

CENTRAL SAN JOAQUIN VALLEY RISK MANAGEMENT AUTHORITY

MINUTES OF THE TWENTY-FIFTH ANNUAL RETREAT
MEETING OF FEBRUARY 25, 2010

The Central San Joaquin Valley Risk Management Authority's (CSJVRMA) Twenty-Fifth Annual Retreat was held on February 25, 2010, at the Piccadilly Inn-Shaw, Fresno, California.

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

COMMITTEE MEMBERS ABSENT: None

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

ALTERNATE MEMBERS ABSENT: Cruz Ramos, San Joaquin

OTHERS PRESENT: Jeanette Workman, Administrator
Mary Ann Reilly, Board Secretary
Linzie Kramer, Litigation Manager
Tammy Vitali, Workers' Compensation Program
Manager
Tom Kline, Risk Control Manager
Rob Kramer, Director of Administration, Bickmore
Risk Services
Jim Elledge, Director of Accounting and Finance
Services, Bickmore Risk Services
Mike Harrington, Actuary, Bickmore Risk Services
Jamie Paro, Manager, Finance & Accounting
Services, Bickmore Risk Services
Kristen Vanscourt, Structured RTW Services,
Bickmore Risk Services
Charlotte Hemker-Smith, Legal Counsel
Dominic Russo, AIMS
Ralph Matthews, AIMS
Ken Wilkerson, AIMS
Gerald Forde, Huron

1. INTRODUCTION

A. Welcome and Summary by President

The meeting was called to order on February 25, 2010, at 9:00 a.m. by President Bill Lewis. Introductions of those present took place. President Lewis welcomed all members present and noted that in addition to learning about the state of CSJVRMA programs, in light of current economic conditions, all present should review the items with an eye toward saving the members and the CSJVRMA money where possible. President Lewis then introduced Ms. Jeanette Workman, Administrator.

Ms. Workman noted that 25 years ago she attended the first Retreat of the CSJVRMA as did Joe Donabed who was also present at this 25th Retreat. Twenty-five years ago CSJVRMA was at a crossroads between staying a smaller pool or growing and allowing additional members from the northern part of the state to join. Through the foresight of Bickmore Risk Services' (BRS') founder, Ed Bickmore, and the leadership and foresight of the Board, the CSJVRMA has grown to 55 cities and is one of the most innovative and well-funded pools in the State. Ms. Workman noted BRS looks forward to continuing their relationship with the CSJVRMA and participating as the pool continues to grow and flourish.

Ms. Workman informed the Board that, as is the BRS custom, gifts were presented to those attending. Ms. Workman noted that magnetic bookmarks were provided as well as rulers with magnifiers. Lastly, Ms. Workman noted that Mr. Jeff Grubbs, BRS, had offered the idea to present attendees with something from the President's city or region. So with the assistance of President Lewis, attendees received beautiful fabric wine bags, as well as a bottle of olive oil. The wine bags are designed and made in Woodlake, California. The bags are available for sale online and have received great reviews and attention, both in print and on television. The olive oil is grown near Woodlake and the bottles were custom labeled with "Compliments of Bickmore Risk Services." Ms. Workman thanked President Lewis for his assistance in assisting with the selection of the gifts.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Jeff Cardell moved to approve the agenda as amended. Seconded by Bob Wilburn. Motion passed unanimously.

3. PUBLIC COMMENTS

None.

4. CONSENT CALENDAR

Mr. Jeff Cardell, City of Clovis, requested the minutes of the January 28, 2010, Executive Committee meeting, last sentence of Item 7.B. be amended to read: "Mr. Cardell reported that LAWCX asked staff to draft a policy to allow the Underwriting Committee the authority to be in a position to approve or not approve a change in Self Insured Retentions."

Jeff Cardell moved to approve/accept the following items as amended: A) Minutes of the Executive Committee Meeting of January 28, 2010; B) Warrants for January 9, 2010 ~ January 26, 2010; and C) Financial Statements as of December 31, 2009. Seconded by Margee Fallert. Motion passed unanimously.

5. POOLED LIABILITY PROGRAM

A. Primary Coverage

Ms. Workman reviewed various graphs pertaining to the Pooled Liability Program (PLP) with the Executive Committee. Ms. Workman noted the data used for the graphs was as of June 30, 2009, and later in the meeting, Mr. Jim Elledge, Assistant Treasurer, BRS, would have updated information available regarding claim liabilities as of December 31, 2009. The first \$1 million of coverage is self-insured through the PLP with excess coverage provided through the California Affiliated Risk Management Authorities (CARMA).

Ms. Workman explained that both the Liability Program and Workers' Compensation Program Contingency Funds were originally funded through bond proceeds. President Lewis asked if the bonds had been paid and Ms. Workman replied that they had.

Mr. Linzie Kramer, Litigation Manager, stated that one of the ways members might save money on claims is to reinstate the audit program that was previously discontinued and replaced with other on-site visits. Mr. Kramer informed the Board of a claim that was filed due to deaths involving a police chase wherein the police department did not have a specific required policy in place. The reinstatement of the audit process may have alerted the CSJVRMA to the fact that the police department did not have the required policy in place and the situation may have been mitigated. Ms. Workman suggested this issue be discussed during the Safety and Training agenda item, wherein part of the discussion is the issue of on-site visits.

B. Excess Coverage (CARMA and CJPRMA)

The CSJVRMA participates in CARMA for excess liability coverage. CARMA risk shares the \$3 million in excess of \$1 million layer, purchases reinsurance for the \$10 million in excess of \$4 million layer, and purchases additional excess coverage for the \$15 million in excess of \$14 million layer, for total coverage limits of \$29 million.

Prior to July 1, 2000, the CSJVRMA participated in the California Joint Powers Risk Management Authority (CJPRMA) for excess liability coverage.

