

CENTRAL SAN JOAQUIN VALLEY RISK MANAGEMENT AUTHORITY

MINUTES OF THE EXECUTIVE COMMITTEE

MEETING OF MARCH 25, 2010

A meeting of the Executive Committee of the Central San Joaquin Valley Risk Management Authority (CSJVRMA) was held on March 25, 2010, at the Piccadilly Inn-Shaw, Fresno, California.

COMMITTEE MEMBERS PRESENT: Jeff Cardell, First Vice President, Clovis
Linda Abid-Cummings, Second Vice President,
Riverbank
Leon Compton, Past President, Ripon
Joe Donabed, Hughson
Greg Applegate, Sonora
Cleve Morris, Patterson
Tim Przybyla, Kerman
Wendy Silva, Madera
Dave Elias, Fowler
Felix Ortiz, Exeter
Jo Barrick, Shafter

COMMITTEE MEMBERS ABSENT: Bill Lewis, President, Woodlake
Bob Wilburn, Maricopa

ALTERNATE MEMBERS PRESENT: Margee Fallert, Tulare
Mike Barrows, Sonora

ALTERNATE MEMBERS ABSENT: Cruz Ramos, San Joaquin

OTHERS PRESENT: Jeanette Workman, Administrator
Jamie Paro, Accounting Manager
Holly Pon, Return-To-Work Coordinator
Tammy Vitali, Workers' Compensation Manager
Linzie Kramer, Litigation Manager
Rahnesha Keith, Bickmore Risk Services
Judy Sullivan, AIMS
Ken Wilkerson, AIMS
Marty Cassell, Chandler Asset Management
David Powell, Arvin
Margaret Silveira, Gustine
Kelly Buendia, Gustine
Cary Keaten, Lathrop
Kindon Meik, Lindsay
John Holtz, Madera
Roy Wasden, Turlock

1. CALL TO ORDER

First Vice President Jeff Cardell called the meeting to order at 2:06 p.m.

2. INTRODUCTIONS

Introductions of those present took place.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Cleve Morris moved to approve the agenda as posted. Seconded by Tim Przybyla. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

Felix Ortiz moved to approve/accept the following items: A) Minutes of the Executive Committee Meeting of February 25, 2010; B) Warrants for January 27, 2010 ~ February 23, 2010; C) Employee Assistance Program (EAP) Contract Amendment; D) PEPPIP Loss Run as of December 31, 2009; E) Chandler Bond Market Review – February and March 2010. Seconded by Dave Elias. Motion passed unanimously.

6. LIABILITY PROGRAM

A. Reports by Staff and Service Providers

1. Oral Report by Litigation Manager

Mr. Linzie Kramer, Litigation Manager, discussed three recent serious claims with the Committee.

2. Report on Coverage Denials

There have been no coverage denials since the February 2010 Executive Committee meeting.

3. Report by Claims Administrator (AIMS)

Mr. Ken Wilkerson reported that one of the reported death claims involved the sheriff's department and he has contacted the sheriff's department to ensure there was no city involvement during the altercation.

4. Update by AIMS Regarding the Liability Program Conversion

Mr. Ken Wilkerson, AIMS, reported the liability conversion is scheduled to begin once the workers' compensation conversion is completed.

7. WORKERS' COMPENSATION PROGRAM

A. Reports by Staff and Service Providers

1. Report by Workers' Compensation Program Manager

Prior to the meeting, the Executive Committee received written reports pertaining to claims for September, October, and November 2009, as prepared by Ms. Tammy Vitali, Workers' Compensation Manager. Ms. Vitali noted there was one major injury in February 2010 in which an officer was shot and killed; staff is currently determining the benefits that will go to the dependents of the officer. Ms. Vitali noted tomorrow the Board will be presented with the status of the return-to-work program by Ms. Holly Pon and Ms. Kristen Vanscourt.

2. Report by Claims Administrator (AIMS)

Prior to the meeting, the Executive Committee received a written report pertaining to claims for January and February 2010, as prepared by Ms. Judy Sullivan, AIMS. Ms. Sullivan provided an update on the future medical claims closure project. This project has been successful in that AIMS has been able to reduce the number of open future medical claims which means the remaining outstanding reserves have also been reduced. Ms. Sullivan noted that a report will be sent to each city of their open future medical claims of employees no longer employed by the city. Members will be asked to update the report so staff may attempt to make compromise and release offers to any qualifying claimants. The report will be separated by medical only and indemnity claims.

