

**MINUTES OF THE
GOVERNING BOARD MEETING & STRATEGIC PLANNING
Wednesday, October 11, & Thursday, 12, 2017
9:00 A.M.**

A meeting of the Governing Board was held on Wednesday, October 11 and Thursday, 12, 2017, in El Segundo, California.

MEMBERS PRESENT:

Alhambra	Velia Rodriguez
Bell	Howard Brown (10/11 9-1 pm; 10/12)
	Sergio Ibarra (10/11 9-1 pm; 10/12)
Downey	Anil Gandhi
El Monte	Angela McCray (10/11 only)
	John Nguyen (10/12 only)
El Segundo	Joe Lillio
Fullerton	Gretchen Beatty (10/11 only)
	Julie James (10/12 only)
Glendora	Cecilia Todd
Hawthorne	Dennis Hernandez
	Olivia Valentine
Hermosa Beach	Vanessa Godinez (10/11 only)
	Monica Bagnara (10/12 only)
Huntington Park	Donna Schwartz
	Martha Castillo
Inglewood	Ken Campos (10/11 only)
	Sara Nazir (10/12 only)
Monterey Park	Tom Cody
San Fernando	Nick Kimball
South Gate	Nellie Cobos

MEMBERS ABSENT:

Baldwin Park
Lynwood

NON-MEMBERS PRESENT:

RPA	Beth Lyons
	Tyler LaMantia
	Cindy LaMantia
	Christina Floe
	John Nielsen
Johnson Schachter & Lewis	Luther Lewis
Carl Warren & Company	Todd Johnson
	John Beringer

AdminSure, Inc.	Ken Weir (10/12 only) David Trautz Joel Meza Mike Reed
PFM Sarah Peterson Consulting Aleshire & Wynder	Richard Babbe (10/11: 9 – 9:30 a.m.) Sara Peterson Christine Carson (10/12 only) Glen Tucker (10/11 only)
City of Alhambra City of Bell City of Downey City of Fullerton City of Glendora City of Hawthorne City of Lynwood City of Culver City City of Manhattan Beach City of Monterey Park Member of the Public	Jessica Binnquist (10/12 only) Tina Norrdin (10/11:11:30 – 3 pm) Yvette Garcia (10/12 only) Ken Domer (10/12 only) Shama Curian Rickey Manbahal (10/12 only) Sheri San Miguel Serena Wright (10/11: 10:04 - 10:50 a.m.) Greg Borboa (10/11: 9:27 - 11 a.m.) Annie Yaung (10/12 only) Richard Bacio (10/11: 12:30 - 1:20 p.m.)

1. CALL TO ORDER

President Tom Cody called the meeting to order at 9:00 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 Dennis Hernandez, Hawthorne, seconded by Anil Gandhi, Downey, and unanimously carried to approve the agenda as presented.

5. CONSENT CALENDAR

Motion was made by Olivia Valentine, Hawthorne, and seconded by Velia Rodriguez, Alhambra, and unanimously carried to approve the Minutes of June 15, 2017, and August 10, 2017, and direct staff to finalize, and review and file items C-F and approve the consent calendar as presented.

6. OPEN SESSION

A. Investment Portfolio Presentation

Mr. Richard Babbe, PFM, presented an annual report on the ICRMA investment portfolio. Fiscal Year 2016/2017 saw moderate economic growth; strength in the labor market; mild inflation; and interest rates up sharply year-over-year. The portfolio review noted: increases

in interest rates drove higher accrual earning but lower market value earning; improved liquidity position enabled longer portfolio duration; increased portfolio's allocation to credit sector; portfolio performed strong relative to the benchmark, but absolute returns were down due to higher interest rates.

No action required.

B. Annual review of the Investment Policy

ICRMA vendors review the ICRMA Investment Policy annually. Mr. Babbe discussed the recommendation by PFM to incorporate the newly revised language in California Government Code regarding rating requirements. The change in language took effect as of January 1, 2017, clarifying rating requirements specify the minimum credit rating category required at purchase, without regard to "+", "-", or 1, 2, 3 modifiers.

