



**MINUTES OF THE
GOVERNING BOARD MEETING
Thursday, April 12, 2018
10:00 A.M.**

A meeting of the Governing Board was held on Thursday, April 12, 2018, in Downey, California.

MEMBERS PRESENT:

Bell	Sergio Ibarra
Downey	Anil Gandhi
	Blanca Pacheco (<i>left at 12:43 p.m.</i>)
El Monte	John Nguyen
El Segundo	Joe Lillio
Fullerton	Gretchen Beatty
Glendora	Vicki Cross
Hawthorne	Dennis Hernandez
Hermosa Beach	Vanessa Godinez (<i>left at 2:11 p.m.</i>)
Huntington Park	Daniel Hernandez
Inglewood	Sara Nazir
Lynwood	Cynthia Stafford
Monterey Park	Tom Cody
San Fernando	Nick Kimball
South Gate	Nellie Cobos

MEMBERS ABSENT:

Alhambra
Baldwin Park

OTHERS PRESENT:

El Segundo	George Loaiza (<i>left at 12:40 p.m.</i>)
Glenorda	Christi Giannone (<i>left at 12:40 p.m.</i>)
RPA	Beth Lyons
	Tyler LaMantia
	Jennifer Achterberg
	John Nielsen
	Bob May
Johnson Schachter & Lewis	Luther Lewis
Artex	Matt Anderson (<i>arrived at 10:42 a.m.</i>) (<i>out of room for closed session</i>)
Carl Warren & Company	Dwight Kunz
	Rose Nuno
	Tom Boylan (<i>arrived at 10:51 a.m.</i>)
Sarah Peterson Consulting	Sara Peterson (<i>out of room for closed session</i>)
Burke Williams & Sorensen	Mark Mulkerin (<i>only in room to present their closed session case</i>)
Carpenter, Rothans & Dumont	Steve Rothans (<i>only in room to present their closed session case</i>)
	Katrina Valencia (<i>only in room to present their closed session case</i>)
Olivarez Madruga Lemieux O'Neill	Terrence Gallagher (<i>only in room to present their closed session case</i>)

1. CALL TO ORDER

President Tom Cody called the meeting to order at 10:07 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 Vanessa Godinez, Hermosa Beach, seconded by Dennis Hernandez, Hawthorn, and unanimously carried to approve the agenda as presented.

5. CONSENT CALENDAR

A motion was made by Gretchen Beatty, Fullerton, seconded by Dennis Hernandez, Hawthorne, and unanimously carried to approve the Minutes of the March 1, 2017 Board of Directors Meeting, and direct staff to finalize; and review and file items: Proposed ICRMA Board Meeting Schedule for 2018-19, Board Attendance Record, Solicitation of Claims Committee Membership, Check Register for February and March 2018, Risk Management Fund Usage & Balance as of March 31, 2018, Treasurer's Report as of March 31, 2018, and Training Opportunities.

6. OPEN SESSION

A. Recognition of Mike Dugan

President Tom Cody recognized Mr. Mike Dugan, who has not sought city council re-election for the City of El Segundo, for his service to ICRMA, the Governing Board, various committees, and general leadership. Other members of the Board also expressed their appreciation for Mr. Dugan over the last several years. President Cody read the ICRMA proclamation. Mr. Dugan sent his regards through a message shared with the Board.

No action required.

B. 2017/18 Claims Committee Attendance Record

Ms. Lyons reminded the Board the Program Bylaws indicate when a member of a committee misses a maximum of two meetings in a fiscal year, the Board shall review that members' appointment. At the previous Claims Committee meeting, the committee discussed Ms. Nazir's attendance record. RPA staff informed the Committee Ms. Nazir indicated she would like to continue to serve on the Committee. The Committee continues to value Ms. Nazir's participation, and would like for Ms. Nazir on the Committee. President Cody asked if Ms. Nazir desired to remain on the committee, and she responded affirmatively.

No action was taken.

