

**INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY****MINUTES OF THE
GOVERNING BOARD MEETING
Thursday, October 20, 2016
9:30 A.M.**

A meeting of the Governing Board was held on October 20, 2016, in Downey, California.

MEMBERS PRESENT:

Alhambra	Richard Bacio (arrived 10:40)
	Velia Rodriguez
Bell	Sergio Ibarra (arrived 10:29)
Downey	Anil Gandhi
El Monte	Nathalie Adourian
	John Nguyen
El Segundo	Joe Lillio (left 2:11)
	Mike Dugan (arrived 9:55)
Fullerton	Gretchen Beatty
Glendora	Cecilia Todd
	Vicki Cross
Hawthorne	Dennis Hernandez
	Olivia Valentine
Hermosa Beach	Vanessa Godinez
Huntington Park	Martha Castillo
Inglewood	Sara Nazir
Lynwood	Haydee Sainz
Monterey Park	Tom Cody (left 2:40)
	Chu Thai
Redondo Beach	Jill Buchholz
San Fernando	Nick Kimball

MEMBERS ABSENT:

Baldwin Park
Manhattan Beach
South Gate

NON-MEMBERS PRESENT:

RPA	Beth Lyons
	Marco Guardi
	Cindy LaMantia
	Tyler LaMantia
	Ashley O'Brian

Johnson Schachter & Lewis	Luther Lewis
Carl Warren & Company	John Beringer Sean Rasmussen Todd Johnson
James Marta & Co	James Marta
Enquiron	Cinder Hart (arrived 10:40)
PFM	Richard Babbe
Defense Counsel	John B. Tharp

1. CALL TO ORDER

President Tom Cody called the meeting to order at 9:41 a.m.

2. ESTABLISHMENT OF QUORUM/INTRODUCTIONS

Introductions took place and it was determined a quorum was present.

3. PUBLIC COMMENTS

None.

4. APPROVAL OF AGENDA AS POSTED OR AMENDED

A motion was made by Jill Buchholz, seconded by Olivia Valentine, and carried by unanimous vote to approve the agenda as presented.

5. CLOSED SESSION

The Committee convened in closed session at 10:02 a.m.

6. REPORT FROM CLOSED SESSION

The Committee convened in open session at 10:36 p.m. and reported that the claims on the agenda were discussed and the following action taken:

- Scott Griffin v. City of Upland (WC) – *authority was granted for Compromise and Release of \$1.2 million, less permanent disability advances paid through the date of settlement approval.*
- Alfredo Lopez v. City of Lynwood – *direction was given.*

7. CONSENT CALENDAR

A motion was made by Jill Buchholz, seconded by Olivia Valentine, and unanimously carried to approve the Consent Calendar as presented.

OPEN SESSION

A. Rent-a-Risk Manager Program

Marco Guardi presented information regarding the Rent-a-Risk-Manager Program. It is an optional program which provides members with more in-depth, project-oriented risk management services than customarily offered. These services generally involve projects ranging from a week to a month in length, and require more in-depth interaction with city staff (i.e., the projects go beyond the scope of ICRMA's Risk Control services). There is no fiscal impact to ICRMA, since program usage is funded by the member, usually through the member's risk management funds. Marco and Beth Lyons gave examples of past projects, and several members reported positive experiences with the program.

A motion was made by Sergio Ibarra, seconded by Haydee Sainz, and unanimously carried to approve continuation of the program.

B. Quarterly Risk Control Service Utilization Report

Marco presented member usage of risk control services during the past quarter.

C. Employment Practices Liability Resources through Enquiron Resolut

Marco introduced Cinder Hart from Enquiron to present information regarding the Resolut platform, which is available to ICRMA members at no additional cost through the Liability excess insurer. In addition to an employment resources library and handbook builder, members can contact employment law attorneys, free of charge, to answer questions and obtain guidance with personnel action decisions.

D. Approve Revisions to Scholarship Program Policy

Ashley O'Brian discussed the proposed changes to the policy, including a requirement that members notify RPA and request approval prior to registering themselves for conferences. This eliminates the need for RPA staff to coordinate registration, and ensures eligibility for reimbursement.

A motion was made by Gretchen Beatty, seconded by Nathalie Adourian, and unanimously carried to approve the policy changes as proposed.

E. Annual Review of Investment Policy

ICRMA conducts an annual review of its investment policy. Finance Director Jim Marta and Richard Babbe of PFM presented the proposed changes to the policy, which included increasing the portfolio limit on asset-backed securities to 20%. *A motion was made by Nick Kimball, seconded by Anil Gandhi, and unanimously carried to adopt the policy as modified.*

The meeting recessed from 12:33 – 12:53 p.m.

F. Annual Review of ICRMA's Comprehensive Financial Plan

Since 2012, the Governing Board has evaluated various aspects of the Liability Program, and has taken numerous proactive steps to: 1) ensure the financial integrity of the program, 2) promote member retention, and 3) provide annual budgetary stability for members in the program.

In early 2016 the Board approved a comprehensive financial plan based on the June 30, 2015 financial statements, which indicated an overall deficit of \$3.7 million in the liability program. Four years, however, had deficits of nearly \$25 million. The five deficit liability fund years as of June 30, 2015 totaled \$25.5 million, and were the basis for developing the assessment and capitalization plan.

