

CENTRAL SAN JOAQUIN VALLEY RISK MANAGEMENT AUTHORITY

MINUTES OF THE BOARD OF DIRECTORS
MEETING OF MARCH 27, 2009

A meeting of the Board of Directors of the Central San Joaquin Valley Risk Management Authority (CSJVRMA) was held on March 27, 2009, at the Piccadilly Inn-Shaw, in Fresno, California.

BOARD MEMBERS PRESENT: Leon Compton, President, Ripon
Bill Lewis, Woodlake
Jeff Cardell, Clovis (left during item 9A.5)
Ken Walker, Treasurer, Lindsay
Mary Kelly, Angels Camp
David Powel, Arvin
Jeanna Del Real, Atwater
Esther Strong, Avenal
Rebekah Barr, Chowchilla
Joyce Venegas, Corcoran
Niecia Barton, Delano
Beth Nunes, Dinuba
Darrell Fonseca, Dos Palos
Lisa Nebe, Escalon
Felix Ortiz, Exeter
Patricia Miller, Farmersville
Odi Ortiz, Firebaugh
Jeannie Davis, Fowler
Roberta Casteel, Gustine
Hilary Straus, Hanford
Joe Donabed, Hughson
Tim Przybyla, Kerman
Don Jensen, Kingsburg
Katie Lemons, Lathrop
JP Prichard, Lemoore
Danna Rasmussen, Livingston
Melinda Wall, Los Banos
Wendy Silva, Madera
Bob Wilburn, Maricopa
Gerald Forde, McFarland
Bryce Atkins, Mendota
Deneen Proctor, Merced
Mike Maier, Newman
Michelle McKinsey, Oakdale
Alan Bengyel, Orange Cove
Bryan Whitemyer, Patterson
Josie Castaneda, Porterville
Rocky Rogers, Reedley
Linda Abid-Cummings, Riverbank
Diana Brooks, San Joaquin
Barbara Mergan, Sanger

Lois Hull, Selma
Jo Barrick, Shafter
Greg Applegate, Sonora
George Christner, Sutter Creek
Denise Hoffman, Taft
Hannah Chung, Tehachapi
Maria Olvera, Tracy
John French, Turlock
James Zervis, Wasco
Lori Martin, Waterford

CITIES NOT REPRESENTED
BY A BOARD OF DIRECTORS'
MEMBER, ALTERNATE, OR
PRE-AUTHORIZED DELEGATE: City of Parlier

OTHERS PRESENT:

Jeanette Workman, Administrator
Mary Ann Reilly, Board Secretary
Tammy Vitali, Workers' Compensation Program Manager
Linzie Kramer, Litigation Manager
Charlotte Hemker-Smith, Legal Counsel
Tom Kline, Risk Control Manager
Jim Elledge, Director of Accounting and Finance Services,
Bickmore Risk Services
David Whiteside, AIMS
Ken Wilkerson, AIMS
Judy Sullivan, AIMS
Janine Bowman, AIMS
Fran Lammers, AIMS
Vicki Shannon, AIMS
Helen Whitaker, AIMS
Ralph Matthews, AIMS
Chris McClure, AIMS
Martin Cassell, Chandler Asset Management
Lori Waterman, Atwater
Syndi McLeland, Ceres
Lorraine Lopez, Corcoran
Frank L. Steenport, Huron
Bertha Augustine, Parlier
Tesla Nason, Selma
Mike Barrows, Sonora
Louise Hudgens, Taft
Lori Heezel, Tulare

1. CALL TO ORDER

The meeting was called to order at 9:00 a.m. by President Leon Compton

2. INTRODUCTIONS

Introductions took place of those present.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Jeff Cardell moved to approve the agenda as amended. Seconded by Felix Ortiz. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

Bob Wilburn moved to approve/accept the following items: A) Minutes of the October 24, 2008, Board of Directors' Meeting; and B) Goals and Objectives of the CSJVRMA. Seconded by Gerald Forde. Motion passed unanimously.

6. REPORTS/PRESENTATIONS

A. Report by President Leon Compton Regarding the Twenty-Fourth Annual Retreat

Prior to the meeting, President Compton provided a written report on the CSJVRMA Twenty-Fourth Annual Retreat which was held February 26-27, 2009, at Seascape Resort in Aptos, California. President Compton thanked Ms. Mary Ann Reilly, Board Secretary, for preparing the report and asked for any questions from the Board. There being no questions, President Compton thanked all those who attended the Annual Retreat and reported that the attendees had a good time while attending to important business of the CSJVRMA. The President also informed the Board that the Executive Committee took action at the previous day's meeting to hold the Annual Retreat every other year going forward.

