01/18/18) Loomis, CA
Board of Directors (03/15/18) CJPRMA

VIII. APPROVAL OF MINUTES

- A motion was made by Director Magdich and seconded by Director Akil to approve the minutes from the Board of Directors meeting held August 17, 2017. Directors Cannon, Combs, Schwarz, Sidhu, Trupovnieks, Quiambao, Frediani, Greer, Northam, Rawe, Perini, Peterson, Kurihara, Carroll, Kiyomura, Marquez, Quintana, Garrett, and Griese approved the motion. Motion passed.

IX. CONSENT CALENDAR

1. Additional Covered Party Certificates Approved by the General Manager

2. Financial Report of CJPRMA as of June 30, 2017

- A motion was made by Director Cannon and seconded by Director Perini to approve the Consent Calendar. Directors Akil, Combs, Schwarz, Sidhu, Trupovnieks, Quiambao, Frediani, Greer, Northam, Rawe, Magdich, Peterson, Kurihara, Carroll, Kiyomura, Marquez, Quintana, Garrett, and Griese approved the motion. Motion passed.

X. ACTION *(A)* AND INFORMATION *(I)* CALENDAR

3. Report from the Investment Manager *(I)*

Mr. Martin Cassell, Chandler Asset Management, was present to discuss the CJPRMA portfolio and investment strategy. He also provided an update on economic factors that have had a direct impact on the pool investments.

The investment program is divided into three parts: The Loss Payment Account, the Long Term Growth Account and the Long Term Growth/Tactical Account.

The Loss Payment Account is utilized to provide funds for operating expenses and the payment of losses. The Loss Payment Account invests in high grade securities with a maximum maturity of five years. During the quarter $8 million was added to the LAIF balance, increasing the total value of the portfolio from $3,748,897 to $11,762,986, consistent with the target allocation for the Loss Payment Account. Several securities were purchased in the Agency and Corporate sectors of the market to increase the overall maturity distribution of the strategy. The purchased securities ranged in maturity from August 2019 to June 2020. Three securities matured during the reporting period. The Loss Payment Account has sufficient funds to meet the expenditure requirements of the next six months.

Both Long Term Growth Accounts are utilized to provide long term asset growth in order to offset inflation. The maturity range of these investments is a maximum of ten years.

As of October 31, 2017, the Long Term Growth/Tactical Account was valued at $29,005,640. This was an increase of $3,697 from its valuation of $29,001,943 on July 31, 2017. Multiple securities were purchased across the Treasury, Agency, Supranational, Asset Backed,
Negotiable CD, and Corporate sectors of the market to keep the portfolio structure in-line with Chandler targets. The purchased securities ranged in maturity from August 2018 to September 2022. One security was sold and one matured to help facilitate the new holdings in the portfolio.

As of October 31, 2017, the Long Term Growth Account was valued at $38,652,545. This was a decrease of $41,200 from its valuation of $38,693,745 on July 31, 2017. Two securities were purchased during the quarter, one Agency note and one Treasury note, with maturities in June 2027 and August 2027, respectively. Several securities with maturities in 2022 were sold to facilitate the new holdings in the portfolio.

The investments in all accounts comply with CJPRMA's investment policy.

- No action was required. This is an information only item.

4. Approval of the 2017 Actuarial Report and Proposed Funding and Rates for PY 2018/2019 *(A)*

Mr. Mujtaba Datoo of Aon Global Risk Consulting conducted the 2017 actuarial study and presented the results. The CJPRMA staff report, which summarizes the study, is attached hereto as an exhibit.

This year, the value of estimated outstanding losses decreased $7.9 million (16%) to $41.4 million. This was due to a $10.8 million decrease in case reserves. Several large cases were settled during the year, which led to the decrease.

The actuarially proposed maximum redistribution for FY 2017/18 is $5.6 million. This amount covers excess equity in PY 1998 - 2012. This doesn't provide for funding for the deficit net equity position of program years 2013 – 2017, which is ($38,792,271); Exhibit LI-20, page 80, column (8). In order to provide additional funding for these years, we are recommending that there be no redistribution in FY 2017/2018.

The total required liability funding for PY 18/19 is $13.08 million. The total funding rate being proposed is $0.773/$100. This is based upon a projected payroll of $1.73 billion, which is a 3% increase from the PY 17/18 payroll. The proposed rate $0.773 is a $0.017 decrease from the previous year.

The following table shows the proposed net liability premium for PY 18/19 as well as the four previous years for comparison:

Although the liability premium is approximately the same as last year, the estimated net premium of $13.2 million is an increase of $1,465,559 (12.5%).