C. New Member Marketing

Mr. Tyler LaMantia presented information on the marketing efforts by RPA staff, and the broker, to encourage the addition of potential new members. Mr. LaMantia proposed two additional types of marketing that could support additional growth opportunities. One being "preferred agent marketing", where RPA staff would coordinate marketing efforts by brokers, other than ICRMA's current broker, to encourage their clients to consider joining ICRMA. Within this approach, the potential member would retain a portion of their relationship with their current brokers, as a means to ensure the broker retains a financial incentive, rather than refusing the concept outright because they would be losing their broker income, to propose joining a risk pool such as

ICRMA. Ms. Lyons also informed the Board that this type of marketing partnership would set ICRMA apart from other risk sharing pools, and therefore open the possibility for new members who would otherwise not be encouraged to join a pool. Multiple ICRMA prospects work with single brokers, and brokers may have a financial incentive to encourage the member not to join ICRMA. Allowing a continued relationship would also provide an incentive to local brokers, who work directly with the client to provide coverage and resources. The potential new member would negotiate a fee with their broker, structured in a manner that suits those parties, and would not affect the city's financial responsibilities to ICRMA. Additionally, a local broker willing to work with ICRMA would be able to reach other potential member cities. These local brokers could possibly focus on an area or location in California focusing on further marketing efforts to grow ICRMA. The Board indicated interest in having RPA staff work with local brokers to explore this type of marketing.

The Board requested a policy regarding the process and guidelines be drafted.

D. Governing Document Project – Part 1. Update

Ms. Sara Peterson, Consultant, reviewed the Governing document revision process with the Board. ICRMA has made a concerted effort to review, and update as appropriate, its' Governing Documents beginning in 2014-15. During this process focus began on the various bylaws, but grew to encompass many other documents so that all of the ICMRA governing documents were in alignment. Ms. Peterson provided an overview of all documents reviewed and the status of the overall project.

Review and file.

E. Governing Document Project – Part 2. Payment Following Exit Policy

Ms. Peterson reviewed the proposed policy and language in the ICRMA Bylaws, as well as other governing documents, regarding the financial responsibilities of members upon exiting the pool. Ms. Peterson reminded the Board the policy was discussed in concept at its meeting in October of 2017, prior to indications of a member withdrawal for the 2018-19 program year. The bylaws state: "All current and past ICRMA members shall be responsible for...paying their respective share of ICRMA expenses until all claims or other unpaid liabilities, covering the period ICRMA's Member's participation in the program have finally resolved and the Board has determined the final amount of payments due by, or credited to, the Member for the period of its participation." The language and intention to collect monies has been a historical part of ICRMA Governing Documents, but the documents did not include a specific manner in which to calculate such fees.

The former member's "share of expenses" will be determined based upon the city's share of administrative expenses as detailed in the ICRMA adopted budget. Ongoing expenses related to a departing member include continued claims handling, claim audits, document requests, vendor contracts, investment services, and other financial matters. If a former member objects, that former member has the ability to initiate the process of dispute resolution detailed in the ICRMA Governing Documents. Staff does not recommend a retrospective, but rather a prospective application of the policy. As a reminder, historically other fees have been charged to exiting, and former, members such as: OSIP fees and program audits (property and APD TIV audits). The adoption of this policy allows for the remaining component of administrative fees to be billed in addition to the historically identified ongoing fees. The fees would be calculated based on the actual payroll and MRL of the last year of participation.

Nick Kimball, San Fernando, out of the room for the motion.

Motion was made by Anil Gandhi, Downey, seconded by Joe Lillio, El Segundo, and unanimously carried to incorporate the Payment Following Exit Policy as Section E.3 of the ICRMA Underwriting & Program Administration Policy Manual with an effective date of April 12, 2018.

F. Governing Document Project – Part 3. ICRMA Underwriting & Program administration Policy Manual

Ms. Peterson presented the revised Underwriting & Program Administration Policy Manual, which aligns with the restated Bylaws adopted to be effective as of July 1, 2018 and with current practices. The intent of this revised manual is to work in tandem with the restated Bylaws. This document incorporates stand-alone policies: Code of Ethics, Governing Board Roles & Responsibilities, Service Provider Agreement Policy Renewal, and the Underwriting Manual; the Payment Following Exit Policy; and incorporates roles and responsibilities from key vendor contracts. This document ensures the remaining aspects of each individual program bylaws is retained, and that at a future meeting when the individual program bylaws are rescinded there is no gap in coverage. By incorporating specific language in vendor contracts, the Board will have the ability to amend vendor roles and expectations more easily than renegotiating each vendor contract. In future contract revisions, the contracts would be updated to reference this policy regarding roles and responsibilities.

Discussion was held regarding Board approval of a Board nominee whom is a “dedicated (full time) to risk management for the Member and approved for appointment by the ICRMA Board...”. For clarity a change was suggested in sentence structure to clearly emphasize that Board approval is only needed regarding the fourth category. Therefor reading as: “OR 4) upon approval by the ICRMA Board may be dedicated (full time) to risk management for the Member”.

