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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

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BOARD OF DIRECTORS MEETING
March 17, 2016– 9:00 A.M.

CJPRMA Office
3201 Doolan Road, Suite 285
Livermore, CA 94551

(925) 837-0667

Minutes

I. CALL TO ORDER:

President Hamilton called the meeting to order at 9:03 a.m.

II. ROLL CALL

PRESENT

1) Lucretia Akil, *Alameda*
2) Laura Marquez, *Fairfield*
3) Frank Fields, *Chico*
4) Steve Schwarz, *Fremont*
5) Janet Hamilton, *Livermore*
6) Kirk Evans, *Lodi*
7) Paula Islas, *NCCSIF*
8) Ron Blanquie, *Petaluma*
9) Lynette Frediani, *Redding*
10) Kim Greer, *Richmond*
11) Elena Piazzisi, *REMIF*
12) David Rawe, *Roseville*
13) Mary Ann Perini, *San Leandro*
14) Roger Carroll, *SCORE*
15) Nathan Barnette, *Santa Rosa*
16) Celeste Garrett, *Vacaville*
17) Erika Leahy, *Vallejo*
18) Marinda Griese, *YCPARMIA*

ABSENT

San Rafael, Stockton, Sunnyvale

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OTHERS PRESENT

19) Dr. William Deeb, *AON*
20) Bill Denneny, *Chandler Asset Mgmt*.
21) David Clovis, *CJPRMA*
22) Lola Deem, *CJPRMA*
23) Craig Schweikhard, *CJPRMA*
24) Saima Kumar, *CJPRMA*
25) Susanna Banuelos, *CJPRMA*
26) A. Byrne Conley, *Gibbons & Conley*
27) Laura Snideman, Fairfield
28) Steve Janice, Fairfield
29) Jas Sidhu, *Livermore*
30) Chris Carmona, *Redding*
31) Kristen Vaughan, *Vacaville*
32) Ken Minas, *Stockton*

III. PRESENTATIONS

- None

IV. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS.

V. COMMUNICATIONS

A. Board Members:
B. General Manager/Secretary:
C. Next Scheduled Meetings: Executive Committee (04/27/2016) City of Lodi
Annual Membership Meeting (05/17/2016-05/19/2016)
Seascape Resort, Aptos

VI. APPROVAL OF MINUTES

- A motion was made by Director Carroll, seconded by Director Akil, to approve the amended minutes of the Board of Directors meeting held December 17, 2015 to include the Alternate Director Erika Leahy as present. Directors Akil, Fields, Marquez, Schwarz, Hamilton, Evans, Islas, Blanquie, Frediani, Greer, Piazzisi, Perini, Rawe, Carroll, Garrett and Leahy voted for approval of the minutes. Directors Dolan, Moon and Solina were absent. Director Barnette came in after the motion was made. Motion passes.

VII. CONSENT CALENDAR

1. **Financial Report of CJPRMA as of October 31, 2015 (A)**
2. **Additional Covered Party Certificates Approved by the General Manager (A)**

- A motion was made by Director Carroll, seconded by Director Akil, to approve the Consent Calendar. Directors Akil, Fields, Marquez, Schwarz, Hamilton, Evans, Islas, Blanquie, Frediani, Greer, Piazzisi, Perini, Rawe, Carroll, Garrett and Leahy voted for approval of the minutes. Directors Dolan, Moon and Solina were absent. Director Barnette came in after the motion was made. Motion passes.

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VIII. ACTION CALENDER *(Action Items Only)*

3. Implementation of Property Program Experience Rating *(A)*

The general manager presented the Board with property program experience rating options. He stated that the Ad hoc Property Committee worked with him to develop experience rating factors. He stated that before implementing an experience rating it would require the program members to select a number of parameters that would be used to track and schedule the contributions. The following are the list of parameters:

1. The primary consideration would be to determine what experience rating would be the trigger that subjects the member to the additional deductible contribution. This may range from 100%, to 500%. Using any higher of a modifier would have little or no positive effect on members of the program. Staff recommends utilizing 250% as the modifier factor. That indicates that the member sustained losses that exceeded their contributions by 150%.