As a member of both CJPRMA and CARMA, the CSJVRMA members are responsible for all assessments and eligible for all refunds for the years in which they participate in the program.

Ms. Workman reported the following:

- ❖ The CJPRMA Board approved a 2009 redistribution for program years 1986/87 through 1999/00, which was received in February 2010. The CSJVRMA's portion of the redistribution is \$524,785;
- ❖ The 2006 CJPRMA redistribution was \$835,042, and the Executive Committee took action to reserve \$240,000 to apply to the CARMA assessment. The balance of \$595,042 was added to the Liability Contingency Fund;
- ❖ The 2007 CJPRMA redistribution was \$616,342, and the Executive Committee took action to apply \$514,000 to the Pooled Workers' Compensation Fund;
- ❖ The 2008 CJPRMA redistribution was \$605,245, and the Executive Committee took action to apply \$494,878 to the Pooled Workers' Compensation Contingency Fund;
- ❖ As of September 30, 2009, CARMA has an overall positive balance for all program years at the 80% confidence level. Therefore, CARMA has determined an assessment for 2010/11 will not be required. However, Ms. Workman noted that the CSJVRMA has a -\$358,000 balance, at the 80% confidence level, due to losses in years 2004/05 and 2005/06; and
- ❖ Mr. Joe Donabed, City of Hughson, currently serves as the CSJVRMA representative on the CARMA Board and the alternate representative is Ms. Linda Abid-Cummings, City of Riverbank.

Mr. Cardell questioned how the CJPRMA refund is calculated and Ms. Workman replied that the refund is allocated based on each member's excess deposit premium for the program year being adjusted. Mr. Cardell also asked what likelihood is that the CSJVRMA will be assessed at the 80% confidence level by CARMA. Ms. Workman replied that CSJVRMA has a negative balance with CARMA at the 80% confidence level. However, CARMA will use the expected level to determine any assessments and CSJVRMA has a positive balance with CARMA at the expected confidence level. In addition, CARMA overall has a positive balance at both the expected and 80% confidence level.

C. Actuarial Study

Ms. Workman reported that President Lewis had asked that this year the actuarial study include rates at the 75% confidence levels and those have been included.

Included in the meeting agenda packet was the draft Pooled Liability Program Actuarial Study prepared by Mr. Mike Harrington, BRS. Mr. Harrington reviewed the study and noted that the study indicates a 5% decrease in the 2010/11 rates at the 80% confidence level over the prior fiscal year's rates for the pooled layers of coverage.

Mr. Harrington reported that in compliance with Resolution 2-08, which established a policy for setting the annual discount rate for the Pooled Liability and Workers' Compensation Programs, staff; Mr. Harrington; and Mr. Marty Cassell, Chandler Asset Management; held a conference call on January 29, 2010, to discuss the discount rate. Mr. Harrington reported the approximated duration of the Workers' Compensation Program is 5.5 years and the Liability Pool is 3.5 years. These pools are not broken out in the investment accounts. Mr. Harrington stated the long term discount rate that has been used is 5% and noted the rate should be consistent over time and be within a reasonable range.

At the meeting, Mr. Cassell presented the following investment performance observations to be considered:

- The ten-year return of the investment portfolio has been approximately 5.85%;
- The five-year return has been approximately 5.15%
- The three-year return has been approximately 6.55%;
- The rolling five-year return of the 1-10 year Government Index has not dropped below 6% in the 17-year observation period; and
- The investment portfolios would have to average less than 2.5% annualized return over the next two years for the five-year period ending December 2011 for the five-year return to be below the 5% target.

Weighting all the information above, the group reached a consensus to continue to use a 5% discount factor in the development of funding rates and unpaid liabilities for both the Pooled Workers' Compensation and Pooled Liability Programs.

Mr. Linzie Kramer inquired if expenses for the Medicare Reporting requirements were included in any of the actuarial calculations. Mr. Harrington replied that they were not, as many factors are unknown and the loss trend is decreasing; therefore, he believes it will not affect the pool adversely in the next year.

President Lewis reported that he had asked staff to provide rates at the 75% confidence level and reported that according to the Annual Report, it appears future years show significant returns via retrospective adjustments. President Lewis asked the Committee if they would like to discuss the option of taking the savings now via a 75% confidence level and receiving lower retrospective adjustments later. Ms. Workman noted that Medicare reporting will have an impact on this program which has not been included in this study. Ms. Workman suggested the Committee ask themselves if they will be in a

better financial position now, or in five years, when the shortfall would be collected. Ms. Workman also noted that if the Committee decides to lower premium, they must take into consideration how hard it will be to raise premium back up at a later date. Finally, Ms. Workman discussed the possibility of using the Contingency Fund for the unknown changes in the program due to Medicare Reporting.

Mr. Greg Applegate, City of Sonora, stated that without knowing the effect Medicare Reporting will have on the program he is uncomfortable lowering the confidence level to 75% at this time.

Jeff Cardell moved to fund the 2010/11 program year at the 80% confidence level. Seconded by Greg Applegate. Motion passed unanimously.

D. Member Retained Limit Study

Ms. Workman reported that in compliance with the CSJVRMA goal to “Conduct member city retained limit studies for the pooled Liability Program and the Pooled Workers’ Compensation Program and continue to review on an ongoing basis,” the Goals Development Subcommittee requested that Mr. Harrington conduct these studies this year. Ms. Workman reminded the Committee that when these studies were conducted in the past, the Committee had taken action to move cities to a higher retained limit when recommended by the actuary. Cities that were suggested to move to a lower retained limit were not required to change retained limit levels.

