



## CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

### BOARD OF DIRECTORS MEETING

Thursday November 21, 2019 – 9:00 a.m.

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

### MINUTES

#### I. CALL TO ORDER

- President Greer call the meeting to order at 9:04 a.m.

#### II. ROLL CALL

##### PRESENT:

- |                                      |  |
|--------------------------------------|--|
| 1) Montague Hung, <i>Alameda</i>     | 11) Kim Greer, <i>Richmond</i>                 |
| 2) Jamie Cannon, <i>Chico</i>        | 12) David Rawe, <i>Roseville</i>               |
| 3) Chris Carmona, <i>Fairfield</i>   | 13) Mary Ann Perini, <i>San Leandro</i>        |
| 4) Steven Schwarz, <i>Fremont</i>    | 14) Dominique Kurihara, <i>Santa Rosa</i>      |
| 5) Janet Hamilton, <i>Livermore</i>  | 15) Roger Carroll, <i>SCORE</i>                |
| 6) Beverly Jensen, <i>Lodi</i>       | 16) Gail Kiyomura, <i>Stockton</i>             |
| 7) Dan Sodergren, <i>LPFD</i>        | 17) Scott Mann, <i>Sunnyvale</i>               |
| 8) Veronica Rodriguez, <i>NCCSIF</i> | 18) GeorgeAnne Meggers-Smith, <i>Vacaville</i> |
| 9) Lynette Frediani, <i>Redding</i>  | 19) Armond Sarkis, <i>YCPARMIA</i>             |
| 10) Amy Northam, <i>REMIF</i>        |  |

##### OTHERS PRESENT:

- |  |  |
|--|--|
| 20) Byrne Conley, <i>Board Counsel</i> | 29) Dr. William Deeb, <i>AON Risk Services</i>         |
| 21) Tony Giles, <i>CJPRMA</i>          | 30) Tracy Fleck, <i>Aon Global Risk Consulting</i>     |
| 22) Lola Deem, <i>CJPRMA</i>           | 31) Kyle Powell, <i>AON Risk Services</i>              |
| 23) Marinda Griese, <i>CJPRMA</i>      | 32) Robert Lowe, <i>Alliant Insurance Services</i>     |
| 24) Saima Kumar, <i>CJPRMA</i>         | 33) P. J. Skarlanic, <i>Alliant Insurance Services</i> |
| 25) Marcia Hart, <i>CJPRMA</i>         | 34) Andrea Ferry, <i>Alliant Insurance Services</i>    |
| 26) Susanna Banuelos, <i>CJPRMA</i>    | 35) Marcus Beverly, <i>Alliant Insurance Services</i>  |
| 27) David Due, <i>YCPARMIA</i>         | 36) William Dennehy, <i>Chandler Assets Management</i> |
| 28) Laura Marquez, <i>Richmond</i>     |  |

**NOT PRESENT:** Petaluma and San Rafael

*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.*

### III. CLOSED SESSION

#### 1. Government Code Section 54956.95 (a)

Conference with Legal Counsel – Litigation

**Name of Case:** Peng Huang, Wenchang Song, Shuping Gao, Naibo Tao v. Judy Chong;  
City of Stockton

**Court:** State of California Superior Court, County of San Joaquin

**Case No.:** STK-CV-UAT-2017-0009963

### IV. ACTION ON CLOSED SESSION ITEMS

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

### V. PRESENTATIONS

- Dr. William Deeb, Aon Risk Services presented an update on the State of the Liability Market.
- Mr. Robert Lowe, Alliant Insurance Services presented an updated on the State of the Property Market.

### 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.

- Tony Giles, General Manager provided copies of an email sent to him from Robert Epstein, City Attorney for City of San Rafael.

### VII. COMMUNICATIONS

#### A. Board Members

- Chris Carmona, Risk Manager City of Fairfield shared that CJPRMA Director Lynette Frediani, Deputy City Attorney, City of Redding was retiring on December 13, 2019.

#### B. General Manager/Secretary

- Tony Giles, General Manager stated a special telephonic meeting will be held in December to discuss the CAFR.

