



Monterey Educational Risk Management Authority
P.O. Box 3320, Salinas, CA 93912
www.merma.org

EXECUTIVE COMMITTEE MINUTES
March 8, 2017

The Executive Committee of the Monterey Educational Risk Management Authority met at 76 Stephanie Drive, Salinas, on March 8, 2017 at 1:30 p.m.

Executive Committee Members Present

Jerry Stratton, President
Rory Livingston, Vice President
Veronica Flournoy

Executive Committee Absent

Colleen Stanley
Tracie Corpuz

Guests and Staff

Marcus Beverly, Alliant
Matt Gowan, Alliant
Derek Burkhalter, Bickmore Risk Services – via teleconference
Jacinto Bernal, McGilloway, Ray, Brown & Kaufman
Marlene Richardson, Intercare
Connie Hampson, Intercare
Hallie Pacheco, Administrative Assistant
Connie Martin, Administrative Assistant

CALL TO ORDER

President Stratton called the meeting to order at 1:30 p.m.

ROLL CALL

Present: Jerry Stratton, Rory Livingston, Veronica Flournoy
Absent: Colleen Stanley and Tracie Corpuz

APPROVAL OF AGENDA POSTED

Motion was made to approve the agenda as posted.

MOTION: Veronica Flournoy	SECONDED: Rory Livingston	MOTION CARRIED
AYES: 3	NOES: 0	ABSTAIN: 0
ABSENT: 2		
AYES: Veronica Flournoy, Rory Livingston, Jerry Stratton		
ABSENT: Colleen Stanley, Tracie Corpuz		

PUBLIC COMMENTS

None

CONSENT CALENDAR

The following items were presented:

1. Executive Committee Minutes – January 11, 2017,
2. Payment Registers and Board Reports – January and February 2017,
3. Treasurer’s Report for period ending December 31, 2016,
4. Engagement Letter – Bickmore Risk Services

Motion was made to approve items as 1 through 4 as presented with a single motion.

MOTION: Veronica Flournoy	SECONDED: Rory Livingston	MOTION CARRIED
AYES: 3	NOES: 0	ABSTAIN: 0
ABSENT: 2		
AYES: Veronica Flournoy, Rory Livingston, Jerry Stratton		
ABSENT: Colleen Stanley, Tracie Corpuz		

ADMINISTRATIVE REPORTS

President’s Report

President Stratton briefly reported on the untimely passing of Gary Metzler, Loss Control Manager. He stated that he had notified the Executive Committee and MERMA staff had notified the rest of the board members. He mentioned that Gary’s obituary was published in the Salinas Californian.

President Stratton also mentioned that at the last Executive Committee meeting possible ways were discussed to determine how to use the Net Position above MERMA’s financial benchmarks. He informed the Committee that this issue would be discussed later on the agenda. President Stratton stated that Colleen Stanley had asked him to talk to Garry Bousum, Associate Superintendent at

President's Report (continued)

MCOE, because Garry was interested in this matter and had discussed it with Nancy Kotowski, MCOE Superintendent. Garry informed President Stratton that it would be better for them to get a check rather than an annual subsidy amount based on the Ex-Mods.

MERMA Administrative Update

Matt Gowan reported on:

1. Marketing Update – Matt reported that he met with Hartnell College. It was a good meeting and he will follow-up with them in September. Matt also reported that he is currently working with Santa Cruz City Schools. Matt has met with them multiple times and they have asked for multiple options. Matt will follow-up with them.
2. CASBO Conference – Matt reported that he will be attending the CASBO conference and will also be hosting a dinner at the conference and would like to invite the Committee members to the dinner if they are attending the conference.

Marcus Beverly reported on:

Marcus informed the Committee that we are still waiting on the color swatches for the chairs, paint colors, and carpet. Marcus also mentioned that we are looking into having the office windows replaced with double-panes, plus a window cracked during the storm and it will need to be replaced in the interim. (The storm caused a lot of damage at the school sites). The current windows are very old, single-pane, very drafty, plus they are easy to open from the outside of the building. The window company came out to measure the windows, they will send their estimate to the contractor in charge of the remodeling of the conference room. The Executive Committee was in favor of the window replacements but will need to review the estimate.