Mr. Harrington reviewed a summary of the report with the Committee, explaining how recommendations were calculated. Based on the study, staff recommended raising the retained limit for the cities of Tehachapi and Parlier from \$10,000 to \$25,000, effective July 1, 2010. Ms. Workman noted that she spoke with both cities and the City of Tehachapi is fine with the decision. The City of Parlier, since they will be affected in both the Liability and Workers' Compensation Programs if staff’s recommendations are approved, asked if they could make an appeal to the Executive Committee and/or Board should they determine after a thorough review of the study that it will be a hardship to increase their retained limits.

Greg Applegate moved to require the following retained limit changes in the Pooled Liability Program effective July 1, 2010: City of Tehachapi’s retained limit increased from \$10,000 to \$25,000; and City of Parlier’s retained limit increased from \$10,000 to \$25,000. Seconded by Dave Elias. Motion passed unanimously.

E. Financial Status

Mr. Jim Elledge, Director of Accounting and Finance Services, BRS, reviewed the financial status of the Pooled Liability Program with the Committee and noted that as of December 31, 2009, the program has total assets of \$24.7 million, including approximately \$10.4 million projected for future retrospective refunds. Mr. Elledge reviewed a graph showing a ten-year retrospective adjustment history with the Committee.

Lastly, Mr. Elledge reviewed the Target Equity Ratios for the Liability Program which also show a positive status.

1. Liability Program Contingency Fund

Ms. Workman reviewed the history of the Liability Program Contingency Fund (Fund). This Fund was effective with the 2003/04 program year. The Fund was financed by transferring the balance of monies held in the Liability Mid-Layer Pool as of December 31, 2003, into the Liability Contingency Fund. The monies in the Fund are still available to pay claims from the Mid-Layer Coverage Program, but can also be utilized for other items upon approval by the Executive Committee, including such things as stabilizing or phasing in large actuarial rate increases and paying for major assessments received from excess JPAs.

At the June 28, 2007, Executive Committee meeting, the Executive Committee approved: 1) increasing the aggregate attachment for the Pooled Liability Program to 1.5 times a member's deposit premium, retroactive to July 1, 2006; and 2) effective July 1, 2007, charging premiums for the mid-layer pool through the budget process, to be reviewed on an annual basis.

Ms. Workman reported that at the direction of the Executive Committee, the Administration and Financial Services Subcommittee met in April and July 2008 to review and determine whether to establish minimum and maximum levels in each of the non-equity pools. The Subcommittee provided their report to the Executive Committee at their August 28, 2008, meeting. At that meeting the Executive Committee took action to:

- ❖ Set a target to fund the Liability Contingency Fund level at five times the current projection of discounted expected losses; and
- ❖ Take no other action at that time as the Fund met the target.

Ms. Workman then reviewed a graph regarding the Contingency Fund with the Committee. Ms. Workman reported that since the Fund currently has \$1 million over the standards previously approved by the Committee, there is no need to collect premium for the Liability Program Contingency Fund in 2010/11.

President Lewis questioned whether the Contingency Fund balance of approximately \$4 million includes the monies set aside for a possible CARMA assessment and Ms. Workman replied that it does. President Lewis then asked whether these funds should be used for another purpose. Mr. Linzie Kramer reported that if the Committee were considering normal losses this may be a possibility; however, the CSJVRMA as well as two other pools administered by BRS have been hit by enormous claims regarding the failure of city facilities and the subsequent damage to property. As the costs of these claims are very large, Mr. Linzie Kramer stated he would recommend the Committee take a conservative viewpoint and not move the funds from the Liability Contingency Fund at this time.

6. POOLED WORKERS' COMPENSATION PROGRAM

A. Primary Coverage

Ms. Tammy Vitali, Workers' Compensation Program Manager, reported that the Pooled Workers' Compensation Program (PWCP) provides \$500,000 of coverage above each city's retained limit. Coverage above \$500,000 is provided through the Local Agency Workers' Compensation Excess (LAWCX) JPA. Ms. Vitali reviewed a graph of coverage layers with the Committee, as well as various graphs related to claims.

B. Excess Coverage (LAWCX)

Ms. Vitali reported that the CSJVRMA participates in the Local Agency Workers' Compensation Excess (LAWCX) JPA for excess workers' compensation coverage. LAWCX is an equity-based joint powers authority with a retrospective adjustment process similar to the CSJVRMA. LAWCX currently offers \$150,000, \$250,000, \$350,000, \$500,000, or \$1,000,000 SIRs. LAWCX pools the layer between CSJVRMA's self-insured retention (SIR) of \$500,000 and \$5 million. LAWCX purchases coverage in excess of \$5 million through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), with statutory limits of coverage.

Mr. Leon Compton, City of Ripon, currently serves as the CSJVRMA representative on the LAWCX Board. The alternate representative is Mr. Greg Applegate, City of Sonora. As reported at the January 28, 2010, Executive Committee meeting, effective July 1, 2010, Mr. Compton and Mr. Applegate are stepping down from their representative positions. Ms. Wendy Silva, City of Madera, will assume the CSJVRMA representative position and Ms. Margee Fallert, City of Tulare, will assume the position of alternate representative. Mr. Jeff Cardell, City of Clovis, and Past President of LAWCX, suggested the new representatives try to attend the LAWCX April Executive Committee meeting, as well as the LAWCX June Board meeting, in preparation for their new positions.

Ms. Vitali reported the following recent LAWCX developments:

- LAWCX Executive Committee approved appointing Ms. Karen Thesing as the Administrator;
- LAWCX approved rates for the pooled layer of coverage for 2010/11 with an average increase of 9%; and
- For the 2010/11 budget, LAWCX will inflate payroll by 3%.

Ms. Vitali reported that in June 2007, the LAWCX Board of Directors declared an assessment of \$1,800,000 to be billed in three annual installments. The first installment was collected in conjunction with the 2007/08 Operating budget. The assessments were shared by those members who participated in the deficit program years. The amount of each member's assessment was based on the original deposit premium paid in the deficit years. Ms. Vitali reported that the LAWCX Executive Committee reviews the need for assessments annually in January and that in January 2010 the Committee took action to

assess another \$1.8 million to again be collected over a three-year period. The CSJVRMA portion of the assessment for 2010/11 is \$103,962. Ms. Workman pointed out that the assessments are not included in the budget, but rather are handled through the retrospective adjustment process.