Nick Kimball, San Fernando, and Dennis Hernandez, Hawthorne, out of the room for the motion.

Motion was made by Gretchen Beatty, Fullerton, seconded by Tom Cody, Monterey Park, and unanimously approved to approve the ICRMA Underwriting & Program Administration Policy Manual, with the amended clause regarding Board representation, with an effective date of April 12, 2018.

G. Governing Document Project – Part 4. Policy Clean Up

Ms. Peterson indicated this item is an overview of which Governing Board documents have been officially rescinded, and which are active. Eight policies have been presented and incorporated into revised documents, and therefore superseded. One document, the Administrative Committee Roles & Responsibilities was not incorporated into any revised documents. The Board adopted resolution 2017-01 at its April 12, 2017 Board meeting, officially eliminating the Administrative Committee. The last remaining policy, which appears to be no longer relevant, is the Workers’ Compensation Conflict of Interest Policy adopted June 6, 2006.

Nick Kimball, San Fernando, out of the room for the motion.

Motion was made by Joe Lillio, El Segundo, seconded by Gretchen Beatty, Fullerton, and unanimously approved to 1) Supersede the Dispute Resolution Policy adopted 4/17/2008 and the Policy Regarding Recusal of Member City adopted 8/15/2001 on July 1, 2018, the date the bylaws go into effect; 2) Supersede the Code of Ethics adopted 2/12/2007, Governing Board Roles & Responsibilities adopted 12/12/2007, Service Provider Agreement Policy Renewal adopted 11/17/2005, Underwriting Manual adopted 10/7/2015 on the date the manual goes into effect; and 3) Rescind as moot the Administrative Committee Roles & Responsibilities adopted 12/12/2007 and the Workers Compensation Conflict of Interest Policy adopted 6/12/2006 effective immediately.

H. Approve revisions to the Carl Warren & Company Contract

Ms. Lyons presented the draft revisions to the Carl Warren contract. As a reminder, the Board approved, at its February 9, 2017 meeting, the elimination of the structured return to work (SRTW) program effective June 30, 2017. This change in the Workers’ Compensation program reduced the workload for the Workers’

Compensation Manager. ICRMA Legal Counsel, RPA staff and Carl Warren staff worked to revise the current contract, and restructure the allocation of fees to the Liability Program.

Nick Kimball, San Fernando, and Vanessa Godinez, Hermosa Beach, out of the room for the motion.

Motion was made by Dennis Hernandez, Hawthorne, seconded by Vicki Cross, Glendora, and unanimously approved to direct the Executive Director to finalize the revisions and execute the contract.

I. Approval of TPA Services Contract with AdminSure for Workers' Compensation Program

Ms. Lyons presented the draft contract with AdminSure. Additional revisions were presented in detail at the meeting, as AdminSure and RPA staff met after the agenda was posted to revise sections of the draft contract. The contract has been structured so that the member fees associated with the program would be transitioned to the new contract between ICRMA and AdminSure. Therefore, the fees each member agreed to under individual contracts will be the same in the 2018-19 program year.

RPA staff anticipates a reduction of total costs by approximately \$15k with the elimination of the Company Nurse contract. Members will continue to have access to Company Nurse services, as part of ICRMA's contracted services with AdminSure. Going forward the fees will be paid through each claim file as a medical management fee, rather than as an administrative expense.

Ms. Lyons indicated members will likely observe an increase in administrative fees. This can be attributed to the change in payment structure regarding bill review. Some members had a very small administrative fee in their contract, but paid more in fees associated with the bill review process on each claim file. This type of fee structure charged a percentage of savings indicated by the TPA to the claim file. In most cases, the member should have paid a little more on their administrative fee, but reduced the bill review fees significantly by negotiating a flat rate. In the contract between ICRMA and AdminSure, the bill review is a flat fee. Even though the members may pay more for claims administration, the overall cost for TPA services will be reduced.

The contract fee has also been reduced, by the amount that would have been associated with the City of Alhambra. When the Board approved the not-to-exceed contract amount with AdminSure, ICRMA had not received confirmation the city was withdrawing. Therefore the revised contract has been updated to reduce their contract fee accordingly. New members will be priced based on open indemnity claims and medical/future medical claims.

The proposed contract bases the fee on open indemnity and medical claims. The claim count and contract fees will be reviewed regularly. Typically this is something that should be reviewed every few years by ICRMA, and not annually as open claims counts will dramatically vary year to year.

AdminSure will report claims in a timely manner to Carl Warren, who will continue to provide oversight regarding excess claim reporting and program management. Both the Third Party Performance Standards, and the Workers' Compensation Policies and Procedures document are referenced as guidelines for AdminSure to follow.

