

## MINUTES

### EXECUTIVE COMMITTEE MEETING March 16, 2017

#### SAN ANDREAS I/II CONFERENCE ROOMS

#### CALL TO ORDER

The meeting was called to order by President Steve Jorgensen at 12:32 p.m.

#### ATTENDANCE

Those in attendance were:

##### Executive Committee

Steve Jorgensen	President	Windsor Unified
Joe Pandolfo	Vice President	Rincon Valley Union
Mary Downey	Sec./Treasurer/Auditor	So. County Office of Ed.
Bob Raines	Director	Shoreline Unified
Sue Field	Director	Bennett Valley U.S.D.
Eric Hoppes	Director	Wilmar Union
Jason Lea	Director	Santa Rosa City Schools

##### RESIG Staff

Rose Burcina	Executive Director
Chris Spencer	Workers' Compensation Claims Manager
Will Davis	Director of Environmental Risk Services
Patty Baumunk	Director of Employee Benefits
Steven Fields	Property & Liability Risk Manager
Deborah Fraser	Property & Liability Senior Claims Adjuster
Ronda Bergesen	Business Manager
Diane Vieyra	Executive Secretary

##### Guests

Jack Joyce	Bay Actuarial Consultants
Micheon Balmer	BASIC (Bay Area Schools Ins. Coop.)

## **APPROVAL OF AGENDA**

A motion was made by Bob Raines and seconded by Sue Field to approve the agenda as presented. Ayes: Jorgensen, Pandolfo, Downey, Field, Raines, Lea, and Hoppes. Motion passed unanimously.

## **INTRODUCTIONS & RECOGNITIONS**

As a new Executive Committee Member, Jason Lea was welcomed to his first board meeting.

The following individuals were introduced:

- Jack Joyce, Bay Actuarial Consultants
- Micheon Balmer, Bay Area Schools Insurance Cooperative (BASIC)

## **PUBLIC COMMENTS**

Eric Hoppes expressed his appreciation of RESIG Staff as they have always quickly responded when called upon by Wilmar Union.

## **ADJOURNMENT TO CLOSED SESSION**

The meeting was adjourned to Closed Session at 12:34 p.m. by President Steve Jorgensen.

## **CLOSED SESSION**

The following items were discussed:

1. 2017/18 RESIG Staff Compensation
2. Public Employee Performance Evaluation: Executive Director

## **ADJOURNMENT TO OPEN SESSION**

The meeting was adjourned to Open Session at 1:04 p.m. by President Steve Jorgensen.

## **OPEN SESSION**

No reportable action was taken during Closed Session.

## CONSENT CALENDAR

- A. **Minutes Approval – February 23, 2017**
- B. **Warrants Issued – February 2017**
- C. **Strategic Planning Follow-Up**

A motion was made by Mary Downey and seconded by Joe Pandolfo to approve the Consent Calendar as presented. Ayes: Jorgensen, Pandolfo, Downey, Field, Raines, Lea, and Hoppes. Motion passed unanimously.

## ACTION

- D. **Actuarial Reports as of December 31, 2016**

The actuarial reports were completed for both RESIG's Workers' Compensation and Property & Liability Programs. Jack Joyce presented the reports to the Executive Committee and highlighted the following:

- **Workers' Compensation**

- Page 33 of the agenda packet – Management Summary – The actuarial report was based on December 31, 2016 claims data. Joyce stated the two purposes for the report—to recommend contribution rates for 2017/18 and to review the liability of unpaid claims.

Table 1: Projected 2017/18 Discounted Loss Rates. The table illustrated rates of loss at different retention levels. Highlighted was the benchmark rate, Unlimited Central Estimate of \$1.25 per \$100/payroll, which was the rate recommended by actuary. The rates were discounted at 1.5% interest rate. At the 80% probability level, with RESIG at the \$1 million retention level, the benchmark contribution rate is \$1.49. Last year the Central Estimate \$1 million rate projected for 2016/17 was \$1.34 and now the new estimate is \$1.20 for 2017/18; this is a 10.4% reduction. The reduction is due to claims expenses, that cause the rate to go up, and payroll increases, which causes the rate to go down. In this case, the trends for claims costs have been slowing down, RESIG has had good claims experience, and payroll has increased creating the 10.4% reduction.