2. The next factor for consideration would be the size of loss that would trigger the additional deductible. This could range from any loss that exceeds $500,000 up to $1,000,000. Of course the program participants could determine this number to be higher or lower. Staff reviewed a number of options and has determined that a $1,000,000 loss threshold would be reasonable. The loss history of the program demonstrates that losses of this size are rare and are not expected to continue. Staff also recommends that a member sustaining multiple losses in the same program year that exceed $1,000,000 would also be subject to the additional deductible. These numbers would not include any deductibles paid or any recoveries or subrogation received for the claims.

3. The deductible amount is also a variable. We have evaluated a 10% additional deductible that minimizes the impact on any agency and also promotes effective risk management. Again, the program participants may consider a deductible of 5% up to 20%. Staff recommends the program participants adopt a 10% deductible.

4. Any member required to contribute to the excess deductible, will not receive a credit for their premium contributions.

5. There were also comments arising out of the committee that there should be no change in the program. One member of the committee stated they believe that it is not necessary to create any additional requirements on members. Their observation noted that the new vacant/unoccupied exclusion has already addressed the deficiency in the program and that no additional experience rating is required.

The general manager said that the staff recommends that the group adopt the recommendations for an experience rating deductible per the recommendations listed under points 1 through 5 on the agenda bill.

This experience-rating program would be as follows.

1. Any member with an experience rating of 250% or greater would be subject to the enhanced deductible.
2. Any single loss or aggregate losses in excess of $1,000,000 in any program year would be subject to the additional deductible.
3. The amount of the additional deductible in excess of the above losses would be 10%.

After a lengthy discussion on the experience rating program, the property program members recommended to table this matter for May 2016 board meeting. They directed the general manager and Executive Committee to look into more options and to give the property program members time to think about the options being presented.

No Action was taken on this agenda item. The general manager received direction from the property program members.

4. **Implementation of APD Program Experience Rating**

The general manager presented recommendations on the implementation of an Auto Physical Damage (APD) Program Experience rating to the Board. He said as part of creating the experience rating of the property program, the Ad hoc Committee members suggested that a similar experience rating should be applied to APD.

He said that the committee discussed and evaluated the APD program and the impacts of adverse loss history to the members of the program. He said that the program has experienced a significant increase in losses. And the adverse loss history of members is significantly impacting the pricing of the program. He said that by implementing an APD experience-rating program the APD program members can anticipate minimizing the effects of losses on members with better experience and also to encourage members with a poor experience to increase efforts in minimizing their losses.

The general manger stated that the Ad-hoc Property Program Committee reviewed the issues associated with losses that have occurred in the APD program. He stated that staff discussed alternative means of calculating the experience modification with Mr. Mujtaba Datoo, Aon Risk Services Actuary Services, Mr. Datoo stated that based upon the short duration of a property claim and an APD claim it would be reasonable to use a window of five years to review losses. He said that Mr. Datoo also commented that losses could be capped to minimize the impact of a catastrophic loss to any one member in any program year.

The committee determined that the most appropriate method for evaluating members experience was a ratio of premiums paid to total dollars paid for claims. This is the same method utilized for worker's compensation programs when determining an experience rating method.

The following chart was created to evaluate the loss experience of each member compared to the total premium contributions:

