



MINUTES OF THE  
GOVERNING BOARD MEETING  
Thursday, December 14, 2017  
10:00 A.M.

A meeting of the Governing Board was held on Thursday, December 14, 2017, in El Segundo, California.

MEMBERS PRESENT:

Baldwin Park	Laura Thomas ( <i>left at 11:36 am</i> )
Bell	Sergio Ibarra ( <i>left at 1:15 pm</i> )
El Monte	John Nguyen
El Segundo	Mike Dugan
	Joe Lillio ( <i>left at 1:37pm</i> )
Fullerton	Gretchen Beatty
Glendora	Cecilia Todd
Hawthorne	Olivia Valentine
	Dennis Hernandez ( <i>left at 1:13pm</i> )
	Alison Stevens
Hermosa Beach	Vanessa Godinez
Huntington Park	Martha Castillo
Inglewood	Sara Nazir
Lynwood	Jose Ometeotl ( <i>left at 11:36 am</i> )
Monterey Park	Tom Cody ( <i>left at 1:15 pm, after which Nick Kimball presided over the meeting.</i> )
San Fernando	Nick Kimball

MEMBERS WITHOUT BOARD REPRESENTATION:

Alhambra  
Downey  
South Gate

NON-BOARD MEMBERS PRESENT:

Lynwood	Alma Martinez
RPA	Tyler LaMantia
	Beth Lyons
	John Nielsen
	Christina Floe
	Bob May
Johnson Schachter & Lewis	Luther Lewis
Sara Peterson Consulting	Sara Peterson
AdminSure	Mike Reed
	John McCormick

Carl Warren & Company	John Beringer Rose Nuno Tom Boylan Ken Weir
Artex	Diana Dunkin-Vasquez David Woods Matt Anderson
Milliman	Mindy Steichen

1. CALL TO ORDER

President Tom Cody called the meeting to order at 10:15 AM.

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

Ms. Beth Lyons recommended an amendment to the agenda, to change the presentation order by switching Item E. Cost Allocation Formula Review and Item B. Consideration of Software License with Intacct for Financial Services, to ensure quorum for the cost allocation discussion as some members needed to leave early.

*Motion was made to amend the agenda by Sergio Ibarra, Bell, seconded by Olivia Valentine, Hawthorne, and unanimously carried.*

5. CONSENT CALENDAR

*Motion was made by Olivia Valentine, Hawthorne and seconded by Sergio Ibarra, Bell and unanimously carried to approve the consent calendar as presented.*

6. OPEN SESSION

A. Net Asset Target Review

Ms. Beth Lyons presented an overview of ICRMA's Net Asset Policy which provides guidance to ICRMA in making annual funding, dividend and assessment decisions for the Liability and Workers' Compensation Programs. James Marta & Company applied the parameters outlined in the policy, including the Important Net Asset Ratios. While the net assets for both programs meet many of the ratios outlined in the net asset policy, the net

assets of the liability program includes a long-term assessment receivable of \$36M as of 6/30/2017.

*Motion was made by Tom Cody, Monterey Park and seconded by Sergio Ibarra, Bell, to determine that neither dividends nor assessments are indicated in the workers' compensation program, and to affirm the current assessment plan in the liability program. The motion passed unanimously.*

E. Cost Allocation Formula Review

Mr. LaMantia presented a review of the Cost Allocation Formula for the Board. The proposed changes are designed to address challenges identified with the existing model which have resulted in effectively incentivizing member with positive loss experience to leave the pool. The formula changes will also ensure members have appropriate retained limits based upon their loss experience, and serve as an incentive to attract prospective members with positive loss records to consider joining ICRMA.

RPA staff and the consulting actuary from Milliman presented several models to the ad hoc committee. After careful deliberation, the Committee proposed the following cost allocation methodology be implemented with the 2018-19 fiscal year:

Formula for both the Liability and Workers' Compensation Programs:

- Use 10 years of loss and exposure history
- Allocates losses based upon 70% losses (experience) and 30% exposure (payroll)
- Eliminate the ex-mods
- Cap losses (liability - \$3 million; workers' compensation: \$2 million)
- Implement a premium by calculating necessary funding increases, then applying a 20% cap to limit the minimum/maximum change for members.

The Committee also recommended the Board alter multiple member retained limits, effective with the 2018-19 coverage period, as follows:

- Liability Program: increase member retained limits for five members, and
- Workers' Compensation Program: increase member retained limits for two members

Loss ratios developed for each member were reviewed to illustrate the "debits and credits" evaluated by the committee in evaluating formula equity. The Board also discussed the merits of retaining the \$100,000 member retained limit in the liability program.

