



**CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY**

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BOARD OF DIRECTORS MEETING

October 26, 2016 – 10:00 a.m.

&

October 27, 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 10:18 a.m. on October 26, 2016
- President Hamilton called the meeting to order at 9:00 a.m. on October 27, 2016

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|---|
| 1) Lucretia Akil, <i>Alameda</i> | 10) David Rawe, <i>Roseville</i> |
| 2) Jamie Cannon, <i>Chico</i> | 11) Mary Ann Perini, <i>San Leandro</i> |
| 3) Laura Snideman, <i>Fairfield</i> | 12) Roger Carroll, <i>SCORE</i> |
| 4) Janet Hamilton, <i>Livermore</i> | 13) Deanna Solina, <i>Stockton</i> |
| 5) Janice Magdich, <i>Lodi</i> | 14) Laura Marquez, <i>Sunnyvale</i> |
| 6) Cecilia Quiambo, <i>Petaluma</i> | 15) Celeste Garrett, <i>Vacaville</i> |
| 7) Lynette Frediani, <i>Redding</i> | 16) Erika Leahy, <i>Vallejo</i> |
| 8) Mark Ferguson, <i>REMIF</i> | 17) Jeff Tonks, <i>YCPARMIA</i> |
| 9) Kim Greer, <i>Richmond</i> | 18) Stacey Peterson, <i>San Rafael</i> |

ABSENT

Fremont, N.C.C.S.I.F, Santa Rosa

OTHERS PRESENT

- | | |
|--|--|
| 19) Dr. William Deeb, <i>AON</i> | 28) Rick Buys, <i>Risky Business Pros</i> |
| 20) Robert Lowe, <i>Alliant</i> | 29) Jas Sidhu, <i>Livermore</i> |
| 21) David Clovis, <i>CJPRMA</i> | 30) Marcia Hart, <i>CJPRMA</i> |
| 22) Lola Deem, <i>CJPRMA</i> | 31) Paul Loehner, <i>Stockton</i> |
| 23) Craig Schweikhard, <i>CJPRMA</i> | 32) Susanna Banuelos, <i>CJPRMA</i> |
| 24) Saima Kumar, <i>CJPRMA</i> | 33) Mujtaba Dattoo, <i>AON Global</i> |
| 25) A. Byrne Conley, <i>Gibbons & Conley</i> | 34) Lisa Yates, <i>ACS Quantum Strategies</i> |
| 26) Craig Bowlus, <i>AON</i> | 35) Judith DeCamp, <i>ACS Quantum Strategies</i> |
| 27) Chris Carmona, <i>Redding</i> | |

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 (11/17/2016) CJPRMA Main Office
Board of Directors (12/15/2016) CJPRMA Main Office

VI. APPROVAL OF MINUTES

- A motion was made by Director Akil, seconded by Director Frediani, to approve the amended minutes to remove Alternate Director Jas Sidhu name from the roll for the Board of Directors meetings held on July 21, 2016 and approve the June 16th, 2016 minutes as is. Directors Akil, Carroll, Cannon, Snideman, Frediani, Hamilton, Magdich, Quiambo, Ferguson, Greer, Rawe, Perini, Solina, Marquez, Garrett, Leahy and Tonks approved the motion. Fremont, NCCSIF, and Santa Rosa were not present. Motion passes.

VII. CONSENT CALENDAR

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

2. Status Update on General Manager's Goal and Objectives 2013-2016 (A)

- A motion was made by Director Akil, seconded by Director Magdich, to approve the Consent Calendar. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present. Motion passes.

VIII. ACTION CALENDAR (*Action Items Only*)

3. Review of Strategic Plan (A)

The general manager informed the Board that the current strategic plan was created at a Board meeting in October of 2013 and has served as a valid tool for three years. General Manager stated that he hired the services of ACS Quantum Strategies to assist in updating the strategic plan. Ms. Lisa Yates and Ms. Judith DeCamp were present to facilitate the discussion. Following the meeting, the general manager stated that he will provide a draft strategic plan to the Executive Committee in November for review.

- No action was required on this item.

4. Approval of the Meeting Schedule for 2017 (A)

The general manager presented the proposed meeting schedule for the 2017 calendar year. The date for the May Board of Directors Annual Membership Meeting was reduced from a three day meeting (May 16, 17, & 18) to a two day meeting changing it to May 17 & 18, 2017. Director Ferguson suggested moving the December meeting from 12/21/17 to 12/14/17 because of the Christmas holiday and vacations.

- A motion was made by Director Carroll, seconded by Director Cannon with the proposed changes to approve the 2017 Meeting Schedule. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present. Motion passes.