- Page 34 – Chart 1: RESIG's Past Rates of Loss. The undiscounted rate of \$1.38 was projected for 2017/18 while current year is \$1.21; this was based on six months of claims experience. According to the chart, the trend is pretty modest.

Chart 2: Indemnity Claims Frequency – Joyce stated that there is steady frequency, which was good to see and the \$0.37 is less than average for the state.

- Page 35 – Chart 3: Indemnity Claim Severity. The average indemnity claim amount is the estimated ultimate (unlimited) losses divided by the number of indemnity claims. The chart illustrated a fairly gentle progression over the years. At the turn of the century there were rapid increases in the claims amounts and when the workers' compensation reforms came in 2003 and 2004 there was a rapid reduction. Since then, the numbers have been gently increasing which is expected.

Unpaid Losses: Table II – Projected Liability as of June 30, 2017. The Central Estimate was projected at \$26,281,000 undiscounted, or \$23,543,000 discounted at 1.5% interest. RESIG's policy is at the 85% probability level which was projected at \$28,909,000 undiscounted, or \$25,897,000 discounted at 1.5% interest.

- Page 36 – Chart 4: Unpaid Loss Breakout at June 30, 2017. There is \$0.97 of IBNR (Incurred But Not Reported) liability for every \$1.00 of case reserves. This amount is higher than normal but is getting to a more normal level.
- Chart 5: Comparison with Prior Estimates – Overall, the total change for all years combined through 2015/16 is an increase of \$440,000.

Page 37 – Interest Rates – Table III: The rates and liabilities were discounted at 1.5%. The table illustrates the adjustments needed to discount the rates and liabilities at different interest rates. The benchmark risk-free rate would yield 1.87% and 1.97% for the new year's losses and old liability. Therefore, 1.25% was a very reasonable rate to be discounting at this time.

Joe Pandolfo questioned if other clients of Bay Actuarial Consultants invested monies outside the county pool. Joyce stated that other clients invest their money in the county investment fund for short-term and let their investment manager handle the long-term investing.

- **Property & Liability**

- Page 94 Management Summary – Joyce explained that RESIG's self-insured retention for liability is \$250,000 and \$100,000 for property with deductibles of \$3,500 for property and \$1,500 for liability.

Table 1: Projected 2017/18 Losses. The net losses for both property and liability are estimated at \$1,202,000 undiscounted and \$1,174,000 discounted at 1% interest. Actuary recommended that RESIG fund at the 80% probability level or \$1,550,000.

- Page 95 – Table 2: Projected 2017/18 Liability Funding Rates per ADA (Average Daily Attendance). The recommended 80% probability level funding rate for liability is \$18.63 per ADA. This is a 16.7% increase over last year due to very poor loss development during 2016 on existing claims. Joyce did some research and discovered three of the

four worst claims that are driving the rates to increase involve “sexual harassment”, “sexual assault”, and “molestation by employee”. These types of claims are driving the rates to increase statewide.

Table 3: Projected 2017/18 Property Funding Rates per \$1,000 TIV (Total Insured Value). The recommended 80% probability rate for property is \$0.127 per TIV. This is a decrease of 0.7%.

Sue Field asked if other JPAs that had those types of claims (sexual harassment, sexual assault, molestation) but have leveled off, offered additional training or workshops to their members. Joyce stated that the JPAs are educating their members on topics such as, new laws, reporting requirements, peer-to-peer, sexual harassment, supervision, and bullying. Field stated that this is the type of information that districts need to be informed about as they’re developing a Strategic Plan in determining where to allocate their professional development dollars.

Rose Burcina stated that RESIG has approximately a dozen claims that are of some type of sexual liability; one is from an adult and the remainder are peer-to-peer claims, and are continuing to rise. The other highest type of liability claim are employment cases and the trend is ADA claims.