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LOSS BY MEMBER	PY 14-15	PY 13-14	PY 12-13	PY 11-12	Premiums Paid PY 10-11 thru 14-15	Total Losses	Loss Ratio %	% of Losses	# Losses	Premiums % per mem
Alameda	$ 54,051	$ 40,755	$ 37,655	$ 31,626	$ 164,087	$20,135	12%	3.23%	1	8.68%
Chico	$ 37,625	$ 28,408	$ 27,636	$ 27,103	$ 120,772	$177,994	147%	29.03%	9	6.39%
Fremont	$ 86,718	$ 95,252	$ 54,684	$ 29,849	$ 266,503	$0.00	0%	0.00%	0	14.10%
Livermore	$ 26,801	$ -	$ -	$ -	$ 26,801	$0.00	0%	0.00%	0	1.42%
Lodi	$ 39,647	$ 34,697	$ 32,797	$ 26,067	$ 133,208	$36,878	28%	6.45%	2	7.05%
Petaluma	$ 16,638	$ 13,461	$ 13,360	$ 11,273	$ 54,732	$0.00	0%	0.00%	0	2.90%
Redding	$ 85,330	$ -	$ -	$ -	$ 85,330	$0	0%	0.00%	0	4.52%
San Leandro	$ 33,709	$ 28,072	$ 26,485	$ 23,720	$ 111,986	$30,271	27%	3.23%	1	5.93%
Stockton	$ 74,613	$ 64,625	$ 61,599	$ 39,952	$ 240,789	$270,391	112%	12.90%	4	12.74%
Sunnyvale	$ 36,710	$ 29,375	$ 28,870	$ 27,623	$ 122,578	$0.00	0%	0.00%	0	6.49%
Vacaville	$ 38,617	$ 31,340	$ 31,786	$ 13,544	$ 115,287	$84,782	74%	12.90%	4	6.10%
Vallejo	$ 32,688	$ 28,624	$ 28,700	$ 29,859	$ 119,871	$1,232,977	1029%	29.03%	9	6.34%
REMIF	$ 96,137	$ 80,791	$ 76,623	$ 74,196	$ 327,747	$18,385	6%	3.23%	1	17.34%
Total					$ 1,889,691	$1,871,812		100.00%	31	100.00%

The above chart was provided to the Board with four years of loss history. The data was provided by Hanover, and the entire duration they have underwritten the exposures. The general manager said that following this program year, APD members will be in a position to utilize a five-year rolling cost basis for determining loss ratio.

He said that this method of evaluating all losses demonstrates each member's loss ratio based upon premiums paid with total losses paid. A loss ratio of above a 100% indicates that the total losses exceed total premiums paid. The chart above identifies three experience ratios that exceed 100%.

Another means of offsetting the impacts of a significant loss ratio would involve implementing alternative larger deductibles for the member(s) that have the most significant impact on the pricing of the program. This method appears to be the most reasonable and would only impact those members with an adverse loss history if they continue to experience significant losses. A member with an adverse loss ratio, that has implemented effective measures to minimize losses, would not be adversely impacted by this approach to the program. The secondary benefit of this methodology would provide the other members of the program with a savings towards their contributions for the following year. The funds could also be used towards APD risk management services if approved by the members of the program.

The recommendation for determining a weighting method would be based upon five years of claims data. The data collected would not include the current program year, as those losses would not have an opportunity to develop. As stated above, the first year of the experience rating structure for the APD program would be based upon four years of data. Staff would produce an annual report to the participants at the May Board of Directors meeting identifying the amount of contribution by members impacting the program and would also identify any member that would be subject to the additional deductible based upon their five years of experience rating historical data.

Implementing an experience rating would require the program members to select a number of parameters that would be used to track and schedule the contributions.

1. The primary consideration would be to determine what experience rating would be the trigger that subjects the member to the additional deductible contribution. This may range from 100%, to 500%. Using any higher of a modifier would have little or no positive effect on members of the program. Staff recommends utilizing that same percentage as recommended for the property program at 250% as the modifier factor. That indicates that the member sustained losses that exceeded their contributions by 150%.

2. The next factor for consideration would be the size of loss that would trigger the additional deductible. This could range from any loss that exceeds $100,000 up to $500,000. Of course the program participants could determine this number to be higher or lower. Staff reviewed a number of options and has determined that a $250,000 loss threshold would be reasonable. The APD program certainly has losses sustained at a lower level than the property program. Staff also recommends that a member sustaining multiple losses in the same program year that exceed an aggregate $250,000 would also be subject to the additional deductible. These numbers would not include any deductibles paid or any recoveries or subrogation received for the claims.

3. The deductible amount is also a variable. We have evaluated a 10% additional deductible that minimizes the impact on any agency and also promotes effective risk management. Again, the program participants may consider a deductible of 5% up to 20%. Staff recommends the program participants adopt a 20% deductible. This number is significantly higher than the proposed number for the property program. This is based on our history of losses, the average size of loss and the overall ability to impact a member's risk management program.

4. Any member required to contribute to the excess deductible, will not receive a credit for their premium contributions.

The general manager said staff recommends that the group adopt the recommendations for an experience rating deductible per the recommendations listed under points 1 through 4.

This experience-rating program would be as follows.