5. Approval of the Holiday Schedule for 2017 (A)

The general manager presented the proposed holiday schedule for the 2017 calendar year.

- A motion by Director Garrett, seconded by Director Perini to adopt the 2017 Holiday Schedule. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present. Motion passes

6. Approval of 2016 Claims Audit (A)

Mr. Rick Buys, Co-Owner, Risky Business Pros conducted the 2016 excess claims and was present to discuss the results and recommendations.

Mr. Buys stated he examined 149 excess claims files, he noted a decrease of 26 files from 2015. Of the 149 files, 107 were open files and 42 files were either closing or recently closed.

Mr. Buys identified three recommendations made over the last several years, continue to be valid issues:

- Once a claim is reported as an excess file to CJPRMA, reserve changes should be provided by Members, at least quarterly. There continues to be improvement in this area, but further progress is required in some cases.
- Quarterly captioned reports are required on all Watch List cases, regardless of whether outside or in-house counsel is involved. Substantial improvement continues in this area.
- When staff changes occur in legal departments, especially with Members managing their own litigation, lapses in meeting excess reporting requirements can occur. CJPRMA continues to meet with legal departments when staff changes occur as necessary, to assure clarity exists regarding reporting requirements.

He stated that loss development continues to require close monitoring as industry trend of increasing severity continues and in some areas frequency is also increasing.

Mr. Buys articulated a number of conclusions resulting from his audit review of CJPRMA files. The following key items (included in the final report) were noted in his report:

- 1) *Looking at the audit results, the overall severity and frequency of losses are clearly on the rise, although this may vary from Member to Member and from year to year. This is not peculiar to CJPRMA, as it is an industry wide trend.*
 - 2) *In looking at the number of claims reported to CJPRMA, the open claims count is down by 24%, going from 272 to 208. While this is good news, the Total Pending Reserves is up by 13.6%, from \$21.2 Million to \$24.1 Million. So while the number of open large exposure cases has dropped, the severity has alternately risen. Again, this reflects an industry trend.*
 - 3) *The climate for taking police claims through trial is currently poor; some types of police cases being worse than others.*
 - 4) *Most of the increases in severity at the Member level are in the \$250,000 to \$500,000 range. Since this is where Members and CJPRMA most often interact, the need for clear communication between the two is critical on files that fall in this range.*
- A motion was made by Director Magdich, seconded by Director Carroll to approve the 2016 Claims Audit. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present

7. Approval of 2016 Actuarial Study

Mr. Mujtaba Dato of Aon Global Risk Consulting conducted the 2016 actuarial study and Lola Deem CJPRMA's Finance Officer presented the staff report.

Ms. Deem stated that this year, the value of estimated outstanding losses increased \$2.1 million (4.5%) to \$49.3 million primarily due to a \$3.4 million increase in case reserves.

She stated that the actuarially proposed maximum redistribution for FY 2016/2017 is \$6.1 million. After adjustments for investment income and deficit net equity balances in the program years 2012/13 and 2014/15, the proposed net amount to be returned to current and former members is \$2.8 million. She stated that this is an increase of \$130,089 (4.9%) from the prior year.

It was stated that the total required liability funding for PY 17/18 is \$12.7 million. The total funding rate being proposed is \$0.779/\$100. This is based upon a projected payroll of \$1.65 billion, which is a 3% increase from the PY 16/17 payroll. At this point, the rate is a \$0.06 increase (8%) from the previous year of \$0.719. The final rate will be adjusted once the final payroll figures are reported by our members and the reinsurance amount is determined.

Ms. Deems stated that the table below shows the proposed net liability premium for PY 17/18 as well as the four previous years for comparison. The estimated net premium of \$10.8 million is an increase of \$552,697 (5.4%) from the previous year. This increase is due to an increase in losses and a decrease in realized investment income. The funding for losses has increased \$1.3 million (16.5%) from the current year.

Net Premiums Paid

Program Year	Payroll (billions)	Liability Premium	Less: Realized Invest Income	Add: ELF	Net Premium
2017/18 (proposed)	1.65	12,667,106	1,898,536	0	10,768,570
2016/17	1.59	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
2013/14	1.46	10,949,289	4,483,826	2,250,000	8,715,463

She said when the new method of calculating the funding rate was implemented, the Excess Loss Fund (ELF) was created to support future program years commencing with 2008/2009. The goal was to fund an amount (\$22.5M) equivalent to five times the S.I.R (\$4.5M) under the reinsurance program. The projected funding level would be generated over a ten-year period (\$2.25M per year). Once reached, funding would be discontinued until such time as losses reduced its level. Including the current year contribution, ELF has a balance of \$17.2 million. In an effort to maintain the net premiums in a stable manner, she said that staff recommends that for PY 17/18 we forgo the ELF contribution.