- Page 96 – Comparison with Northern California Averages. RESIG’s property rate continues to be lower than average, while the liability rate is slightly higher than average but still reasonably positioned.

Tables 4, 5, and 6 illustrated the Projected 2017/18 Liability Funding Rates at the \$200,000, \$150,000, and \$100,000 retentions. RESIG’s current SIR for liability is \$250,000.

- Page 97 – Projected liability for unpaid losses as of June 30, 2017 was \$2,960,000. The discounted value is \$2,921,000 with a 1% interest rate.

Table 7: Projected Liability for Unpaid Losses as of June 30, 2017 is estimated at \$2,960,000 undiscounted or \$2,921,000 discounted with a 1% interest rate. It was estimated that a fund of \$3,418,000 on June 30, 2017 would provide an 85% probability of being adequate funding.

- Page 98 – Chart 2: Comparison with Prior Report, Estimated Ultimate Losses, Net of Deductibles. Joyce stated that there is a fair amount of variability over the years. The total change for all years through 2015/16 is an increase of \$524,000.
- Page 99 – Chart 3: Liability Claim Frequency. The claims are divided by ADA/per program year, which equals the frequency. The chart illustrated claim frequency being variable.

Chart 4: Liability Claim Severity – The chart illustrated the claim severity or average claim amount with a slight inflationary increase in the average claim amount.

- Page 100 – Chart 5: Rates of Loss – Liability Program. For 2017/18 the projected rate is \$14.51 per ADA.

Chart 6: Rates of Loss – Property Program. The projected rate for 2017/18 is \$0.102 per \$1,000/TIV.

- Page 101 – Alternative Deductibles, Tables 8 and 9. RESIG has a \$1,500 liability deductible and \$3,500 property deductible, but alternative deductibles could be changed as illustrated in the tables. Tables 8 and 9 displayed the adjustments needed in order to obtain the rates for an alternative deductible.
- Interest Rates - The discounted liabilities and rates in the actuarial report were calculated using a 1% interest rate.
- Page 102 – Reconciling the 12/31/15 and 12/31/16 Liabilities. Joyce explained the reconciling process that matches the directly calculated estimate on page 24 of the actuarial report.

Joyce summarized the report and stated that the recommended liability rate increase for 2017/18 was significant but the specified types of claims are increasing statewide.

Burcina informed the Executive Committee that RESIG Staff is closely monitoring the claims and its reserves.

Joe Pandolfo suggested possibly mitigating the rate increase by offering districts a higher deductible. It was thought that higher deductibles would lead to better practices and closer monitoring.

Burcina thought that this was a very good idea to consider during the next Strategic Planning Session, for 2018/19, by offering different tier structures. It was mentioned that this new rating structure would take some time as there would be a learning curve.

It was moved by Joe Pandolfo and seconded by Bob Raines that the Executive Committee accept the Property & Liability and Workers' Compensation actuarial reports as of December 31, 2016. Ayes: Jorgensen, Pandolfo, Downey, Field, Raines, Lea, Hoppes. Motion passed unanimously.

#### **E. Appt. of Finance Sub-Committee**

President Jorgensen referenced page 154 of the agenda packet and stated that the Finance and Facility Goal Area of RESIG's Strategic Plan includes the presentation of investment options to the Executive Committee for consideration. Currently, RESIG's funds are being managed by the Sonoma County Treasury.

In 2012, RESIG did have a finance sub-committee to research investment opportunities but was suspended.

RESIG Staff recommended that the Executive Committee form a finance sub-committee to explore investment strategies and other financial matters of interest to the Executive Committee.

It was moved by Bob Raines and seconded by Mary Downey that the Executive Committee form a finance sub-committee to explore investment strategies and other financial matters of interest to the Executive Committee. Ayes: Jorgensen, Pandolfo, Downey, Field, Raines, Lea, Hoppes. Motion passed unanimously.

Mary Downey and Joe Pandolfo volunteered to be on the finance sub-committee.

