



BOARD OF DIRECTORS' MINUTES
January 31, 2018

The Board of Directors of the Monterey Educational Risk Management Authority met on January 31, 2018 at the Monterey Peninsula Yacht Club in Monterey, CA.

Board of Directors Present

Jerry Stratton, President, Salinas City ESD
Rory Livingston, King City USD
Veronica Flournoy, Spreckels USD
Colleen Stanley, MCOE
Ana Aguillon, Salinas UHSD
Angel Cante, Greenfield USD
Cesar Vega, Soledad USD
Tracie Corpuz, Washington USD

Board Members Absent

Ian Trejo, Bradley USD
Gordon Piffero, Big Sur USD
Rick Blanckmeister, Carmel USD
Eva Contreras, Chualar USD
Mary Dawson, Gonzales USD
Rosemary Grounds, Graves SD
Daniel Stonebloom, Lagunita SD
Jinane Annous, Mission USD
Rick Miller, Pacific Grove USD
Pam Hernandez, San Antonio USD
Catherine Reimer, San Ardo USD
Nicole Hester, San Lucas USD
Shelly Morr, Santa Rita USD
Sherrie Castellanos, SMCJHSD

Guests and Staff

Letty Diaz, Soledad USD - Alternate
Mujtaba Dato, AON Risk Consultants
Kevin Wong, Gilbert & Associates
Allison Kaune, PFM
Susanne King, Monterey County
Mary Zeeb, Monterey County

Guest and Staff (continued)

Patricia Kaufman, McGilloway, Ray, Brown & Kaufman
Jacinto Bernal, McGilloway, Ray, Brown & Kaufman
Greg Rolen, Haight, Brown & Bonesteel
Connie Hampson, Intercare
Marlene Richardson, Intercare
Danielle Buri, Intercare
Mike Simmons, Alliant
Marcus Beverly, Alliant
Matt Gowan, Alliant
Julio Jauregui, MERMA
Hallie Pacheco, MERMA

A. CALL TO ORDER

President Stratton called the meeting to order at 9:35 a.m.

B. ROLL CALL

Present: Jerry Stratton, Rory Livingston, Veronica Flournoy, Colleen Stanley, Ana Aguillon, Angel Cante, Cesar Vega, Tracie Corpuz

Introduction of Board of Directors and Guests.

C. APPROVAL OF AGENDA AS POSTED

Motion was made to approve the agenda as presented.

MOTION: Cesar Vega	SECONDED: Rory Livingston	MOTION CARRIED
AYES: 8	NOES: 0	ABSTAIN: 0
		ABSENT: 14
AYES:	Cesar Vega, Rory Livingston, Jerry Stratton, Veronica Flournoy, Colleen Stanley, Ana Aguillon, Angel Cante, Tracie Corpuz	
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos	

D. PUBLIC COMMENTS

None

E. CONSENT CALENDAR

The following item was approved.

1. Board of Directors' Minutes – May 24, 2017

MOTION: Colleen Stanley	SECONDED: Ana Aguillon	MOTION CARRIED	
AYES: 8	NOES: 0	ABSTAIN: 0	ABSENT: 14
AYES:	Colleen Stanley, Ana Aguillon, Rory Livingston, Jerry Stratton, Veronica Flournoy, Angel Cante, Cesar Vega, Tracie Corpuz		
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos		

F. ADMINISTRATIVE REPORTS

1. **President's Report**

Jerry Stratton mentioned the Yacht Club is still in the process of having construction done but is fully functional at this time.

Mr. Stratton stated there has been a contentious debate over a period of time on an action item that will be heard later in the day in regard to excess reserves. He has reached out to Garry Bousum who chaired the JPA for a long time and made sure he received all of the agenda material and reports, including the draft versions. He was invited but will not be attending this meeting. We did due diligence to ensure he had full knowledge of the reports and the action we will likely take later today.

2. **Board of Directors Report**

None

G. JPA BUSINESS

1. **MERMA Overview**

Matt Gowan stated MERMA is one of the oldest JPA's, founded in 1974. It is run by the Board Members as it is your pool, with heavy lifting done by the Executive Committee.

Matt Gowan reported that our biggest goal is long-term financial stability of the pool. We want to be here for 30+ more years. Our overwriting goal is to make sure we have the money and have financial stability, keeping the premium down through aggressive insurance marketing.