PY 17/18 Estimated Net Premium

Liability Premium	Less: Realized Invest Income	Add: ELF	PY 17/18 Net Premium	PY 16/17 Net Premium Paid	Increase	%
\$12,667,106	\$1,898,536	\$0	\$10,768,570	\$10,216,873	\$551,697	5.4%

The following three items were proposed for approval by the Board:

- 1) The 2016 actuarial study.
 - 2) The proposed FY 16/17 redistribution plan of \$2,785,602.
 - 3) The PY 17/18 proposed rates & funding
- A motion by Director Ferguson and seconded by Director Perini to approve the 2016 actuarial study. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present. Motion passes.
 - A motion by Director Cannon and seconded by Director Carroll to approve the proposed FY 2016/17 redistribution plan of \$2,785,602. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present. Motion passes.
 - A motion by Director Carroll and seconded by Director Akil to approve the PY 2017/18 proposed rates & funding. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks approved the motion. Fremont, NCCSIF, San Rafael, and Santa Rosa were not present. Motion passes.

8. Approval of the Withdrawal Notification Requirements for Pooled Coverage Programs

The general manager presented to the Board for approval a proposed policy for withdrawal notification requirements for pooled coverage programs. He stated that in addition to the Pooled Liability Program, members have the option of participating in other pooled coverage programs. He said in order to join the pooled coverage program; members have to submit data and the participation are conditional on two-thirds vote by the current program participants.

He said that CJPRMA's current JPA Agreement does not have language that has a withdrawal deadline for the pooled coverage program. He said that this program year the APD Program experienced a member who chose not to renew in the program two weeks prior to the program renewal date. He said if CJPRMA had advance notice regarding the non-renewal, a rate reduction would have been obtained without that member's loss history.

The general manager said that in discussion with CJPRMA Brokers, it appears that at a minimum CJPRMA should have notice from any pool coverage program participants for a notice of non-renewal by March 1st.

The following language recommendation was made by staff:

"For Pooled Coverage Programs, other than Pooled Liability Program, members must notify CJPRMA of their intent to withdraw in writing by March 1st prior to the date of renewal. The member will then have the option of accepting the renewal quote or leaving the program on the renewal date. In the event the member fails to provide the notice as required, the member will be responsible for payment of all administrative fees associated with their non-renewal in the program. The administration fee will be determined by CJPRMA and will include administration fees and broker fees in the amount equal to their pro-rata share within the program, as determined by the Board.

He stated that the purpose of this policy is to minimize the impacts to members of the pooled programs from adverse program costs. This policy will become effective January 1, 2017 and will apply to the 2017-2018 program renewals.

The Board of Directors reviewed this item and recommended that the policy also include language stating that members will receive a notice from CJPRMA if that member will not receive a renewal quote or will have a significant premium increase. Staff said that they will bring this item back to the December board meeting with proposed new language as suggest by the Board.

- A motion by Director Magdich, seconded by Director Ferguson to defer this topic to the next Board of Directors meeting. Directors Akil, Carroll, Cannon, Snideman, Hamilton, Frediani, Ferguson, Greer, Quiambo, Garrett, Leahy, Magdich, Marquez, Perini, Rawe, Solina, and Tonks, approve the motion to defer this topic until the next meeting, Fremont, NCSSIF, San Rafael, and Santa Rosa were not present. Motion to deter passes.

IX. INFORMATION CALENDAR (*Information Items Only*)

9. Report from Investment Manager

Martin Cassell, Chandler Asset Management, presented the CJPRMA investment portfolio, investment strategy, and update on economic factors that have had a direct impact on the investments.

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 new 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 5 years. As of September 30, 2016, the Loss Payment Account was valued at \$3,640,379. This was a decrease of \$4,522,156 from its valuation of \$8,162,535 on June 30, 2016. Multiple securities were purchased predominately in the Treasury and Asset backed sectors of the market.

He said the overall balance of the portfolio is below target; Chandler is working with staff on the allocation based on either upcoming inflows and/or a reduction in the long-term tactical portfolio. \$4 million was withdrawn from the portfolio during the quarter. Mr. Cassell stated that the Loss Payment Account has sufficient funds to meet the expenditure requirements of the next six months.

Mr. Cassell reported as of September 30, 2016 the Long Term Growth Account was valued at \$39,200,933. This was a decrease of \$55,905 from its valuation of \$39,256,838 on June 30, 2016. Several securities were purchased during the reporting period to keep the overall portfolio structure in-line with Chandler objectives. The purchased securities ranged in maturity from August 2021 to May 2026.

