

**INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY****MINUTES OF THE
GOVERNING BOARD MEETING
Thursday, February 9, 2017
10:00 A.M.**

A meeting of the Governing Board was held on February 9, 2017, in Downey, California.

MEMBERS PRESENT:

Alhambra	Richard Bacio
Bell	Sergio Ibarra (arrived 10:18)
Downey	Anil Gandhi (left before Closed Session)
El Segundo	Mike Dugan
Fullerton	Gretchen Beatty
Glendora	Vicki Cross
	Shama Curian (NB)
Hawthorne	Olivia Valentine
Hermosa Beach	Vanessa Godinez
Huntington Park	Martha Castillo (arrived 10:09)
	Donna Schwartz (arrived 10:09)
Inglewood	Sara Nazir (arrived 10:15)
Lynwood	Haydee Sainz (arrived 11:38)
Manhattan Beach	Christine Tomikawa
Monterey Park	Tom Cody
	Raquel Richards (arrived 10:09)
Redondo Beach	Jill Buchholz
San Fernando	Michael Okafor (arrived 10:28)
South Gate	Nellie Cobos
	Bill DeWitt (arrived 11:14)

MEMBERS ABSENT:

Baldwin Park
El Monte

NON-MEMBERS PRESENT:

RPA	Tyler LaMantia
	Beth Lyons
	Cindy LaMantia
	Ashley O'Brian
	Marco Guardi
Johnson Schachter & Lewis	Kellie Murphy

Carl Warren & Company
Dwight Kunz
John Beringer
Sean Rasmussen
Todd Johnson

James Marta & Co
Jim Marta

North Bay Associates
Alan Fleming
Bob Hoyle

Vavrinek, Trine, Day & Co.
Roger Alfaro
Jessica Andersen

1. CALL TO ORDER

President Tom Cody called the meeting to order at 10:01 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

Motion was made by Jill Buchholz, seconded by Richard Bacio, and carried by unanimous vote to approve the agenda as presented.

5. CONSENT CALENDAR

Item I, 2017/2018 Program Renewal Update, was pulled for discussion.

Motion was made by Olivia Valentine, seconded by Mike Dugan, and carried by unanimous vote to approve A and direct staff to finalize, and to receive and file items B-H.

Susan Blankenburg presented the Program Renewal Update (Item I) verbally.

Motion was made by Richard Bacio, seconded by Mike Dugan, and unanimously carried to receive and file Item I.

6. OPEN SESSION

A. 2016 Workers' Compensation Claims Audit

Due to presentation needs, the claims audit was presented first in open session by Bob Hoyle and Alan Fleming of North Bay Associates. The Board listened to a lengthy presentation regarding the workers' compensation claims audit and third party claims administrator (TPA) performance. The auditors suggested several items for Board consideration, including consideration of the Return to Work Program, Company Nurse, and a single TPA model.

The Board received and filed the workers' compensation claim audit results and provided direction to explore a single third party claims administrator for the workers' compensation program.

B. Financial Statements with Independent Auditor's Report and Financial Report for June 30, 2016

Auditor Roger Alfaro of Vavrinek, Trine, Day & Co presented an audit of ICRMA's financial statements for the fiscal year ended June 30, 2016 to the Board and provided an unmodified opinion. The auditor did not find any material weaknesses or internal control issues.

The Board reviewed the draft financial statements with independent auditor's report and financial report as of June 30, 2016 and provided direction to finalize the report.

C. Workers' Compensation Program Funding and Capitalization Charge

Discussion took place regarding the workers' compensation program funding and the 4% capitalization charge which was to begin on July 1. The Board also considered other impacts on program funding, such as the structured return to work and Company Nurse programs. The Board discussed elimination of the capitalization charge and instead focusing efforts on increasing the confidence level funding in the program to 75-85%.

Motion was made by Richard Bacio, seconded by Vicki Cross, and unanimously carried to eliminate the Workers' Compensation Program 4% capitalization charge.

Motion was made by Richard Bacio, seconded by Michael Okafor, and carried by unanimous vote to continue funding the Company Nurse Program, but to work toward elimination of the Return to Work program pending review of contracts.