Matt Gowan stated the SIR on Excess Insurance has changed over the years. For many years the SIR was at \$500,000. Based on the many changes we have made within the pool and taking advantage of a relatively flat market, we've been able to buy excess insurance at a very safe and low SIR of \$75,000.

Marcus Beverly stated he serves as the Executive Director and oversees the overall operations of MERMA, including staff and finance. He is very involved with creating policies and procedures to achieve the CAJPA Accreditation with Excellence for MERMA. It is another measure for the Board to know we are running the JPA with the best practices recognized and acknowledged throughout the industry.

2. Funding and Dividend Policy Study

Mujtaba Datoos of Aon Risk Consultants presented the Funding and Dividend Policy Study. The report details the review of MERMA's Funding Policy, financial position, and Dividend Policy. Lengthy discussion held.

Motion was made to accept AON Risk Consultant's Report as presented.

MOTION: Rory Livingston	SECONDED: Colleen Stanley	MOTION CARRIED
AYES: 8	NOES: 0	ABSTAIN: 0
ABSENT: 14		
AYES:	Rory Livingston, Colleen Stanley, Jerry Stratton, Veronica Flournoy, Ana Aguillon, Angel Cante, Cesar Vega, Tracie Corpuz	
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos	

The Board of Directors took a break at 11:04 a.m. – Reconvened at 11:15 a.m.

3. Funding & Dividend Policy Recommendations

Mujtaba Datoos of Aon Risk Consultants presented his recommendations for the Dividend Policy and options and methods to allocate assets returned to the members. Mr. Datoos recommends returning up to \$3,000,000 total to the members from MERMA's aggregate net position. Member shares of the dividend are based on their pro-rata share of contributions from the past 10 policy years, excluding the most recently completed year.

Motion was made to approve the recommended Dividend Policy and move forward with the recommendations for distribution as presented.

MOTION: Rory Livingston	SECONDED: Cesar Vega	MOTION CARRIED
AYES: 8	NOES: 0	ABSTAIN: 0
ABSENT: 14		
AYES:	Rory Livingston, Cesar Vega, Colleen Stanley, Jerry Stratton, Veronica Flournoy, Ana Aguillon, Angel Cante, Tracie Corpuz	
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos	

4. Audited Financials as of June 30, 2017

Kevin Wong of Gilbert Associates presented the audited financials as of June 30, 2017. Kevin discussed the Communications With Those Charged With Governance and summarized key sections of the audited financials. Discussion held.

Motion was made to accept and approve the Audited Financials as of June 30, 2017 as presented.

MOTION: Colleen Stanley	SECONDED: Ana Aguillon	MOTION CARRIED
AYES: 8	NOES: 0	ABSTAIN: 0
ABSENT: 14		
AYES:	Colleen Stanley, Ana Aguillon, Rory Livingston, Jerry Stratton, Veronica Flournoy, Angel Cante, Cesar Vega, Tracie Corpuz	
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos	

The Board of Directors broke for lunch at 11:48 a.m.

Board Member, Tracie Corpuz, left the meeting during break.

Reconvened at 12:42 p.m.

5. New Investment Portfolio

Mary Zeeb, Treasurer-Tax Collector, County of Monterey and Allison Kaune of PFM provided an overview of MERMA's new investment portfolio. A custom investment portfolio was created for MERMA to better match the JPA's long-term liabilities. The separate investing portfolio allows for securities to be invested out a little longer which should lead to higher interest earnings over time.

Allison Kaune stated yields continued to climb during the fourth quarter, with some short and intermediate term yields reaching highs not seen since 2008.

She stated the sharp increase in interest rates during the quarter resulted in negative total return performance for most fixed-income sectors as unrealized market value losses ate into realized earnings. With periods of rising rates you will experience negative returns. Strong investor appetite for high-quality alternatives to U.S. Treasuries caused the yield spreads on investment-grade fixed income sectors to tighten over the quarter, resulting in outperformance relative to the Treasury sector.

Ms. Kaune stated that it's not always fun to report a negative performance but she is happy to show we did outperform the benchmarks. The negative performance is the result of interest rates moving high so quickly during the quarter.

