



**MINUTES OF THE
GOVERNING BOARD MEETING
Wednesday, October 10 – Thursday, October 11, 2018
9:00 A.M.**

A meeting of the Governing Board was held on Wednesday, October 10 – Thursday, October 11, 2018, in El Segundo, California.

MEMBERS PRESENT:

Baldwin Park	Laura Thomas (10/11: State of ICRMA only)
Bell	Sergio Ibarra (10/10: arrived 11:09 a.m., left: 3:00 p.m.) (10/11: arrived 9:45 a.m.)
Downey	Anil Gandhi (10/11: arrived 9:14 a.m.)
El Monte	John Nguyen
El Segundo	Joe Lillio (10/10: arrived 9:13 a.m.)
	Greg Carpenter (10/11: State of ICRMA only)
Fullerton	Gretchen Beatty
Glendora	June Overholt (10/10: arrived 9:50 a.m.)
Hawthorne	Olivia Valentine (10/10: arrived 9:30 a.m.) (10/11: left for Closed Session and returned 1:00 p.m.)
	Alison Stevens (10/10: arrived 9:32 a.m.)
Hermosa Beach	Vanessa Godinez
Huntington Park	Daniel Hernandez
Inglewood	Debra Carter
Lynwood	Jose Ometeotl (10/11: Present 9:05 a.m. – 9:22 a.m., and 10:40 a.m. – 10:47 a.m.)
	Cynthia Stafford
Monterey Park	Tom Cody
San Fernando	Nick Kimball
	Michael Okafor (10/11: left room 9:22 a.m. – 10:47 a.m.)
	Alex Meyerhoff (10/11: State of ICRMA – end of meeting)
South Gate	Nellie Cobos (10/10: arrived 9:28 a.m.)

MEMBERS ABSENT:

None

OTHERS PRESENT:

RPA	Beth Lyons
	Tyler LaMantia
	Jennifer Achterberg
	John Nielsen
	Bob May
Johnson Schachter & Lewis	Luther Lewis
Artex	Matt Anderson (10/10 only: left 10:50 a.m.)
	Jeremy Huish (10/11 only: 11:30 a.m. - 1:45 p.m.)
	Dustin Reeves (10/10 only: left 10:50 a.m.)

Carl Warren	Dwight Kunz (10/11: left at 12:10 p.m.) Rose Nuno (10/11: left at 12:10 p.m.) Robert Tran (10/11: left room 9:22 a.m. – 10:47 a.m.; (10/11: left at 12:10 p.m.)
Sara Peterson Consulting RMS PFM	Sara Peterson (10/11: left (9:22 a.m. – 10:47 a.m.) Ken Maiolini (10/10: left 12:00 p.m.) Richard Babbe (10/10: left 10:30 a.m.) (10/11: 11:30 a.m. - 1:45 p.m.)
ASCIP Alvarado Smith McCune Harber City of Hawthorne City of South Gate City of Bell	Leslie Murphy (10/11: 11:30 a.m. - 1:45 p.m.) John Didion (10/11: 11:30 a.m. - 1:45 p.m.) Rick Navarrette (10/11 only: 9:48 a.m. – 10:26 a.m.) Steve Taylor (10/11 only: 10:40 a.m. – 10:47 a.m.) Dennis Hernandez (10/10 only: 11:09 a.m. - 1:10 p.m.) Raul Salinas (10/11 only: 11:52 a.m. - 1:25 p.m.) Rose Tam (10/11 only: State of ICRMA only)

MEMBERS OF THE PUBLIC

Beringer & Associates John Beringer, Jr. (10/11: State of ICRMA only)

A. CALL TO ORDER

President Tom Cody called the meeting to order at 9:07 a.m.

B. ESTABLISHMENT OF QUORUM/INTRODUCTIONS

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

C. PUBLIC COMMENTS

Ms. Lyons asked Board members to sign a card for Mr. Dennis Hernandez.

D. APPROVAL OF AGENDA AS POSTED OR AMENDED

Motion was made by Gretchen Beatty, Fullerton, seconded by Tom Cody, Monterey Park, and unanimously carried to approve the agenda as presented.