#### C. Next Scheduled Meetings: Executive Committee (01/16/2020) Loomis Board of Directors (03/19/2020) CJPRMA

### VIII. APPROVAL OF MINUTES

- A motion was made by Director Cannon and seconded by Director Carmona to approve the minutes from the Board of Directors meetings held on August 15, 2019 and October 22 & 23, 2019. Directors Hung, Schwarz, Jensen, Hamilton, Sodergren, Rodriguez, Frediani, Northam,

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Greer, Rawe, Perini, Kurihara, Carroll, Kiyomura, Mann, Meggers-Smith and Sarkis. Petaluma and San Rafael were absent. Motion passed.

## **IX. CONSENT CALENDAR**

### **1. Additional Covered Party Certificates Approved by the General Manager (A)**

### **2. Status Update on General Manager's Goals & Objectives (I)**

### **3. Settlement of Claims Discussed in Closed Session (I)**

### **4. Business Calendar 2020 (I)**

- A motion was made by Director Hamilton and seconded by Director Jensen to approve the Consent Calendar. Directors Hung, Cannon, Carmona, Schwarz, Sodergren, Rodriguez, Frediani, Northam, Greer, Rawe, Carroll, Perini, Kurihara, Kiyomura, Mann, Meggers-Smith and Sarkis approved the motion. Petaluma and San Rafael were absent. Motion passed.

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

### **5. Report from the Investment Manager (I)**

Bill Dennehy of Chandler Asset Management was present to discuss the portfolio and our investment strategy.

Pool investments are managed by Chandler Asset Management. The assets are held in CJPRMA's bank custody account managed by the Bank of New York.

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. As of October 31, 2019, the Loss Payment Account was valued at \$11,027,682. This was an increase of \$8,289,142 from its valuation of \$2,738,540 on July 31, 2019. Several securities were purchased in the Treasury and Asset Backed sectors of the market with maturities ranging between February 2020 to July 2024. The majority of the investment activity in the portfolio was in LAIF, with multiple contributions totaling \$12 million offset by one withdrawal of \$3.775 million late in the quarter. The withdrawal was utilized to increase the overall allocation in both long-term portfolio strategies as the forecasted cash flow needs are moderate looking out over the next nine months. 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, 2019, the Long Term Growth Account/ Tactical was valued at \$15,581,986. This was an increase of \$1,954,323 from its valuation of \$13,627,663 on July 31, 2019. Multiple securities were purchased across the Treasury, Agency, Asset Backed, Commercial Paper and Corporate sectors of the market to keep the portfolio allocation and structure consistent with Chandler targets. The purchased securities ranged in maturity from November 2019 to October 2024. Two securities were sold, two matured and \$1.775 million was contributed to the portfolio to facilitate the new holdings in the portfolio.

As of October 31, 2019, the Long Term Growth Account was valued at \$32,344,767. This was an increase of \$2,745,632 from its valuation of \$29,599,135 on July 31, 2019. A handful of securities were purchased across the Treasury and Corporate sectors of the market to keep the portfolio allocation and structure consistent with Chandler targets. The purchased securities ranged in maturity from May 2024 to August 2029. One security was called and \$2.0 million was contributed to the portfolio late in the quarter to facilitate the new securities in the portfolio.

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

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

## **6. Approval of the Statement of Investment Policy (A)**

The general manager recommended adoption of the proposed recommended revisions of the Investment Policy. The Statement of Internal Procedures and Controls states that the investment manager will review the Authority's Investment Policy annually and report any recommendations for revisions for approval to the Board of Directors. Chandler Asset Management has reviewed the existing investment policy and has made the following recommended revisions.

1. Section III – Objectives – D – Diversification: Added Supranational Securities to the list of security types not subject to the 5% per issuer limitation. In the Permitted Investments section Supranational Securities have a limit of 10% per issuer. The suggested update removes the conflict embedded in the policy.
2. Section VII – Investment Instruments and Maturities – A – Permitted Investments – Section 2: Added mortgage pass-through securities to more specifically call out all the security types that fall under the government sponsored enterprise definition.
3. Section VII – Investment Instruments and Maturities – A – Permitted Investments – Section 10: Recommend removing the language requiring the underlying issuer to have a rating of 'A' or higher. Legislation was passed this year, AB 1770, to remove the

underlying issuer rating requirement. Please note the Chandler team will continue to evaluate all holdings in the portfolio to ensure suitability relative to the risk profile of the investment strategy.