C. Actuarial Study

Included in the meeting agenda packet was the draft Pooled Workers' Compensation Actuarial Study prepared by Mr. Mike Harrington. Mr. Harrington noted that the study indicates a 10% increase in the 2010/11 rates at the 80% confidence level over the prior fiscal year's rates for the pooled layers of coverage.

As noted in the review of the draft Pooled Liability Program Actuarial Study and in accordance with Resolution 2-08, a conference call was held in which a decision was made to continue to use a 5% discount factor in the development of funding rated and unpaid liabilities for both the Pooled Workers' Compensation and Pooled Liability Programs.

Joe Donabed moved to fund the 2010/11 fiscal year at the 80% confidence level. Seconded by Bob Wilburn. Motion passed unanimously.

D. Member Retained Limit Study

Ms. Workman reminded the Committee that as reported under the Pooled Liability Program and in compliance with the CSJVRMA goal, Mr. Harrington conducted retained limit studies this year. Ms. Workman again reminded the Committee that when these studies were conducted in the past, the Committee only required those cities recommended to move to a higher retained limit were required to do so.

Mr. Harrington reviewed a summary of the report with the Committee explaining how recommendations were calculated. Based on the study, staff recommended raising the retained limit for the City of Parlier from \$10,000 to \$25,000, effective July 1, 2010.

Jeff Cardell moved to require the City of Parlier to increase from a \$10,000 to \$25,000 retained limit in the Pooled Workers' Compensation Program effective July 1, 2010. Seconded by Cleve Morris. Motion passed unanimously.

E. Financial Status

Mr. Elledge reviewed the financial status of the Pooled Workers' Compensation Program with the Committee and noted that as of December 31, 2009, the program has total assets of \$30.4 million, including approximately \$2.1 million projected for future retrospective refunds. Mr. Elledge reviewed a graph showing a ten-year retrospective adjustment history with the Committee.

Lastly, Mr. Elledge reviewed the Target Equity Ratios for the Workers' Compensation Program, some of which show a negative result and are areas the Committee is looking at and preparing to address.

1. Workers' Compensation Program Contingency Fund

Ms. Workman reviewed the history and use of the Pooled Workers' Compensation Program (PWCP) Contingency Fund (Fund) with the Executive Committee, noting that the Fund was established effective with the 2003/04 program year. The Fund was financed by combining the balance of monies held in the Workers' Compensation Mid-Layer and Aggregate Pools as of December 31, 2003, and became available for payment of claims incurred in the Mid-layer and Aggregate layer as well as for other options as approved by the Executive Committee on a case-by-case basis. Without using the Fund for any purpose outside of claims, the Fund is in a deficit position.

Ms. Workman noted that the mid-layer pool was established with bond proceeds which were expected to last ten years and the CSJVRMA has utilized those funds for twenty years in the Workers' Compensation Program, and is still utilizing those funds in the Liability Program. Therefore, even though the PWCP Contingency Fund is in a deficit position, the use of the bond proceeds far outlasted their expected use which has been a great benefit to members.

Ms. Workman reported that beginning in the 2006/07 fiscal year, and at various times through the current period, the Executive Committee and the Administrative and Financial Services Subcommittee took the following steps to improve the funding level in the Workers' Compensation Program contingency fund:

- Increased the Aggregate Attachment Point for the Pooled Workers' Compensation program to 1.5 times a members' deposit premium;
- Allocated all amounts paid out for the aggregate pool back to the members through the retrospective adjustment process for each respective program year;
- Allocated a portion of the fund balance in the 2005/06 program year into the contingency fund;
- Charged premium for the mid-layer pool effective July 1, 2007, through the budget process, and again effective July 1, 2008;
- Deposited portions of the 2008 and 2009 CJPRMA refunds into the contingency fund; and
- Increased the pooled layer limit to \$500,000 effective July 1, 2009, and discontinued use of the Contingency Fund to cover losses in the mid-layer (\$350,000 to \$500,000).

Ms. Workman reminded the Committee that the Administration and Financial Services Subcommittee also reviewed the PWCP Contingency Fund in 2008 and recommended the Executive Committee establish a target funding level of five times the current projection of discounted expected losses in the layer. However, since the mid-layer has been discontinued effective July 1, 2009, the benchmark is no longer applicable.

Ms. Workman stated that the goal now is to fund the deficit balance and with a balance of (\$2,223,598), staff included a recommendation in the agenda that the 2010 CJPRMA liability refund be allocated to the PWCP Contingency Fund for those members who participate in the PWCP. This would result in a deposit of \$428,076 into the contingency fund. However, after the agenda was distributed, Ms. Workman and Mr. Elledge reached a consensus to also recommend that the Executive Committee task the Administration and Financial Services Subcommittee to work with staff to develop a five-year plan to fund the PWCP Contingency Fund.

Ms. Workman then noted that in light of conversation that took place during the morning session concerning the members' serious budgeting issues, staff instead recommended that the CJPRMA refund be distributed to members. Mr. Cardell questioned if members can apply the refund to 2010/11 premiums or upcoming deficit program years. Ms. Workman replied that the members do have this option and staff will send out an email requesting members elect to receive the refund or apply it to premium or a deficit year. President Lewis inquired when the refunds would be processed and Ms. Workman stated the refunds would be processed with the March 2010 warrants.

President Lewis also inquired as to how long the CSJVRMA can expect to receive CJPRMA refunds. Ms. Workman noted that CJPRMA's financial information indicates they have \$4.7 million to be distributed to members. However, Ms. Workman also noted that CSJVRMA withdrew from CJPRMA July 1, 2000, and is only eligible for distributions for years 86/87 through 99/00.

