

**MINUTES OF THE
NCCSIF BOARD OF DIRECTORS MEETING
BONANZA INN, YUBA CITY CALIFORNIA
JUNE 23, 2011**

MEMBERS PRESENT

Steve Kimbrough, City of Corning
Bruce Cline, City of Folsom
Paula Islas, City of Galt
Kimberly Kerr, City of Ione
John Lee, City of Lincoln
Dixon Coulter, City of Marysville
Catrina Andes, City of Nevada City
Liz Ehrenstrom, City of Oroville
Martin Nichols, City of Red Bluff
Judy LaPorte, City of Rocklin
Tim Sailsbery, City of Willows,
Steve Kroeger, City of Yuba City
Crystal Peters, Town of Paradise

MEMBERS ABSENT

Dana Shigley, City of Anderson
Andy Heath, City of Auburn
Kim Stalie, City of Dixon
Karin Helvey, City of Gridley
Michael Daly, City of Jackson
Dave Warren, City of Placerville
Hector De La Rosa, City of Rio Vista

GUESTS & CONSULTANTS

Susan Adams, Alliant Insurance Services
Mike Simmons, Alliant Insurance Services
Stacey Weeks, Alliant Insurance Services
Jacqueline Parker, Alliant Insurance Services
Johnny Yang, Alliant Insurance Services
Charles Williams, CSAC-EIA
Jim Marta, James Marta & Company
Ted Piorkowski, Chandler Asset Management
Tom Baber, York Insurance Services Group
Ben Burg, York Insurance Services Group

A. CALL TO ORDER

Mr. Steve Kroeger called the meeting to order at 10:36 a.m.

B. PUBLIC COMMENTS

No public comments were made.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the meeting agenda as posted.

MOTION: Steve Kimbrough **SECOND:** Dixon Coulter **MOTION CARRIED**

D. CONSENT CALENDAR

D1. Board of Directors Meeting Draft Minutes – April 14, 2011

D2. Check Register at March 31, 2011

D3. Quarterly Investment Reports – March 31, 2011

a. Chandler – Short/Long Term (through May 30, 2011)

b. LAIF

c. CSAC

A motion was made to approve the consent calendar.

MOTION: Martin Nichols **SECOND:** Judy LaPorte **MOTION CARRIED**

E. COMMITTEE REPORTS

E1. Executive Committee Draft Minutes – May 26, 2011

E2. Claims Committee Meeting Minutes – May 26, 2011

E3. Risk Management Committee Meeting Minutes – April 14, 2011

E4. CJPRMA Annual Retreat and BOD Meeting Summary – May 11 – 13, 2011

E5. CJPRMA Board of Directors Meeting

Steve Kroeger advised of corrections to the Executive Committee Meeting Minutes.

Budget Item G.2 from the last EC Meeting Minutes;

- (1) The administrative surplus item was asked to be removed from the budget by the Executive Committee
- (2) Minutes does not reflect the recommendation of the removal of the safety library for which staff will identify alternate means of providing such services under the direction of Judy LaPorte.
- (3) Budget included a line item for interest allocation with a projection of 10% of previous year's actual. Staff was asked to identify a more accurate projection for the current year.

Steve also advised that per agenda item G.5 (Review and Approval of James Marta & Company Contract), the minutes reflected that a motion was cancelled and rescinded which was incorrect. This motion died for lack of a second.

F. ACTIONS TAKEN BY THE EXECUTIVE COMMITTEE

F1. Approval of Alliant Insurance Services Contract Renewal

F2. Approval of James Marta & Company Agreement for Financial Accounting and Consulting Services

F3. Approval of Gibbons & Conley Agreement for Legal Services

F4. Approval of York Insurance Services Group Contract Amendments
a. Workers' Compensation Claims Administration

- b. Liability Claims Administration**
- c. Safety and Risk Control Services**

There was discussion on the reason behind the 90-day extension on the Safety and Risk Control Services Agreement with York. Judy LaPorte advised that due to the recent departure of Rudy Schroeder and other changes with York the Committee would like to review and re-evaluate the services provided by York as well as evaluate services by other vendors. The 90-day extension gives time to go out to bid for these services. There was further discussion on the possibility of going out to bid for the Liability and Workers' Compensation Claims Administration in the future.

G. ADMINISTRATION REPORTS

G1. Presidents Report

Steve Kroeger expressed his appreciation for the Ad Hoc Committee members consisting of Michael Daly, Judy LaPorte, Tim Sailsbery and Dixon Coulter for their commitment, feedback and time spent on the committee. Steve also recognized Susan Adams for her dedication in revising the NCCSIF Budget. Judy LaPorte and Tim Sailsbery recognized Steve Kroeger for his leadership and proactive dedication to the NCCSIF Board of Directors.

G2. NCCSIF Administrator Update

There were no updates from the NCCSIF Administrator at this time.

H. FINANCIAL REPORTS

H1. Approval of NCCSIF Quarterly Financial Reports – March 31, 2011

Mr. James Marta explained the Quarterly Financial Report as of March 31, 2011.