Claims Administrator's Report

Intercare informed the Executive Committee that Carol Epp, Claims Adjuster, had submitted her resignation. Carol will be moving out of the area and her last day will be March 31st. Discussion held as to whether it is possible to have Carol, if she is willing, to work remotely from her new location. Marlene Richardson stated that she had recommended the possibility of Carol working remotely but she and Connie Hampson informed the Executive Committee that they need to present the concept to executive management for their review, input, and approval.

Claims Administrator's Report (continued)

Intercare provided the Executive Committee with the following reports:

- Annual and Monthly Claim Results,
- New Claim Analysis YTD 2016/17 – as of 2/28/17,
- Monthly Frequency & Severity Reports as 2/28/17,
- Claim Closing Analysis YTD 2016/17 – as 2/28/17,
- Net Reserve Changes – YTD 2016/17 – as of 2/28/17,
- MERMA Company Nurse Results for January & February 2017 and,
- MERMA Bill Review Results for January & February 2017.

Veronica Flournoy thanked Intercare for printing the report front & back and for adding page numbers. Discussion held.

Executive Committee Report

None

FINANCIAL REPORTS

Jacinto Bernal of McGilloway, Ray, Brown, & Kaufman presented the Financial Report for the period ending December 31, 2016. Discussion held.

Motion was made to accept and file the financial report as presented for the period ending December 31, 2016.

MOTION: Rory Livingston	SECONDED: Veronica Flournoy	MOTION CARRIED
AYES: 3	NOES: 0	ABSTAIN: 0
		ABSENT: 2
AYES: Rory Livingston, Veronica Flournoy, Jerry Stratton		
ABSENT: Colleen Stanley, Tracie Corpuz		

JPA BUSINESS

Actuarial Review of the Self-Insured Workers' Compensation Program

Derek Burkhalter of Bickmore Risk Services presented the annual analysis of MERMA's outstanding liabilities and 2017-18 funding via tele-conference. The base loss rate for 2017-18 is projected to increase 5.5% from \$1.26 to \$1.33, based on greater than expected losses in the most recent years, particularly 2014-15. The rate at a 70% confidence level which includes administrative and excess insurance expenses is \$2.47 with an SIR of \$75,000. MERMA's estimated outstanding liabilities have decreased by 2.7% from \$26,555,000 to \$25,816,000. The liability decrease, with the increased net position from several years of improving results means that MERMA is still in a very strong financial position with assets estimated to be \$11,634,000 above liabilities at a 90% confidence level. Derek also provided the Committee with a draft summary of the experience modification factors by member. Individual ex-mods changes range from a decrease of 26% to an

increase of 51%. The changes are due in part to a change in the ex-mod formula and the addition of the 2014-15 year. The Executive Committee reviewed the report, discussion held. This was an information item only. The final report will be presented for approval at the April Executive Committee meeting.

Options For Use of Net Position Above Funding Benchmarks

At the last Committee meeting direction was given to compare MERMA’s percentage of operating revenues to net position with other Workers’ Compensation JPAs. Marcus Beverly presented the percentages as provided by Gilbert Associates.

Marcus Beverly also provided options for the use of MERMA’s Net Position. Marcus asked the Committee two questions: 1) How much money do they want to refund, and 2) How do you want to divvy it amongst the members? Marcus suggested the amount of \$3 million to give back to the members. Marcus provided 3 possible formula options that are relatively straight forward for use of Net Position above the funding benchmarks established in MERMA’s Funding policy. The formula options presented were 1) payroll for the last ten years; 2) assessments/premiums for the last ten years, and 3) pool fund balance as of 6/30/16. The Committee also discussed a Risk Management Fund (safety fund, without the matching fund element). Lengthy discussion held. Executive Committee gave Marcus guidance to review the MERMA bylaws for possible revision, look at additional numbers (formulas), and keep as an information item with the goal of presenting to the Board in October for consideration or action. This was an information item, no action.

Investment Proposal

Investment Proposal prepared by Mary Zeeb, County Treasurer, was presented to the Executive Committee for their review and approval. The Investment Proposal is to set aside funds for MERMA to be segregated in a separate investment portfolio to match the JPA’s long-term liabilities. The initial investment portfolio will be 25 million. It is expected the portfolio will generate a return at least of 1.5% greater than the current return. Discussion held.