B. Report by Tom Kline, Risk Control Manager

Mr. Tom Kline, Risk Control Manager, presented a status overview of the workshops, public works forums, police liability forums, webinars, and risk consulting projects.

C. Presentation by Mercer Health & Benefits Regarding the Business Travel Accident (BTA) Program

Ms. Jeanette Workman, Administrator, informed the Board that Ms. Veronica Rosas, AIU Holdings, was present to review the BTA program with the Board. Ms. Workman reported that currently 37 CSJVRMA members participate in the BTA Program and noted that if any members are interested in joining, Ms. Workman will provide a quote.

Ms. Rosas noted that AIU Holdings was formerly known as AIG and due to the recent media coverage the name of the commercial insurance subsidiary was changed to AIU Holdings. Ms. Rosas also reported that should AIG file bankruptcy, it will not affect the protected AIU Holdings subsidiary.

Ms. Rosas reported that the BTA is a purchased program through the CSJVRMA. Member cities choose which employees they would like to cover and choose the level of coverage provided. Ms. Rosas noted the program is comprised of two components, the accidental death and dismemberment component and the services component. Ms. Rosas reminded the Board that their attendance at the Board meeting constitutes business travel and this program protects member employees while they are traveling. Ms. Rosas also noted that the benefits for death or dismemberment are over and above existing life insurance policies.

Ms. Rosas then reviewed the services portion of the program and noted the services include the following: Emergency Travel Assistance, VIP Concierge Services, Worldwide Travel Assistance, Travel Medical Assistance, and Personal Security Assistance. These services are available 24 hours a day, 7 days a week.

A question was raised regarding coverage for city council members in addition to employees and Ms. Rosas replied they are eligible for coverage. Member cities should add city council members to the coverage list if they wish to extend such coverage. Ms. Rosas also reviewed additional coverages that may be added via a rider or the purchase of additional coverage. Ms. Rosas also noted that the BTA covers business travel even within a member city.

7. REGIONAL CAUCUSES

Time is incorporated into every Board meeting for regional caucuses. The caucuses are to allow Regional Members to acquaint themselves with other Board and Alternate Members from their Region. This time is also used to conduct any Regional business and to allow members to solicit information and assistance from others in their Region. The intended result is for Regional Members to be a resource for one another.

8. FINANCIAL MATTERS

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

Prior to the meeting the Board received an Investment Report as of February 28, 2009. Mr. Marty Cassell, Chandler Asset Management, reviewed the CSJVRMA investment portfolio with the Board and briefly reviewed the current state of the financial markets. Mr. Cassell noted many actions are being taken to improve the overall economy; however, it will be a slow process as it will take time to implement these changes and even longer to measure their success.

B. Report on Administrative Costs

This report was brought forward in compliance with Goal III, Objective/Action 1 which reads: "Reduce administrative costs, where feasible. Analyze and annually, at the March Board of Directors meeting, report on whether it is possible and desirable to reduce administrative costs (direct and indirect) from the current cost per \$100 of payroll to some reduced cost."

Ms. Workman reported that the Administrative Cost report was included with the Executive Committee agenda and the Executive Committee reviewed the report at their meeting on the previous day. Ms. Workman reminded the Board that as a result of last year's report, both BRS and AIMS amended their contracts to provide costs savings that will continue for the five years of their contracts.

This year staff evaluated the non-contraction administrative budget line items and found two line items (Meetings and Retreats, and Conferences) wherein staff felt the Executive Committee could consider cutting costs. Staff recommended that the Annual Retreat be held every other year which will generate a savings of \$30k in the years not held. Staff also recommended a moratorium be placed on conference scholarships for the 2009/10 fiscal year which will result in \$4k in savings. Ms. Workman reported the Executive Committee took action to approve both of staff's recommendations which resulted in a \$34k reduction to the budget. Ms. Workman pointed out that this reduction is not included in the budget provided to Board members at the meeting and that a revised budget would be sent to members on Monday.

C. Review and Approval of the Budget for Fiscal Year 2009/10

Prior to the meeting, the Board received a revised budget for fiscal year 2009/10. Ms. Workman reviewed the budget with the Board and noted there was an overall budget increase of 7%. Ms. Workman provided an in-depth review of the budget changes by program noting the following:

- Workers' Compensation 7%
- Liability 3%

- APD -7%
- Property 38%
- General Administration -7%
- EAP 4%
- ERMA 10%

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. Ms. Workman informed these cities they 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 reported that due to furloughs and layoffs, the payroll used was the actual 2008 calendar year payroll; normally, this number is inflated by 5% per annum.