Motion was made by Anil Gandhi, Downey, seconded by Joe Lillio, El Segundo, and unanimously carried to adopt the recommended revisions.

C. James Marta & Company Termination Notice

Mr. Tom Cody, ICRMA President, informed the Board of the recent letter ICRMA received by James Marta & Company indicating they were exercising the 90 day termination clause in their contract. Mr. Cody shared that he directed staff to: 1) discuss with Jim Marta what would be required in order for him to continue to work with ICRMA; 2) contact the firm that ranked second in the 2015 RFP process to enquire if they would be interested to engage with ICRMA; and 3) determine what things need to happen to ensure a smooth transition.

Ms. Cindy LaMantia, RPA discussed communication with Mr. Marta, and his potential to remain on the account or support any transition to a new vendor. Discussion ensued by the Board regarding processes and performance by current and prior vendors.

Mr. Tyler LaMantia, RPA discussed the conversations he had with the firm that ranked second in the 2015 RFP process, Artex, a subsidiary of Arthur J. Gallagher. Regarding the many concerns to support a smooth transition, Artex informed staff a 90 day transition timeframe is feasible for a proper transition and ramp up time for the new staff, but they would like to engage with Marta & Company as soon as possible. Artex was agreeable to waive a transition fee, and assuming the remaining portion of the current contract with Marta & Company, with the opportunity to review an increase in fees during the budgeting process for 2018/2019.

Motion was made by Tom Cody, Monterey Park, seconded by Nick Kimball, San Fernando and unanimously carried to direct staff to accept Marta & Company letter of termination. The Board directed RPA and General Counsel to complete contract negotiations with Artex at the same fee as James Marta & company for the remainder of the 2017-18 year, with fees for 2018-19 to be negotiated. .

The Board recessed for a break at 10:20 a.m. and the meeting reconvened at 10:30 a.m.

D. Financial Audit Update

Vavrinek, Trine, Day & Co., LLP (VTD) became ICRMA's auditor after the previous auditor, James Marta & Company, became ICRMA's Finance Director. VTD started field work in August 2017, and hopes to provide the audit and audited financials at ICRMA's December meeting.

No action required.

E. Treasurer's Report and the Unaudited Quarterly Financials as of June 30, 2017

Ms. Lyons presented the unaudited financial statements as of June 30, 2017 and the Treasurer's report. The unaudited financial statements were used to prepare information regarding the Assessment, and provide an update to the Board. Ms. Lyons directed the Board to review the key detail Mr. Marta provided in the memo within the agenda.

- Total Assets at \$95.4M; 61.6% of it is cash and investments
 - Receivables \$1.9M a decrease of \$171K or 8.1% due to member assessment invoice/payment activity.
 - Investments \$49M, an increase of \$3.1M due to deposits and interest income.
 - Assessment Receivable \$34.4M approved by the Board at the November 2016 meeting.
- Total Liabilities at \$54.2M
 - Claims liabilities \$54M, a decrease of \$14.6M or 21.3% due to closure and settlement of claims, reduction in reserves and improved litigation management.
- Net Position at \$41.2M, which is an increase from prior year end.

No action required.

F. Annual Review of the Assessment Financial Plan

In November 2017 the Board declared a \$38 million assessment in the liability program and established an annual review process to evaluate if assessment adjustments are necessary. The review process is expected to occur each autumn, and incorporates the audited financials as of June 30, as well as the Actuarial Report which is based upon December 31 data. Since 2016, there has been a reduction of approximately \$5.6 million, or 14.7%, in the assessed deficit years. Based upon the actuary's estimate of ultimate losses, the deficit in the five years assessed has dropped from \$38 million to \$32.6 million.

Amendment to the assessment is not recommended at this time due to several variables. First, the information provided is based on unaudited financials. While there isn't an indication that the numbers will change dramatically with the audited financials, staff proposed to wait until the assessment plan can be reevaluated with the audited financials. Second, as many of the years being assessed are recent years with higher self-insured

retention (SIR), the volatility of the losses and their potential growth, would lead to a more conservative calculation. As these particular years mature, a better understanding of the incurred losses will be supportive of the potential to make an adjustment to the assessment plan.

