



**CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY**

Accredited with Excellence from the California Association of Joint Powers Authorities

**BOARD OF DIRECTORS MEETING
December 15, 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 9:02 a.m. on December 15, 2016

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|---|
| 1) Lucretia Akil, <i>Alameda</i> | 9) David Rawe, <i>Roseville</i> |
| 2) Jamie Cannon, <i>Chico</i> | 10) Mary Ann Perini, <i>San Leandro</i> |
| 3) Stephen Schwarz, <i>Fremont</i> | 11) Roger Carroll, <i>SCORE</i> |
| 4) Janet Hamilton, <i>Livermore</i> | 12) Deanna Solina, <i>Stockton</i> |
| 5) Kirk Evans, <i>Lodi</i> | 13) Rebecca Moon, <i>Sunnyvale</i> |
| 6) Cecilia Quiambo, <i>Petaluma</i> | 14) Erika Leahy, <i>Vallejo</i> |
| 7) Lynette Frediani, <i>Redding</i> | 15) Jeff Tonks, <i>YCPARMA</i> |
| 8) Claudia Quintana, <i>Vallejo</i> | 16) Dominique Kurihara, <i>Santa Rosa</i> |

ABSENT

Fairfield, N.C.C.S.I.F., R.E.M.I.F., Richmond, San Rafael, Vacaville

OTHERS PRESENT

- | | |
|----------------------------------|--|
| 17) Dr. William Deeb, <i>AON</i> | 26) Amy Meyers, <i>Maze & Associates</i> |
| 18) Robert Lowe, <i>Alliant</i> | 27) Jas Sidhu, <i>Livermore</i> |
| 19) David Clovis, <i>CJPRMA</i> | 28) Marcia Hart, <i>CJPRMA</i> |
| 20) Lola Deem, <i>CJPRMA</i> | 29) Paul Loehner, <i>Stockton</i> |

- | | |
|--|--|
| 21) Craig Schweikhard, <i>CJPRMA</i> | 30) Susanna Banuelos, <i>CJPRMA</i> |
| 23) Saima Kumar, <i>CJPRMA</i> | 31) Marley Cleland, <i>AON</i> |
| 24) A. Byrne Conley, <i>Gibbons & Conley</i> | 32) Chris Carmona, <i>Redding</i> |
| 25) Amanda Tonks, <i>Santa Rosa</i> | 33) William Dennehy, Chandler Asset Management |

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 (1/19/2017) Loomis
Board of Directors (3/16/2017) CJPRMA Main Office

VI. APPROVAL OF MINUTES

- A motion was made by Director Akil, seconded by Director Cannon, to approve the amended minutes and Director Hamilton also mentioned to replace the second deter with defer, in the last paragraph of Agenda Bill 8 on page 10, Section *VIII* and approve the October 26th, 2016, and December 5th, 2016 minutes as is. Directors Carroll, Schwartz, Evans, Frediani, Hamilton, Quiambo, Rawe, Perini, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville 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 Carroll, seconded by Director Frediani, to approve the Consent Calendar. Directors Akil, Schwartz, Evans, Cannon, Hamilton, Quiambo, Rawe, Perini, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

VIII. ACTION CALENDAR (*Action Items Only*)

- 3. Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016 (A)**

Amy Meyers of Maze & Associates presented the financial audit as of June 30, 2016. The report was prepared by Lola Deem, Finance Officer, and audited by Amy Meyer of Maze & Associates.

The following highlights and changes were noted for fiscal year ending June 30, 2016.

- Assets - decreased \$3 million (3.3%) – this decrease was a result of a \$3.1 million decrease in investments for the payment of claims and member refund.
- Liabilities - increased \$2.4 million (4.9%) - this was due primarily to a \$2.1 million increase in loss reserves.
- Revenues - remained constant at \$12 million reflecting minimal changes in member contributions.
- Operating expenses –
 - Claim related expenses increased \$4.4 million (31.2%) - due to a \$3.8 million increase in the prior years' loss provision. The current year loss provision experienced an increase of \$326,892.
 - General administrative services increased \$132,461.
- Investment income increased \$2.1 million (127%) - due to an increase in market value of investments.
- Rent and Other Income increased \$63,043 (30.8%) - reflecting a full year of rental and common area maintenance income.
- Refunds to members increased \$468,319 from the previous year.