D. Preliminary Budget: 2017-18 Contribution Estimates

The Financial and Administrative teams are in the process of developing the 2017/18 operating budget. Key elements, such as the actuary's funding estimate and reinsurance/excess premiums, have not yet been developed. To assist members with budgeting, however, an indication of the range of increases and data assumptions were provided. The finance team noted the estimates are preliminary and subject to change based upon the program structure, confidence level funding, and loss development.

No action was taken.

E. Workers' Compensation Program Structure

When ICRMA initiated a self-insured workers' compensation program in 2003, it received a master Certificate of Consent to self-insure from the Director of the Department of Industrial Relations (DIR). Each member agency completed applications to receive affiliate certificates. This type of structure is common with primary pools which pay claims on behalf of their members.

Rather than paying claims on behalf of the members, however, members pay claims directly in the workers' compensation program, and then request reimbursement from ICRMA once the claim exceeds the member retained limit. This type of financial arrangement is common in excess pools and those in which members select high retentions. When this type of financial reimbursement arrangement exists, each program participant carries its own master Certificate of Consent to self-insure, and the pool does not have one.

Because ICRMA is the master certificate holder, it is annually required to complete a report for the DIR showing indemnity and medical payments grouped as incurred liability, paid to date and future liability. The DIR then annually assesses ICRMA (the master certificate holder) based upon indemnity payments made during the previous fiscal year, for all claims experienced by member and former members, that occurred during the previous five-year period. ICRMA allocates the DIR assessment expense to current members through the annual budget. This results in current ICRMA members paying DIR assessments for former members for several years after program withdrawal.

Because it reimburses the members, ICRMA's workers' compensation program does not meet the criteria for being a self-insured JPA. In addition, the assessment represents a significant expense (\$730,000 in 2016-17), which makes apples-to-apples comparisons for prospective members more complicated.

Beth Lyons presented several proposed changes to the Workers' Compensation program structure to ensure compliance with the DIR and move away from the current model toward one where each member self-reports. Staff from RPA and Carl Warren will begin working with the members to implement these changes, including drafting council resolutions for approval, with the goal of having the program restructured as early as July 1, but no later than December 31, 2017.

The Board instructed staff to begin working on the recommended structural revisions.

F. Communication from Genesis Re Regarding Workers' Compensation Policies

Prior to implementing a self-insured workers' compensation program, ICRMA members purchased workers' compensation policies as a group to receive reduced premiums. The policies were commercially insured and did not include any risk-sharing – each member was a named insured on the policy.

Genesis Re, a carrier during that time, contacted RPA staff several weeks prior to the meeting to describe issues they were experiencing with the TPAs on multiple older workers' compensation claims. The claim count and dates of loss were included in the packet for Board review.

Genesis Re contacted the TPAs to discuss these coverage issues, but in nearly every case did not receive a response. As a result, Genesis Re stopped paying the claims and asked that ICRMA make the members aware of this issue. Both current and former members have claims that Genesis Re has identified as having coverage issues. In order to facilitate

conversations with Genesis Re, a point person must be identified at each city and provided to Genesis Re.

RPA staff spoke with attorneys at Adelson, Testan, Brundo, Novell & Jimenez, located in Long Beach. Managing Partner Steve Testan suggested the following steps need to take place after a point person is identified:

1. Review the contracts with the TPAs, the Genesis Re policy(ies), and the letters sent from Genesis Re to the TPAs to determine the rights and obligations of all partners. This will help determine who has the burden to respond (TPA or city) and rectify the situation.
2. After the review, if the cities bear the burden to respond to the allegations that the claims were improperly stacked, consider hiring an expert to audit the files to determine if they were properly or improperly stacked so proper response may be made to Genesis Re.

Due to the common issues spread over multiple cities and TPAs, the admin team suggested hiring a consultant who understands the coverage issues to represent the cities and formulate an appropriate response. Richard Bacio, Tom Cody, Christine Tomikawa, and Gretchen Beatty offered to evaluate & help select a consultant.

The Board reviewed the report and directed staff to obtain the current claim list and identify the workers' compensation contacts at each impacted member and former member agency.