*Motion was made by Tom Cody, Monterey Park and seconded by Mike Dugan, El Segundo to: 1) eliminate the \$100,000 member retained limit, 2) increase the MRL in the liability program, effective with the 2018-19 coverage period, for the following members to the amount indicated: Hawthorne (\$500,000), Huntington Park (\$500,000), Inglewood (\$1.75M), Lynwood (\$500,000) and Monterey Park (\$500,000), and 3) adopt the new liability cost allocation formula, with the assumptions as outlined above, effective with the 2018-19 fiscal year. The motion passed as follows: Ayes: Bell, El Monte, El Segundo,*

*Fullerton, Glendora, Hawthorne, Hermosa Beach, Huntington Park, Monterey Park, San Fernando. No: Inglewood.*

*Motion was made by Tom Cody, Monterey Park and seconded by Mike Dugan, El Segundo to: 1) adopt the new workers' compensation cost allocation formula, with the assumptions as outlined above, effective with the 2018-19 fiscal year, and 2) increase the MRL in the workers' compensation program, also effective with the 2018-19 coverage period, for the following members to the amount indicated: Baldwin Park (\$750,000) and El Segundo (\$500,000). The motion passed unanimously.*

*The Board recessed at 12:09 pm and reconvened at 12:20 pm*

F. Consideration of the Artex Financial Services Contract

It the Board's October meeting, the Board learned Marta & Company elected to exercise the 90-day termination provision in its contract with ICRMA. At that meeting, the Board directed staff to negotiate contracted services with Artex. Ms. Lyons presented the draft contract for discussion by the Board.

*Motion was made by Tom Cody, Monterey Park and seconded by Mike Dugan, El Segundo to direct general counsel and the executive director to complete negotiations with Artex and authorize the president to execute the contract. The motion passed unanimously.*

G. Resolution 2017-01 for Banking and Resolution 2017-02 for LAIF

Ms. Lyons presented the Resolutions 2017-01 and 2017-02. With the transition in Financial Servicing partners, new resolutions are required so that authorized personnel are current.

*Motion was by Gretchen Beatty, Fullerton and seconded by Nick Kimball, San Fernando to waive the reading of the resolutions and adopt Resolution 2017-01, which rescinds Resolutions 2016-02 and 2012-01, Establishing All Bank Accounts, Credit Card, and Investment Services; and adopt Resolution 2017-02, rescinding resolution 1-2016, Authorizing Signers for the Investment of Monies in the Local Agency Investment Fund. The motion passed unanimously.*

H. Consideration of a Software License with Intacct for Financial Services

Ms. Lyons presented information regarding the data transition in 2016 when ICRMA changed financial services providers. Because ICRMA's financial services provider will be changing again, and there is risk every time data is transferred, RPA and Artex recommend ICRMA purchase the software license directly with Intacct in order to facilitate a smooth and more efficient transition. The new finance team will then be required to use ICRMA's selected software.

*Motion was made by Mike Dugan, El Segundo, and seconded by Nick Kimball, San Fernando, to approve Intacct Financial Software for an annual recurring fee of \$13,104.*

I. Provision of Actuarial Services

Mr. John Nielsen presented the proposals received during the Request for Proposal (RFP) for “An Actuarial Evaluation of Self-Insured Programs” that was issued in September 2017. After the proposals were received, ICRMA’s financial services provider gave notice it was terminating the contract. The Actuarial Services Ad Hoc Committee met to review the three proposals received. After discussion, the Committee concluded it would be in ICRMA’s strategic interest to: 1) allow Milliman to perform the premium allocation work and new member loss funding analytics, due to the work already performed regarding the cost allocation formula, and 2) maintain the Bay Actuarial Consulting contract for all other actuarial services by extending its agreement for one year and allowing for a 1% increase in the base fees.

So as not to lose the substantial staff work and the time/resource investment of the proposers in responding to the RFP, the Board agreed it would be ideal to place the procurement in abeyance for twelve months.

*Motion was made by Tom Cody, Monterey Park and seconded by Gretchen Beatty, Fullerton to award professional actuarial services contracts to Milliman, for member cost allocations and loss funding for new members in the amount of \$6,500; Bay Actuarial Consultants, for all other required actuarial services in the amount of \$76,090; Authorize the Executive Director to execute contracts with both vendors, and place the actuarial services procurement in abeyance for one year.*

J. Carl Warren Staffing and Contract Update

Ms. Lyons provided an update to the Board regarding staffing changes at Carl Warren and Company. Per the direction of the Board at the February 2017 meeting, staff has been in contact with Carl Warren multiple times to request contract revision and an update to its staffing plan to reflect the Board’s direction eliminating the structured return to work program as of June 30, 2017. Unfortunately Carl Warren’s response is still pending.