E. CONSENT CALENDAR

A Motion was made by Tom Cody, Monterey Park, seconded by Gretchen Beatty, Fullerton, and unanimously carried to approve the Minutes of the August 9, 2018 Board of Directors Meeting, the Bylaws Revision, and the Program Underwriting & Administration Revision, and direct staff to finalize; review and file the Minutes of the July 11, 2018 Claims Committee, Board Attendance Record,, Check Register for July & August 2018, Treasurer's Report as of July & August 2018, and Risk Control Training Opportunities & Program Update.

President Cody requested item H be pulled for explanation, and indicated Executive Director Ms. Lyons requested item I be pulled for discussion. Regarding item H, Ms. Lyons shared ICRMA's investment advisor, PFM, informed RPA and Artex staff of a reduction in rating for General Electric's (GE) Standard & Poor rating. GE is currently rated "A2" by Moody's and "A" by Fitch. Because the ratings are measured at time of purchase, the investment remains in compliance with ICRMA's Investment Policy. Mr. Richard Babbe, PFM shared additional details regarding the

reason for the downgrade, answered questions regarding the outlook for GE, and reiterated PFM's advice to continue holding the investment.

Regarding item I, a revised Risk Management Funds Usage report was distributed at the meeting. After the agenda was posted, Hermosa Beach contacted RPA staff regarding the discrepancy in information provided in the report. Subsequently, RPA and Artex staff discovered an error in the report in which the data pulled was misaligned with the member assigned. The posted report associated funds used by one member with a different member. The formula has been corrected.

F. OPEN SESSION

A. Investment Portfolio Presentation

Mr. Richard Babbe, PFM, presented an annual report on the ICRMA investment portfolio. Fiscal Year 2017/2018 saw economic growth as the labor market remained strong; inflation firmed up within the Federal Reserve's target; interest rates are up with additional increases expected; and trade concerns and political events could impact longer-term growth. Increases in interest rates drove higher accrual earning but lower market value earnings; additional funds were invested into the long-term portfolio with increased allocation to corporate securities to strategically position the portfolio with a modestly defensive duration bias relative to the benchmark; and the portfolio continues to perform well relative to the benchmark but absolute returns are down due to higher interest rates.

PFM is actively engaged throughout the year in monitoring investment opportunities. Overall, PFM is dedicated to providing the best support to enhance ICRMA's portfolio long-term performance.

No action required.

B. Annual Investment Policy Review

ICRMA vendors review the Investment Policy annually. Mr. Babbe discussed the recommendation by PFM to increase the Supranational Debt maximum from 15% to 30% to align with the amount allowed under Government Code. This increase provides greater flexibility to invest, without increased risk to the portfolio. Mr. Babbe reminded the Board of its willingness to review member agency investment policies. This is a service included for ICRMA members based on the long-term partnership and contract with ICRMA. Interested parties are to contact Mr. Babbe directly.

Motion was made by Anil Gandhi, Downey, seconded by Joe Lillio, El Segundo, and unanimously carried to adopt the revised ICRMA Investment Policy.

C. Accounts Receivable Status Report

Mr. Matt Anderson provided updates regarding payment status since the posting of the agenda: Downey and Inglewood have paid in full. Mr. Anderson informed the Board Hawthorne will stop payment on its check from July and reissue to ICRMA. Artex will reissue invoices to member agencies who have indicated they have not received an invoice, or who have an outstanding balance. Mr. Anderson informed the Board Artex will revise its operating procedure, and issue invoices from

staff members' email addresses rather than continuing to issue from the accounting software. This change will grant Artex staff better tracking of invoices sent, emails not delivered to valid member agency email addresses, and remove potential for member email systems to mark emails as spam.

Ms. Lyons indicated as staff reviewed the probable sequence of event for those outstanding invoices, staff is no longer recommending the inclusion of the late fee on invoices to be reissued.

The Board expressed displeasure with the presentation of financial information with multiple errors, and indicated it expects better reporting standards from Artex going forward.

Motion was made by Nick Kimball, San Fernando, seconded by Cynthia Stafford, Lynwood to waive surcharges on payments received through the end of November 2018.

The Board further discussed the potential for a policy regarding how members pay their contributions, or the parameters in which payment is mailed. The Board indicated this should be discussed again at a future meeting.