Ms. Workman noted the workers' compensation, liability, and APD excess premiums are estimates as actual rates have not yet been received. The EAP program rate is the actual rate and is the same as the previous fiscal year. ERMA's rate is an estimate provided by ERMA staff as their rates have not yet been received. Ms. Workman stated she will recommend the Board approve the budget pending a revised budget being brought back in June with actual rates. Ms. Workman reported the property premium is so high because the broker suggested budgeting for a 25% increase and because at the Annual Retreat, the Committee approved charging premium for the pooled portion of the program. This decision was based on analysis by staff that the interest for the program will not continue to cover the cost of the program in the near future. At the time that staff recommended charging premium for the pooled portion, they were not aware that the rate increase for the excess coverage would be 25%. In light of the impact that charging premium had on every member in the program and the almost \$1M total in premium that would be collected, Ms. Workman stated she is recommending that charging premium for the Pooled Property Program not be included in the 2009/10 budget and to be reevaluated next year.

Ms. Workman reminded the Board that for 2009/10, the Workers' Compensation Program primary pool is increased from \$350k to \$500k, so premium is being collected up to \$500k.

Darrell Fonseca moved to approve the 2009/10 budget. Seconded by Beth Nunes. Motion passed unanimously.

D. Investment Policy

Ms. Workman reported that the Investment Policy was reviewed by Chandler Asset Management and by Mr. Jim Elledge, Assistant Treasurer, and asked Mr. Cassell to review the changes with the Board. Mr. Cassell noted that the change proposed is on page three under the Eligible Securities and Criteria section. The update provides the government code section pertaining to security purchases and holdings. Mr. Cassell also reported that an updated glossary was added.

Ken Walker moved to approve the Investment Policy, as amended. Seconded by Jo Barrick. Motion passed unanimously.

9. LIABILITY PROGRAM

A. Reports by Staff and Service Providers:

1. Report by Linzie Kramer, Litigation Manager

Prior to the meeting, the Board received a written report of claims opened since October 2008. Mr. Linzie Kramer, Litigation Manager, briefly reviewed the report with the Board.

2. Report on Coverage Matters

Ms. Workman reported there have been no coverage denials since the October 2007 Board meeting.

3. Report by Claims Administrator (AIMS)

Prior to the meeting, the Board received a written report for the month of January 2009, prepared by Mr. Ken Wilkerson, AIMS. Mr. Wilkerson reviewed the report with the Board.

4. Report on California Affiliated Risk Management Authorities (CARMA)

CARMA is the excess pool through which the CSJVRMA obtains excess liability coverage. Prior to the meeting, the Board received a written report regarding recent activity in CARMA.

The CSJVRMA's current representative serving on CARMA's Board of Directors is Mr. Joe Donabed, City of Hughson. The alternate representative is Ms. Linda Abid-Cummings, City of Riverbank.

Ms. Workman reported that as with other pools, both CARMA and ERMA (which will be discussed during the next agenda item) are both looking at ways to cut costs to their members during this difficult economic time. As a result, Ms. Workman provided the Board with the following measures that CARMA is considering:

- CARMA is trying to increase their membership to aid in the spread of risk as well as concentrating on retaining existing members;
- CARMA is researching the possibility of joining another excess JPA (CSAC-EIA);

- CARMA is researching options for purchasing less expensive excess coverage; and
- CARMA is considering adding Employment Practices Liability coverage.

5. Report on Employment Risk Management Authority (ERMA)

ERMA provides employment practices liability coverage to the members and is an optional program of the CSJVRMA. The CSJVRMA's current representative on ERMA's Board of Directors is Mr. Dave Elias, City of Fowler. The alternate representative is Mr. Gerald Forde, City of McFarland.

Included in the meeting agenda packet was an ERMA loss report for CSJVRMA members as well as a report regarding recent ERMA action items.

Ms. Workman reported that ERMA is considering discontinuing their mandatory training requirement and developing and implementing training on the proper handling of layoffs and furloughs. The goal of this program would be to reduce claims as well as meet current needs of ERMA members. Ms. Workman noted this program, if approved, would hopefully begin on July 1, 2009, and ERMA will make the decision on the program at their April 2009 meeting. Ms. Workman noted that in the meantime, members should continue with training requirements.