Motion was made to approve the proposal as presented.

MOTION: Veronica Flournoy	SECONDED: Rory Livingston	MOTION CARRIED
AYES: 3	NOES: 0	ABSTAIN: 0
		ABSENT: 2
AYES: Veronica Flournoy, Rory Livingston, Jerry Stratton		
ABSENT: Colleen Stanley, Tracie Corpuz		

Workers’ Compensation Excess Insurance Update

Matt Gowan reported on the Excess Insurance renewal. Matt explained that there are two layers, one with Great American and the other with Meadow Brook. Matt informed the Committee that there

was a large loss of \$800,000 from a member that will affect the renewal. Matt stated that the underwriter was not happy because the claim happened a 1 ½ ago and should have been on last year's loss run. Intercare stated that the claim was reported late. Matt informed the Committee that the excess insurance is going to increase, his estimate is 5% higher. Matt mentioned that the Committee may want to consider looking into raising the SIR. Committee suggested that they may need to set aside funds in the reserve account to cover the increase. Matt stated that he will have a better indication on the increase or have an actual quote by the April meeting. Information item only, no action.

Preliminary Budget FY 2017-18

Marcus Beverly presented MERMA's preliminary budget for FY 2017-18. Marcus stated that this is very preliminary. Marcus thanked Hallie for reformatting the budget format to fit in with MCOE's format. Marcus stated that the excess insurance will most likely increase but he is comfortable with the rest of the numbers. From an admin standpoint, Marcus stated that the JPA is probably looking at about a 5% increase, this all depends on the excess insurance. Marcus informed the Committee that 3 new categories were added to the budget, 1) investments services, 2) contingency reserve of \$5,000 and 3) training-\$5,000. Marcus also added that a COLA was also factored in but Marcus stated that this is very preliminary. The numbers will change for the next meeting. Discussion held. This was an information item only. The proposed budget will be presented at the April Executive Committee for approval and will be recommended to the Board for final approval at their May 24th meeting.

Meeting Schedule FY 2017-18

Resolution to establish Board and Executive Committee meeting dates for FY 2017-18 was presented to the Executive Committee for approval.

The Executive Committee passed Resolution 17-01 to establish FY 2017-18 meeting dates.

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AYES: Veronica Flournoy, Rory Livingston, Jerry Stratton		
ABSENT: Colleen Stanley, Tracie Corpuz		

Loss Control Services

Marcus stated that Gary will obviously be missed tremendously. The Executive Committee had previously approved the Loss Control Manager Job Announcement and Job Description (since Gary was expected to retire). Marcus Beverly informed the Executive Committee that all emails regarding safety matching funds are being routed to Hallie Pacheco. Marcus also informed the Executive Committee that a local contact is available to conduct loss control reviews on a temporary basis if needed. Marcus stated that the job announcement was placed on Indeed, PARMA website,

MERMA's website and on loss control sites (Cal-OSHA Reporter). MERMA has already received a few resumes. Discussion held. Committee suggested to interview qualified candidates as soon as possible. President Stratton would like to screen resumes and sit on the interview panel.

Closing Comments

- Marcus wanted to make sure what the EC wanted him to bring back for the next meeting in regards to Options for Use of Net Position Above Funding Benchmarks: 1) a history of how we got to this point, 2) refine options, and continue discussion with a projected timeline to be presented to the Board at the October meeting, 3) Look at how to calculate available ending balance, figure out amount that the reserves were adjusted downward for the projected losses, what percentage.
- Committee thanked Connie for making their lodging accommodations for the CAJPA Conference.

Upcoming Meeting

Next Executive Committee meeting will be held on April 12, 2017.

ADJOURNMENT

Motion was made to adjourn the meeting at 4:00 p.m.

MOTION: Veronica Flournoy	SECONDED: Rory Livingston	MOTION CARRIED
AYES: 3	NOES: 0	ABSTAIN: 0
AYES: Veronica Flournoy, Rory Livingston, Jerry Stratton		ABSENT: 2
ABSENT: Colleen Stanley, Tracie Corpuz		

Gerald Stratton, President: 

Marcus Beverly, Executive Director: 

Date: April 12, 2017