4. Section VII – Investment Instruments and Maturities – A – Permitted Investments – Section 13: Recommend removing the summary table to eliminate the chance of contradiction between the verbiage under “Permitted Investments” and the table itself; to be consistent with Chandler’s best practices.
5. Section VII – Investment Instruments and Maturities – D – Investment in “Derivative” Securities – Section 2: Recommend removing mortgage pass-through securities issued by Federal agencies from this section as they are not limited to the 5% per issuer limitation. This security type has been moved under the “Federal Agency” section of Permitted Investments in this policy.
  - A motion was made by Director Mann and seconded by Director Cannon to approve the Statement of the Investment Policy with the recommended revisions. Directors Hung, Carmona, Schwarz, Hamilton, Jensen, Sodergren, Rodriguez, Frediani, Northam, Greer, Rawe, Carroll, Perini, Kurihara, Kiyomura and Meggers-Smith approved the motion. YCPARMIA abstained from voting. Petaluma and San Rafael were absent. Motion passed.

## **7. Report Out from Claims Committee (I)**

The agenda bill reported a summary of items and lessons that could be learned that were discussed at the Claims Committee meeting on October 10, 2019.

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

## **8. Approve Modification to Liability Memorandum of Coverage (A)**

The general manager recommended changes to the Liability Memorandum of Coverage. The modifications would represent no change in coverage. The language changes would only be intended to clarify existing coverage.

The liability Memorandum of Coverage (MOC) defines “Employment Practices Liability” as “liability arising from discrimination, sexual harassment, and/or wrongful termination claimed by an employee, former employee or applicant for employment of a covered party.” Retaliation claims are covered in the MOC under Employment Practices Liability, but the MOC does not explicitly say so.

In order to improve clarity, staff recommends adding retaliation to the definition of Employment Practices Liability and adding a definition for Retaliation. Retaliation will be

defined as “any adverse employment action taken against a present or former employee because the employee engaged in legally protected conduct.”

- A motion was made by Director Northam and seconded by Director Carmona to approve the modifications to the Liability Memorandum of Coverage effective 11/21/19. Directors Hung, Cannon, Schwarz, Hamilton, Jensen, Sodergren, Rodriguez, Frediani, Greer, Rawe, Carroll, Perini, Kurihara, Kiyomura, Mann, Meggers-Smith and Sarkis approved the motion. Petaluma and San Rafael were absent. Motion passed.

## **9. Authority to Execute Agreement with Board Counsel (A)**

The general manager asked the Board of Directors for authority to execute the proposed contract for services and a four percent per year rate increase to keep rates current for legal services of the Board Counsel.

Board Counsel rates have not changed since 2016, and they fall below the rates charged by defense attorneys representing CJPRMA members. The proposed rates are consistent with the rates charged by partners in the firms representing CJPRMA members. The contract includes a provision for either party to request negotiations on rates if they think they need to be modified.

In an email dated October 3, 2019, the firm of Gibbons and Conley requested an increase in the rate for their services. The Board of Directors adopted the current rates February 4, 2016. The current rates are \$185/hour for attorneys, \$98/hour for paralegals and 2.5% for overhead. The new proposed rates are \$225/hour for attorneys, \$105/hour for paralegals, and 2.5% for overhead charge.

- A motion was made by Director Rawe and seconded by Director Northam to approve the proposed contract and rate increase for the firm of Gibbons and Conley services with a 2.5% Cost of Living Allocation (COLA) increase, change the contract terms to every three years and change the insurance requirements to list CJPRMA as additional insured. Directors Hung, Cannon, Carmona, Schwarz, Hamilton, Jensen, Sodergren, Rodriguez, Frediani, Greer, Carroll, Perini, Kurihara, Kiyomura, Meggers-Smith and Sarkis approved the motion. Sunnyvale opposed the motion. Petaluma and San Rafael were absent. Motion passed.

## **10. Claims Experience Report (I)**

Claims Administrator, Marinda Griese, presented a claims overview to the Board of Directors. This report provided a review of all claims that have been reported to CJPRMA beginning with program year 2007-2008 through 2016-2017. The date range is consistent with the current methodology being utilized by our actuary for developing our program year contributions.

The report exhibited a high level overview of all claims. It included a description of claims

frequency, severity and development history. The report also assists staff in the development of risk management training programs and a basis for establishing baseline criteria to be included in risk management audit standards.

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

#### **11. Approval of the 2019 Actuarial Report, Proposed Funding and Rates for Program Year 2020/21 and Redistribution for Fiscal Year 2019/20 (A)**

Ms. Tracy Fleck of Aon Global Risk Consulting conducted the 2019 actuarial study and presented the results. The CJPRMA staff report, which summarizes the study, was provided as an exhibit.