10. WORKERS' COMPENSATION PROGRAM

A. Reports by Staff and Service Providers:

1. Report by Tammy Vitali, Workers' Compensation Program Manager

Ms. Tammy Vitali, Workers' Compensation Program Manager, briefly discussed claims with the Board and noted that the CSJVRMA had an average of 18 indemnity claims filed in the past three months.

Ms. Vitali reported that 28 workers' compensation bills are currently being considered and provided updates to four that may affect member cities:

- AB 615 – would define first-aid claims. Ms. Vitali reminded the Board that all claims should be reported to AIMS as today's first-aid claim may be next week's legal claim. AB 615 would offer a legal definition of a first-aid claim;
- SB 186 – regarding pre-designation of treating physicians. Employees are currently allowed to pre-designate their treating physician. This action is due to be repealed effective December 31, 2009. SB 186 would remove this repeal and allow employees to continue the practice of pre-designation into 2010;

- AB 773 – increase permanent disability payments. Ms. Vitali reported this bill is likely to be approved by the governor even though he has previously vetoed such action three times; and
- AB 128 – presumption for cancer benefits for safety officers. Ms. Vitali noted this is the most significant proposed legislation as regards member cities. Currently safety officers have three months, for every year of service, in which they can file for benefits for a cancer claim. AB 128 would extend that timeframe from three months to one year. Therefore, if a safety officer works for a city for 30 years, they have 30 years from the date of termination or retirement in which to file for cancer benefits or death claims which represents a significant increase in benefits.

2. Report on Local Agency Workers' Compensation Excess JPA (LAWCX)

The Local Agency Workers' Compensation Excess JPA (LAWCX) provides excess workers' compensation coverage to the CSJVRMA.

The CSJVRMA's representative serving on LAWCX's Board is Mr. Leon Compton, City of Ripon, and the alternate Board representative is Mr. Greg Applegate, City of Sonora.

Prior to the meeting, the Board received a written report on recent LAWCX activity. Ms. Vitali reviewed the following additional items with the Board:

- LAWCX held a Strategic Planning Session on November 18, 2009, and approved their rates which may be amended; and
- LAWCX approved their third and final assessment with the CSJVRMA's portion being \$102,000.

3. Report by Claims Administrator (AIMS)

Prior to the meeting, the Board received a written report from Ms. Judy Sullivan, AIMS, regarding claims for January 2009. Ms. Sullivan briefly reviewed the report with the Board.

Ms. Sullivan reported that effective January 1, 2009, there is a presumption for methicillin-resistant staphylococcus aureus (MRSA) for safety officers.

Ms. Sullivan also reported that there have been changes to the AIMS staff supporting the CSJVRMA. Ms. Sullivan informed the Board that Ms. Brooke Hurtado is on medical leave until May 1, 2009. Mr. Chris McClure is handling Ms. Hurtado's caseload until her return. Ms. Sullivan also reported that Ms. Lindsay Jones has left AIMS and Ms. Helen Whitaker is currently handling Ms. Jones' caseload. AIMS will update the Board once permanent staffing decisions have been made.

Mr. David Whiteside, AIMS, announced that AIMS recently signed a contract with the David Corporation to upgrade from David DOS to the David NavRisk program for the liability program. This will allow online access to claims files and notes and will offer strong reporting capabilities. Mr. Whiteside also informed the Board that Talisman, the provider of the workers' compensation claims system, will no longer be providing a workers' compensation claims system. Due to Talisman opting to no longer provide a workers' compensation claims system, the workers' compensation program will also be converted to David NavRisk and this conversion will take place first. Mr. Whiteside reported that the workers' compensation conversion is scheduled to be completed by the end of June 2009. The liability program conversion to NavRisk is scheduled to be completed by September or October 2009. In response to a question, Mr. Whiteside confirmed that AIMS will provide CSJVRMA members with training on NavRisk. Mr. Whiteside reported that since there are no CSJVRMA meetings in April, AIMS will provide Ms. Reilly with an email conversion timeline for distribution to CSJVRMA members.

11. ADMINISTRATIVE MATTERS

A. Medicare/Medicaid & State Children's Health Insurance Program (SCHIP) Extension Act 2007 (MMSEA)

President Compton introduced Mr. Kramer and asked that the Board pay particular attention to this item and noted the Executive Committee spent a great deal of time on it at the previous day's meeting.