Ms. Sullivan stated the salary continuation policy for each city will need to be updated and cities will be requested to submit their city's memorandum of understanding in regards to this. The DWC is requiring the inclusion of the details of all salary continuation programs when a notice to injured workers' on salary continuation is issued.

Ms. Sullivan also informed the Committee that AIMS has hired a fourth indemnity examiner to handle the CSJVRMA claims. The assignment of examiners on claims is being shifted and some cities will be assigned a different examiner. An updated staff list will be sent out to all cities.

3. Update by AIMS Regarding the Workers' Compensation Program Conversion

Ms. Sullivan reported the conversion to the NavRisk system is an ongoing process. All cities should have received information to access the NavRisk portal, which allows cities to log onto the system. The system includes helpful tools such as, dashboards which cities can utilize to run reports. The cities can also access information about ongoing webinar training on the system.

The system allows members to complete 5020's when submitting a claim. The 5020 would be signed by an AIMS employee, as that will be the completing party, and a copy of the form will be sent to the employer. Ms. Sullivan noted copies of the 5020 forms will be mailed to the respective cities each Friday; however, members may request to receive their forms more frequently.

8. FINANCIAL MATTERS

A. Report by Marty Cassell, Chandler Asset Management, Regarding Investments

Prior to the meeting the Executive Committee received a written report regarding CSJVRMA investments as of February 28, 2010, as prepared by Mr. Martin Cassell, Chandler Asset Management. Mr. Cassell provided an abbreviated report of the investments to the Executive Committee with a full report to be given at the Board meeting the next day.

Mr. Cassell noted that the economy is showing continued signs of stabilization; improving at this point, but very slowly. Employment continues to be a problem and likely may be a problem for a while. The Federal Reserve has kept short term interest rates low and is likely to continue with that policy for an extended period of time. The yield curve is very steep; the difference between long term and short term rates is currently very significant.

Mr. Cassell reported on the portfolio characteristics for both the claims payment pool and the longer term growth account. Both accounts are doing well; the credit quality with both portfolios is very high at AAA.

Mr. Cassell noted that the report reflects the balance in the account for the pool participants, those member cities that have chosen to invest their own funds in the claims payment pool. The change in dollar value is due to inflows and outflows from the participating cities.

The credit environment has improved so Chandler made some adjustments by decreasing exposure to agency securities and increasing exposure to FDIC insured corporate notes.

These are issued by corporations through a program with the FDIC and guaranteed. This program will expire after its fixed term.

For the claims payment account, corporate securities were increased from 11% to 15%; taking advantage of additional spreads in corporate but keeping a very cautious view of corporate securities and choosing those Chandler feels are going to be the safest for the portfolio.

Performance for the claims payment pool has been very good. Over the last twelve months the portfolio had a total rate of return of 4.58% compared to its benchmark of 2.9%. For reference, LAIF, which is a short term liquid alternative, had a rate of return over the past twelve months of 1%.

Going back to June 1999, the annual rate of return for the claims payment account has been 5.46% as compared to the benchmark of 5.03%.

For the long term growth account, investments are allowed out to ten years for government securities, but not for corporate notes. Corporate notes for the long term growth account were increase from 11% to just under 18%.

Performance for the long term growth account has been excellent with a total rate of return over the past twelve months of 5.17% compared to benchmark of one to ten year government securities of 2.84%

Going back to June 1999, the annual rate of return for the long term growth account has been 6.5% compared to the benchmark of 5.51%.

For both portfolios because of the improved credit situation, Chandler's current target is to increase the exposures in corporate notes up to about 20% utilizing the FDIC insured notes and decreasing the exposure to treasury securities. The more heavy weighting in agency and corporate securities has benefited the portfolio over the past several months which has created the significant amount of outperformance.

Mr. Cassell noted that Chandler's focus is on the safety of the investments in the two portfolios. All investments are in compliance with State code and the CSJVRMA's Investment Policy.

B. Report by Investment Subcommittee

Ms. Workman reported that the Investment Subcommittee met earlier in the day and Mr. Cassell provided a very thorough review of the investment portfolio, both long term and short term accounts and the funds invested by the member cities. Mr. Cassell also reviewed the CSJVRMA Investment Policy. There was no action or recommendations taken in terms of the portfolio.

Ms. Jo Barrick, City of Shafter, thanked Mr. Cassell on behalf of the CSJVRMA for a well managed portfolio.