The plan included the following:

1. Address the \$25 million deficit in the liability program through the following:
 - Approval of an assessment of \$12.5 million in the Liability Program, allocated to current and former members, collected over seven years, with collection beginning in 2016/17;
 - Approval of a \$12.5 million (approximated) capitalization charge in the Liability Program at a rate of 4% of total liability program contributions, beginning with the 2017/18 program year budget, continuing for seven years, allocated to members participating in coverage during that time; and
2. Approve a capitalization charge in the Workers' Compensation Program at a rate of 4% of total workers' compensation program contributions, beginning with the 2017/18 program year budget, continuing for seven years, and allocated to members participating in coverage during that time.

The Board also provided direction to ICRMA's broker to request quotes which would reduce the pool's self-insured retention in both the liability and workers' compensation programs from \$5 million to \$3 million and \$2 million respectively.

When the plan was approved, the Board agreed annual review would be critical to adjust it to changes in the program and its financial condition. With that in mind, ICRMA's vendor partners performed the annual review in September/October to ensure adequate time for the 2017-18 budgeting process.

The assessment plan approved by the Board was developed to address \$25.5 million in deficit years by assessing \$12.5 million and funding \$12.5 million through future capitalization. Since that time, there has been approximately \$13.26 million more in loss development. Based on claims development as of March 31, 2016, the losses in fund years with deficits increased the total deficit years to \$29.8 million. As of June 30, 2016, losses had once again increased, and the deficit fund years now total approximately \$38.26 million.

Adding a capitalization charge in 2017-18 would inequitably push deficit funding to members that remain with the program and future members, and reduce ICRMA's competitiveness. Instead, staff from RPA and James Marta & Co. recommended ICRMA revise its financial plan to fully address all deficit years through assessment, and eliminate the capitalization charge.

Benefits to the revised approach include:

- All deficits are addressed (at the expected confidence level)
- Ongoing and future members are not burdened with the extra financial responsibilities of members that left ICRMA (e.g. capitalization charge eliminated)
- Capital to SIR ratio is favorable (equity 3-4 times the SIR)
- ICRMA is able to record the assessments so the financial picture is better
- 2017-18 rate indications can be developed and provided to the members earlier
- ICRMA is able to offer a competitive program going forward
- Funded at a higher confidence level with a more conservative discount factor

The recommended changes included:

1. Declare a \$25,755,688 assessment in the liability program to address years with deficits.
 - a. Add the additional assessment to the uncollected portion of the \$12.5 million assessment approved in January 2016.
 - b. Divide the total assessment over the next 10 years.
 - c. Offer a 10% assessment discount for complete payment of assessment balance owed.
 - d. Revise assessment totals for members and former members to reflect the updated deficits for the years in which they participated.
 - e. Updated assessment installment for members to be invoiced in the 2017-18 fiscal year
2. Extend the first assessment installment payment deadline for former members to the 2017-18 fiscal year
3. Annually review claim development and ensure adequate liquidity
4. Eliminate the 4% capitalization charge (approximately \$12.5 million) in the liability program.
5. Host a discussion for former members in November.
6. Review the workers' compensation program in early 2017 to determine if the 4% capitalization charge is necessary.

A motion was made by Vicki Cross, seconded by Richard Bacio, and unanimously carried to schedule a special Board meeting in November for further discussion and action; ensure members understand the original deficit was over \$25 million, so the new loss development since June 30, 2015, is approximately \$13 million; and direct RPA and James Marta Company staff to schedule a meeting with the former members.

G. ICRMA Service Offerings

In August 2015, ICRMA administration staff prepared a list of ICRMA benefits for members to use as a resource when comparing ICRMA to other pools or commercial insurance. RPA spent several weeks enhancing the spreadsheet to develop a more comprehensive tool with more detailed coverage analysis. While identifying and quantifying ICRMA coverage, programs and services, it became apparent ICRMA should discuss member goals and desires to ensure the pool continues to meet the evolving needs of its members.

RPA plans to begin the assessment through two specific initiatives:

1. Conduct a member survey.
 - a. Identify what is important to the members
 - b. Provide insight into member satisfaction with ICRMA programs and services
2. Ensure ICRMA is a progressive pool that provides comprehensive coverage at a competitive cost.
3. Present a strategic planning discussion at each Board meeting

RPA staff reviewed the pool metrics and one member's recent experience evaluating alternate programs. Members voiced their opinion that ICRMA was not represented accurately in the presentation given to that member's city council meeting.

A motion was made by Tom Cody, seconded by Gretchen Beatty, and unanimously carried to direct interim General Counsel to develop a policy stating that ICRMA will send a representative to members' city council meetings where withdrawal from ICRMA will be discussed to ensure fair and accurate representation.

8. PRESIDENT'S REPORT

Vice President Gretchen Beatty, in President Cody's absence, called upon the members to continue to be active and involved in ICRMA to ensure its continued success.

9. CLOSING COMMENTS

There were no closing comments.

10. ADJOURNMENT

Motion was made by Richard Bacio, seconded by Mike Dugan, and unanimously carried to adjourn the meeting at 2:45 p.m.