D. Artex Staffing Changes

Mr. Anderson informed the Board he has given notice at Artex, and will be leaving the firm as of end of the week. Mr. Anderson introduced his replacement, Mr. Dustin Reeves. Mr. Reeves shared his background with the Board.

No action required.

E. Review of Risk Management Certification Program Policy

Ms. Lyons reminded the Board that this policy was adopted in 2016 to encourage a greater depth of knowledge regarding risk management practices at member agencies. RPA staff requested the Board clarify its intended parameters. Specific language was proposed to address the length of time to complete each individual level, revise the reimbursement process and timelines for submission, and clarify the requirement that participants report their learning experience to the Board. Several members actively participating in the program have expressed appreciation for the information provided.

Motion was made by Cynthia Stafford, Lynwood, seconded by Vanessa Godinez, Hermosa Beach, and unanimously carried to adopt revisions to the Risk Management Certification Program Policy.

The Board recessed at 10:05 a.m. and reconvened at 10:15 a.m.

F. Vendor Evaluations

Ms. Sara Peterson reminded the Board of the purpose of vendor evaluations and discussed the policy approved by the Board in 2018. The policy requires evaluation of service provider agreement annually or at least six months prior to the end of an agreement period. Three elements compose the evaluation process: member feedback of vendor performance for the previous year, review based on

contracted scope of services, and external audit against industry standards. Two vendors were not included in the 2018 review: the financial services provider, Artex, and the broker, Arthur J. Gallagher. Artex had not completed a full year of service, and the Board previously decided to issue an RFP for broker services during the 2018-19 program year.

The Board indicated it was happy with Administrative Services being provided by RPA and wished to extend the contract for an additional year. The Board also discussed the need for better communication of its service expectations to vendors. The Board indicated its desire to proceed with the RFP process for General Counsel/Coverage Counsel, through no reflection of current services but rather because of due diligence. The Board affirmed the RFP should be issued in a manner to reflect a July 1, 2019 start date for a new contract. RPA staff will contact the prior ad hoc committee members to confirm continued interest in serving on the ad hoc committee, as well as revise the previously drafted RFP for review.

H. Liability Program Claim Audit

The Liability Program claims are audited every two years. This is the second audit performed by Ken Maiolini from Risk Management Services (RMS). The Audit included a review of the approximately 200 claim files including the primary TPAs and ICRMA's Liability Program Manager. The auditors provided many recommendations throughout the audit report which fall into the following categories: current handling and staffing of claims, TPA contracts for financial v. workload compatibility, guidelines involving claims and litigation, ICRMA Litigation management structure, and TPA structure.

Ms. Lyons indicated the Claims Committee reviewed the audit at its September 5th meeting, and directed RPA staff and the Liability Program Manager to review the recommended revisions to both the Third Party Administrator (TPA) Performance Standards and the Litigation Management Policies and Procedures (LMPP), and present these at future meetings. Mr. Ken Maiolini proceeded to discuss RMS's findings and recommendations in greater detail. Mr. Maiolini reiterated the benefit of the program if all members establish trust accounts. In addition, many members have trust accounts but are not utilizing them correctly when the cities process attorney invoices directly rather than having them sent to the TPA adjuster for review and processing. Ms. Lyons indicated this also removes a critical element of review because the adjuster ensures compliance with ICRMA's LMPP. Examples of issues include paying attorney fees at a rate higher than permitted, paying for multiple attorneys working on a claim, paying for work not allowed by ICRMA's LMPP, and a lack of financial information in the TPA records.

The Board discussed Mr. Maiolini's note regarding a potential perceived conflict of interest with Carl Warren and Company staffing both the Liability Program Manager position and holding individual contracts with several ICRMA member agencies as primary TPAs. The auditor stated no improprieties have been noted, rather the Board should be aware of the perception and possibility. Mr. Maiolini opined a Liability Program Manger position would still be prudent if the pool utilized a single TPA.

Members also discussed the differences in reports members receive from the various TPA adjusters. Reporting structures are customizable and should be structured to report different types of information based on monthly, quarterly, and annual reporting. The TPA Performance Standards and LMPP provide guidelines for members to use to verify claim management.