Discussion ensued regarding what the process would be, should the Board make a change to the assessment plan in the future. There are several options the Board could consider at such a time, however, staff recommends the same calculated payments remain in place, but for fewer years. The 10-year assessment payment period could be reduced by approximately 1.5 years based upon the current estimated decrease in total dollars required to appropriately fund the program years.

Ms. Lyons concluded the report by advising the Board that assessment invoices were emailed on June 30, 2017 and due July 31, 2017. Lump sum invoices included a 10% discount if paid by July 31, 2017. In accordance with Section 13.3.1 of the ICRMA Bylaws, past due invoices will be revised to reflect a late fee penalty of 10% per annum from the due date. Only the City of Redondo Beach's payment remained outstanding. Rather than pay its invoice, on September 6, 2017, the City of Redondo Beach filed a complaint against ICRMA in Los Angeles Superior Court for declaratory relief, injunctive relief, and accounting related to the liability program assessments.

No action required.

G. Manhattan Beach's Request to Waive Interest Payment

Over a decade ago the Board allowed members to defer a portion of their liability and workers' compensation contributions. As the net position in both programs declined, in 2015 the Board issued a requirement to repay those loans. All members repaid the deferred contribution loan amount, with one member requesting a waiver of the interest accrued on that loan.

Motion was made by Nick Kimball, San Fernando, seconded by Anil Gandhi, Downey, and unanimously carried that due to the challenges responding due to rebuilding historical records from 2004/05 and 2006/07, the Board approve Manhattan Beach's requested waiver of \$735.32 in interest fees and also direct staff to place Lynwood's refund of interest fees paid on the December Board agenda for consideration.

H. Auto Physical Damage Program Audits and Reconciliation

Ms. Lyons reminded the Board regarding the process of adding and removing adjustments to the vehicles listed on the Auto Physical Damage policy. Each policy year, the carrier audits the vehicles listed at the end of a program year against the listing from the beginning of that program year, and either an invoice or a refund is issued. In the transition of the contracted Finance Team at the beginning of the 2016/17 program year, these invoices or refunds were not processed for the 2015/16 program year. As the audit of the 2016/17 policy year has also occurred, additional monies need to be invoiced or refunded.

Additionally, on July 1, 2017, ICRMA created a self-insured property and auto property damage program. The quote provided, and therefore budgeted, was based on the total insured values (TIV) provided with the renewal data in February 2017. The invoice by the carrier to ICRMA is based upon the TIV provided as of June 30, 2017. While the excess carriers waived the additional premium required, the primary carrier declined waiving the increased premium, thus creating an unbudgeted expense of \$774 that needs to be collected. In total, three amounts will need to be adjusted/issue to members and former members: 1) Premium Audit Adjustments of \$13,825 for 2015/16; 2) Premium Audit Adjustments of \$8,039 for 2016/17; and 3) members apportionment of the \$774 due to the primary carrier for 2017/18.

Motion was made by Gretchen Beatty, Fullerton, seconded by Nick Kimball, San Fernando, and unanimously carried to approve the premium adjustments made to the Auto Physical Damage program in the agenda packet and direct the finance team to send invoices to the members.

I. Review Financial Policies

Ms. Lyons reviewed the process by which staff and Ms. Sara Peterson, Consultant, have used to review ICMRA's Financial Policies. Ms. Peterson provided a detailed overview of the current financial policies, and the process to create a financial manual that would house all of the policies in one location. The proposed manual would include sections for: A) General; B) Definitions; C) Net Asset Policy; D) Internal Controls & Accounting – statement only; E) Investment Policy; F) Calculating Dividends and Assessments; G) Member contribution Procedures; H) Annual Budget Procedures; I) Purchasing Procedures; J) Service Provider Agreement Renewal; and K) Amendment – guidelines to review the document and make amendments.

Discussion ensued regarding adding auditing requirements and collection procedures, language clarifying member contribution procedures, and how to shape a purchasing procedure policy. Ms. Peterson will incorporate the changes and bring this information back to a future Board meeting.