He stated that as of September 30, 2016, the Long Term Growth/Tactical Account was valued at \$37,188,209. This was a decrease of \$11,404 from its valuation of \$37,199,613 on June 30, 2016. Several securities were purchased across the Agency, Asset Backed, Certificate of Deposit, and Corporate sectors of the market to keep the portfolio structure in line with Chandler objectives. The purchased securities ranged in maturity from March 2017 to August 2021. Several securities were sold to facilitate the additions to the portfolio.

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

No action was required on this item.

10. Creation of a CJPRMA Excess Worker's Compensation Program

The general manager said that Staff and Aon Risk Services presented options to the Board of Directors in 2014 to re-establish an Excess Workers' Compensation Program. At that point in time it was determined that the cost of the program proposed would not provide a significant cost reduction to many of the members considering the program and the program was not adopted.

He stated that staff has discussed options with many members regarding an opportunity to resurrect this discussion and it was perceived that based upon increased costs within the industry, it would be prudent to once again evaluate options for creating the program. Staff is working with Dr. William Deeb, Aon Risk Services to determine the feasibility of this program.

The general manager said that CJPRMA has not determined coverage limits, SIR's, program requirements, TPA requirements or any of the actual details required in the program. These items will be created once it is determined the number of members interested in developing the program and will then be created to best serve members of the program.

He said that member's interested in participating in this evaluation process will be required to submit the following data:

1. Payroll by class code by year for 10 years;
2. Ground up loss runs of all claims, open and closed, for 10 years
3. Concentration of risk sheet completed for key location with employee concentrations.

He said that staff intends to work with the Executive Committee to develop the baseline requirements of the program to develop a draft for review by those members interested in participation. Dr. William Deeb, Aon Risk Services indicated he would be sending out for market pricing. He may request additional data and questions to set good parameters for this program.

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

11. New Board Member/Alternates

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

1)	Petaluma	Board Director Dianne Dinsmore, Human Resources Director removed, Cecelia Quiambo assigned.
1)	Fremont	Alternate Craig Conwright, Safety Coordinator
2)	Santa Rosa	Board Director Dominique Kurihara, Risk Manager
3)	Chico	Alternate Amber Foster, Senior Human Resources Analyst

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

12. Business Calendar for 2016 and 2017

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.

13. Risk Management

- 1) Should liability waivers be offered in multiple - Director Marquez asked members if their agency provides their liability waivers in different languages. Some members claim they offer only upon request, while other members suggested consulting with their County Election Office for guidelines. Director Magdich recommended using a Certified Translator and not relying on Google for translating to alleviate any possibilities of slang or inappropriate translations.
- 2) Dog Park Liability- Director Garrett asked what do members do if they have dog parks that are run by a nonprofit but city owns the property and if they are having losses. Members suggested if English is not the primary language to having a maintenance agreement in place and posting signs for dog park rules. Director Ferguson suggested a “Use at your own Risk” sign to be posted in the park. Director Perini stated that she would post dog park rules signs in the park and on the City’s website.
- 3) Contractor Prequalification – Director Hamilton asked if members ask for contractor prequalification in their bid packets. She was getting push back from Attorney’s asking to remove the requirement. The members stated that they were getting similar push back.

- 4) Humana vs. Western Heritage – General Manager said that the Eleventh Circuit Court of Appeals expanded the rights of Medicare Advantage Organizations (MAOs) to use Federal Court to sue primary payers and receive double damages. In addition to opening the doors of Federal Court to Medicare Advantage Plans (MAPs), the Court, in Humana Medical Plan Inc. v. Western Heritage Insurance Co., ruled that any recovery by an MAO must be in double damages—creating even more leverage for MAOs dealing with non-group health plan payers.

X. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation
Name of Case: Skoumbas v. Orinda
Court: Superior Court State of California – County of Contra Costa
Case No.: C05-00552
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: Motley, S v. City of Redding
Court: United States Court Eastern District of California
Case No.: 2:14-cv-00767-MCE-AC
4. **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
5. **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

6. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Waters, A v. City of Petaluma

Court: Superior Court of California, County of Sonoma

Case No.: SCV256309

XI. ACTION ON CLOSED SESSION ITEMS

- The Board of Directors conferred with staff regarding litigated claims and provided direction. Staff received authority on one of the closed session items.

XII. ADJOURNMENT

- A motion by Director Perini, seconded by Director Frediani to adjourn the meeting at 2:28 p.m. passed unanimously.