C. Investment Policy

Ms. Workman noted there were no major changes being proposed to the Investment Policy; however, there has been an update to the glossary of investment terms which replaces “Prudent person” with “Prudent investor.” The Investment Subcommittee took action at their meeting to recommend the Investment Policy be approved by the Board of Directors as amended.

Greg Applegate moved to recommend to the Board of Directors approval of the amended Investment Policy. Seconded by Cleve Morris. The motion passed unanimously.

D. Proposed Budget for fiscal Year 2010/11

Prior to the meeting, the Executive Committee received the proposed budget for the 2010/11 fiscal year. Ms. Workman reported the following changes in premium:

- Workers’ Compensation 11%
- Liability -4%
- Auto Physical Damage (APD) 13%
- Low Value Vehicle Program (LVVP) 0%
- Property 17%
- General Administration 7%
- Employee Assistance Program (EAP) 2%
- Employment Risk Management Authority (ERMA) 15%

Ms. Workman noted that those member cities that participated in the ERMA program are receiving an assessment that is not reflected in the budget totals on page one. The reason the assessment is not carried forward to is because page one is a comparison of 2009/10 to 2010/11 and the ERMA assessment is for a prior year that was previously budgeted. Ms. Workman noted that cities participating in ERMA need to add the assessment to the ERMA deposit premium on page one to ensure the assessment is included in their respective budgets.

Ms. Workman noted that CSJVRMA received a refund from the California Joint Powers Risk Management Authority (CJPRMA) which will be distributed to all applicable cities unless members requested the refund be applied to their premium or a program year. Nine cities did request the refund be applied to a program year and two requested it be applied to the 2010/11 deposit premium. This is not reflected in the budget but will be reflected on their deposit premium invoices.

Ms. Workman provided the following information on each program:

Pooled Workers' Compensation Program There was a wide range in actual payroll changes by city with the highest increase being 23% and a the largest decrease being 22%. As previously directed by the Executive Committee, the payroll numbers were not adjusted for inflation.

- There is a 10% increase in the workers' compensation pooled rate and a 15% increase in the excess rate with LAWCX, which is estimated, the actual excess rate may come in less than this;
- Claims handling increased by 3.5% as contracted;
- Staff has estimated a premium for members who do not currently participate in the program; and
- The premiums are adjusted by an experience modification (ex-mod) calculation. Ex-mods above one are higher than the norm and below one are lower than the norm. The premiums adjust up and down based on each member's ex-mod.

Pooled Liability Program

- The premium for this program is based on payroll, population, and employee census and weighted 50% based on payroll, 25% based on population, and 25% based on employee census;
- As previously directed by the Executive Committee, the payroll numbers were not adjusted for inflation. There was a 5% decrease in the pooled liability rate and CARMA is showing a 7% decrease over the prior year.
- CARMA, LAWCX, and ERMA rates are not yet approved; however, staff has estimated the rates conservatively;
- Claims handling increased by 3.5% as contracted; and
- The premiums are adjusted by an experience modification (ex-mod) calculation.

Auto Physical Damage (APD) Program

- All participating members of this program have paid for four years in the program so there are no charges for the pooled layer. The program has a 10% increase built in;
- Excess coverage increased 10% with a \$10 per vehicle administrative cost; and
- The state is considering an emergency response safety surcharge to be effective July 1, which would add a 4%-5% surcharge on property coverage placements within the state. This potential increase has been built into the property program; however, it may not apply to the APD coverage.

Low Value Vehicle Program (LVVCP)

- All participating members of this program have paid for four years in the program so there are no charges for this program, which is fully self-funded.

Property Program

- The rate has increased 15%, 10% is the anticipated excess rate increase and 5% is due to a proposed Emergency Response Safety Surcharge that is pending approval by the State. This amount will be reduced in the final budget if the proposed surcharge is not passed;
- The premium increases are partially due to the rate increase but also due to increase in property values; and
- The broiler and machinery rate has increased 15%;

Employee Assistance Program

- The employee assistance program is charged per employee per month and has a 3% increase. This is the first increase to this program in three years.

Employment Risk Management Authority (ERMA)

- The premiums for ERMA have increased 15% excluding assessments. A presentation concerning the ERMA program is scheduled to be given to the Board of Directors, which will include information concerning the premium increases.

Ms. Workman reviewed the administrative budget changes with the Committee.

