



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

EXECUTIVE COMMITTEE MINUTES
April 12, 2017

The Executive Committee of the Monterey Educational Risk Management Authority met at 76 Stephanie Drive, Salinas, on April 12, 2017 at 1:30 p.m.

Executive Committee Members Present

Jerry Stratton, President
Rory Livingston, Vice President
Veronica Flournoy
Colleen Stanley

Executive Committee Absent

Tracie Corpuz

Guests and Staff

Marcus Beverly, Alliant
Matt Gowan, Alliant
Agnes Hoerberling, Intercare
Karen Callahan, Intercare
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 1:35 p.m.

ROLL CALL

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

APPROVAL OF AGENDA POSTED

Motion was made to approve the agenda as posted.

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| MOTION: Colleen Stanley | SECONDED: Veronica Flournoy | MOTION CARRIED | |
| AYES: 4 | NOES: 0 | ABSTAIN: 0 | ABSENT: 1 |
| AYES: Colleen Stanley, Veronica Flournoy, Rory Livingston, Jerry Stratton | | | |
| ABSENT: Tracie Corpuz | | | |

PUBLIC COMMENTS

None

CONSENT CALENDAR

The following items were presented:

1. Executive Committee Minutes – March 8, 2017,
2. Payment Registers and Board Reports – March 2017,

Motion was made to approve items as 1 through 2 as presented with a single motion.

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| MOTION: Veronica Flournoy | SECONDED: Colleen Stanley | MOTION CARRIED | |
| AYES: 4 | NOES: 0 | ABSTAIN: 0 | ABSENT: 1 |
| AYES: Veronica Flournoy, Colleen Stanley, Rory Livingston, Jerry Stratton | | | |
| ABSENT: Tracie Corpuz | | | |

ADMINISTRATIVE REPORTS

President's Report

President Stratton reported that he had received an email from Garry Bousum in regards to the JPA's reserves. Garry Bousum stated to President Stratton that his personal position is that any excess assets above 2 million should be returned to the member. President Stratton stated that this item will be discussed under item 6 in the agenda and will discuss how to move forward.

President Stratton asked the Committee to please be tolerant with him during the meeting because he was not feeling well.

President Stratton reported that Tracie Corpuz is unable to continue to serve on the Executive Committee. This will be discussed further at the next meeting.

MERMA Administrative Update

Matt Gowan reported on:

1. CSAC conducting a forum in Santa Clara. STOPit information will be provided at the forum. If anyone is interested in attending, please contact Matt Gowan.
2. CASBO Conference – Matt mentioned 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.
3. Will be doing a benchmarking on liability rates per ADA for other JPAs.

Claims Administrator's Report

Intercare provided the Executive Committee with the following reports:

- Annual and Monthly Claim Results,
- New Claim Analysis YTD 2016/17 – as of 3/31/17,
- Monthly Frequency & Severity Reports as 3/31/17,
- Claim Closing Analysis YTD 2016/17 – as 3/31/17,
- Net Reserve Changes – YTD 2016/17 – as of 3/31/17,
- MERMA Company Nurse Results for March 2017 and,
- MERMA Bill Review Results for March 2017.

Discussion held. Colleen Stanley asked if it was possible to add prior month or year column for report on page 24 and 41. Intercare stated that they can change the report per the Committee's request. Going forward Intercare will add quarter over quarter and year over year on the reports. Also discussed was the increase in new claims from the prior month. A lot of the new claims were weather related. President Stratton also commented on the Company Nurse Program. He stated one of his schools had a problem getting through to Company Nurse. Marlene said she will get together with Marcus or Matt to discuss. Marcus mentioned he had contacted Company Nurse and they inform that they have a shortage nurses but they are in the process of hiring more. Company Nurse Program will be discussed again as an information item at the next Executive Committee meeting.

Executive Committee Report

Veronica Flournoy thanked MERMA for the prompt response for Loss Control Services to her district. She reached out to Hallie and arrangements were made for an ergonomic evaluation. Veronica informed the Committee that the ergonomist was very thorough and the employee was very happy. Veronica thanked Hallie for finding someone so quickly. Marcus added that the fee for the specialist, Alison Heller-Ono at Worksite International was very reasonable.