RPA staff will prepare and send the confidential portions of the claims audit to the members along with a request that members meet with their TPA adjusters to develop an action plan regarding recommendations. Additional items recommended by the auditor will be discussed in later items during Strategic Planning.

Motion was made by Sergio Ibarra, Bell, seconded by Joe Lillio, El Segundo, to direct finalize the Liability Program claims audit, direct staff to review recommended revisions to the TPA Performance Standards and LMPP, and send out confidential claim materials to the members.

G. PROCLAMATION OF APPRECIATION

A. Appreciation of Service: Dennis Hernandez, Hawthorne

Mr. Tom Cody shared the proclamation prepared for Mr. Dennis Hernandez. Hernandez served on the ICRMA Board and as President and recently retired from the City of Hawthorne. Mr. Hernandez shared his appreciation to the Board wished the Board well on continued efforts going forward.

No action required.

The Board recessed for lunch at 11:55 a.m. and reconvened at 1:02 p.m.

F. OPEN SESSION (*continued*)

G. Workers' Compensation Program Overview

Ms. Lyons provided an update regarding Origami compilations of ICRMA's workers' compensation loss data. Data issues continue to be refined and resolved. Mr. Robert Tran, ICRMA's Workers' Compensation Program Manager, worked with Origami to prepare reports, which helped Origami identify and resolve additional data issues. Members and their TPAs were asked to record complete information on forms submitted and in the TPA software as this builds the information transmitted to ICRMA. Mr. Tran proceeded to review multiple charts and graphs and shared suggestions members should consider in order to keep claims costs low: settle early, make first offers, create and follow robust return-to-work programs, and monitor attorney fees.

Members of the Board expressed a desire for additional details and member specific reports. Staff will continue to refine and build reports. A few Board members indicated they would share report samples.

I. Liability Program Review and Analysis

Ms. Peterson provided a review of the liability landscape throughout the country, discussing ICRMA data, and then successful claims practices. California civil filings are down, are taking longer to resolve, and most are resolved before trial. Many believe the liability insurance industry may be entering into another crisis period and may begin pulling away from public entities. This is generally related to the increase in multi-million dollar jury awards, increase in police misconduct, dangerous condition, and sexual assault, abuse and molestation claims. Ms. Lyons discussed loss trends within

ICRMA data and shared a proposed CAJPA project to collect data throughout California in order to encourage the legislature to address tort reform.

No action required.

The Board recessed at 2:22 p.m. and reconvened at 2:35 p.m.

J. Strategic Planning – Part I: Cost Management

Ms. Lyons provided a review of Successful Claims Handling training presented at the ICRMA University in September and stated RPA staff is available to share this presentation at member agencies should it be desired. Four main factors combine to create the Total Cost of Risk for each member: losses within the member retained limit (MRL), loss funding (MRL to pooled retention), reinsurance/excess premium, and operating expenses. Loss funding, reinsurance/excess premium and the operating expenses are paid for through annual contributions to ICRMA. The losses within the MRL are commonly paid out of each member's general fund budget throughout the year based on the member's losses.

In order to control costs in the liability program, efforts must be made by each member to affect the life of a claim while the total incurred is within the MRL. Members are also asked to support the four-way partnership with the city, TPA adjuster, defense attorney, and the liability program manager for ICRMA reportable claims. Ms. Peterson and Ms. Lyons presented preliminary information and analysis from ICRMA's loss data. Staff will continue to refine and develop reports to support the Board in future discussion and decisions.

Attorney assignment and expertise in handling specific cases was discussed. The Board discussed its desire to see closing reports and lessons learned from attorneys working on member cases. These types of reports would be informative for all members. Ms. Peterson and Ms. Lyons lead the Board through a few case studies in which lessons learned were discussed by the Board. Attorney bill review was also discussed, and staff was directed to bring information regarding software capabilities and costs to a future meeting.

No action required.

The Board recessed at 4:02 p.m. and reconvened on Thursday, October 11th at 9:05 a.m.