Additional changes to the draft contract provided in the agenda packet are as follows:

1. Removed "the" in front of ICRMA
2. Page 2, item 24 – will continue reporting claims to Carl Warren for excess reporting.
3. Page 2, item 28 – Added TPA Standards and LMPP.
4. Page 3, item D, Accounting Controls – Clarified each Member will continue to have their own individual trust account, with payments processed and communicated to the member directly, and will not be rolled up

into an ICRMA account. Members continue to retain authority over payments. Once the MRL has been reached, reimbursements will continue to be handled in the same manner as they have been.

5. Page 4 of contract, item 11- have been updated to reflect that ICRMA will not receive updates on checks written, and members have the option to receive updates as they deem necessary.
6. Page 4 of contract, item 12 – void after date has been updated to read from 60 – 180 days, depending on the members’ designation. Language also changed to remove ICRMA from any investigation and indicated the Member shall retain the authority.
7. Page 6 of the contract, item Article 3.A.b - the last sentence regarding the data conversion has been moved to become item Article 3.B.c.
8. Page 8 of contract – language has been added to allow for the TPA to cancel the contract.

The adjustors will not be changed during the contract transition unless the member would like a change or an adjuster leaves AdminSure. Therefore no interruption to the day-to-day process is expected. Staff has provided a draft letter members can use to cancel current contracts, so that the timely execution can be met by all parties. As AdminSure is not losing any business, they will work with each member city to ensure a smooth transition, being fully aware of the differing timeline of termination clauses within each member contract. AdminSure is willing to work with the members so that the effective date of July 1, 2018 is met.

Motion was made by Dennis Hernandez, Hawthorne, seconded by Nick Kimball, San Fernando, and unanimously approved to direct to approve the contract in concept, with noted revisions, directing general counsel and the executive director to finalize contract negotiations with AdminSure, and authorize the executive director to execute the contract, to be effective July 1, 2018.

J. OSIP – Status update and member directions

Mr. John Nielsen provided an update regarding the process to restructure the ICRMA Workers’ Compensation Program in the appropriate manner outlined by the Department of Relations Office of Self-Insurance Plans. (DIR and OSIP respectively) Mr. Nielsen provided the Board with an overview of the process to be executed in the next two months. The DIR confirmed no retroactive dates are assigned. Therefore, in order to disband the program effective July 1, 2018, members were asked to process the following steps as expeditiously as possible:

1. Each worker’s compensation member must complete and execute an application seeking an individual consent to self-insure certificate. Within this application is a requirement for a City Council resolution stating as such.
2. ICRMA must submit all member applications at the same time, in order for OSIP to expedite the processing of the paperwork for program year end processing.
3. OSIP will issue a certificate of consent to self-insure to each individual member.
4. RPA staff will work with OSIP staff to process paperwork supporting the consolidation of all certificates of consent to self-insure held by each individual member. This will ensure that each member will receive information/documentation/OSIP billing and assessments for all claims related to them, in one communication.
5. Upon the completion of the above, ICRMA will then revoke its Master JPA certificate of consent for group 5023.

Mr. Nielsen indicated that he would send an application to each member, with the sample resolution, and a draft memo with language to help explain why this process is required. Mr. Nielsen indicated that the application would be pre-filled with as much specific information about the member city that ICRMA can provide ahead. Members requested the sample Resolution language, and supporting memo information, be sent as quickly as possible to the members to begin the process, rather than wait until all information is prepared. This could be used as place holder until the information has been transmitted. Mr. Nielsen indicated he would provide the sample resolution by the end of this week, and also provide all the above referenced materials within the next week. Nielsen also indicated that this will require each member city to allocate their OSIP fees in the city budget.

This will no longer be allocated within the ICRMA funding by the members. The DIR is expecting to increase fees approximately 19% this year. Information was provided in the March Board meeting agenda regarding estimated fees for the 2018-19 program year to be paid to the DIR. Should a member be aware their indemnity payments have increased in the last year, they may want to estimate a higher OSIP assessment. RPA staff is available should any member have any questions about how best to estimate this bill to be expected at the end of calendar year 2018.

Review and file.