JPA BUSINESS

Actuarial Review of the Self-Insured Workers' Compensation Program

Marcus Beverly presented the revised 2017-18 funding for the Executive Committee to review and accept. Marcus had Bickmore increase the administration funding to reflect an increase in the excess insurance estimate and to accurately reflect the claims administration expenses. Marcus stated that the bottom line, the admin did go up but the good news is the \$75,000 SIR is still the least expensive option. Marcus provided the premium assessment spreadsheet. Overall the rate is going up by about 13%, from \$2.43 to \$2.76 per \$100 of payroll. Marcus also provided a spreadsheet that shows the key differences on what drives the rate, 1) payroll, overall 10% increase, and 2) ExMod factor, shows how the losses impact the funding. Discussion held on the spreadsheet presented, change last column to read Net Rate. Veronica Flournoy congratulated Spreckels USD for having the biggest rate drop.

Motion was made to accept the revised actuarial review.

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| MOTION: Veronica Flournoy | SECONDED: Rory Livingston | MOTION CARRIED |
| AYES: 4 | NOES: 0 | ABSTAIN: 0 |
| | | ABSENT: 1 |
| AYES: Veronica Flournoy, Rory Livingston, Colleen Stanley Jerry Stratton | | |
| ABSENT: Tracie Corpuz | | |

Workers' Compensation Excess Insurance Update

Matt Gowan reported on the Excess Insurance renewal. Matt provided the Committee with three SIR options, \$75,000, \$100,000 and \$500,000. Discussion held.

Matt Gowan also reported that he had quoted a school district outside of Monterey County. He quoted them a lower rate but they decided to stay with their current vendor at a higher rate. Executive Committee stated that it was unfortunate, but thanked Matt and Marcus for their hard work in preparing the quote. President Stratton to send letter to their Superintendent.

Workers' Compensation Excess Insurance Update (continued)

Motion was made to maintain the SIR of \$75,000, with a total rate of \$2.270 per \$100 of payroll using the two layers, with Great American and State National and to recommend to Board for approval at their May 24th meeting.

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| MOTION: Veronica Flournoy | SECONDED: Colleen Stanley | MOTION CARRIED |
| AYES: 4 | NOES: 0 | ABSTAIN: 0 |
| | | ABSENT: 1 |
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| AYES: | Veronica Flournoy, Colleen Stanley, Rory Livingston, Jerry Stratton | |
| ABSENT: | Tracie Corpuz | |

Preliminary Budget FY 2017-18

Marcus Beverly provided preliminary budget noting no major changes from the last Executive Committee meeting except he will be adding the Intercare Agreement Fee. Marcus informed the Committee that we did receive the estimate for the new windows. The Milgard window estimate came in at \$71,000 which will be a shared expense with MCSIG. Marcus will confirm with MCSIG on final estimate on windows because we might get a better deal. Marcus also informed the Committee that he will confer with the accountant on the ULAE and change in claims liability, and add the revenue. Colleen Stanley added that MCOE's accounting services would go up by 1.48%. Veronica Flournoy had a question on the longevity & COLA on the Loss Control Manager position. Marcus informed Veronica that the Loss Control Manager position would be adjusted on the final budget. President Stratton stated that Milgard is a good company and he stated that they have a good warranty. Veronica Flournoy stated that she thinks we will get our money back quickly in energy, the office is hot in the summer and drafty in the winter. The final budget will be presented to the Executive Committee at their May 10th meeting, with a recommendation to the Board for adoption at their May 24th meeting. Information item only, no action.

Intercare Fee Proposal

Marcus provided the Committee with a copy of the proposed agreement. Marcus informed the Committee that Intercare submitted a cost proposal and he negotiated with Intercare. Intercare presented their proposed amendment to their agreement for a change in their fee schedule. Intercare provided the Committee with two options, Option 1 – Annual Fee per Claim and Option 2 – Fixed Flat Annual Fee. Discussion held.

Intercare Fee Proposal (continued)

Motion was made to approve Option 2 – Fixed Flat Annual Fee for 3 years with the Managed Care Fees and delete item #5 under Assumptions.