F. **OPEN SESSION** (*continued*)

Ms. Peterson provided a recap regarding Board direction from the previous meeting day. If the Board would like additional Risk Control services, this should be discussed during future meetings to evaluate options and expense. No further action is required of RPA. The Board will continue to communicate with Carl Warren and Company regarding expectations, continued feedback, and potential next steps and directed RPA to prepare an RFP for program manager services. While not part of the evaluation, follow up also needs to take place with Artex regarding performance expectations.

An ad hoc committee comprised of Tom Cody, Monterey Park, Nick Kimball, San Fernando, Joe Lillio, El Segundo, Gretchen Beatty, Fullerton, Vanessa Godinez, Hermosa Beach, with an invitation to Vicki Cross, Glendora, as she was not in attendance, was developed to provide clarification regarding expectations for: reporting, case monitoring, and advice and guidance to the Board. The Board discussed regular feedback shall be presented to vendor, not only annually or through the Executive Director, and any corrective actions to be shared may come from the officers. Discussion regarding a formal policy should be discussed. Legal Counsel was asked to provide advice regarding the appropriate manner in which to agendize vendor reviews (open or closed session) as vendors are generally not considered employees.

H. CLOSED SESSION

The Board entered closed session at 9:22 a.m. with legal counsel pursuant to Government Code Section 54956.95(a).

I. REPORT FROM CLOSED SESSION

The Governing Board reconvened in open session at 10:47 a.m. and General Counsel reported: *In the matter of Redondo Beach v. ICRMA, direction was given. In the matter of Barragan v. South Gate, settlement authority was granted. In the matter of Ochoa v. Lynwood, pursuant to the city's agreement, ICRMA has taken control of the case for the purposes of settlement at \$850,000. The city will pay the balance of its member retained limit, an amount of wage loss, and the city has agreed to withdraw its request to add attorneys to the defense panel.*

G. OPEN SESSION (*continued*)

L. Member Request to add Maribel Medina, William Trejo, Michael Wolfsohn, and Arturo Fierro, of Leal Trejo, APC, to the Liability Defense Panel

Mr. Jose Ometeol and Ms. Cynthia Stafford, Lynwood, informed the Board the City formally withdrew its request to add attorneys to the panel.

No action required.

K. Attorney Review

Efforts have been made to refine member loss data in order to track information on defense attorneys. Ms. Peterson guided the Board through a discussion reviewing expectations and procedures to review the attorneys on the defense panel. Review goals include ensuring the most efficient and effective attorneys are on the panel, improving claim management success, and containing costs effectively and efficiently.

The evaluation of defense attorneys would include: closing ratios, legal expense ratio, total legal expense, case load during review period, geographic area, qualifications, area of expertise, demonstrated LMPP compliance. Discussion focused on how best to proceed with reviewing the attorneys.

The Board discussed the challenges with the budget as well as completing a subjective post-litigation report on attorneys. Ultimately the Board decided the first review should be objective and based on the standards in the LMPP as well as closing ratios, legal expense ratio, and total legal expense. The Board indicated the review process should include attorneys who served on the roughly 3,000 closed litigated claims in the last 3 years, should be determined based on the approved ICRMA budgeted amount in the 2018-19 budget, and should be completed by summer 2019. The review can be enhanced, expanded, and refined in the future.

No action required.

The Board recessed for lunch at 11:30 a.m., and reconvened at 12:10 p.m.

M. State of ICRMA

Mr. John Nielsen, Ms. Lyons, and Ms. Peterson provided an overall review of ICRMA's history and status regarding objectives the Board has worked toward in recent years. Recognition was also made to the challenges public entities in California are facing: the great recession, market conditions, changes in the claims environment and a continued fiscal environment of tightening budgets.

ICRMA's vision for 2020, as formulated in 2015, focused on four areas: external perceptions, membership, operations, and financial position. ICRMA members have worked together to ensure the pool is well-managed. The current membership continues to be dedicated to the purpose of ICRMA and the pool continues to receive inquiries from outside agencies interested in membership. ICRMA has diligently reviewed governing documents, policies, realigned member retained limits, implemented a new premium allocation formula, created a new pooled Property/APD program, and contracted with a single TPA in the Workers' Compensation program. Financially, ICRMA responded to catastrophic losses in the liability program and created a plan to ensure a stable and healthy financial position.