No action required

J. Underwriting Mechanisms in the New Age of Claims

Membership changes in ICRMA over the last five years have taken place due to fiscal/economic reasons, senior management relationship with and affinity for other pools, and aggressive broker marketing. ICRMA is making programmatic changes that will encourage current members to remain in the pool and is also developing a marketing strategy for new members.

Ms. Lyons reviewed the structure for each program. In each program, each member chooses their member retained limits (MRL). In the workers' compensation pool the MRL's of \$350k, \$500k, \$750k, and \$1million. These MRL's are within a total pooling structure up to

\$2million in coverage. Then the program has coverage from \$2million to Statutory. Within the Liability program the MRL's range from \$100k through \$3million within the pooled layer of coverage. There are three reinsured layers above, which cover \$3million to \$30million.

Mr. LaMantia discussed the data staff has reviewed to analyze the effectiveness of each program. Step one included reviewing the number of times a member breached its MRL in the last 10 years in both program. Claims frequency and severity have increased over the last 10 years. Discussion also ensued regarding data and TPA issues and annual cost allocation. Staff reiterated the information presented is not to be seen as who is a "problem" member, but rather how to price effectively and how all the parts come together.

Ms. Lyons discussed the variable claims data. Staff continued to work to verify claims data is accurate, compiled and complete. The data issues have been discussed with the Board numerous times over the past several years, and more recently the primary TPA's worked with ICRMA to update the primary claim records to ensure data submitted to ICRMA is accurate. Updates included: valuing claims at the full incurred loss (not capping at the MRL), correct dates of loss (based upon coverage counsel opinion), noting partially covered claims, correctly noting non-covered claims. Updating the data at the primary level will streamline processes and support other aspects of the ICRMA program. This clean-up process is a one-time project, and will alleviate hundreds of hours of work spent on loss data collection and compilation by staff.

Mr. LaMantia discussed processes to be included in the next step of this analysis regarding loss ratios. A financial ad hoc committee has been formed, and will review information provided by an actuary, independent of the actuary who performs the annual report. The committee will discuss potential policy or procedural requirements for members moving forward, and bring recommendations to the Board at the December 2017 meeting.

No action required.

The Board recessed for lunch at 12:10 P.M. and returned into open session at 1:10 P.M.

K. Presentation: Proclamation for Richard Bacio's retirement and service for ICRMA

Mr. Tom Cody recognized Mr. Richard Bacio, who has retired from the Alhambra, for his service to the ICRMA Governing Board, various Committees, leadership, and contributions to ICRMA over the last 20 years. Bacio expressed his appreciation to the Board, members, and vendors serving ICRMA throughout his years of service.

No action required.

L. Workers' Compensation Defense Panel Addition

Mr. Todd Johnson, Carl Warren & Company, presented information provided by AdminSure regarding the addition of Mr. Brian Riley to the Workers' Compensation Defense Panel.

Motion was made by Tom Cody, Monterey Park, seconded by Nick Kimball, San Fernando, and unanimously carried to approve the recommendation of AdminSure to add Brian Riley of Brian Riley Law Offices to the Workers' Compensation Defense Panel.

M. Workers' Compensation Program Update

Ms. Lyons discussed with the Board a brief overview of the information provided in the agenda packet. Mr. Johnson provided an update on claims in the workers' compensation program. Currently there are 194 claims being monitored for 22 either former or current members of ICRMA. The Company Nurse program reported 593 incidents; 62% of those were treated and 38% of those reported did not require treatment. Continued issues are timely reporting of an incident, and a desired increase in triage participation of employees.

Another item which has been discussed with the Board several times over the last few years is the concept of consolidation to a single TPA. Ms. Lyons reviewed the benefits for members to consolidate. Staff received copies of current contracts members have with their TPA, and provided analysis on the annual contract amounts paid. During this process, staff discovered additional information would provide a better financial picture for the members if data included costs associated with utilization and bill review. Staff was directed to provide further analysis to the Board at its December 2017 meeting.

No action taken.

