

## MINUTES

### EXECUTIVE COMMITTEE MEETING September 21, 2017

#### SAN ANDREAS I/II CONFERENCE ROOMS

#### CALL TO ORDER

The meeting was called to order by President Joe Pandolfo at 12:32 p.m.

#### ATTENDANCE

Those in attendance were:

##### Executive Committee

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

##### RESIG Staff

Rose Burcina	Executive Director
Chris Spencer	Workers' Compensation Claims Manager
Suzanne Pelz	Workers' Compensation Claims Supervisor
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
Sheri Reed	Clerical/Receptionist

##### Guests

Jack Joyce	Bay Actuarial Consultants
Tim Farley	Farley Consulting Services, LLC

## **APPROVAL OF AGENDA**

It was requested that Item F—Authorization for Painting Bids, be moved up on the agenda as the first item under ACTION. A motion was made by Mary Downey and seconded by Sue Field to accept the agenda as amended. Ayes: Pandolfo, Raines, Downey, Field, Lea, Standing, and Hoppes. Motion passed unanimously.

## **INTRODUCTIONS & RECOGNITIONS**

Rose Burcina introduced and welcomed the two guests:

- Jack Joyce—Bay Actuarial Consultants to present the Workers' Compensation Actuarial Report;
- Tim Farley, Farley Consulting Services, LLC will join the meeting via conference call to present the Property & Liability Claims Audit Report.

## **PUBLIC COMMENTS**

Steve Fields announced that RESIG's Property & Liability Department will be holding a "Contracts & Indemnification Risk Transfer Workshop" on September 27, 2017 at RESIG. Interested parties are to contact either Field or Deborah Fraser. The presenter is considered a top-notch, national authority. There have been changes in contracts and the workshop has been well-received by other JPAs.

## **CONSENT CALENDAR**

- A. Minutes Approval – August 24, 2017**
- B. Warrants Issued – August 2017**
- C. Financial Reports – Quarter ending June 30, 2017**

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

## **ACTION**

- F. Authorization for Painting Bids**

Rose Burcina referenced page 93 of the agenda packet. There have been conversations during previous Executive Committee Meetings regarding painting the exterior of RESIG's building. It was recently decided that RESIG will be going out for public bidding on the project instead of the CUPCCAA (California Uniform Public Construction Cost Accounting Act) process since RESIG does not have a volume of projects that would make the process more convenient.

Staff recommended that the Executive Committee authorize staff to solicit the *Notice of Inviting Bids* to comply with the public bidding process for painting the exterior of RESIG's facility. The *Notice of Inviting Bids* was included in the agenda packet for review.

It was moved by Bob Raines and seconded by Mary Downey that the Executive Committee approve staff to solicit the *Notice of Inviting Bids* to comply with the public bidding process for painting the exterior of RESIG's facility. Ayes: Pandolfo, Raines, Downey, Field, Lea, Standring, and Hoppes. Motion passed unanimously.

#### **D. 2017 Property & Liability Claims Audit Report**

Tim Farley, Farley Consulting Services, joined the meeting via conference call. Rose Burcina stated that the firm conducted last year's claims audit and also provides services to all four JPAs through BASIC (Bay Area Schools Insurance Cooperative) so there is consistent reporting.

Farley reported the following:

- 25 open claims and 5 closed claims were reviewed. He selected claims high in value that would generate the most exposure to review.
- The department staff continues to provide effective claims administration of RESIG claims.
- No significant deficiencies were observed in any areas of observation.
- RESIG is adequately staffed and experienced to handle its claims. The caseload is reasonable—Steve Fields 45 cases and Deborah Fraser 38 cases.
- 24 out of 25 claims were accurately reserved. Farley recommended that the legal expense reserve for one claim be increased to \$15,000 instead of \$5,233 since trial is likely.
- Payments were reviewed in seven new claims, which were considered to be fair. There were no deficiencies in this category.
- RESIG staff performed a thorough investigation of its claims. There were no deficiencies.
- 18 claims reviewed involved some element of litigation and represented by counsel. Referrals to counsel and status reports from counsel to RESIG are timely and clearly documented for all litigated claims.
- 30 days is industry standard for diaries (case monitoring). No deficiencies in this category.
- Claims material is organized and in chronological order. There is clear documentation.
- There were four claims reviewed that qualified for reporting to BASIC that were reported timely.

President Pandolfo and the Executive Committee were pleased to hear that the Property & Liability were doing a fine job managing the claims and expressed their gratitude to the department.