1. Any member with an experience rating of 250% or greater would be subject to the enhanced deductible.
2. Any single loss or aggregate losses in excess of $250,000 in any program year would be subject to the additional deductible.
3. The amount of the additional deductible in excess of the above losses would be 20%.

After discussion with the APD program members' direction was given to the general manager to allow the members' time to think about the proposed experience rating option and bring this matter back to the Board at the May 2016 meeting. No action was taken on this item the Board gave general manager direction on this matter.

IX. INFORMATION CALENDAR

5. Status Update on Claims Audit Ad Hoc Committee *(I)*

Claims Administrator, Craig Schweikhard presented a status update on the Claims Audit Committee. He said that the Ad hoc committee reviewed recommendations from staff for an objective basis for performing the annual claims audit. He said that the committee also reviewed the current claims auditor, Mr. Craig Bowlus and said that he has been performing the claims audit for many years and has performed the function very well. However, in light of Mr. Bowlus's new responsibilities at AON, the committee has evaluated options for performing a formal RFP for auditing services.

Due to time constrain staff obtained informal bids for the annual claims for the current program year. Staff also advised the committee that in the event quotes were not available or were unacceptable, we would continue with Mr. Bowlus for one additional year and perform a formal RFP sometime later this year.

Mr. Schweikhard stated that we received three bids for performing the annual claims audit as follows:

Craig Bowlus	175 files	$43,750
Robert Powers	175 files	$36,500
Rick Buys	175 files	$30,500

He said that the quote provided from Mr. Craig Bowlus, AON would be an increase of $18,750 this year from the prior year. The general manager said that as a reminder, the AON Risk Services Contract includes $25,000 of user fees generated by any AON Consultant during the policy period. In the event that Mr. Bowlus does not perform the audit, these fees will be utilized on other services anticipated from the Aon Risk Services team.

Mr. Schweikhard stated that all of the quotes included transportation, lodging and the preparation of the reports. CJPRMA will be provided with the documents and will produce all final reports for the members. He said that staff recommended that the Executive Committee approve the quote submitted by Mr. Buys and authorize the general manager to execute a one-year agreement for services. This was approved by the Executive Committee at the February meeting. Mr. Buy's services were retained and audits are currently being scheduled with the members.

Mr. Schweikhard said that the Claims Audit Committee reviewed the following documents prepared by staff to serve as guidelines and standards for the Audit.

1) CJPRMA Claims Audit Purpose and Procedures
2) Primary Audit Purpose and Procedures
3) Claims Standards (as set forth in CJPRMA governing documents)
4) Claims Audit Standards

These documents were provided to the Board for review.

The CJPRMA Claims Audit Purpose and Procedures and Primary Audit Purpose and Procedures documents discuss the purpose of the audits and the manner in which they are to be conducted. The Claims Standards (as set forth in CJPRMA governing documents) document is an outline of the previously approved Consolidated Claims Procedures that were previously approved by the board and these requirements provide the objective standards for compliance measurement. An audit statistical spreadsheet was created by staff and will be tested by the auditors in the first few audits. The Claims Audit Standards document is the general claims standard by which the audit will be conducted. Any suggestions or discussions are welcome. They are intended to provide clear guidelines for audits going forward.

Director Griese asked to have CJPRMA provide members with a lessons learned feedback from prior claims. The general manager said that he will work with the Claims Administrator to prepare a report for members.

No action required. This was an information only item.

6. Report from Investment Manager (*I*)

Mr. William Dennehy from Chandler Asset Management presented the report on CJPRMA's investment portfolio, investment strategy, and update on economic factors that have had a direct impact on the investments.

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

He said that 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. He reported that as of February 29, 2016, the Loss Payment Account was valued at $7,376,795. This was a decrease of $3,887,923 from its valuation of $11,264,718 on November 30, 2015. Purchase activity was light in the portfolio as most maturities are rolling to LAIF and cash to account for liquidity needs; $3.9 million was withdrawn from the portfolio during the three month reporting period. He said that the withdrawals were needed to facilitate the payment of the redistribution and claim settlements. 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.