## **REPORT/DISCUSSION**

### **F. Property & Liability MOLC (Memorandum of Liability Coverage) Handout**

Page 159 of the agenda packet was referenced by President Jorgensen and reported RESIG being one of four members of BASIC (Bay Area Schools Insurance Cooperative) through which RESIG acquires its Property & Liability coverage. One goal of BASIC's Strategic Plan is to align all of its members in one MOLC by July 1, 2018.

Micheon Balmer, Executive Director of BASIC, was present to primarily discuss the MOLC strategic initiative the BASIC Board has undertaken.

Balmer provided some history on BASIC and informed the Executive Committee that BASIC was formed in 1997 and started operations in 1998 with RESIG being one of the founding members. BASIC was managed by RESIG for several years until approximately 2007 when the administration was contracted out to Bickmore Risk Services. Balmer is an employee of Bickmore Risk Services and was appointed as the BASIC Executive Director who along with a team help manage BASIC. Balmer's responsibilities include reporting to BASIC's Board. BASIC is an excess Joint Powers Insurance Authority, similar to RESIG; however, BASIC helps coordinate the coverage for all underlying members, which includes RESIG's member districts. BASIC currently has four JPA members covering 156 districts in California (northern CA, Bay Area, and Central California) consisting of 228,000 ADA; approximately 5 billion in total insured values and \$1.7 billion in payroll.

Over the last several years, BASIC changed its structure—it began as group purchase program along with a MOLC that was developed. The MOLC was primary to its members and therefore members used that document to substantiate the coverage to its underlying members (member districts). When BASIC started risk-sharing, it was at that time when the document started to be amended to meet the needs of BASIC and its members.

BASIC historically has had a great loss experience throughout the pool. The sexual abuse and molestation claims are very prevalent globally even in the open

market with the excess and reinsurance carriers that BASIC associates with and is seeing a lot of carriers starting to pull out of California or they will no longer write school business because of the development in those types of cases. When BASIC started pooling coverage and amending the document to try and meet the needs of BASIC and its members, it worked well for a long time. However, as time passed, significant gaps in coverage were noticed along with inconsistencies, confusion due to different interpretations of terms, and which party was actually covered under the agreement or the MOLC.

In 2012, BASIC went through the CAJPA Accreditation process and it was at that time when the CAJPA Accreditation Consultant/Attorney whom highlighted the deficiencies in the document. The BASIC Board began discussions about the need to develop a primary pool, (MOC Standard), and framework for all the BASIC members to be able to consider implementing within their organization; BASIC would have its own MOLC that would sit on top. Some of the issues that in having one document, where you're trying to meet both organizational needs, is that RESIG and BASIC have different reporting requirements, and RESIG's MOLC, is actually a BASIC coverage document. However, the underlying members were amending it, i.e., RESIG is amending it by adding deductible policies.

Over the last couple of years the BASIC Board and its members have collaborated in developing a standard primary MOLC which has been reviewed and approved by BASIC's reinsurance carriers. The MOLC clearly states the coverage to the underlying districts, deductibles, and reporting requirements. BASIC has also created a separate MOLC that is also very clear as to what RESIG needs to do to comply with BASIC.

BASIC currently has two members that have adopted and are utilizing the new MOLC. In addition, there's framework to be able to add in policies. BASIC has noticed that in moving to this new model, it has helped in marketing the excess and reinsurance coverage for BASIC as well as the underlying districts. The more consistent and continuity there is in the underlying coverage, the easier it is to build relationships with the reinsurance carriers and substantiate the risk management programs that have been implemented.

Balmer stated that overall, the primary theme to BASIC Board's Strategic Action Plan, is about collaboration and leveraging of resources. Sexual abuse and molestation training/prevention programs is one of the key priorities to mitigate exposure and losses that can be rolled out to the underlying districts. The MOLC initiative is very similar to avoid confusion, and provide clarity of the MOLC.

The changes for RESIG and member districts are as follows:

#### RESIG

- Brand new coverage document; there is standard coverage and then specific policies of RESIG's can be added. Two attorneys are working on the development of the new MOLC that's customized specifically for RESIG's needs.