Net Premiums Paid

Program Year	Payroll (billions)	Liability Premium	Less: Realized Invest Income	Add: ELF	Net Premium
2018/19 (proposed)	$1.73	$13,167,498	$0	$0	$13,167,498
2017/18	1.68	13,076,879	(1,874,940)	500,000	11,701,939
2016/17	1.60	11,370,599	(2,153,726)	1,000,000	10,216,873
2015/16	1.53	10,730,175	(2,769,050)	1,000,000	8,961,125
2014/15	1.46	11,430,273	(4,345,416)	1,550,000	8,634,857

In 2008, the liability premium funding was adjusted to help our member entities during the recession. This along with the increased claim severity has reduced the pool equity by $28 million since 2011 as reflected in the table below:

	10/11	11/12	12/13	13/14	14/15	15/16	16/17	Total
Premium	11,770,677	11,445,319	11,132,683	10,949,289	11,430,273	10,730,175	11,370,599	78,829,015
Invest Income	5,405,634	4,883,396	5,943,685	4,483,826	4,345,416	2,769,050	2,153,726	29,984,733
Redistribution	5,858,080	4,845,851	4,161,497	3,534,251	2,187,193	2,655,513	2,785,602	26,027,987
Claims Paid	6,489,746	8,997,553	7,090,485	(2,225)	5,421,948	9,489,465	13,279,868	50,766,840
	(5,982,783)	(7,281,481)	(6,062,984)	2,933,437	(524,284)	(4,183,853)	(6,848,597)	(27,950,545)

Staff is recommending the following changes to the current methodology of funding the liability premium:

1. No longer use the realized investment income to fund the program year. This allows the investment income to remain in the program years' equity and accrue and pay losses. By doing this we can also use the present value of funding rates.
2. The current balance of the Excess Loss Fund (ELF) is $17.7 million. It will no longer be funded through the program year premium. In 18/19 it will be funded through investment income and member premium allotment, if approved by the Board of Directors, until it reaches the goal of $22.5 million.
3. Forgo the FY 17/18 redistribution. These funds can be used to fund the deficit net equity position in the current years.

Staff recommended approval of:

1. The 2017 actuarial study.
2. The PY 18/19 proposed rates & funding
3. No Redistribution in FY 17/18

- A motion was made by Director Carroll and seconded by Director Rawe to approve the 2017 Actuarial Study. Directors Akil, Cannon, Combs, Schwarz, Hamilton, Magdich, Trupovnieks, Quiambao, Frediani, Northam, Greer, Perini, Peterson, Kurihara, Kiyomura, Marquez, Garrett, Quintana and Griese approved the motion. Motion passed unanimously.

- A motion was made by Director Carroll and seconded by Director Rawe to approve the proposed funding and rates for PY 2018/19. Directors Akil, Cannon, Combs, Schwarz, Hamilton, Magdich, Trupovnieks, Quiambao, Frediani, Northam, Greer, Perini, Peterson, Kurihara, Kiyomura, Marquez, Garrett, Quintana and Griese approved the motion. Motion passed unanimously.

- A motion was made by Director Carroll and seconded by Director Rawe to approve foregoing the FY 2017/18 redistribution. Directors Akil, Cannon, Combs, Schwarz, Hamilton, Magdich, Trupovnieks, Quiambao, Frediani, Northam, Greer, Perini, Peterson, Kurihara, Kiyomura, Marquez, Garrett, Quintana and Griese approved the motion. Motion passed unanimously.

5. Approval of Board Policy for Annual Review of Member Loss History *(A)*

The Board of Directors approved a motion at the August Board meeting to develop a written policy on evaluation of a member Self-Insured Retention (SIR) that would require an annual review of member losses and their impact on the overall CJPRMA Program. The Board directed staff to draft a policy and submit for review and approval at the November meeting.

The general manager stated that the policy will require an annual review of member loss history that will utilize a ten-year rolling average claims experience that is currently being used for the development of annual contributions. The policy evaluates all members and will compare total contributions for the ten-year window and the total CJPRMA incurred losses. In the event that a member has a loss severity that exceeds 200%, the Board of Directors will have the option of modifying that member’s self-insured retention based on the policy.

The member loss history is also based on the identical 10-year rolling average used by the actuary to determine the annual contributions. Staff applied a $2,500,000 cap for all losses incurred by members. The capping eliminates the impact of a significant loss that would impact the member’s overall loss history for multiple program years.

The Board of Directors will implement one of the following options upon their review:

1. A member that currently participates in Pool B ($500,000 SIR) will be removed from Pool B and have their SIR increased to $1,000,000 effective July 1 of the following program year. The member would not contribute to Pool B.
2. A member that currently participates in Pool B ($500,000 SIR) will remain in Pool B but will share equally in losses between $500,000 and $1,000,000. The $500,000 pool layer will be shared at a maximum of $250,000 for the member and $250,000 by CJPMRA. There will be no reduction in contributions.
3. Pool C ($1,000,000 SIR) members will have a pro rata sliding corridor deductible. Member will share equally in losses between $1,000,000 and $5,000,000. The $4,000,000 pool layer will be shared at a maximum of $2,000,000 by the member and $2,000,000 by CJPRMA. There will be no reduction in contributions.
4. Pool C ($1,000,000 SIR) members will be subject to a $2,500,000 SIR. There will be no reduction in contribution.
5. The Board can choose to defer the issue and not enact an SIR change for the member with the adverse loss history.