Ms. Meyers noted that CJPRMA net position declined 12.2 percent (\$5.3 million). This was expected due to investment income earned being applied towards the reduction of premiums paid by members.

- A motion was made by Director Akil, and seconded by Director Carroll to approve CAFR to approve the Consent Calendar. Directors Frediani, Schwartz, Evans, Cannon, Hamilton, Quiambo, Rawe, Perini, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

4. Approval of 2017-2019 Strategic Plan

The general manager presented the draft strategic plan that was created at the Board meeting in October, and approved by the Executive Committee meeting in November. The Executive Committee and general manager will develop a set of Goals and Objectives for the general manager.

- A motion was made by Director Carroll, and seconded by Director Akil to approve the 2017-2019 Strategic Plan. Directors Frediani, Schwartz, Evans, Cannon, Hamilton, Quiambo, Rawe, Perini, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

5. Approval of Updated Meeting Schedule for 2017

The general manager presented the proposed meeting schedule for the 2017 calendar year. For the Board of Directors, the meeting schedule will be reduced from five to four meetings per program year. This complies with the current CJPRMA by-laws.

The Executive Committee meeting schedule will be reduced from six to four meetings per program year. This will require a change in the CJPRMA by-laws. A. Byrne Conley, Board Counsel advised deleting the clause in the by-laws stating “*shall hold at least six regular meetings*”.

- A motion was made by Director Cannon, seconded by Director Perini with the proposed changes to approve the 2017 Meeting Schedule and updating the CJPRMA by-laws. Directors Frediani, Schwartz, Evans, Carroll, Hamilton, Quiambo, Rawe, Akil, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

6. Approval of Statement of Investment Policy

The general manager presented the Investment Policy with the addition of Mutual Funds as a permitted investment. The Investment Policy was reviewed by Chandler Asset Management, which they recommended these revisions:

California Code allows up to a 20% allocation to Mutual Funds with no more than 10% of the total portfolio invested in shares of any one Mutual Fund.

Money Market Funds are an eligible investment within the Mutual Fund category but are not subject to the 10% limitation per fund but are subject to the overall 20% limitation to Mutual Funds.

- A motion by Director Carroll, seconded by Director Akil to adopt the Investment Policy with the addition of Mutual Funds as a permitted investment. Directors Cannon, Frediani, Schwartz, Evans, Perini, Hamilton, Quiambo, Rawe, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

7. Approval of New Board Policy regarding Withdrawal Notification Requirements for Pooled Coverage Program

The general manager recommended a new Board Policy regarding Withdrawal Notification Requirements to protect members within the Pooled Coverage Programs. He defined that the Pooled Coverage Programs are purchased as a group on behalf of the members for the Property, APD, Cyber, and Pollution coverage. The new policy will minimize the impact to members of the pooled programs from adverse program costs.

The Board of Directors reviewed this item at the October 2016 meeting and recommended that the policy include language stating that members will receive notice from CJPRMA of their renewal quote or if there will be a significant premium increase.

The following language is recommended:

CJPRMA will provide each pooled coverage program member with the following:

1. Loss runs by January 31st. The loss run will identify all losses of the previous five years through December 31st of the current program year.
2. When a member's loss history will negatively impact the rates of the pooled program participants, that member will receive the following:
 - A Non-Renewal Notice from CJPRMA
 - A detailed report from the Broker explaining the loss history

The new policy will also state that:

For Pooled Coverage Programs, other than Pooled Liability Program, members must notify CJPRMA of their intent to withdraw in writing by March 1st. The member will then have the option of one of the following:

1. Accepting the renewal quote
2. Leaving the program on the renewal date.

In the event the member fails to provide the required notice by the due date, the member will be responsible for payment of all fees associated with their non-renewal in the program. The fee will be determined by CJPRMA and will include administration and broker fees in the amount equal to their pro-rata share within the program, as determined by the Pooled Coverage Program members.

This will go into effect January 1, 2017 and will apply to renewals in the program year 2017-2018. The board counsel recommended adding the following statement:

“This provision will not apply if the member's rate quote is increased by 10 percent or greater over the prior year's rate quote.”