- As long as the coverage changes do not expand the standard coverage, RESIG can add in some of the other coverage differences but once a year, RESIG will need to send the MOLC to BASIC to review and will be presented to the BASIC Board of Directors and placed under the Consent Calendar. Once approved, then it will be given to the litigation manager, excess carriers and reinsurance carriers.

#### Member Districts

- Will receive a document that will clearly state the reporting requirements, coverage and deductibles.

Overall, the MOLC is intended to bring about a different level of clarity and create a little bit more of flexibility for RESIG and BASIC members. Balmer reported that RESIG is an organization that developed risk management programs and determined deductibles that work best for its member districts; this document will provide clarity and be comprehensive.

Balmer stated that BASIC has been working on this project for five years, and it's been a very slow process; there has been a lot of discussion. She mentioned another reason why the BASIC Board believed it was important to align the MOLC was due to marketing purposes. When BASIC went out to the market for a new excess liability coverage, BASIC had a pool of four JPAs with different policies, practices, and strategies. It really became a problem for the broker to go out and market the BASIC pool and find a carrier. As previously mentioned, excess carriers are pulling out of the market and it is going to limit options for liability if changes are not made.

In 1998 when BASIC started, its sole carrier was Genesis. For the last 20 years BASIC has had Genesis as their lead carrier with National Casualty sitting on top. Last year there were five different coverage carriers for the Liability Program because Genesis backed out of the market. Balmer stated that the five carriers do not have a handle on what the underlying members are doing at the district and JPA level which creates a level of uncertainty in the underwriting process and will not receive the best rates possible. She mentioned the more BASIC can coordinate training programs that can be rolled out to JPAs and members and show that commitment to leveraging resources, addressing exposures, and mitigating certain issues, the better off BASIC will be in building those partnerships with reinsurance and excess carriers to be able to withstand the tough times in the market. This will help to build that relationship and creating continuity to be able to better market, not only the districts and RESIG but also BASIC to the carriers.

Steve Fields is currently developing a plan to roll out the MOLC, effective July 1, 2018. One of the developing attorneys will be visiting RESIG to review the new MOLC.

Balmer distributed a handout on the key points of the presentation. She appreciated the Executive Committee's time and invitation to RESIG.

## **G. 2017/18 Executive Board Member Openings**

In the past, some district officials have mentioned their desire not to run against an incumbent. Therefore, Executive Committee members whose terms will expire are asked if they are interested in running for another term so that member districts can be informed when RESIG notifies them of the position openings in an effort to solicit interest for running for a seat.

President Jorgensen reported that there will be three seats up for election, effective July 1, 2017. There will be two terms that will expire—Joe Pandolfo and Mary Downey. These individuals expressed interest in running for another term.

In addition, Steve Jorgensen will be retiring in June 2017. This seat has two years remaining on its term, through June 30, 2019.

Voting for these three seats will be conducted during the June Joint Powers Board Meeting.

There was discussion regarding RESIG's Bylaws in reference to Executive Committee Vacancies, Section II.F.2 reads:

*“Vacated Terms – The Executive Committee shall be empowered to appoint a member to fill the balance of the vacated term after notification to the Board of Directors and solicitation of interested candidates. Such notification shall describe the term of the vacancy and the procedure the Executive Committee shall use in appointing a replacement.”*

Joe Pandolfo pointed out that the language allows the Executive Committee to appoint a member to fill the balance of the vacated term but does provide another option such as what practice has been, filling a seat by election of the Board of Directors.

Sue Field requested that RESIG's Bylaws be amended at the next Executive Committee Meeting, adding the option to fill the seat by election at the next regular Board of Director's Meeting if there is a vacancy within six months of a full board meeting.

## **H. Executive Director's Report (Handout)**

Rose Burcina reported the following:

- 2017 CAJPA Conference is scheduled for Sept. 12-15, 2017. Typically, a few Executive Committee members attend. Burcina will forward the CAJPA Conference information to the committee and requested they let her know if they are interested in attending. Those that attended last year found value in the classes offered, side-bar meetings held and networking. Burcina reminded the Executive Committee that the AGRiP Pooling Basics Course is available online should they want to review more information on JPAs and Board Member responsibilities.