Implementation of options listed above will require a two-thirds vote of the Board of Directors in attendance. Any member impacted by this policy will be subject to the designated self-insured retention for a minimum of three years. Upon completion of the third program year, the Board of Directors will review and determine if the member's loss experience has changed and requires SIR modification.

Once the Board of Directors has determined a member SIR modification, the impacted member will be issued a letter by December 15th. The member may appeal the decision at the following scheduled Board of Directors meeting.

Members impacted by this policy will have the following appeal options:

- Provide a written explanation of their negative loss history
- Request a deferral or appeal in writing
- Submit risk management policy or plan to improve their loss history

The determination by the Board of Directors will be final and the member will not have options for alternative retentions. The policy would become effective November 16, 2017.

The general manager discussed the options with the Board.

- A motion was made by Director Cannon to substitute the motion to approve the Board Policy 25 with a change to decrease the threshold from 200% to 150%. A roll call vote was taken: Directors Akil, Cannon, Combs, Hamilton, Magdich, Quiambao, Frediani, Greer, Perini, Peterson, Kiyomura, Marquez, Garrett and Giese voted yes, Directors Trupovnieks Rawe, Kurihara, Carroll, and Quintana voted no, Director Schwarz abstained from voting, and Director Northam was not present for voting. Motion passed unanimously.

6. **Approval of 2018-2019 ELF contribution based upon loss experience *(A)***

At the August meeting, the Board of Directors approved the adoption of a loss experience rated contribution by members based upon a loss experience weighting of 10%. This methodology would provide contributions to Excess Loss Fund (ELF) based on losses with a weighted factor of 10%. The Board was provided a spreadsheet of the Weighted Loss Allocation for ELF Program Year 2018/19 identified the total additional contributions to be effective July 1, 2018 for members based upon the 10% loss factor.

The additional contribution would be capped at 10% of total contributions to pools B, C & D for the PY 2018/19. In addition, this contribution would not reduce the current contribution based upon payroll. The loss experience portions would be credited to the ELF fund and the members whose losses did not generate an additional contribution would not be required to contribute to the ELF fund for the PY2018/19.

- A motion was made Director Carroll and seconded by Director Rawe, but the motion was withdrawn. The Board of Directors did not take action on this agenda item.

7. **Report on state of the insurance industry and anticipated impact of the North Bay Fires *(I)***

Mr. Robert Lowe, Vice President of Public Entity from Alliant Insurance Services, Inc. was present to report on the status of the insurance market and the impact of the North Bay Fires on the CJPRMA Property Program members. Mr. Lowe stated that Munich Re estimates insured losses up to $150 billion due to the catastrophic storms, hurricanes, fires and earthquakes in the United States and Mexico this year. He indicated though it is too early to estimate at this time, but a possible 5-10% rate increase is expected. This will be determined after the first of the year. Two CJPRMA members, Santa Rosa and Vallejo, reported losses to the projected cost of around $13-$15M.

- No action was required. This is an information only item.

8. **City of Vallejo appeal of Property Coverage for leased facilities *(A)***

Director Quintana requested an appeal to the Board of Directors in regards to leased properties within the City of Vallejo.

The City of Vallejo made a request in 2016 to add Building 127 Fire Station Facility and Building 115 Fire Admin Building to the property program. It was determined that these buildings were leased and not owned by the City of Vallejo. Also it was identified by the general manager that an additional five buildings: Building 485, Building 535, Building 46, Quarters A, and Quarters B that were included in the total insured values (TIV) reported to CJPRMA for the City of Vallejo were also leased and not owned. All of these structures were included within the lease agreement between the City of Vallejo and LMI. The City did not have a financial interest in these properties and there was no written requirement, within the lease, to provide the property coverage.

The general manager, Board Counsel and the property broker all reviewed the language within the agreement and concluded there was no specific requirement to provide property coverage for the structures and to name LMI as a loss payee on the program. The general manager issued a notice to the City of Vallejo on December 15, 2016 advising them that the two updated structures, Building 127 and 115, would not be added to the program. In addition, the City was advised that effective July 1, 2017 Buildings 485, 535, 46, and Quarters A and B would be removed from the program. CJPRMA advised the City that the property program could insure tenant improvements within the buildings and contents provided by the City but not the buildings.