It was reported that as of February 29, 2016 the Long Term Growth Account was valued at $39,704,659. This was an increase of $1,228,153 from its valuation of $38,476,506 on November 30, 2015. Two securities were purchased during the reporting period at the far end of the maturity range of the benchmark. The two securities had maturities of November 2024 and August 2025. One Agency note with a maturity of May 2020, shorter than the 5-10 year benchmark, was sold to facilitate the additions to the portfolio.

As of February 29, 2016, the Long Term Growth/Tactical Account was valued at $38,117,129. This was an increase of $381,061 from its valuation of $37,736,068 on November 30, 2015. Several securities were purchased across the Treasury, Agency and Commercial Paper sectors of the market to keep the portfolio structure in line with Chandler objectives. The purchased securities ranged in maturity from June 2016 to February 2021. One security was sold and two matured to help facilitate the purchases into the portfolio.

He stated that the investments in all accounts comply with CJPRMA's investment policy.

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

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7. Renewal Strategy Plan for 2016-2017 Program Year *(I)*

Dr. William Deeb from Aon Risk Services presented the 2016-2017 renewal strategy. CJPRMA met with Aon Risk Services and discussed the renewal plan. Dr. Deeb went over the time line and delivery of data with the Board. He said that the goal is to provide the Board with a complete renewal plan for approval at the May 17th, 2016 Board meeting.

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

8. Annual Report 2014-2015 *(I)*

The general manager presented the 2014-2015 program year annual report. He provided a copy of the presentation to the Board.

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

9. New Board Member/Alternates *(I)*

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

1)	Stockton	**Board Director** DeAnna Solina, Interim Director of Human Resources **Alternate** Mary Ann Henriques, Human Resources Manager/Safety Officer
2)	Vacaville	**Alternate** Kristen Vaughan, Human Resources Analyst, Risk Management Division
3)	Santa Rosa	**Alternate** Nathan Barnette, Risk Analyst

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

10. Business Calendar for 2015 and 2016 *(I)*

The 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.

11. Risk Management *(I)*

- Police Vehicle Blackout Modules Release of Liability– *(Celeste Garrett- Vacaville)*

  Director Garrett asked if other members had to sign a release of waiver form by companies that install blackout modules on aftermarket police vehicles. Members said that none of their departments have brought this matter up but they will look into it and get back to Director Garrett.

- CLETS Security Awareness Training - *(Mary Ann Perini – San Leandro)*
- Requesting PD reports involving minors - *(Mary Ann Perini – San Leandro)*
- Requesting DMV reports - *(Mary Ann Perini – San Leandro)*
  Director Perini asked if any other members were receiving copies of claims information late from the police department. She said that it was making it difficult to manage claims.

- What city fire departments use other vehicles (pick-up trucks, SUVs, etc.) besides fire engines and fire ladder trucks to respond to 911 medical emergencies? What are the pros and cons? - *(Mary Ann Perini – San Leandro)*
  Director Perini asked members if they had other alternatives for EMS services. She said that the cost is sky rocketing for contracting out fire and medical services through Alameda County Fire Department.
- Police Officers Discretion on using firearms *(David Clovis, CJPRMA)*
  The general manager said that his was brought up by City of Chico and he wanted to know if other members had any similar issues or policies. Some members stated that they allow officers to choose to carry pepper spray but in firearms.

X. CLOSED SESSION

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

   Name of Case: Thomas, Andrew v. Town of Paradise (NCCSIF)
   Court: N/A
   Case No.: N/A

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

   Name of Case: Dani, B v. City of Fremont
   Court: Superior Court of California, County of Alameda
   Case No.: RG14711592

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

   Name of Case: Tamargo, Julita, et al. v. City of Stockton
   Court: San Joaquin County Superior Court
   Case No.: 39-2012-00287553-CU-PA-STK

4. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel - Pending Litigation

   Name of Case: Milan v. City of Vallejo
   Court: Superior Court of California, County of Solano
   Case No.: FCS042585

5. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel - Pending Litigation

   Name of Case: Andriano, Rene, v. City of Vallejo
   Court: Superior Court of California, County of Solano
   Case No.: FCS044401

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XI. ACTION ON CLOSED SESSION ITEMS

- The Board of Directors conferred with staff regarding litigated claims and provided directions. There was no reportable action.

XII. ADJOURNMENT

- A motion by Director Blanquie, seconded by Director Marques to adjourn the meeting at 1:22p.m.