- Joint Powers Board Meeting is scheduled for June 8, 2017. Registration is at 8:00 a.m. with the meeting at 8:30 a.m. Therefore, the Executive Committee Meeting will follow at approximately 10:00 a.m. Burcina mentioned that there was better attendance by moving up the time for the Joint Powers Board Meeting, to be held first thing in the morning rather than mid-morning. She also advised the Executive Committee that she had received a few comments regarding the date of the Joint Powers Board Meeting in June. The date conflicted with the last day of school and therefore difficult to attend the Board Meeting. She mentioned that the date was established and presented to the Executive Committee last May 2016 but just wanted to make that note in preparation for next year's calendar.
- Workers' Compensation – Burcina previously reported that the claims system is nearing its end of life and will require an upgrade. The estimated cost of the upgrade is \$25,000 and likely will be done over the summer.

At the August 2016 Executive Committee Meeting, Burcina reported that RESIG was using the WCIRB (Workers' Compensation Insurance Rating Bureau of California) for developing RESIG's Workers' Compensation X-Mods and that there would be a change in the 2017/18 methodology. Ronda Bergesen has been working on applying the new method to the upcoming 2017/18 rates resulting in some districts' X-Mods will increase and others decrease.

Bergesen distributed a copy of the webinar providing information on the change for review. There will be further explanation next month on how the formula is changing X-Mods for member districts.

- RESIG's Building – The damage to the building was repaired last week. Burcina expressed her appreciation to the Property & Liability Department for getting it repaired.
- Affordable Care Act (ACA) – The House Republicans released an ACA Repeal and Replace Legislation resulting in:
  - the elimination of the personal and employer penalties;
  - they will repeal the ACA cost-sharing reductions available to individuals in the Federal poverty level; and
  - eliminate the income-based exchange subsidies.

However, the following will remain intact:

- cover dependents up to age 26;
- prohibitions on pre-existing conditions;
- gap in the coverage penalties; and
- Cadillac Tax while it was retained, was delayed until 2025.

Burcina stated that the ACA is still very dynamic and changes should be expected. RESIG Staff will keep member districts updated as information is received. In addition, Alliant will provide an update at the Joint Powers Board Meeting in June.

Yesterday Patty Baumunk sent an email to the members of the medical pool that Alliant will be providing a webinar on ACA Repeal and Replace information on April 12<sup>th</sup>. (It coincides with the first day of CASBO.) The email requested that member districts to register for the webinar if interested.

- Superintendent/CBO Orientation was held at RESIG yesterday and received great feedback. There were three attendees. The next orientation will be held in July.
- Legal Update – Burcina brought to the Executive Committee’s attention the following Legal Updates received from School & College Legal Services.
  - Legal Update dated March 1, 2017 regarding OCR Settles with 11 Education Organizations Over Website Accessibility Concerns for People with Disabilities Memo No. 06-2017. RESIG has seen JPAs already being sued over this. In Sacramento there have been several school districts that have been penalized. This applies to JPAs as well, and RESIG is currently updating its website. Schools Insurance Authority (SIA) holding a workshop for their districts to try and teach them what they could do to improve their website and make sure they’re in compliant. RESIG is sending its web designer to that workshop and will determine the value of it to possibly consider offering the same workshop at RESIG.
  - Legal Update dated March 6, 2017 regarding Private E-Mail and Similar Electronic Communications Held Subject to the Public Records Act Memo No. 07-2017. The Supreme Court overturned the last decision made in 2014. Electronic communications made by public officials using private accounts or on private devices are “public” records” if they discuss business.

Burcina had copies of the Legal Updates available if needed.

## **ADJOURNMENT**

The meeting was adjourned by President Steve Jorgensen at 2:22 p.m.

SUBMITTED BY:

APPROVED BY:

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Rose R. Burcina, Executive Director

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Steve Jorgensen, President