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| MOTION: Colleen Stanley | SECONDED: Rory Livingston | MOTION CARRIED |
| AYES: 4 | NOES: 0 | ABSTAIN: 0 |
| | | ABSENT: 1 |
| AYES: Colleen Stanley, Rory Livingston, Veronica Flournoy, Jerry Stratton | | |
| ABSENT: Tracie Corpuz | | |

Intercare thanked MERMA for partnering with them. Also, Veronica Flournoy thanked Intercare for accommodating Carol Epp. Intercare has received great feedback from Carol’s districts.

Loss Control Manager Recruitment Update

Marcus Beverly gave an update on the Loss Control Manager Recruitment. Marcus informed the Executive Committee that a total of 11 resumes were received. Marcus stated that the resumes were all reviewed and selection was made to interview the most qualified persons. Marcus has begun the process with telephone interviews and will proceed with the in-person interviews. Discussion held. The interviews will be scheduled for May 3rd, President Stratton along with MERMA staff will sit in the interviews. Information item only, no action.

Options For Use of Net Position Above Funding Benchmarks

Marcus reported that at the last meeting, the Committee asked for additional information regarding MERMA’s funding history and he provided charts prepared by Hallie. Marcus provided charts on 1) Pool Fund Balance and Total Liabilities, 2) Claim History by Year, 3) Number of Employees, Number of Claims and, Average Cost per Claim, 4) Claims with Total Incurred over \$100,000, 5) 2014/15 Claims, and 6) Rate per \$100 of Payroll for discussion. Marcus stated there was a big jump in FY 13/14 and FY 14/15, the fund balance doubled and the trend continues to go up, so the JPA has reason to be conservative by letting these big changes settle. President Stratton thanked Marcus for the good data. President Stratton stated that items that need to be discussed by the Committee are 1) Methodology, 2) is it incremental over 2 or 3 years and, 3) When does it start?

Marcus said that based on our benchmarks he is prepared to recommend up to \$ 3 million in a refund. Marcus stated that the Committee mentioned a timetable to review some additional information and bring back to the Board perhaps in October and make a decision. Since that time, the JPA has received more feedback from MCOE so the Committee might want to make a decision sooner than later. The suggestion so far has been rather than subsidizing the admin expenses like the JPA has done in the past to make the refund more obvious, such as a check that people will notice and that will help the JPA establish and maintain consistent levels of funding separate from the refund.

Options For Use of Net Position Above Funding Benchmarks (continued)

President Stratton mentioned that Garry Bousum’s questions are probably based on next year’s budget. The Committee expressed that the JPA is fiscally viable and the JPA is not a savings account. President Stratton stated that the Committee take some time to digest all of this, share it with the full Board and maybe decide at the October meeting.

Marcus stated that he will revisit the benchmarks, remind the Board where we are and what the JPA can afford. Marcus mentioned to keep in mind the JPA is about to fund a long-term investment account of \$25 million. He recommended allocating any refund based on premiums paid because this is an easy and transparent way to do it but there are other options. President Stratton stated that he would like to explore other options. President Stratton also mentioned if it is worth taking 10% to protect smaller districts. Veronica Flournoy likes that idea of using 10% for the smaller districts when needed. She stated that the issue of helping the smaller districts needs to be addressed.

The Committee decided to discuss this again at their next meeting because the impact of closing of claims is huge and each district has probably benefited very differently from the closing of claims. Several factors have occurred in the JPA, 1) change in operation, 2) change in accounting policy, 3) business decision that occurred in 2013/14. The Committee wants to look at the big picture, discuss again in May and present it to the Board in October as an information item. Marcus will research the history of the member fund balance and report at the next Committee meeting. At the October full board meeting, he will present information on JPA’s benchmarks and present options if the JPA were to consider some type of refund. The Committee mentioned they may consider other options to use the \$2 million, consider a premium adjustment and improve the safety program. The conversation will continue at the next Executive Committee meeting.

Closing Comments

Marcus mentioned that the swatches for the chairs and conference table were available for review. President Stratton asked the members to look at the swatches on their way out.

Upcoming Meeting

Next Executive Committee meeting will be held on May 10, 2017.


ADJOURNMENT

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

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| MOTION: Veronica Flournoy | SECONDED: Colleen Stanley | MOTION CARRIED |
| AYES: 4 | NOES: 0 | ABSTAIN: 0 |
| | | ABSENT: 1 |

MERMA Executive Committee Minutes
April 12, 2017

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

Gerald Stratton, President: 

Marcus Beverly, Executive Director: 

Date: 8/11/17