Ms. Barrick questioned how often the contingency fund is used. Ms. Workman stated the contingency fund is not used often and there was discussion of removing the fund last year; however, the fund may be needed for unexpected costs for the Medicare Set-Aside requirements. If contingency funds are not used they are distributed back after five years. The Committee requested a report on the usage of the contingency fund over the last five years.

The Committee questioned what the meeting expenses were in the prior year. Ms. Workman noted in 2008/2009 the meeting budget was \$47,000 and was reduced by \$17,000 as the group had decided not to hold a retreat. In place of the retreat, the group conducted a one-day session which ended up costing more than originally anticipated.

Following the budget discussion, the Committee directed the Travel Expense Committee to meet to review the expense policy to consider any necessary revisions.

Greg Applegate moved to recommend to the Board of Directors approval of the budget for fiscal year 2010/11. Seconded by Joe Donabed. Motion passed unanimously.

9. POOLED PROPERTY PROGRAM

A. Coverage of Redevelopment Agency Properties Without an Appraisal

Ms. Workman reported the group currently has in place a policy that requires an appraisal prior to coverage of any newly purchased property. Requests have been received to waive this policy for property that will only be held by a member for four months or less; Ms. Workman has waived the policy in the past on a case by case basis. A waiver request

was received for a property which will be held by a city for a year and due to the length of time this request has been brought before the Executive Committee for consideration.

The City of Ripon approached staff regarding the waiver of appraisals for the Pooled Property Program in 2009. At that time the city began purchasing homes and reselling them within two or four months as part of an affordable housing program. Ms. Workman noted she has, on a case by case basis, waived the appraisal requirement for the city providing each house was added to the city's schedule when purchased, and removed when sold, and as long as the homes were owned by the city for less than four months.

The City of Ripon is now requesting a waiver of appraisal for a home that will require substantial repairs and the city will own the property for approximately one year. In addition, the city's Redevelopment Agency intends to continue this program for the foreseeable future; therefore, this matter is being brought before the Committee to consider a waiver on appraisals for properties purchased under the Affordable Housing Program.

The Board voiced concern with the possibility of the city listing the property for coverage for less than its value if it is not appraised. Discussion ensued on allowing the waiver of appraisal for the Affordable Housing Program. Ms. Workman noted waivers such as this one will be determined on a case-by-case basis and stated the City of Ripon would receive replacement costs should a claim be filed for one of the properties.

Greg Applegate moved to approve the waiver of appraisal for properties purchased under the City of Ripon's Affordable Housing Program. Seconded by Joe Donabed.

The Committee questioned if the motion would be in effect prior to the update of the policy requiring appraisals to state the waiver of appraisals shall be given on a case-by-case basis. Mr. Linzie Kramer informed the Committee that it is not necessary to update the policy as it will stay in effect and any change or exemption would need to come before the Committee whether or not the language is added.

Greg Applegate amended his motion to note the waiver of appraisal shall not be precedential setting and shall only apply to this case. Joe Donabed amended his second. The motion passed by a majority vote with Ms. Wendy Silva and Mr. Tim Przybyla voting against the motion.

10. ADMINISTRATIVE MATTERS

A. Subrogation Recoveries for the Pooled Property, Auto Physical Damage, and Low Value Vehicle Programs

Ms. Workman reported staff has recovered approximately \$14,000 since February 2009 for claims wherein the respective member cities were not at fault. A breakdown of the subrogation recoveries was provided to the Executive Committee prior to the meeting.

B. Contract with GENEX for Medicare/Medicaid & State Children's Health Insurance Program (SCHIP) Extension Act 2007 (MMSEA) Reporting of Liability Claims

Ms. Workman reported the contract with GENEX for Medicare/Medicaid liability claims reporting has been revised since the February meeting and now includes a listing of pricing and services as well as the contract between Bickmore Risk Services (BRS) and GENEX. GENEX has also made revisions to include language within both the CSJVRMA and BRS contracts regarding disaster recovery and electronic data security.

Ms. Workman informed the Committee the claims reporting date has been changed from April 1, 2010, to January 1, 2011. The Committee questioned how the new health bill would affect the reporting of claims. Mr. Kramer stated the health bill will allow Medicare benefits beginning at the age of 55; which will increase the number of reportable claims under the MMSEA reporting guidelines.