Greg Applegate moved to: 1) Provide the CJPRMA refund to members with the option to apply the refund to premium or a deficit program year; and 2) task the Administration and Financial Services Subcommittee to work with staff to develop a five-year plan to fund the PWCP Contingency Fund deficit Seconded by Leon Compton. Motion passed unanimously.

F. Structured Return-to-Work Services Update

Ms. Workman introduced Ms. Kristen Vanscourt, Return-to-Work Manager, BRS, to the Committee. Ms. Vanscourt noted that although she is new to the CSJVRMA, she has been with BRS for two years and has assisted other pools with instituting their Return-to-Work (RTW) services. Ms. Vanscourt reported that due to the large size of the pool she is working as the RTW Coordinator as well as conducting the implementation and training. In addition, Ms. Holly Pon, BRS, is providing RTW coordination and Ms. Julie Theirl, RTW Manager; BRS, is assisting with the training and implementation. Ms. Vanscourt reported the services became available to CSJVRMA members on September 1, 2009, and she conducted six on-site training sessions in August 2009.

Ms. Vanscourt reviewed with the Committee that there are two basic functions of the services. One is the Nurse Triage service which is the accurate and early reporting of claims. The second function is the RTW service which assists members with returning

injured employees to work or modified work. In addition, the services include Tracker software which makes available automated creation of the Employer's Report of Injury, Form 5020. Ms. Vanscourt reported that 38 of the 52 members are using Nurse Triage and staff has scheduled several trainings for March 2010. It is the hope that all 52 members will be using Nurse Triage by the middle of March 2010 as the RTW Coordination training is scheduled to begin in mid-March. Ms. Vanscourt reported that staff had mailed out binders of Essential Job Functions (EJFs) and Transitional Work Assignments (TWAs) to members in the past week in preparation for the implementation of the RTW Services. Once approved and/or modified by members, these EJFs and TWAs will be stored in Tracker for use in returning employees to work. Ms. Vanscourt stressed that even though training for the RTW Services had not yet taken place, Ms. Pon has already begun working with CSJVRMA members in getting their employees back to work.

Ms. Vanscourt followed up on questions raised at previous Executive Committee meetings. The first question was regarding a report in October 2009 that 13 reports of injuries were called into the Nurse Triage line that resulted in non-medical referrals and no claims were opened. The question was whether these injuries would have resulted in claims without the Nurse Triage line. RTW staff reviewed the reports and discovered there were actually 20 reports during the time period in question. Staff also determined that more than half would have resulted in open claims without the Nurse Triage services. Details of these injuries were provided in the agenda packet.

The second question was regarding employees who called their injury into Nurse Triage but did not notify their supervisor. RTW staff verified that the nurse asks each employee if they have notified their supervisor and makes a note of the answer on the report generated and sent to the employer, AIMS, and the RTW Coordinator.

Ms. Vitali reported there was an additional question from an Executive Committee member regarding whether RTW Services could be offered to employees on non-occupational disability. Ms. Vitali stated that AIMS and RTW staff reached a consensus that it would not be possible to offer these services to employees on non-occupational disability at this time.

Lastly, Ms. Vanscourt reviewed a spreadsheet with the Committee which showed the training status of the pool members.

The Committee broke for lunch at 11:58 a.m. and returned from lunch at 1:00 p.m.

At the request of Mr. Tim Przybyla, City of Kerman, Agenda Item 6.F. was reopened for questions. Mr. Przybyla had the following questions: 1) Were the SRTW Services approved on a trial basis; 2) How are the services charged; 3) If claims have not been reported to Company Nurse, will they still receive the SRTWS; and 4) Is there a doctor involved.

Ms. Workman provided the following answers to Mr. Przybyla's questions: 1) The contract for the SRTWS is for three years; this will allow the benefits to be accurately accounted; 2) Charges are only applied to claims when opened; calls to Company Nurse

(CN) do not incur charges if they do not result in an open claim; 3) At this time, only calls reported to CN receive the SRTW Services; however, Ms. Vanscourt will review the City of Kerman's recent claims to determine, whether the SRTW Services would have benefited the city in the case of those claims; and 4) AIMS provides overview by a doctor. When an employee calls CN they speak with a nurse; however, if that nurse has any questions about the call, there is a doctor available to answer those questions.

It was questioned why EJFs and TWAs were issued to each city rather than having each city provide what they currently have in place. Ms. Vitali noted that each city has different requirements and Ms. Workman noted that a lot of the smaller cities do not already have EJFs and TWAs in place. Mr. Dave Elias, City of Fowler, concurred and stated that while larger cities like Clovis and Madera may have TWAs and EJFs in place, that is not the case with smaller cities and these efforts will benefit the group as a whole. Ms. Workman reminded the Committee that SRTW staff has agreed to visit those cities that need assistance with the TWAs and EJFs and Ms. Vitali noted she will pass on the Committee's comments to the Director of the SRTWS.

7. FINANCIAL

A. Target Equity Ratios

Ms. Workman reminded the Executive Committee that the CSJVRMA adopted a target equity policy in 2008 in accordance with new accreditation requirements established by the California Association of Joint Powers Authorities (CAJPA). The policy includes a number of financial ratios designed to gauge the financial condition of the CSJVRMA and assist the Board/Executive Committee in making financial decisions such as funding, dividends, and assessments. The ratios can also be used from time to time to monitor performance and review the adequacy of the ratios being used.

Mr. Elledge noted that the target equity policy requires that the following five ratios be performed and compared against industry best practices:

1. Net contribution to equity – target $\leq 3:1$
2. Outstanding reserves to equity – target $\leq 3.5:1$
3. Equity to self-insured retention – target $\geq 5:1$
4. Operating ratio – target $\leq 100\%$
5. Reserve development – target $\leq 20\%$

A sixth test is performed and compares the change in equity year over year with a target of not less than a 10% reduction.