N. Update Regarding Workers' Compensation Claim Issues with Genesis Re

At a previous meeting, RPA staff reported information regarding a conflict expressed by excess insurer Genesis Re regarding claims reporting for years prior to the inception of the workers' compensation program. Ms. Lyons updated the Board regarding the nature of the conflict between Genesis Re over certain claim files. The notion that this could be a matter handled by ICRMA selected counsel is no longer the prevailing thought. Staff shared that several lawsuits have been filed against Genesis Re regarding non-payment of claims. Through conversation with the lawyers hired by members, Genesis Re asserted that multiple injuries or claims were combined into one claim in order to reach the excess coverage. The lawyers indicated that in these cases, it is critical to perform an in-depth review of the specific injuries documented in the individual claim files to respond to Genesis Re's arguments. Because it is not a consistent coverage issue, but instead related to the facts of each individual claim file, each member will need to review the best manner to resolve their claims issues with Genesis Re. Resume information was provided for the attorney firm who successfully represented several cities in this type of matter. Additionally members have access to the attorneys on the workers' compensation defense panel. After discussion, the members indicated there would be no continued benefit for staff resources to be utilized on this matter.

No action required

O. Liability Defense Panel Addition

In accordance with ICRMA's Litigation Management Policies and Procedures (LMPP), the Board considered a request from the City of El Monte to add Daniel Barer of Pollak, Vida and Barer to the Liability Defense Panel. Litigation Manager, John Beringer recommended Mr. Barer be added to the panel with, a retroactive date of September 11, 2017.

Motion was made by Ken Campos, Inglewood, seconded by Nick Kimball, San Fernando, and unanimously carried to approve the recommendation of the City of El Monte to add Daniel Barer of Pollak, Vida and Barer, LLP to the Liability Defense Panel with a retroactive date of September 11, 2017.

P. Liability Program Update

Mr. John Beringer, Carl Warren & Company provided a brief overview of the specifics of the Liability Program. Members have the ability to exercise varying degrees of control over the claims and litigation management process. Members communicate with their TPAs, who are to follow guidelines adopted by the ICRMA Board. With early intervention and communication between the TPA & Liability Program Manager, the exposure to the member can be reduced significantly. Mr. Beringer provided an example of a claim that had an exposure of \$2.5 million and was reduced to \$500,000 in mediation.

Mr. Beringer asked Mr. Glen Tucker, a defense lawyer on the ICRMA Liability Defense Panel, to speak to his experience with the ICRMA Liability Program Manager, TPAs and staff at member cities. Mr. Tucker indicated that when all pieces of the Litigation Management team (Member/TPA/Program Manager/Attorney) are working together, the results can be successfully aggressive. Although members have the direct contract with the TPAs, members have the right and privilege to hold TPAs accountable to the standards adopted by ICRMA. With aggressive TPA management, there is great potential for overall savings on claims.

No action taken.

Q. Carl Warren Contract Update

Ms. Lyons updated the Board on the process regarding staffing changes after the elimination of the Return-to-Work program in the Workers' Compensation Program. Ms. Lyons indicated a revised contract has not been received from Carl Warren to provide a plan to allocate appropriate staffing for both programs. Ms. Lyons indicated that staff will continue to work with Carl Warren so the information may be provided to the Board at the December 2017 meeting.

No action required

Member Comments

Discussion ensued surrounding resources for Hepatitis A, and how to best combat the outbreaks throughout Southern California. Members may utilize their Risk Control funds to address the concerns and ICRMA will compile some risk control information regarding this topic.

The Board Recessed for the end of the day at 3:15 PM.

The Board reconvened at 9 a.m. on October 12, 2017, after establishing a quorum.

The Board entered closed session at 9:05 a.m. to discuss open claims and conference with legal counsel pursuant to Government Code Section 54956.95(a).

Report from Closed Session:

The Governing Board convened in open session at 9:55 a.m. and General Counsel reported: in the matter Alvarez v. Huntington Park authority was granted in the amount \$337,500 less the remainder in the member's MRL; in the matter of Botten v. Redondo Beach authority was granted and direction was given; in the matter Zambrano v. Redondo Beach authority was granted.