##### Estimated Outstanding Losses

This year, the value of estimated outstanding losses increased \$10 million (24%) to \$51.8 million. Case reserves increased \$9.2 million and IBNR increased \$782,486. In fiscal year 2018/19 there were \$19.8 million in claim expenses and settlements paid. This reflects the continued trend of high severity and frequency of claims.

##### Redistribution

Page 79 of the actuarial report shows a maximum excess equity distribution of \$7.7 million for program years 1986/87 through 2013/14. The table also shows an overall deficit position of \$43.5 million at 90% confidence. For this reason, the actuary and CJPRMA staff are recommending no redistribution of funds but rather a reallocation of equity to the deficit years. The attached redistribution spreadsheet shows the reallocation from the older years to program year 2012/13. By doing this, it reduces the deficit in PY 2012/13 from \$11.3 million to \$3.7 million.

##### Equity

The equity in the program at June 30, 2019 is a deficit of \$14 million, with the addition of the Excess Loss Fund of \$18 million there is total equity of \$4 million. The CJPRMA target equity is \$22.5 million which gives us a shortfall of \$18.5 million.

In 2009 the liability premium funding was adjusted to help our member entities during the recession. This along with the increased claim frequency and severity has reduced the pool equity by \$52.7 million since 2011.

##### Funding

The current self-insured retention attachment points of \$500,000 for Pool B and \$1 million for Pool C have been utilized since the inception of the program in 1986/87. Prior to 1993/94 there was an additional Pool A \$250,000 excess of \$250,000. With the increase in estimated outstanding losses, cost of inflation, jury awards and legislative change, it is time we review different methods of calculating the premiums in order to mitigate the financial impact on the program.

As a part of the actuarial study, staff requested that Aon prepare an exhibit showing the funding amounts and rates if the attachment points on both Pool B and Pool C were to increase by \$250,000. At the alternate attachment points, Pool B is \$750,000 to \$1.25 million and Pool C is \$1.25 million to \$5 million, Pool D would remain the same at \$5 million to \$40 million.

Accordingly, staff has prepared funding and rates in four methods. The attached Staff Report on the Actuarial Study (Page 3) shows the four methods for your consideration:

1. Pool B \$500K SIR/Pool C \$1M SIR – 10 years developed rates and funding
2. Pool B \$500K SIR/Pool C \$1M SIR – conventional actuarial approach
3. Pool B \$750K SIR/Pool C \$1.25M SIR – 10 years developed rates and funding
4. Pool B \$750K SIR/Pool C \$1.25M SIR – conventional actuarial approach

(Table F) represents the method we are currently using, Pool B \$500K SIR/Pool C \$1M SIR – 10 years rolling average. This shows a required funding of \$16.25 million.

**Table F - Pool B \$500K SIR/Pool C \$1M SIR**  
**10 Years Developed Rates & Funding**  
*70% Confidence Level – Discounted*

<b>Losses</b>	\$10,318,374	Pool B	0.154	\$2,610,313
<b>Reinsurance</b>	4,384,477	Pool C	0.419	7,708,061
<b>Overhead</b>	1,550,000	Pool D	0.322	5,934,477
<b>Total</b>	\$16,252,851	<b>Total</b>	0.895	\$16,252,851

(Table H) increases the SIR for Pool B to \$750,000 and Pool C to \$1.25 million. This shows a required funding of \$13.84 million and a reduction of \$2.41 million over the current method.

**Table H - Pool B \$750K SIR/Pool C \$1.25M SIR**  
**10 Years Developed Rates & Funding**  
*70% Confidence Level – Discounted*

<b>Losses</b>	\$7,903,971	Pool B	0.108	\$1,829,176
<b>Reinsurance</b>	4,384,477	Pool C	0.330	6,074,795
<b>Overhead</b>	1,550,000	Pool D	0.322	5,934,477
<b>Total</b>	\$13,838,448	<b>Total</b>	0.760	\$13,838,448

The new attachment points would realize a savings of \$2.41 million (14.8%) over the current self-insured retention levels for program year 2020/21. We realize this would require our members to increase their reserves at the primary level, but we recommend this option be considered for PY 2020/21 funding.