James advised of the possible revision of the James Marta and Company's scopes and services noting the recent projects consisting of reconciliation of claims, development of the dividend return tables and additional dividends, safety credits, MDNA reports and state reporting.

MOTION: Steve Kimbrough **SECOND:** Liz Ehrenstrom **MOTION CARRIED**

H2. Chandler Asset Management Presentation

Mr. Ted Piorkowski explained a bit about the current economy, remaining stuck in a moderate recovery not only domestically but globally as well. Ted noted the end of the Federal Stimulus package on the end of June 30, 2011, but advised the government stand ready to attempt to stimulate the economy.

Some of the major economic indicators are: employment; retail sales increasing; consumer credit is increasing; housing market possibly becoming a negative contributor; manufacturing has been a positive contributor continually expanding but affected by the Japan Earthquake through contingent business interruption; capacity utilization affecting inflation due to energy costs; core

inflation has been declining; GDP currently at 1.9% estimated to increase; and interest rates decreasing.

Mr. Piorkowski advised the objectives tasked by NCCSIF is to provide for the safety of the JPA's money, preservation of the capital, coordination of liquidity needs, and commensurate rate of return. NCCSIF's investment portfolio today is in full compliance with State code and the JPA's investment policy.

NCCSIF's average maturity was approximately 2.43 years, slightly shorter than the benchmark's maturity due to the possibility of risk. NCCSIF's Average book yield is 2.40%. NCCSIF's portfolio was recreated in May. The Market yield can only earn 88 basis points. NCCSIF's average credit quality remains very high at AAA. NCCSIF's total market value has grown \$24.4 million to \$24.7 million, continuing to purchase treasures, agencies, rated AA or better. The average maturity for NCCSIF is just above 3 years.

I. JPA BUSINESS

II. Presentation of Transfer of Workers' Compensation Claims from 1979 – 2010 through a Loss Portfolio Transfer (LPT) Reinsurance Agreement

Steve Kroeger gave a brief recap on how this item was brought to the attention of the Board of Directors asking the Board to come up with a conclusion of whether or not they would like to pursue this agreement and have Staff spend the necessary time associated the Loss Portfolio Transfer.

Michael Simmons explained that since 1979 NCCSIF has acquired Workers' Compensation claims for which claims are still open and being paid for since the early 1980s. Based on NCCSIF's Actuarial Study, at the 90% Confidence Level, NCCSIF should retain \$21,823,897 for the cost of claims incurred prior to July 1, 2010. NCCSIF currently has assets of \$30,466,434 for those same claims. The amount in excess of the assets is \$8,642,537. If claims develop more favorably then the Actuarial Study currently anticipates, then additional funds could become available for return to Members (and if claims develop less favorably, then less funds would be available for return).

The cost to transfer these claims to Safety National is \$17,297,152. Assets in excess of this cost total \$13,169,282. Future development of claims would be irrelevant, since they would not then be paid by the carrier.

As recommended, if the LPT is approved, consideration should be given to distribute these excess funds over a long period, to create stability. A distribution of \$1,000,000 per year of the currently estimated total of \$13,169,282 may very lead to a payout lasting 17 years (assuming a 3% interest rate) and over 7 years if distribution was doubled to \$2,000,000. Finalization of the quotation will entail review of a reinsurance agreement that we have yet to receive, a claims audit done by Safety National staff, any adjustments to pricing and final clarification of coverage terms regarding LC4850 claims and other issues.

Mike discussed the Summary of the Preliminary Quotation consisting of Carrier Information, Claims Administration, Claims settlement authority, costs for 4850 claims are not included, Credit Risk concerns and Quotation expiration date.

There was discussion on control over the claims that are being transferred. Claims will continue to be administered by York Insurance Services at a “cradle to the grave” agreement where a lump sum will be paid for York to administer the claims until closed or York can be continued to be paid on an annual basis.

A motion was made to authorize staff \$15,000 to explore the LPT as a viable option and give preliminary commitment to carriers to perform a claims audit.

MOTION: Judy LaPorte **SECOND:** Dixon Coulter **MOTION CARRIED**

I2. Review of CJPRMA’s New Reporting Guidelines for Employment Practices Claims

Dixon Coulter explained that CJPRMA has amended their Memorandum of Coverage to include new reporting guidelines for Employment Practices Liability (EPL) claims as outlined in the attached Agenda Bill. This change was made due to a number of EPL claims that were reported late and placed CJPRMA in a compromised position and limited their ability to have an impact on early mitigation.

Claims must be submitted to CJPRMA within 30 days of receiving a notice of a claim. All defense costs related to the defense of Employment Practices suites incurred prior to the date of reporting to the Authority will not constitute covered Ultimate Net Loss (eroding the members’ self-insured retention).

I3. Review and Approval of Final 2011/12 Deposits and Coverage Placements

a. Liability Program

Susan Adams advised the Banking and Shared Risk layers did not change from the preliminary numbers. The final excess numbers have been received and implemented in the Final Deposit calculations. The total deposit is reduced from \$3,902,006 to \$3,540,162. Payrolls have decreased from last year’s \$169,153,492 to \$157,670,187. CJPRMA dividend increased from \$349,624 to \$502,233. This is credited against current year premium calculations.