It was moved by Bob Raines and seconded by Sue Field that the Executive Committee accept the 2017 Property & Liability Claims Audit Report performed by Farley Consulting Services. Ayes: Pandolfo, Raines, Downey, Field, Lea, Standing, and Hoppes. Motion passed unanimously.

Regarding the claim where the reserve was recommended be increased. Fields explained that he knew the case would be settled at an upcoming settlement conference which resulted in the recommended reserve amount being too high.

#### **E. Workers' Compensation Actuarial Report as of 6/30/17 (handout)**

RESIG commissions actuarial reports at the end of the fiscal year for the Workers' Compensation Program. Jack Joyce, Bay Actuarial Consulting, presented the actuarial report as of June 30, 2017.

Rose Burcina mentioned that page 10 of the actuarial report was replaced. A minor error was corrected—as highlighted, the rates are discounted at a 1.5% interest rate instead of 1.0%.

Joyce reviewed the Workers' Compensation Actuarial Report highlighting the following:

- The report is based on June 30, 2017 claims data.
- Page 38, Chart 1: Loss Reporting by Fiscal Year – summarizes loss reporting and loss development by fiscal year. There is extremely favorable development for years 2014/15 and 2015/16 which had an impact on the estimate of the liability for unpaid losses. While in 2007/08 and 2008/09 there was adverse development.
- Page 39, Chart 2: Fiscal Year Claims Expenditures – RESIG paid out \$3.38 million for 2016/17 which is a bit more than normal but not unusual.
- Page 40
  - Table I – Estimated Liability as of June 30, 2017 – The Central Estimate is \$22,526,000 undiscounted; discounted at 1.5% is \$19,874,000. The 85% probability level, per RESIG's policy, is \$24,778,000 undiscounted or discounted is \$21,861,000.
  - Chart 3: 6/30/17 Liabilities by Program Year – shows the limited unpaid losses by program year. There is \$0.68 of limited IBNR (Incurred But Not Reported) liability for every \$1.00 of limited case reserves. The unlimited "gross" IBNR to case reserves ratio is \$0.74.
- Page 41
  - Chart 4: Past Actual "Gross" IBNR to Case Reserves Ratio – This chart provides some historical values to determine whether the case reserve is adequate. Based on the historical values \$0.74 seemed to be reasonable.
  - Chart 5: Average Case Reserve – As of 6/30/17 the average case reserve was \$38,300 for an open indemnity claim and has been steady for several years. In 2014, the average case reserve

peaked at \$43,900, reserves fell short in 2007 at \$19,800 but have strengthened over the years.

- Page 42 (page replaced/handout)
  - Chart 6: Comparison with Prior Estimates – The total change for 2015/16 and prior between December 2016 and June 2017 was a reduction of \$3.49 million. The total change from June 2016 was a reduction of \$3.05 million which is a reflection of really good experience over the last three years.
  - Reconciling the 12/31/16 and 6/30/17 Liabilities – It was estimated the 12/31/16 liability at \$26 million and over the last six months \$1.6 million was paid out. The estimates were then reduced of the total losses by \$3.9 million and then another \$2 million in losses were added in between January and June of 2017. This produces \$22.526 million of liability as of 6/30/17.
- Page 43
  - Table II: Projected 2017/18 Discounted Loss Rates – It's estimated that there is an 80% probability that the actual 2017/18 \$1 million SIR loss rate will be less than \$1.26 per \$100 of payroll discounted at 1.5% interest. The rate has decreased over the last six months due to good experience over the last three years.
  - Chart 7: Estimated Rates of Loss (Unlimited) – The loss rate is equal to the estimated total losses for the year divided by the total insured payroll. The undiscounted rate of \$1.17 is projected for 2017/18. Years 2015/16 and 2016/17 are indicators of good experience.
- Page 44
  - Chart 8: Indemnity Claim Frequency (number of claims divided by payroll) – The actual number of claims hasn't changed much since 2011; payroll is driving the frequency down.
  - Chart 9: Average Indemnity Claim Amount – The average claim amount is the estimated ultimate (unlimited) losses divided by the number of indemnity claims. For 2016/17 the average indemnity claim amount was \$28,000 which has been remarkably steady and also very good.
- Page 45, Interest Rates – Rates and liabilities are discounted at 1.5% interest, the same rate at 12/31/16. The various rate adjustment factors are interest rate benchmarks that are calculated and are risk-free. Joyce believes that 1.5% interest rate is pretty reasonable to be used right now.
- Word of Caution - Inflation is picking up. Once a year Joyce receives a very large database of California's workers' compensation claims and analyzes it. It appears inflation is picking up in comparison from what was seen last year or the year before. The numbers a couple of years ago were indicating inflation of 2.5 - 4%; more recent years are suggestive of current trends of 5-6%.