- A motion by Director Cannon, seconded by Director Akil to approve the new Board of Directors Policy regarding Withdrawal Notification Requirements for Pooled Coverage Program. Directors Carroll, Frediani, Schwartz, Evans, Perini, Hamilton, Quiambo, Rawe, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

8. Approval of City of Santa Rosa Request to Join Property Program Effective March 31, 2017, by the Property Program participants

The City of Santa Rosa requested that they be permitted to participate in the Property Program 2016-2017, via a letter dated December 5th, 2016. They expressed interest in leaving their current program with CSAC-EIA, with the program year of March 31, 2016 to March 30, 2017.

The general manager stated that he had the statistics on the loss run reports from CSAC-IEA. A. Byrne Conley, Legal Counsel asked what the price comparison was between CJPRMA and CSAC. Rob Lowe, Alliant replied that CJPRMA and CSAC have very similar priced programs

Pursuant to the JPA Agreement, a two-thirds vote is required by the Property Program member to participate in the program. The Cities of Alameda, Chico, Fremont, Livermore, Lodi, Petaluma, Redding, Roseville, San Leandro, Stockton, Sunnyvale, and Vallejo were present for voting. Fairfield, R.E.M.I.F., San Rafael, and Vacaville were absent.

- A motion was made by Director Akil, seconded by Director Schwartz to approve request for City of Santa Rosa to join the Property Programs. Directors Cannon, Carroll, Frediani, Evans, Perini, Hamilton, Quiambo, Rawe, Solina, Kurihara, Moon, Quintana and Tonks approved the motion. Fairfield, NCCSIF, REMIF and San Rafael, Richmond, and Vacaville were not present. Motion passes.

IX. INFORMATION CALENDAR (*Information Items Only*)

9. Report from Investment Manager

William Dennehy, 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 five years. As of November 30, 2016, the Loss Payment Account was valued at \$3,739,169. This was an increase of \$100,362 from its valuation of \$3,638,807 on August 31, 2016. Several securities were purchased in the Treasury, Asset Backed, and Commercial Paper sectors of the market to spend down some of the residual cash built up in the portfolio. Given the uncertain liquidity needs, staff has been utilizing a larger allocation to LAIF compared to the historical experience limiting the amount of portfolio restructuring by Chandler. During the most recent three month period, \$5 million was contributed to the portfolio in October; followed by a \$4.9 million withdrawal at the end of November. The Loss Payment Account has sufficient funds to meet the expenditure requirements of the next six months.

Mr. Dennehy reported as of November 30, 2016 the Long Term Growth Account was valued at \$37,720,341. This was a decrease of \$1,431,583 from its valuation of \$39,151,924 on August 31, 2016. Three purchase transactions took place during the most recent three month reporting period. The Chandler team added exposure in the same

Agency 10 year note in October and November; we funded the purchase by selling a portion of the same agency note in both October and November. The Chandler team also spent down a small amount of the residual cash via adding to an existing position in a Treasury note maturing in May 2026.

He stated that as of November 30, 2016, the Long Term Growth/Tactical Account was valued at \$36,845,698. This was a decrease of \$305,139 from its valuation of \$37,150,837 on August 31, 2016. Several securities were purchased across the Treasury, Agency, Supranational, Asset Backed, and Commercial Paper sectors of the market to keep the portfolio structure in line with Chandler objectives. The purchased securities ranged in maturity from March 2017 to October 2021. Several securities were sold and one matured to facilitate the new holdings in the portfolio.

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

No action was required on this item.

10. Claims Experience Report

Claims Administrator, Craig Schweikhard provided an overview of his claims report for program year 2002-2003 to present. His report included claims frequency, severity, and development history.

No action was required on this item.

11. Risk Management Information System Update

CJPRMA General Manager, David Clovis provided each member with an individualized report based on the upcoming improvements being made in the Risk Management Information System called Risk Console. The reports included frequency, severity, and loss run reports specific for each member's city as well as a comparison of the individual agency to CJPRMA as a group. The purpose of the reports was to highlight the areas of loss that required a risk management focus and the members were also reminded that Risk Console was available for their use as a Claims System.

The general manager reported that CJPRMA will be implementing three data entry forms through Risk Console after January 1, 2017. The direct entry forms will include Certificate of Coverage (COC), Auto Physical Damage (APD), and Property Coverage. Later in 2017, CJPRMA will also implement a direct entry forms through Risk Console for Claims.