Mr. Elledge reported that as of June 30, 2009, the results indicate that for the CSJVRMA as a whole, all six tests were within the respective targets. Mr. Elledge noted that while is a favorable result for the overall program, certain of these ratios did not meet the respective targets when applied individually to the workers' compensation program as discussed in Agenda Item 6.E.

B. Review of Non-Equity Pools

1. Pooled Property Program

Ms. Workman reported that the basic information regarding the Pooled Property Program (PPP) non-equity pool is the same as that for the following two Agenda Items (7.B. 2 & 3). Ms. Workman reported that at the direction of the Executive Committee, the Administration and Financial Services Subcommittee met in 2008 to review and determine whether to establish minimum and maximum levels in each of the non-equity pools. This item was tasked because pool balances were building and some members felt the CSJVRMA should start refunding monies. The Administration and Financial Services Subcommittee recommended and the Executive Committee took action to set a target asset balance that provided for sufficient investment income to cover projected losses for a minimum of three years. However, with recent swings in investment income producing inconsistent results, staff believes this may not be the most reliable way to determine the financial condition of these pools.

Ms. Workman turned the item over to Mr. Elledge. Mr. Elledge expanded on Ms. Workman's report, noting that the goal was to identify if any of the three non-equity pools maintained sufficient assets to warrant exploration of return of funds or provide an alert if the balance dropped too low, which would trigger a review of additional contributions into the program. Mr. Elledge noted the PPP is now in a position wherein it should be monitored, but both the Auto Physical Damage (APD) Program and the Low Value Vehicle Program (LVVP) are in good condition. Mr. Elledge also noted that the idea of using investment income was that the pools would earn enough each year to cover losses as there are no contributions being made to these pools unless a new member enters the programs. With consideration of current market conditions, income is proving to be too erratic to be the best measure of the condition of the pools.

Next Mr. Elledge reviewed charts regarding all three non-equity pools. Mr. Elledge noted that with the PPP, the claims experience is trending up, this pushes the balance down and starts to erode the principal in that fund because the investment income is not enough to overcome and compensate for all the losses. Mr. Elledge reported that staff recommends the Committee explore other options for measuring the health of the pool. One method for consideration is how many full limit losses the pool can weather. Another method for consideration is comparing the number of multiple annual average claims against the pool balance.

Discussion ensued and it was determined that the task of setting a method for determining the health of the non-equity pools would be better suited to the Administration and Financial Services Subcommittee.

Jeff Cardell moved to task the Administration and Financial Subcommittee with determining a measurement and making a recommendation to the Executive Committee to determine the financial health of the Pooled Property Program non-equity pool. Seconded by Greg Applegate. Motion passed unanimously.

2. Auto Physical Damage Program

Jeff Cardell moved to task the Administration and Financial Subcommittee with determining a measurement and making a recommendation to the Executive Committee to determine the financial health of the Auto Physical Damage Program non-equity pool. Seconded by Greg Applegate. Motion passed unanimously.

3. Low Value Vehicle Program

Jeff Cardell moved to task the Administration and Financial Subcommittee with determining a measurement and making a recommendation to the Executive Committee to determine the financial health of the Low Value Vehicle Program. Seconded by Greg Applegate. Motion passed unanimously.

8. RMMETRICS

A. RMMetrics Demonstration

Ms. Workman reported that BRS has developed a new application which may be of benefit to CSJVRMA members. The new application is for benchmarking and CSAC-EIA has purchased it for their members' use. Ms. Workman continued that BRS is willing to implement this system at no charge to the CSJVRMA; however, due to the cost of implementation (an approximate cost of \$5,000 - \$10,000 work on the part of BRS actuaries), BRS would like to ensure there is adequate interest in its utilization prior to moving forward with the application.

Mr. Harrington reviewed the RMMetrics application with the Committee via an on-line presentation. Mr. Harrington reported RMMetrics is a new application developed by BRS, which would allow benchmarking of loss experience for workers' compensation and liability programs. Loss rate, frequency, and severity trends for each can be benchmarked against the total CSJVRMA membership, similar size cities, or even a small subset of those cities considered a "peer group." Historical statistics as well as projected statistics would be available.

Discussion ensued about the difference between this application and the Annual Reports. Mr. Harrington replied that the Incurred But Not Reported (IBNR) reserve in the RMMetrics application is applied down to the individual member. The Annual Reports allocate IBNR based on deposit premium. Mr. Harrington reported that even though the Annual Reports provide some of this information, RMMetrics allows you to show it

graphically and is an enhanced way to look at your city's experience relative to your neighbor city's experience. Mr. Harrington also noted the application has the potential to be further developed to allow members to drill down to departments and allow comparison to peers by department.

Ms. Jo Barrick, City of Shafter, noted that staff had provided set up costs and inquired as to the maintenance costs. Mr. Harrington replied that there is annual fee to update data. However, Ms. Workman noted that BRS would not charge the CSJVRMA this annual maintenance fee and stated that this value added service was being offered to the CSJVRMA as BRS' way of being proactive in meeting their clients' needs and creating efficiencies. In reply to inquiries, Mr. Harrington stated he will load ten years of CSJVRMA data and he expects to have the data calculated for all members and loaded by July 1, 2010.

Jo Barrick moved to recommend Bickmore Risk Services provide RMMetrics to the CSJVRMA. Seconded by Linda Abid-Cummings. Motion passed unanimously.

9. SAFETY AND TRAINING

A. Adoption of Strategic Safety and Risk Control Plan

Mr. Tom Kline, Risk Control Manager, BRS, reviewed the Proposed Strategic Safety and Risk Control Plan that was included in the agenda packet with the Committee. Mr. Kline reported the plan contains a review of activities from calendar year 2009, as well as suggest risk control activities for calendar year 2010.