Mr. Kramer reported the issue he was about to discuss was a most egregious and costly piece of legislation and of utmost importance to the CSJVRMA. Mr. Kramer briefly reviewed the history of the legislation noting that it was signed into law on December 29, 2007, as part of the State Children's Health Insurance Program (SCHIP) and amendment to the requirements, audits, and severe penalties to the existing Medicare Set Aside (MSA) regulations, which have been in place since 1980 but have not been strongly and consistently enforced. In July of 2001, the Centers for Medicare and Medicaid Services (CMS) introduced the MSA Review and Approval process for certain workers' compensation settlements. The provisions of this amendment reinforces the concept that Medicare will always be a "secondary payer" if a primary payer exists.

Mr. Kramer then reported that with this new legislation, effective July 1, 2009, all liability, no-fault, and workers' compensation insurers, self insurers, and self-insured groups, as well as group health plans will be required to determine whether any individual claimants/applicants are entitled to Medicare benefits. Although the regulations are still evolving a Medicare "user guide" was released on March 16, 2009. This guide states that all individuals who are 62 ½ or older, those on Social Security Disability, those with renal failure, and those with Lou Gehrig's disease are included in the class of "Medicare eligible". After July 1, 2009, all judgments, settlements, and

awards for individuals within this class are required to be reported, and the present and future financial interests of Medicare are to be protected.

Mr. Kramer reported that beginning May 1, 2009, and continuing through June 30, 2009, all insurers, self-insureds, and group self-insureds are required to register with CMS (group health plans were required to register between January 1, 2009, and February 28, 2009). As well as initially registering the CSJVRMA, the person at BRS who registers the CSJVRMA will be the main point of contact for the entity regarding Medicare communications. The registration process will begin on May 1, 2009, and run through June 30, 2009. At the time of registration a PIN number will be issued by CMS, as well as one or more reporting identification numbers for one or more programs. Mr. Kramer noted that the CSJVRMA will most likely request two numbers, one for the Liability Program and one for the Workers' Compensation Program. A one-week window reporting period for each calendar quarter will be assigned at the time of registration to begin in the third quarter of 2009.

All open workers' compensation claims, together with those which provide for future medical benefits, must be reported by the RA as well. Thereafter, all judgments, awards, or settlements received in the previous quarter must be reported in the subsequent quarter's reporting. The penalties of \$1,000 per day per claimant/applicant for non-reporting are separate and apart from the provisions of the MSA responsibilities of the payer prior to such judgment, award, or settlement, which may expose the self insured or self-insured group to additional Medicare recovery attempts if they believe that their exposures as a result of the same injury/illness have not been adequately protected.

Mr. Kramer added that some TPAs are considering acting as the RA. AIMS, however, has determined that they will not be the RA as they are not set up to do so. CSJVRMA will need to contract with an RA whose responsibility, as stated above, will be to comply with the mandatory insurer's reporting requirements and to make queries of CMS as to Medicare eligible recipients. AIMS responsibility will be to provide data to the RA.

Mr. Kramer stated that there are a number of nationwide firms which are competing to provide their services as the RA. BRS and AIMS have both been meeting with some of these firms to gain an idea of experience, expertise, pricing, financial strength, and errors and omissions coverage. Mr. Kramer noted that additional interviews will be held at the BRS office on April 8, 2009, and that some CSJVRMA Executive Committee members, AIMS, and Ms. Hemker-Smith will attend and participate in the interviews.

12. CLOSING COMMENTS

A. Board of Directors

President Compton reported that Mr. Matt Erickson, City of Waterford, was stepping down as Board member after fourteen years and noted Mr. Erickson will remain working for the City. President Compton also announced that Mr. George Christner, City of Sutter Creek, is retiring and therefore also leaving his position on the Board.

Mr. Christner served on the Board for twenty-three years. President Compton thanked both Mr. Erickson and Mr. Christner for their much appreciated hard work and participation.

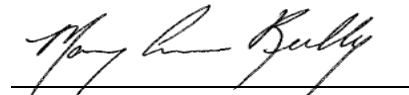
B. Staff

Ms. Workman reminded the Board members to sign-in as proof of Board meeting attendance. Ms. Workman also noted that annual FPPC forms were due by April 1, 2009.

Finally, Ms. Workman noted she was asked to announce that the Central Valley Chapter of PARMA is holding a mini Spring Conference May 7-8, 2009, at Bass Lake Pine Resort. Ms. Workman reported that she attended last year's mini conference and found the agenda and networking opportunity very rewarding.

13. ADJOURNMENT

The March 27, 2009, Board of Directors' meeting adjourned at 11:16 a.m. by general consent.



Mary Ann Reilly, Board Secretary