Charles Williams advised that CJPRMA excess premium is less than what is shown. Susan asked for Board approval of the 2011/12 Deposits with the correct excess liability premium deposits.

A motion was made to approve the the 2011/12 Liability Program Deposits with the corrected CJPRMA premium.

MOTION: Steve Kimbrough **SECOND:** Judy LaPorte **MOTION CARRIED**

b. Workers’ Compensation

Susan explained the Final Workers’ Compensation Deposits includes the final CSAC premium of \$510,693. The total estimated payroll has decreased from \$153,393,107 to \$152,624,595. Susan that the Board approves the Final Workers’ Compensation Deposit with an update to the Town of Paradise’s payroll as their audited payroll numbers were

not included in the deposit calculations. Workers' Compensation costs have been reduced \$215,757 from the current budget. Susan advised the board that there was a 2009/2010 Payroll Audit Adjustment of -\$25,729 included in the excess workers' compensation deposit premium.

A motion was made to approve the Final Workers' Compensation Deposits with the update to the Town of Paradise's Final Payroll number.

MOTION: Judy LaPorte **SECOND:** Tim Sailsbery **MOTION CARRIED**

c. Property Program

Susan explained the property rates have by increased slightly by 1.56%. The coverage has been enhanced this year with the addition of Public Entity Pollution coverage for both the first party and third party liability arising out of a pollution condition on, at, under, or migrating from a covered location, provided that the pollution condition commences on or after the retroactive date. The projected total premium of \$609,788 is based on a total insured value of \$750,248,659.

A motion was made to approve the Final 2011-12 Property deposit premium as shown.

MOTION: Martin Nichols **SECOND:** Judy LaPorte **MOTION CARRIED**

d. Crime Program

Susan advised the Crime premium renewal offer for this year is \$20,030. The increase of \$3,840 or 23.7% was due to the severe reported loss for the City of Gridley. As such, the City of Gridley's premium allocation has been increased accordingly to reflect their contribution to the premium increase. The City of Gridley's per claim deductible has now increased to \$15,000 and all members remained the same at \$5,000.

Susan advised the program will be marketed next years as coverage was marketed extensively two years ago and it is common for coverages to be marketed every three years.

A motion was made to approve the 2011-12 Crime deposits.

MOTION: Martin Nichols **SECOND:** Judy LaPorte **MOTION CARRIED**

I4. Review and Approval of Final 2011/2012 Budget

Steve Kroeger asked that Staff address and correct the following to the Budget.

1. The Budget is imbalanced due to the use of reserves, which was reflected on previous version.
2. Steve asked that staff correct the interested income allocations to reflect an accurate projection rather than showing 10% of previous years.
3. The Crime premium be corrected to reflect the amount approved in the previous item.

A motion was made to approve the Final 2011/2012 Budget with the changes addressed by Steve, shown above.

MOTION: Martin Nichols **SECOND:** Dixon Coulter **MOTION CARRIED**

I5. Review and Approval of Updated Memorandum of Coverage
a. Liability Program
b. Workers' Compensation Program

Susan explained there are no changes to the Memorandum of Coverage other than the dates from the prior year.

A motion was made to approve the Updated Memorandum of Coverage.

MOTION: Martin Nichols **SECOND:** Steve Kimbrough **MOTION CARRIED**

I6. Review and Discussion of the NCCSIF Long Range Action Plan

Susan Adams explained the NCCSIF Board of Directors is taking with the development of a Long Range Action Plan to establish its vision for NCCSIF and assign responsibilities and tasks in order to accomplish its vision. Michelle Murphy was the facilitator the the previous facilitator and provided a proposal of approximately \$6,670 for one full day for the Long Range Action Plan.

A motion was made to approve the provided proposal for the NCCSIF Long Range Action Plan meeting in December.

MOTION: Martin Nichols **SECOND:** Liz Ehrenstrom **MOTION CARRIED**

J. CLOSED SESSION

At 1:58 p.m., pursuant to Government code section 54956.95, the Board held a closed session to discuss the following items.

1. Liability Claims Update – Shared Risk Layer – City of Anderson
2. Workers' Compensation Claim – City of Folsom

K. LUNTIME PRESENTATION

Mr. Charles Williams provided members with a presentation detailing the Loss Prevention Services offered by CSAC-EIA.

L. INFORMATION ITEMS

- L1. Program Administrator Time Tracking**
- L2. CAJPA Conference 2011**
- L3. NCCSIF Travel Reimbursement Form**
- L4. NCCSIF Resource Contact Guide**

Susan advised the Board of the upcoming CAJPA Conference on September 6 – 9, 2011. Brochures are available online.

Steve Kroeger noted that the Resource Contact Guide still reflects Marylin Kelley and Rudy Schroeder.

Steve Kimbrough

M. ADJOURNMENT

The meeting was adjourned at 2:28 p.m.