K. Financial Auditor Fee Adjustment

Ms. Lyons informed the Board of conversations with financial auditor Vavrinek, Trine, Days & Co. During recent months, the auditor expressed concern regarding their fees for both the 2017-18 and 2018-19 financial audits. The auditor referenced extenuating circumstances including the financial team staff turnover, turnaround time on comments, litigation with a former member, and complex accounting transactions due to the assessments. With these circumstances, a higher degree of manager/partner involvement was required, and therefore the auditor experienced a large loss in revenue based against hours worked. These circumstances could not have been contemplated in the RFP process, and subsequent associated fees.

The Board discussed these circumstances and the likelihood of a repeat for the next audit year. Ms. Lyons indicated, this year's audit will again include two financial firms. Staff confirmed that the current financial team, Artex, has indicated they will interact with the auditing firm as a point of contact for all questions. In addition to a requested additional fee for the 2017-18 audit, the auditor is requesting an additional \$10k, to the current contracted amount, to potentially be required for the 2018-19 audit.

Motion was made by Nick Kimball, San Fernando, seconded by Joe Lillio, El Segundo, and unanimously passed authorize staff to adjust the fee for the Financial Auditor by \$13,000 for the audit performed for 2017-18, and to budget an additional \$10,000, with the caveat that staff attempt to negotiate a reduced increase for both audits.

The Board recessed for lunch at 12:20 p.m. and reconvened at 12:43 p.m. into Closed Session.

7. **CLOSED SESSION**

The Board entered closed session at 12:43 p.m., to discuss open claims and conference with legal counsel pursuant to Government Code Section 54956.95(a).

8. **REPORT FROM CLOSED SESSION**

The Governing Board convened in open session at 2:05 p.m. and General Counsel reported: *In the matter of Ballon v. Monterey Park, authority was given; in the matter of Wong v. Alhambra, settlement authority for a final settlement of \$3.97 million less the member retained limit. In the matter Thai et al v. Alhambra/Monterey Park, settlement authority for a final settlement regarding: Lu's Dumpling House for \$145,000, Ji Cui Ping for \$35,000, and Shao Na Liu for \$125,000. In the matter of Delgado v. El Monte, settlement authority of \$500,000 was granted less the member retained limit. In the matter of Salgado v. Huntington Park, settlement authority of \$1.85 million was granted less the member retained limit.*

6. OPEN SESSION (Continued)

L. Preliminary 2018-19 Budget

Mr. Matt Anderson updated the Board regarding the status of the preliminary budget. Indications regarding placement of coverage have not been received, as well as funding expectations from the actuary. A more firm preliminary will be provided at the Special Board meeting scheduled for May 29, 2018.

No action required.

M. Workers' Compensation Program Memorandum of Coverage for 2018-19

Ms. Lyons provided an update regarding the suggested changes to the Workers' Compensation Memorandum of Coverage. There are no substantive changes recommended to the document; revisions are specific to updating coverage dates and member retained limits.

Motion was made by Tom Cody, Monterey Park, seconded by Joe Lillio, El Segundo, and unanimously passed to adopt the 2018-19 Workers' Compensation Memorandum of Coverage.

N. Liability Program Memorandum of Coverage for 2018-19

Mr. Lewis presented the Board with the proposed changes to the Liability Program Memorandum of Coverage (MOC). In addition to clarifying language, the substantive changes regarding "The Covered Party," and the members' duty to fully cooperate, noted on page 14 of the MOC. Mr. Lewis indicated that in prior MOC's should a member be found to not fully cooperate regarding claims, it appears that the only recourse for the Board is to deny coverage in totality. The revised section would provide flexibility to the Board ability to use discretion in managing said member.

Timely notice by a member, on page 26 of the MOC, has also been updated. If a claim is reported late, coverage is denied and the member may then appeal to the Claims Committee. If the Committee provides coverage, the MOC requires that the members' retained limit be increased by 25%. In the revised language, the governing body may choose to deny coverage or not, but would also then be able to increase the member's retained limit in the range of 1-25%.

Ms. Lyons also indicated a revision needs to be made to the Declarations page for both the Public Officials' Errors and Omissions Liability, and the All Other Liability – the last layer should read as "\$10M excess of \$20M;" the document contained a typo, the change is not a change to the actual coverage amounts.

Motion was made by Gretchen Beatty, Fullerton, seconded by Anil Gandhi, Downey, and unanimously passed to adopt the 2018-19 Liability Memorandum of Coverage as proposed with the amendment of the correction to the declarations page.

O. Contractual Risk Transfer and Certificates of Coverage

This item was postponed to a future meeting of the ICRMA Board of Directors.

9. PRESIDENT'S REPORT

None

10. CLOSING COMMENTS

None

11. ADJOURNMENT

President Cody adjourned the meeting at 2:21 p.m.