Earnings Analysis – Quarter Ended December 31, 2017

Total Interest and Realized Gain/Loss	\$96,787
+Change in market value	-\$174,151
=Total Return	-\$77,364
Total Return %	-0.31%

6. Financial Reports for Period Ending September 30, 2017

Jacinto Bernal of McGilloway, Ray, Brown & Kaufman presented the Quarterly Financial Report for the Period Ending September 30, 2017.

Motion was made to accept and approve the Financial Reports for Period Ending September 30, 2017 as presented.

MOTION: Veronica Flournoy	SECONDED: Colleen Stanley	MOTION CARRIED
AYES: 7	NOES: 0	ABSTAIN: 0
ABSENT: 15		
AYES:	Veronica Flournoy, Colleen Stanley, Rory Livingston, Jerry Stratton, Ana Aguillon, Angel Cante, Cesar Vega	
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos, Tracie Corpuz	

7. Risk Control Update

Julio Jauregui, Loss Control Manager, provided an update on his recent activities. He has provided training support for team culture, safe lifting, slips, falls, back injuries, electrical safety, hazard communications, violence free workplace, verbal abuse and emergency communications.

He produced the Injury and Illness Prevention Program for South Monterey County Joint Union High School District. He has designed new safety report forms and safety audits checklists.

He has conducted numerous ergonomic evaluations with recommendations and has provided support on proper ergonomics. He also showed the Board Members one of the training videos he has produced on proper chair adjustment.

Marcus Beverly reminded the members to use their Matching Safety Funds. So far this Fiscal Year, only two members have used their funds. These funds can be used to purchase items that are recommended during ergonomic evaluations. Would really encourage the members to use these funds as it is a benefit to them.

The Board of Directors took a break at 2:10 p.m. – Reconvened at 2:27 p.m.

8. Volunteer Coverage

Matt Gowan and Marcus Beverly provided the Board with information regarding each member's option to cover volunteers under Workers' Compensation. Different options were discussed as far as Volunteer Accident Insurance, Resolutions, and Pros and Cons of covering volunteers under workers' comp.

The Board Members asked Greg Rolen, MERMA's legal counsel, to research and come back with recommendations. No action taken.

9. Intercare Claims Management Stewardship Report

Connie Hampson and Danielle Buri of Intercare provided the Stewardship Review Report for Fiscal Years 2014/2015, 2015/2016, and 2016/2017. The following reports were reviewed with the Board:

- New Claims Comparison
- Closing Summary
- Medical Only Claims
- Indemnity Claims
- New Claims Comparison by District
- Pending by District
- Payment Distribution
- Denial & Litigation Rates
- Frequency Rate per 100 Employees
- Percentage of Payroll
- MERMA Claims Report Card
- Special Investigations Unit
- UR Managed Care Services
- Bill Review Services
- Pharmacy Benefit Management
- 2016/2017 Program Successes
- 2017/2018 Program Goals & Objectives

Board Members Angel Cante, Cesar Vega and Alternate Member Letty Diaz left the meeting.

10. Legal Update – The Brown Act

Greg Rolen of Haight, Brown & Bonesteel, MERMA's legal counsel, provided a presentation and information on the Brown Act, "What you Don't Know Can Hurt You".

11. Roundtable Discussion

None

H. Closing Comments

None


I. Upcoming Meetings

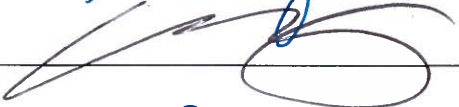
Board of Directors Meeting – May 23, 2018

J. ADJOURNMENT

Motion was made to adjourn the meeting at 3:47 p.m.

MOTION: Veronica Flournoy	SECONDED: Colleen Stanley	MOTION CARRIED
AYES: 5	NOES: 0	ABSTAIN: 0
		ABSENT: 17
AYES:	Veronica Flournoy, Colleen Stanley, Rory Livingston, Jerry Stratton, Ana Aguillon	
ABSENT:	Ian Trejo, Gordon Piffero, Rick Blanckmeister, Eva Contreras, Mary Dawson, Rosemary Grounds, Daniel Stonebloom, Jinane Annous, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Shelly Morr, Sherrie Castellanos, Tracie Corpuz, Angel Cante, Cesar Vega	

President/Vice President 

Executive Director 

Date MAY 23, 2018