Ms. Workman noted there were three items the Committee needed to consider before taking action on the plan. First, the Administration and Financial Services Subcommittee met in February 2010, and made a recommendation to reduce the number of workshops based on the number of layoffs and furloughs being experienced by the members. This suggestion was made because many of the workshops and forums are repetitive so as to be available to new employees and the consensus was that members would not be hiring new employees in the near future. In addition, due to reduced staff the opportunity to send employees to training is also reduced to allow for the performance of city functions. Mr. Kline also recommended an option to combine the Central and Southern Region for training opportunities. Second, the Committee should consider if they wish to eliminate the video rental service and move to utilizing only streaming video. Third, the Committee should consider onsite assessment needs and reinstating audit controls.

Jo Barrick moved to approve the adoption of the Strategic Safety and Risk Control Plan. Motion died for lack of second.

Discussion ensued and a consensus was reached to retain the video rental service. This is due to lack of bandwidth for many cities which makes the streaming video impractical at this time. Workshop and forum subjects were discussed, and a consensus was reached to eliminate the Pitchess Motion Police Liability Forum. The option to combine Central and

Southern Region training opportunities was also discussed and due to reduced staff and the travel distances the combination of regions would impose upon attendees, consensus was reached not to do so. Mr. Linzie Kramer suggested the Committee consider reinstating the audits in addition to or in combination with onsite visits.

Jeff Cardell moved to adopt the Strategic Safety and Risk Control Plan, absent the Pitchess Motion Police Liability Forum and absent the option to combine the Central and Southern Regions for training opportunities. Seconded by Dave Elias. Motion passed unanimously.

Jeff Cardell moved to task the Administration and Financial Services Subcommittee with reaching a recommendation regarding onsite assessments and auditing. Seconded by Bob Wilburn. Motion passed unanimously.

10. ADMINISTRATION MATTERS

A. Report from the Administration and Financial Services Subcommittee

Ms. Workman reported that the Administration and Financial Services Subcommittee met on February 3, 2010, to review the Administrative cost report for the third year to determine if there were any viable options for savings. Ms. Workman reported the Subcommittee reviewed the savings achieved in 2008/09 and the projected savings for 2009/10, based on the direction the Subcommittee provided at their meeting in 2009. Ms. Workman reported that the CSJVRMA will be saving \$16,728 as a result of the recent decision to turn over the Department of Motor Vehicles, Electronic Pull Notice Program to Target Safety (BRS contract price of \$24,500, less \$7,772 for Target Safety). In addition the CSJVRMA will also save \$5,000 in program year 2010/11 as a result of the non-renewal of the Safety Library contract and the offer by BRS to host safety videos and streaming video services at no charge to the CSJVRMA.

Finally, Ms. Workman reported that the Administration and Financial Services Subcommittee recommends the Executive Committee: 1) Eliminate the 2011 annual retreat and instead hold a one-day Executive Committee meeting in Fresno; and 2) Continue the moratorium on conference scholarships for the 2010/11 program year.

Cleve Morris moved to: 1) Eliminate the 2011 annual retreat and instead hold a one-day Executive Committee meeting in Fresno; and 2) Continue the moratorium on conference scholarships for the 2010/11 program year. Seconded by Jeff Cardell. Motion passed unanimously.

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

Ms. Workman reminded the Committee that staff brought the GENEX contract to the January 2010 Executive Committee meeting; however, there was some confusion with the contract and one schedule was missing, so the contract approval was postponed. Staff

is currently awaiting a revised contract which includes the Electronic Data and Disaster Recovery requirements recently approved by the CSJVRMA. Staff will place the updated GENEX contract on the March 2010, Executive Committee agenda.

In addition, on February 16, 2010, Centers for Medicare and Medicaid Services (CMS) extended the start of mandatory claim reporting from April 1, 2010, to January 1, 2011. However, only the reporting date has been extended. Ms. Workman noted that all cases with liability judgments, settlements, or awards of over \$5,000 with medical eligible claims on and after January 1, 2010, must still be reported effective January 1, 2011.

11. GOALS AND OBJECTIVES

A. Review Proposed Goals and Objectives

Ms. Workman reported that the Goals Development Subcommittee met on December 2, 2009, to review the Goals and Objectives of the CSJVRMA. Enclosed in the meeting agenda packet was a listing of the CSJVRMA Goals and Objectives with amendments as recommended by the Subcommittee in underline/strikeout format. Ms. Workman noted there was only one minor change in the Goals; for Goal IV, Objective/Action 1, the timeframe was changed from "annually" to "annually, prior to the Retreat." Ms. Workman reported this Objective/Action item goes hand in hand with the Administration and Financial Services Subcommittee's review of the Administrative Cost Report.

Jeff Cardell moved to adopt the proposed goals as amended by the Goals Subcommittee. Seconded by Felix Ortiz. Motion passed unanimously.

12. REVIEW OF SERVICE PROVIDERS

A. Legal Services (Hemker-Smith & Associates)

The members expressed great satisfaction with the services provided by Ms. Hemker-Smith, Legal Counsel.

B. Actuarial Services (BRS)

Satisfaction was expressed with the actuarial reports received. President Lewis noted that the City of Woodlake hired BRS to perform their GASB 45 actuarial study and reported that the City was very happy with the product received and highly recommended BRS Actuarial Services to any members needing these studies completed.

C. Financial Auditor Sampson & Sampson (contract end date 2010)

Satisfaction was expressed with the financial audits received. Mr. Cleve Morris, City of Patterson, noted that Sampson & Sampson's contract ends this year and questioned whether the CSJVRMA should renew or send out a Request for Proposal. Ms. Workman stated she would research the discussion from the 2009 Annual Retreat and report back at the March Executive Committee meeting.