It was moved by Mary Downey and seconded by Bob Raines that the Executive Committee accept the Workers' Compensation Actuarial Report as of June 30, 2017. Ayes: Pandolfo, Raines, Downey, Field, Lea, Standing, and Hoppes. Motion passed unanimously.

## **G. Resolution 17/18-03 Joint Powers Board Meeting**

There being no discussion regarding the meeting date, President Pandolfo requested approval of Resolution #17/18-03 designating the Joint Powers Board Meeting date of December 7, 2017.

A motion was made by Jason Lea and seconded by Sue Field that the Executive Committee adopt Resolution 17/18-03 designating the Joint Powers Board Meeting date to be December 7, 2017. Motion carried with the following roll call vote:

Joe Pandolfo	Aye	Jason Lea	Aye
Bob Raines	Aye	Lois Standring	Aye
Mary Downey	Aye	Eric Hoppes	Aye
Sue Field	Aye		

## **REPORT/DISCUSSION**

### **H. BASIC's Needs Assessment Survey**

During the August Executive Committee Meeting there was discussion regarding the proposed BASIC Needs Assessment Survey. The comments and feedback from the Executive Committee were reported to BASIC. In addition, another JPA expressed similar concerns. BASIC has decided to take another look at the survey with further discussion at the next BASIC Board of Directors Meeting in October.

Gratitude was expressed to Sue Field, from BASIC and the Executive Committee, for her time and input in providing structure for asking the survey questions.

Rose Burcina will inform the Executive Committee of further development.

President Pandolfo expressed his appreciation to Burcina for gathering feedback on items such as this.

### **I. Strategic Planning Follow-Up**

Rose Burcina provided an update to the five goal areas of RESIG's current Strategic Plan. The following was highlighted:

- Finance and Facility
  - Last week during the CAJPA Conference, Rose Burcina, Ronda Bergesen, Bob Raines and the Investment Committee (Joe Pandolfo, Mary Downey) had two meetings scheduled with managed asset firms (fiduciaries), attended a presentation on captive investing, and met with a JPA Executive Director who does direct investing. They obtained a really good well-rounded pool of ideas and different

philosophies. Burcina, Bergesen, Raines, and the Investment Committee met this morning prior to the Executive Committee Meeting and decided that in October during the Planning Session, a timeline on the next steps will be presented. Burcina anticipated that in January 2018 a policy will be introduced as a first reading, with a second reading and adoption in February 2018, along with a Request for Proposal, for an investment firm. It was very valuable for them to meet with four different types of vendors during the CAJPA Conference at one time. Pandolfo expressed his appreciation to Burcina for setting up the meetings. The consensus of the Investment Committee was to continue further research. RESIG has the flexibility to go outside the county pool, investing approximately \$40 million which may earn about 1% more. Further information will be provided to the Executive Committee for discussion to make sure they are comfortable with exploring this option. Sue Field appreciated their taking the time to meet with vendors and obtaining additional information, for the Investment Committee to consider whether it's worthwhile to pursue and make a recommendation to the Executive Committee.

**J. Executive Director's Report**

There was no further information to add to the report that was enclosed in the agenda packet.

**ACTION**

**K. Appt. to Finance Sub-Committee**

During the CAJPA Conference, Bob Raines was willing and available to attend the investment meetings. President Pandolfo, Mary Downey, Rose Burcina, and Ronda Bergesen felt it was important to have all board officers on the sub-committee. President Pandolfo asked Raines if he would be interested in joining the Finance Sub-Committee and he gladly accepted the invitation.

It was moved by Mary Downey and seconded by Sue Field that the Executive Committee add Bob Raines, Vice President, to the Finance Sub-Committee to explore investment options and other financial matters of interest to the Executive Committee. Ayes: Pandolfo, Raines, Downey, Field, Lea, Standing, and Hoppes. Motion passed unanimously.

**ADJOURNMENT**

The meeting was adjourned by President Joe Pandolfo at 1:23 p.m.

SUBMITTED BY:

APPROVED BY:

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Rose R. Burcina, Executive Director  
President

Joseph V. Pandolfo, Jr., Ed.D.,