As ICRMA continues to move forward its focus is on: controlling costs, ensuring financial stability, and expanding influence and impact. ICRMA is striving to use loss data to inform where risk control efforts should be focused. Loss control reports are being developed and refined. ICRMA's Board continues to enhance education programs, so that members can increase risk management understanding and implement change at their agencies. The ICRMA Board spent time earlier at this meeting to learn more about successful claims handling practices. ICRMA is also exploring new collaborations and continuing prudent, pro-active financial management. Finally, the expansion of influence and impact is both internal to member agencies in regard to succession planning, as well as externally in growing ICRMA membership. ICRMA will be looking at "outside the box" ways in which membership might grow in the future as the landscape for JPA's in California continues to change. This may look like an addition of a member, smaller JPA joining as an individual member, or partnering with other JPAs in succession planning, or through other means.

No action required.

N. Captive Introduction and Discussion

Mr. Jeremy Huish, Artex, provided a brief overview of captives. A captive is an insurance company with a specialized license to sell insurance to related groups. An example of how a captive could benefit ICRMA is to manage insurance for coverage not currently provided by ICRMA, like transit or vision and dental. Mr. Huish introduced Mr. John Didion, ASCIP, who described the process ASCIP went through to create a captive. When ASCIP formed their captive, the JPA had a specific need for construction insurance that wasn't part of the ASCIP coverage program. Mr. Didion discussed particular parameters which influenced the structure of ASCIP's captive, including: where to domicile, start-up funding (loan from ASCIP which was repaid by the captive), membership criteria, and risk funding structure. A captive would be a separate entity from ICRMA with separate governance.

Ms. Lesley Murphy and Mr. Richard Babbe, PFM, provided information on investment benefits in establishing a captive. The biggest benefit is the ability to invest funds outside of the mandates in the California Government Code, which broadens investment to include multi-asset class incomes like broader fixed income and equities. Ms. Murphy provided sample analysis provided by market index of the last 15 years, to provide examples of potential investment outcomes if monies had been invested in these multi-asset class incomes, also noting the volatility.

Mr. Huish indicated he would work with RPA staff to create a survey to collect information from the membership to see if there is interest and a need to develop a captive. Based upon the survey results, this would inform the Board of both interest and direction in the design of a type of captive that could be created. The Board requested additional education regarding the details of how a captive operates. Mr. Huish indicated he can prepare a webinar for interested member to attend, which would present both history and specific type of captives and how they operate.

No action required.

The Board recessed at 1:45 p.m. and reconvened at 1:53 p.m.

O. Strategic Planning – Part II: Collaboration

Ms. Peterson and Ms. Lyons guided the Board through strategic conversation regarding membership and expansion of ICRMA. The Board discussed the many ways in which ICRMA can grow, additional opportunities that could become available with the creation of a captive, as well as other partnership models. Ms. Lyons shared a recent inquiry about membership in ICRMA by another JPA who would potentially desire to join as one member, and discussed benefits and conflicts with this scenario. Additionally, several smaller JPAs in California are currently managed by people who may not have a succession plan in place, but may benefit from a partnership to ensure continued longevity of their programs.

The Board discussed a desire to continue exploring options in creating collaborative programs which could service others who are not members of ICRMA, creating an ambassador team of Board members to reach out to others, generating buzz about prospective partnerships with ICRMA, to respond to inquiries regarding ICRMA, and reach out to agencies who opted to not join ICRMA based on quoted prices to gauge satisfaction levels with the JPA they joined.

No action required.

J. PRESIDENT'S REPORT

Mr. Cody thanked staff for their partnership and efforts. Mr. Luther Lewis also responded to a question posed regarding transit coverage. Transit is excluded but there is an exception for paratransit services. Further discussion regarding transit will take place at a future meeting.

K. CLOSING COMMENTS

Ms. Peterson shared her appreciation of continued partnership with ICRMA. Ms. Lyons reiterated the same sentiments, and shared her appreciation for President Cody for the work he has done for ICRMA throughout his term.

L. ADJOURNMENT

Motion made by Cynthia Stafford, Lynwood, seconded by Tom Cody, Monterey Park, and unanimously carried to adjourn the meeting 2:28 pm.