CJPRMA also contacted the underwriting team and confirmed that property coverage would be provided in the event that a contractual requirement were included within the agreement between LMI and City of Vallejo. Staff was advised that Vallejo and LMI were proceeding with an update to their lease agreement and the required language would be included within the lease.

Subsequently, the general manager was contacted by Director Claudia Quintana and advised that the lease agreement would not be updated. Ms. Quintana expressed that in her evaluation of the lease, it was clear that the requirement for property coverage was included in the current language of the lease.

Byrne Conley, Board Counsel evaluated the existing language in the LMI lease agreement and provided a review letter. Mr. Conley stated that the current language within the lease is vague and doesn't expressly state that the City of Vallejo is required to provide property coverage for the buildings and there isn't a requirement to name LMI as a loss payee.

The property program underwriters reviewed the LMI lease agreement. The underwriters created the CJPRMA program to protect the financial interests of CJPRMA and its members. The underwriters have agreed to provide coverage where there is a specific contractual requirement. Alliant Insurance and the property underwriters provided a review of the current documents.

Based upon the comments provided by the underwriting team, CJPRMA does not have the ability to include these properties for coverage in the property program that are currently leased by City of Vallejo from LMI. In the event that an addendum or update to the agreement is made that specifically states property insurance for the replacement cost of the structure is required and that LMI is required to be named as a loss payee then CJPRMA could provide coverage.

Director Quintana was informed that CJPRMA was not able to include these structures based upon the current language in the lease agreement.

- No action was taken on this item. Staff was directed to abide Board Counsel's recommendation: Board Counsel stated "leased properties are covered to the extent the cities interest is included in the MOC." Staff was directed to issue a letter to the city under the CJPRMA Property Memorandum of Coverage that Lennar Mare Island, Inc. is not a "covered party", however, the City is a "covered party", under the MOC.

9. Applying the California Tort Claims Act *(I)*

Rick Buys, Interim Claims Administrator developed a presentation for the Board of Directors titled Applying the California Tort Claims Act. This presentation was provided to the Board of Directors in lieu of the bi-annual claims presentation.

- No action was required. This is an information only item.

10. Status Update on the Development of CJPRMA Excess Workers' Compensation Program *(I)*

Dr. William Deeb, Aon Risk Services provided the Board with a status update about the development of the excess workers' compensation program for the CJPRMA membership.

Staff requested that the membership provide exposure data and payroll information. Members that submitted data were: Chico, Livermore, Lodi, NCCSIF, Redding, Roseville, San Leandro and Sunnyvale. That accounts for approximately $665 million dollars of payroll. Recently we received a submission of payroll data from REMIF of approximately $100,000,000. Our estimate for program viability predicts that a minimum of $750 million to $1 billion of payroll would be required to make the program stable.

Initial discussions with Dr. Deeb and the market indicated that their interest in a book of business would require approximately $1 billion of payroll to influence the program. The current value reported at $765 million is significantly less than the anticipated participation. Dr. Deeb discussed the reported payroll with the underwriters and there was significant interest in underwriting this program.

The goal was to develop a long-term cost effective solution for our member's workers' compensation programs. The plan is to develop actual cost for the program and create a structure. There will be additional data that must be collected from the members to finalize a quote from the reinsurers and to prepare an actuarial review to determine for overall pricing. The previous goal was to provide final numbers at this meeting. Unfortunately, we have been unable to finalize this process. We need to identify if there is a continued interest of the Board to proceed with this process.

The Board, the general manager, and Mr. Deeb decided that more information would be collected after the first of the year to further develop this program.

- No action was required. This is an information only item.

11. Business Calendar for 2017 and 2018 *(I)*

The 2017 and 2018 business calendar was provided to the Board as a standing agenda item. The calendar provides key business items and the required dates for completion for the Board.

- No action was required. This was an information only item.

12. New Board Members / Alternates *(I)*

Notifications regarding a change in director/alternate designations that have been received as of the last meeting are indicated herein:

1)	REMIF	**Director** Amy Northam – General Manager
2)	REMIF	**Alternate** Elena Piazzisi – WC Claims Administrator
3)	Roseville	**Alternate** Hedy Dehghan – Assistant Human Resources Director
4)	Stockton	**Director** Gail Kiyomura – Deputy Director of Human Resources
5)	Stockton	**Alternate** Theresa Roland – Safety Manager

13. Risk Management Issues *(I)*

1. SB 496 – Changes in Contract Requirements for Design Professionals Immunity, David Clovis, CJPRMA
2. Law Enforcement Legal Update - A Nationwide View of Shootings Involving Police Offers, David Clovis, CJPRMA

XI. ADJOURNMENT

- A motion was made Director Akil and seconded by Director Quiambao to adjourn the meeting at 2:25pm. Motion passed.

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