The Committee questioned the fees listed within the CSJVRMA/GENEX contract. Mr. Kramer noted the pricing in the CSJVRMA contract is overridden by the BRS/GENEX contract which notes a fee break if 150 claims are reported to Medicare by all participating BRS clients combined; however, if this goal is not met CSJVRMA will pay for a portion of the \$100,000 GENEX fee which will be shared amongst all participating BRS clients. Should all client reporting's equal 75 claims then the fee would be \$50,000.

Jo Barrick moved to approve the contract with GENEX for Medicare/Medicaid & State Children's Health Insurance Program (SCHIP) Extension Act 2007 (MMSEA) Reporting of Liability Claims. Seconded by Leon Compton. Motion passed unanimously.

C. Amendment to the Agreement for Liability claims Adjusting Services between CSJVRMA and Acclamation Insurance Management Services (AIMS)

Ms. Workman reported as a result of the Medicare/Medicaid & State Children's Health Insurance Program (SCHIP) Extension Act 2007 (MMSEA) reporting of liability claims and the contract between the CSJVRMA and GENEX for reporting services, an amendment to the Agreement for Liability Claims Adjusting Services between CSJVRMA and AIMS is necessary to provide the scope of services requested of AIMS.

Dave Elias moved to approve the Amendment to the Agreement for Liability Claims Adjusting Services between CSJVRMA and Acclamation Insurance Management Services (AIMS). Seconded by Greg Applegate. Motion passed unanimously.

D. Amendment to the Agreement for Workers' Compensation Claims Adjusting Services between CSJVRMA and Acclamation Insurance Management Services (AIMS)

Ms. Workman noted this contract amendment is in line with the previous item and addresses changes in the scope of services as needed for the reporting of Medicare claims.

Dave Elias moved to approve the amendment to the Agreement for Workers' Compensation Claims Adjusting Services between CSJVRMA and AIMS. Seconded by Jo Barrick. The motion passed unanimously.

E. Sampson and Sampson Financial Audit Contract Renewal

CSJVRMA's contract with Sampson & Sampson for financial auditing services ended on June 30, 2009. Sampson & Sampson has been performing the financial audit for CSJVRMA for 18 years. The last RFP issued for financial auditing services was in 2001 and at that time the Executive Committee chose to stay with Sampson & Sampson.

Staff contacted Mr. Bill Patterson, Sampson & Sampson, to inquire about pricing for the continuation of his services should the Committee choose not to issue an RFP but enter into another three-year contract. Mr. Patterson offered the following pricing:

- Audit as of June 30, 2010 \$12,500
- Audit as of June 30, 2011 \$12,900
- Audit as of June 30, 3012 \$13,400

Tim Przybyla moved to approve the amendment to the Sampson and Sampson Financial Audit Contract for a three year contract term. Seconded by Jo Barrick. The motion passed unanimously.

Mr. Donabed questioned the need to rotate auditors to have a fresh look at the claims. Ms. Workman responded that the current auditor does an in-house rotation for audit reviews. Ms. Barrick noted that it is costly to change auditors because of the startup costs the first year. She further noted that Sampson and Sampson's pricing is very low in comparison to other bids she has seen. The Committee concurred.

11. CLOSED SESSION

The claim scheduled to be discussed under closed session was pulled from the agenda.

12. REPORT FROM CLOSED SESSION

The claim slated for discussion in closed session was pulled from the agenda; therefore, no report from closed session was given.

13. CLOSING COMMENTS

A. Executive Committee

Mr. Kindon Meik, City of Lindsay, reported Mr. Ken Walker, Treasurer, is doing well following his surgery.

Mr. Meik was asked to provide an update concerning the City of Lindsay's recreational facility, McDermott Field House. Mr. Meik reported that the city had originally contracted with a company to operate and staff the facility. The city is now going to start bringing in city employees to work at the facility.

The Committee requested a brief status update on the Healthcare bill. Mr. Kramer reported some states have filed suit, claiming the bill is in violation of the constitution. Business will take on much more liability in terms of healthcare. The Senate has requested some changes to the bill that have not yet been disclosed to the public. There will be 3.8% increase in medical tax and 23.8% in capital gains taxes.

B. Staff

Ms. Workman reported that Ms. Margaret Silveira is leaving the City of Gustine. Ms. Silveira has been serving as the CSJVRMA's alternate board member on the ERMA board and this vacancy will need to be filled

14. ADJOURNMENT

The March 25, 2010, CSJVRMA Executive Committee meeting adjourned at 4:26 p.m. by general consent.

Rahnesha Keith, Acting Board Secretary