R. Performance Review Process Development

Ms. Sara Peterson, Consultant, provided an outline for Vendor Performance Review and discussed the logistics of managing a rolling review over a three year period. Discussion ensued regarding the timeline to set for review, and how to best collect the information to be used to evaluate the vendors. Ms. Peterson suggested a member survey would happen annually, an audit would happen annually, and the current contracts have language within the contract that a review of services would be done annually. Members of the Board indicated that a review should happen regularly for all vendors so performance is being evaluated and feedback offered on a regular basis.

Ms. Peterson will work with Ms. Lyons to develop a more detailed review process, instruments by which vendors would be evaluated, and a timeline of when evaluations would be collected and presented; with the expectation of providing this to the Board at the December 2017 meeting.

No action required.

The Board welcomed additional visitors for lunch and the "State of ICRMA" presentation.

S. CAJPA Accreditation Presentation (CAJPA Accreditation Chair)

The California Association of Joint Powers Authorities (CAJPA) sponsors a pool accreditation program. This Accreditation Program is designed to ensure quality and professional standards for all risk management pools regardless of size, scope of operation,

or membership structure. Earning the CAJPA Accreditation designation establishes a level of professionalism and quality service provided by the risk management pool. The process involves a detailed program study and evaluation, committee review and issuance of a report.

Michael Fleming, CEO of CSAC Excess Insurance Authority and CAJPA Accreditation Chair, presented ICRMA Board Chair, Tom Cody, with an award for recognition of ICRMA's "Accreditation with Excellence." This level of accreditation is reserved for those JPAs that exceed the mandatory requirements for accreditation and for which no conditions remain. The effective date of accreditation runs through 2019.

T. State of ICRMA (RPA)

In order to ensure each member has a direct voice in the future of the Authority, ICRMA members' city managers, city attorneys, and finance directors were invited to attend lunch and have a discussion with the Board on the "State of ICRMA." Beth Lyons, Executive Director, made a presentation (including information on the current financial position, liability program assessment update, and future outlook). Following the presentation, consultant Sara Peterson, facilitated a conversation among attendees about the collective future of ICRMA and its members.

U. Revised ICRMA Bylaws

Ms. Lyons stated the process to review ICRMA governing documents began in 2014. Ms. Peterson reminded the Board of the process over the last year regarding proposed updates to the Bylaws. Historically, each program had a set of Bylaws and the pool had an overarching set of Bylaws, and the proposed revisions combined the four documents for ease of use and revision based on direction by the Board.

Ms. Peterson walked the Board through the entire document, focusing in detail on substantive changes. Proposed language included a continued responsibility to pay an administrative fee for members who leave for the next three years. Discussion ensued regarding Board assignments and eligibility, and the delineation of delegate, alternate, and sub-alternate and how these assignments affect the pool at large. The people appointed to the ICRMA Board of Directors are responsible to ICRMA and governing the agency with a budget of \$30 million.

Additional discussion ensued, and direction was provided to Ms. Peterson to provide this document and other Governing documents in the December 2017 Board meeting packet.

V. Strategic Planning Discussion

Ms. Peterson led ICRMA members through a variety of exercises to perform a self-assessment, discuss issues of critical importance, outline the pool's future, and determine priorities.

At its April 2017 meeting, the board outlined broad goals for 2017-19, including:

1. Reduce uncertainty while improving long-term financial health.
2. Increased visibility/engagement as well as member recruitment and retention.
3. Deepen the work.

Members of the Board continued this conversation in an effort to define member needs/wants for the collective future of ICRMA and its membership. In response to the State of ICRMA presentation, board and other member representatives discussed questions such as: “Who will we be three years from now? What will it take to make this happen?” The group in attendance also:

1. Answered member questions about the status and health of the pool
2. Identified and addressed concerns about ICRMA
3. Agreed on a timeline for the ongoing improvement processes
4. Began to envision a positive ICRMA future with stable membership and growth

There being no further items to discuss the meeting adjourned on October 12, 2017 at 3:18 p.m.

Respectfully submitted,

Beth Lyons