G. Biennial Liability Defense Panel Attorney Review

The ICRMA Governing Board evaluated defense cost benchmark data in 2012 and established a City Manager Task Force to evaluate the data and provide recommendations to the Board. The Task Force discussed the importance of ensuring attorneys consistently follow ICRMA's Litigation Management Policies and Procedures and regularly reviewing and reporting attorney performance to the members.

In November 2013, the Claims Committee approved the scope of the attorney audit and selected attorney Donna Evans to perform the review. Numerous challenges hampered Donna's ability to complete her work in a fashion that would result in attorney report cards. Donna presented her findings to the Board in October 2015, and the Board directed biennial attorney reviews take place.

The Claims Committee discussed the attorney panel review at its January 2017 meeting. After a lengthy discussion, the Committee recommended the following for Board consideration:

1. Postpone the liability defense attorney review until the fall of 2018 (2018-19 fiscal year).
2. Select a liability defense attorney auditor in the spring of 2018, subject to Claims Committee approval.
3. Ensure the TPAs are properly capturing data to enable a comprehensive attorney review.

4. Work with the liability claim auditor (audit work will begin in the fall of 2017) to ensure TPA performance standards and LMPP criteria are integrated into the audit review criteria.
5. Direct the Liability Program Manager to provide a revised copy of the defense attorney panel at the March Claims Committee meeting which includes members using the attorneys and areas of expertise, and to provide a detailed liability program status report at the April strategic planning session.

Motion was made by Olivia Valentine, seconded by Sergio Ibarra, and unanimously carried to approve the Claims Committee's recommendations.

H. LMPP Revision Feedback and Liability Program Overview

John Beringer reported the status of the Liability program, specifically, measures that are being taken to protect the members' and the pool's retentions, and ensure fair and timely resolution of the disputed liabilities. These include:

- Efficient/Cost Effective Transactions with Vendors
- Cost containment programs, including the Liability Third Party Claim Administration Performance Standards; the Litigation Management Policy and Procedures; and the structured settlement vendor program
- Vendor and expert programs
- Early evaluation of risk exposures

In addition, John reported that the following are in development for proposed implementation within the year:

- Expert witness program
- Vendor cost containment program
- Approved mediation provider program

No action was taken.

I. Liability Defense Panel Addition

The City of Hawthorne requested that Calvin House of Gutierrez, Preciado & House, LLP be considered for addition to the Approved Liability Defense Panel. Enclosed for Board review was the application package, including the City's nomination letter, and Mr. House's resume, signed agreement to comply with ICRMA's LMPP, and insurance information.

Motion was made by Jill Buchholz, seconded by Olivia Valentine, and unanimously carried to approve the City of Hawthorne's request to add Calvin House of Gutierrez, Preciado & House, LLP to the Liability Defense Panel.

J. ICRMA's Online Resource Utilization

ICRMA members have access to two different training systems with over 260 online courses: BRIT (primarily liability-based training) and Safety National (primarily workers' compensation training).

Marco Guardi reported that, after review of online member resource usage and discussion with several members, it became clear that members need additional assistance to ensure resource utilization is optimized to reduce losses and streamline training efforts.

To encourage greater utilization of existing resources, RPA plans to:

1. Upload employee rosters (members were advised to contact RPA staff for assistance)
2. Create a recommended online course and resource list.
3. Set-up user webinars.
4. Provide user assistance on the ICRMA website.

No action was taken.

K. Broker, Actuarial, and General Counsel Agreements

With several service contracts expiring at the end of the program year, the RPA team requested direction regarding the Board's desire to extend the contracts/appointments, or perform requests for qualifications. All of these contracts have been in place for several years, and the Board expressed gratitude to all parties for their service.

Broker:

Susan Blankenburg of Arthur J. Gallagher has served as ICRMA's broker since 2011. Susan's contract expires with completion of the 2017-18 renewals.

Motion was made by Richard Bacio, seconded by Anil Gandhi, and unanimously carried to negotiate a three-year agreement with AJG as the broker with fees reflective of the lower number of members.

Actuary:

Jack Joyce has served as ICRMA's actuary since 2002. Jack's contract expires with the completion of the 2017 actuarial studies.

Motion was made by Sergio Ibarra, seconded by Christine Tomikawa, and unanimously carried to direct staff to issue an RFP for liability and workers' compensation actuarial services.