D. Insurance Brokers

1. Marsh – Business Travel Accident and Difference in Conditions
2. Alliant – Property

Ms. Workman stated Marsh has experienced a large turnover in staff and CSJVRMA staff may suggest the DIC program go out to bid next year.

E. Liability Claims Administration (AIMS – contract end date June 30, 2012)

Prior to the Retreat, the member cities were given the opportunity to comment on AIMS' liability services via an on-line survey. Thirty-one responses were received and the Executive Committee received a summary of those responses to review in the agenda packet. Mr. Cardell commented that the new adjuster in the Fresno office was great. Mr. Cardell inquired that in consideration of the issues involved in the system conversion for the workers' compensation claims, what would be a realistic timeframe for the liability claims conversion. Mr. Dominic Russo, AIMS, noted that the liability conversion would be from one David system to another, so AIMS does not anticipate the number of issues realized in the workers' compensation conversion. In addition, Mr. Russo noted there will be additional testing prior to the conversion. The conversion is tentatively scheduled to begin at the end of March 2010 and be completed by the end of June 2010; however, Mr. Russo will update the Committee as soon as additional information becomes available.

F. Workers' Compensation Claims Administration Services (AIMS – contract end date June 30, 2012)

Prior to the Retreat, the member cities were given the opportunity to comment on AIMS' workers' compensation services via an on-line survey. Thirty responses were received and the Executive Committee received a summary of those responses to review prior in the agenda packet. Mr. Russo stated that AIMS is always trying to look at ways to improve their service to the CSJVRMA, one of AIMS' most important and long standing clients. Mr. Russo reported he has been meeting with staff and looking for ways to increase efficiencies. As a result, AIMS will add a new examiner on the workers' compensation side of business, with a goal of having them in place in the next 30 days and AIMS evaluating a new claims intake system. Finally, Mr. Russo noted AIMS will continue to increase service levels to the CSJVRMA and improve survey results for next year.

G. Risk Management, Financial, and Administrative Services (Bickmore Risk Services – contract end date June 30, 2012)

Prior to the Retreat, the member cities were given the opportunity to comment on the services provided by BRS via an on-line survey regarding services of risk management, finance, and administrative services. Twenty-eight responses were received and the Executive Committee received a summary of those responses to review prior to the meeting. Ms. Workman noted that Mr. Rob Kramer, Administration Department Director, was in attendance and would receive any comments or any questions regarding BRS' performance.

1. Bickmore Risk Services Succession Plan

Ms. Workman reported that the BRS Succession Plan was originally provided two years ago and as a result of discussion at the Goals Development Subcommittee meeting, this item will be brought back annually for review. Ms. Workman noted there were very few changes from last year and that the plan was updated with the number of service years for each BRS employee mentioned. Ms. Workman reminded the Committee that as announced at last year's Retreat, Mr. Elledge would be transferring his responsibility to Ms. Jamie Paro who was in attendance and whom the Committee first met in October 2009.

13. REFERENCE SECTION – OTHER CSJVRMA PROGRAMS

Ms. Workman noted this section was included for reference only and staff had not intended to go over the information enclosed during the meeting due to time constraints; however, staff would be happy to review any item requested or answer any questions.

Mr. Przybyla inquired about the cost for ERMA training, as only the City of Hanford is listed as having that service in the materials enclosed. Ms. Workman noted she is currently in discussion with ERMA regarding this issue due to the change in ERMA training requirements and how members access the training. Mr. Przybyla also noted that several members are pulling out of the ERMA program and noted that one of the reasons is regarding the benefits received; specifically, assistance with questions as members are automatically referred over to the attorneys. Ms. Workman replied that attorney services are built into the ERMA program and members are referred for those consultations. Mr. Rob Kramer noted that BRS provides the administrative services for ERMA and as part of those services, provides litigation management services. However, BRS does not provide legal advice. Attorney firms have been selected by ERMA to handle those requests so when a members call ERMA with those questions they are referred to the attorneys. Mr. Przybyla suggested ERMA make it specifically clear that when a member calls in for a question that the consultations with the attorneys are provided as part of a member's premium with ERMA. Ms. Workman noted that Ms. Karen Thesing, ERMA Administrator, will be attending the March 2010 Board meeting and will deliver a presentation on ERMA. Ms. Workman stated she will request that Ms. Thesing address this issue in her presentation.

Mr. Elias questioned whether a member who is referred to Liebert, Cassidy, Whitmore or Jackson Lewis can confer with other ERMA panel attorneys as part of their free one hour of consultation. Mr. Rob Kramer replied that the Liebert, Cassidy, Whitmore and Jackson Lewis hotlines are for advice only and that if a member has a case, they should be conferring with Ms. Ruth Graf-Urasaki, as she will work with the member to find an attorney from the panel of approved attorney.

President Lewis thanked Ms. Barrick for suggesting the Crime Shield Program as the pricing is excellent. Ms. Mary Ann Reilly, Board Secretary, noted that Crime Shield Program members will be receiving an annual renewal within the next week. Even though members were allowed to join throughout the year, the program runs from July 1st to June 30th. Ms. Reilly stated staff wanted to alert those who had joined recently that the renewal information is still required.

14. CLOSING COMMENTS

A. Executive Committee


Mr. Cardell requested that the PARMA 2010 handouts be made available on the CSJVRMA website. Mr. Cardell also noted that the Central PARMA Chapter will be conducting their mini-conference in the first week of May 2010 at the Pines Resort in Bass Lake and an announcement will be sent out to members.

B. Staff

Ms. Workman thanked everyone for attending and noted that staff condensed all the Retreat materials to enable a one-day format and requested feedback from members on the content included.

15. ADJOURNMENT

The Twenty-Fifth Annual Retreat adjourned on February 25, 2010, at 2:40 p.m. by general consent.



Mary Ann Reilly, Board Secretary