- A motion was made by Director Mann and seconded by Director Schwarz to approve the 2019 actuarial study and the redistribution for fiscal year 2019/20. Directors Hung, Cannon, Hamilton, Jensen, Sodergren, Rodriguez, Northam, Greer, Perini, Kiyomura and Sarkis

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approved the motion. Fairfield, Redding, Roseville, Santa Rosa, SCORE and Vacaville were not present at the time of voting. Petaluma and San Rafael were absent. Motion passed.

- A motion was made by Director Cannon and seconded by Director Northam to approve the proposed funding and rates for program year 2020/21 with increased SIR of Pool B \$750k and Pool C \$1.25M. Director Schwarz amended the motion and Director Mann seconded the amendment to have staff present levels at \$500k, \$750k, \$1M & \$1.25M for the SIR's at the March 2020 meeting. A roll call vote was held. Alameda, Chico, Fremont, Livermore, Lodi, LPPD, NCCSIF, REMIF, Richmond, San Leandro, Stockton, Sunnyvale and YCPARMIA approved the motion. Fairfield, Redding, Roseville, Santa Rosa, SCORE and Vacaville were not present for voting. Petaluma and San Rafael were absent. Motion passed.

## 12. Approval of Strategic Plan for 2019-2022 (A)

The Board of Directors adopted its current strategic plan in December 2016. The Board of Directors met on October 22 & 23, 2019 to update and revise the strategic plan for the next three years. Rick Brush of Brush Strokes Consulting facilitated the strategic planning session.

Mr. Brush provided a report of the results along with a matrix representing the strategic action plan. Both documents were provided.

Upon adoption by the Board of Directors, the Executive Committee and the general manager will be developing specific goals and objectives for the general manager based on the priorities of CJPRMA as identified in the strategic plan.

- President Greer postponed this agenda bill until March 2020 meeting.

## 13. 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)	Alameda	<b>Director</b> Montague Hung – Deputy City Attorney/Risk Manager
2)	Chico	<b>Alternate</b> Mark Orme – City Manager
3)	NCCSIF	<b>Director</b> Veronica Rodriguez – Human Resources Manager (City of Lincoln)

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

## 14. Risk Management Issues (I)

- President Greer postponed this agenda bill until March 2020 meeting.

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## **15. Introduction of Proposed Memorandum of Coverage for Pooled Property Program 2020-2021 (I)**

At the August 2019 Board of Directors meeting, the members of the property program approved the establishment of a pooled property coverage program to cover losses with a self-insured retention of \$100,000 and a per occurrence limit of \$250,000 for all-risk and a per occurrence limit of \$500,000 for wildfire.

Members of the property program wanted to review the premium cost before committing to the new program. The general manager would request approval of the MOC at the March 19, 2020 Board of Directors meeting.

The proposed MOC included the following elements:

- It is an optional program for members of the property program.
- The program mirrors the approved coverage form from the Alliant Public Entity Insurance Program (PEPIP). The property program members have adopted the PEPIP form as the governing document for the property program.
- Coverage would be for losses exceeding \$100,000 and not exceeding \$250,000 for all-risk. (\$100,000 deductible for all-risk)
- Coverage would be for losses exceeding \$100,000 and not exceeding \$500,000 for wildfire. (\$100,000 for wildfire)
- Loss due to flood is excluded.
- Premium will be determined on a pro-rata portion of total insurable value (TIV) of the members in the pooled program, which is how premium is allocated in the standard property program.
- Establish the program on a total pool basis rather than accounting for individual program years. There would be no dividends unless the program is closed.

The premium cost for this program would be determined for the March 2020 meeting.

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

## **16. Proposed Pricing for Pooled Property Program 2020-2021 (I)**

At the August 2019 Board of Directors meeting, the members of the property program approved the establishment of a pooled property coverage program to cover losses with a self-insured retention of \$100,000 and a per occurrence limit of \$250,000 for all-risk and a per occurrence limit of \$500,000 for wildfire. Losses due to flood will be excluded from the pooled property program.

Staff requested pricing from Aon for the self-funded program and was provided at the meeting.

Depending on which members elect to participate in the program, loss history and TIV will fluctuate, which will result in a different final cost for the program. The general manager requested that property program members review the draft Memorandum of Coverage and pricing and respond by December 31, 2019 as to whether they will participate in the program. Staff will recalculate pricing based on actual participation and present the program with final pricing for approval at the March 19, 2020 Board of Directors meeting.

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

## **XI. ADJOURNMENT**

- President Greer adjourned the meeting at 2:50 p.m.