The general manager stated that each member will be issued Risk Console credentials for access into the system. Once access is granted a member will be able to review existing COC's, APD's, and property records. During the presentation, the general manager explained the current capabilities of Risk Console and how the enhancements will improve

processes and efficiencies for the members. The reports will be provided electronically to members quarterly.

- No action was required on this item.

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

Dr. William Deeb, Aon Risk Services, introduced Marley Cleland, a new hire who will assist him. Secondly, Dr. Deeb reported his discussions with the underwriters and estimated costs for the development of a CJPRMA Excess Worker's Compensation Program.

He reported that the underwriters stated that a formal quote would require additional information from the members. This would include:

- Actuarial Projections
- Financial Information, if pooling
- Program structure
- Updated loss and payroll history within 3 months of the effective date
- Employee concentration and employee count by location
- Participating members
- Completed Safety National application and supplemental applications as applicable

The Executive Committee and staff discussed the information provided by Dr. Deeb and projected a possible start date of July 1, 2018. Prior to the possible start date, CJPRMA staff would need to acquire additional information. Steps would be:

- 1) Staff would send a questionnaire to all members to determine the parameters of their existing workers' compensation programs.
- 2) Once the data from the questionnaire is received, staff would work with Aon to develop the appropriate S.I.R. and the structure of the program by July 1, 2017.
- 3) Staff would then collect more data from members interested in participating in the program.

The program structure could then be developed and staff would utilize Aon Actuarial Services by Mr. Mujtaba Dato, to create an actuarial study based upon predictive modeling. Actuarial data will then be used to finalize the primary rate and assist staff in contacting the market for potential reinsurers to complete a finalized product. When final rates and programs structure are developed, Staff would propose to implement the program start date of July 1, 2018.

Dr. Deeb agreed that the underwriters would be fully supportive of the intended method moving forward. The underwriters would rely heavily on the actuarial assumptions created by CJPRMA in determining estimated contributions. Dr. Deeb will update the Board of Directors his discussions with the underwriters.

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

13. 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)	Stockton	Alternate Paul Loehr, Assistant Director of Human Resources
2)	Petaluma	Board Director Cecilia A. Quiambao, Risk and Safety Officer
3)	Petaluma	Alternate Joanne Narloch, Interim Human Resources Director

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

14. 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.

15. Risk Management

- 1) Settlements including Economic Issues – David Clovis, CJPRMA asked members He gave the example of the Water’s v. Petaluma case and that past employee needs to be paid through payroll.
- 2) Notice Requirements for persons Arrested not charged by District Attorney- David Clovis, CJPRMA discussed a Vallejo Class Action Lawsuit where the plaintiff was involved in two cases. One case was dismissed and one case was not. This was based off of the email letter from Bruce Kilday, Angelo, Kilday & Kilduff, LLP.
- 3) City of Berkeley Police Policies – David Clovis, CJPRMA shared information from PARMA meeting December 1, 2016 about Terry Stops and Strip Searches.
- 4) Hanover Driver Safety Program – David Clovis, CJPRMA provided a flyer and information about Driver Safety program.
- 5) David Clovis, CJPRMA 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.
- 6) CalPERS reportable comp/settlement agreement is not reportable.

- 7) Complaint of seat belt usage for police transporting – Rebecca Moon, Sunnyvale asked members if they had a policy in place about seat belt safety in the police vehicle when transporting passengers. Moon used the example of the police transporting a lady that was being arrested and the officers did not place the seat belt on her during transportation. David Clovis responded that it would depend on the restraint used during the arrest. Director Solina from Stockton stated that the City of Stockton requires police officers to buckle in anyone being transported in a police vehicle.

X. CLOSED SESSION

1. **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

2. **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

3. **Government Code Section 54956.9 (a)**

Conference with Legal Counsel – Litigation

Name of Case: McDonald, S. v. City of Santa Rosa

Court: Superior Court of the State of California County of Sonoma

Case No.: SCV256495

XI. ACTION ON CLOSED SESSION ITEMS

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

XII. ADJOURNMENT

- A motion by Director Magdich, seconded by Director Carroll to adjourn the meeting at 12:00 p.m. passed unanimously.