General Counsel:

Luther Lewis has served as coverage counsel to ICRMA since 2013, and interim general counsel since 2014. Since Luther's appointment as interim general counsel, ICRMA realized there were benefits to having combined general/coverage counsel such as efficiency and cost-effectiveness.

Motion was made by Jill Buchholz, seconded by Gretchen Beatty, and unanimously carried to direct staff to issue an RFP for General and Coverage Counsel services, with proposals for either joint or separate provision of those services being accepted.

- L. Consider Approval of Engagement with Sara Peterson to Project Manage Revisions to Additional ICRMA Governing Documents and Conduct ICRMA's Strategic Planning Workshop

In the spring of 2016, the Board engaged Sara Peterson to analyze, revise, and restructure its Bylaws documents for Board approval. The goals Ms. Peterson was tasked with included reorganizing existing documents, eliminating redundancies, ensuring each document contained mandatory and/or customary sections, and considering other documents (policies, resolutions, and MOCs) to ensure no conflicts existed.

In December 2016 Ms. Peterson facilitated an in-depth conversation with the Board regarding policy decisions related to the Bylaws revisions. The Board noted that changes to definitions, cross-references, and content in one document ripple out to the others, and must be aligned for smooth operation without confusion or legal uncertainty. Revision to the joint powers agreement, net asset policy, underwriting manual, and additional documents fall outside the scope of the current Bylaws revision project. The Board determined the bylaws could not be changed in isolation of ICRMA's other documents, and asked Ms. Peterson to prepare a proposal to revise additional governing documents. The Board additionally asked that a proposal to conduct the strategic planning workshop be included. Those proposals were included for Board consideration.

Motion was made by Gretchen Beatty, seconded by Mike Dugan, and unanimously carried to approve an engagement with Sara Peterson, Management Consultant, for \$12,500 for document revision work, \$4,000 for workshop facilitation, and \$2,000 per trip to California and authorized the President to sign the agreement.

M. Approval of Nominating Committee Appointments

Four officers, one representative position, and one alternate on the Administrative Committee expire on June 30, 2017. In addition, two representative positions which expire in 2018 are currently held by members that are leaving the pool.

Section 7.3 of the ICRMA Bylaws requires that the President appoint a Nominating Committee to develop a slate of candidates no later than 60 days prior to the last regular Governing Board meeting of the fiscal year. While ICRMA may adopt a new governance structure in the coming months which would eliminate the Administrative Committee, staff recommended that the Board proceed in accordance with the current Bylaws until the changes are adopted.

President Cody recommended Gretchen Beatty (Fullerton), Nellie Cobos (South Gate), Mike Dugan (El Segundo), and Anil Gandhi (Downey) to serve on the Nominating Committee.

Motion was made by Jill Buchholz, seconded by Haydee Sainz, and unanimously carried to approve President Cody's Nominating Committee appointments of Gretchen Beatty (Fullerton), Anil Gandhi (Downey), Mike Dugan (El Segundo), and Nellie Cobos (South Gate).

N. Consideration of Claims Committee Appointment

At its January meeting, the Claims Committee recommended the appointment of Sara Nazir of Inglewood to one of the two vacant positions on the Committee.

Motion was made by Jill Buchholz, seconded by Vicki Cross, to approve Sara Nazir as a Claims Committee member, with a term expiring June 2019.

The meeting recessed for lunch from 12:00 – 12:50 p.m.

7. CLOSED SESSION

The Board convened in closed session at 1:50 p.m. to discuss the following:

- Downey Firemen's Association v. Downey
- Medina v. El Monte
- Clair v. Hermosa Beach
- Cardenas v. Manhattan Beach
- Hadsell v. Baldwin Park
- Lopez v. Lynwood
- Zambrano v. Redondo Beach

8. REPORT FROM CLOSED SESSION

The Board convened in open session at 2:50 p.m.

9. PRESIDENT'S REPORT

President Cody reported that, in the matter of Clair v. Hermosa Beach, the Board granted settlement authority of \$35,000. The other claims on the agenda were discussed and no reportable action was taken.

10. CLOSING COMMENTS

There were no closing comments.

11. ADJOURNMENT

The meeting adjourned by general consensus at 2:54 p.m.