*The Board provided feedback and asked that Carl Warren and Company resolve the outstanding issues.*

K. Consider revisions to the Property/APD Bylaws

Ms. Lyons reviewed the proposed revisions to the Property/Auto Physical Damage (APD) Bylaws. Settlement Authority was not explicitly stated in the Bylaws, so language was drafted by ICRMA general counsel, Luther Lewis. It was recommended the TPA for the program receive \$50,000 of authority in excess of the deductible, the claims committee \$250,000 of authority, and the Board will retain settlement authority for any and all claims within the program that are within the retained limit of ICRMA.

*Motion was made by Gretchen Beatty, Fullerton, seconded by Mike Dugan, El Segundo, to approve the addition of section 3.1.3 Settlement Authority to the Property/Auto Physical*

*Damage Bylaws; and authorize the Executive Director to amend the contract with AdminSure, the program's TPA, to reflect the \$50,000 in settlement authority.*

L. RPA Staffing Updates & Vendor Contact Information

Ms. Lyons informed the Board of staffing changing within RPA, the contracted Program Administration and Risk Control vendor. Ms. Lyons reminded the Board that Ms. Ashley O'Brien left her position at RPA on October 13, 2017. Since that time, Mr. John Nielsen, has been added to the ICRMA team. Mr. Nielsen formerly worked with ICRMA, from 1998-2001, as ICRMA's contract General Manager with Ken Spiker & Associates. In addition, Christina Floe will be leaving RPA/ICRMA to work on other accounts. Her last day is Friday, December 15.

*No action taken.*

M. Risk Control Service Update

Mr. Bob May, Risk Control Director, presented an update on the 2017/18 Risk Control Plan adopted by the Board at the June 2017 Board meeting. Staff continues to work with members in areas of training, loss analysis, TPA data review, and identification of key loss exposures. Mr. May provided information on upcoming Trainings and University Sessions.

*No action taken.*

N. Workers' Compensation Program Update

Over the years the Board has discussed the concept of a single TPA in both programs. Staff provided specific information for Board consideration regarding the pros and cons associated with consolidation of workers' compensation TPA services. The members discussed the advantages and disadvantages of utilizing a single TPA.

*Motion was made by Nick Kimball, San Fernando and seconded by Mike Dugan, El Segundo to: 1) negotiate a group contract with AdminSure for workers' compensation TPA services with a target start date of July 1, 2018; 2) add the members that are not with AdminSure (El Segundo and San Fernando) to the contract; and 3) require new ICRMA workers' compensation program members to use AdminSure for workers' compensation TPA services. The motion passed unanimously.*

O. Revised Outline of a Performance Review Process

Ms. Sara Peterson, Consultant, reviewed with the Board a revised vendor performance evaluation process. The Board discussed the parameters to be used to evaluate all ICRMA vendors, and the timeline with which evaluations would be conducted.

*The Board provided direction to Ms. Peterson with revisions to the procedure and process proposed. Implementation is slated to begin in the summer of 2018.*

P. Governing Document Project Update

Ms. Peterson reminded the Board of the timeline and process by which the Board is reviewing all ICMRA Governing Documents. Ms. Peterson reviewed with the Board the proposed revisions to the Bylaws.

*Additional direction was provided, with the expectation that a notice copy with revisions be provided to the Board before the next regularly scheduled Board of Directors meeting, with the intent of Bylaws adoption taking place at the next meeting.*

Q. Member Withdrawal Notices of Alhambra, Downey, and Hermosa Beach

Ms. Lyons informed the Board regarding the received written notice of intent to withdraw from ICRMA by the cities of: Alhambra, Downey, and Hermosa Beach. Ms. Lyons discussed with the Board the reasons cited in the correspondence. Ms. Lyons also presented to the Board a Pool Comparison Matrix and a listing of ICRMA Resources. Program costs are often cited as the key driver in member city staff recommending withdrawal from ICRMA. These two documents provide examples of non-monetary focused resources provided to members of ICRMA.

*No action taken.*

7. CLOSED SESSION

The Board convened into closed session at 1:35 p.m. to discuss the following:

- Redondo Beach v. ICRMA
- Lopez v. Inglewood

8. REPORT FROM CLOSED SESSION

The Board reconvened into Open Session at 2:04 p.m., and reported the claims were discussed and that no action was taken.

9. PRESIDENT'S REPORT

None

10. CLOSING COMMENTS

*Motion was made by Nick Kimball, San Fernando, to adjourn meeting and was seconded by Gretchen Beatty, Fullerton.*

11. ADJOURNMENT

The meeting adjourned by general consent at 2:06 p.m.

Respectfully submitted,  
Beth Lyons