



**BOARD OF DIRECTORS' MINUTES**  
**May 24, 2017**

The Board of Directors of the Monterey Educational Risk Management Authority met on May 24<sup>th</sup> at 901 Blanco Circle, Room A, Salinas, CA, at 1:00 p.m.

Board of Directors Present

Jerry Stratton, President, Salinas City ESD  
Veronica Flournoy, Spreckels USD  
Mary Dawson, Gonzales USD  
Angel Cante, Greenfield USD  
Colleen Stanley, MCOE  
Ana Aguillon, Salinas UHSD

Board Members Absent

Rory Livingston, Vice President, King City USD  
Ian Trejo, Bradley USD  
Gordon Piffero, Big Sur USD  
Rick Blanckmeister, Carmel USD  
Claudia Arellano, SMCJHSD  
Eva Contreras, Chualar USD  
Rosemary Grounds, Graves SD  
Nadene Dermody, Lagunita SD  
Karen Vaughan, 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  
Cesar Vega, Soledad USD  
Tracie Corpuz, Washington USD

Guests and Staff

Marcus Beverly, Alliant  
Matt Gowan, Alliant  
Karen Callahan, Intercare  
Marlene Richardson, Intercare  
Danielle Buri, Intercare  
Guest and Staff (continued)

Becky Moore, Gonzales USD  
Hallie Pacheco, MERMA  
Connie Martin, MERMA

**A. CALL TO ORDER**

President Stratton called the meeting to order at 1:12 p.m.

**B. ROLL CALL**

6 Board members present & 16 Board members absent. Since a quorum of the Board was not present the Executive Committee is empowered to act as the governing body on all matters to be considered at the meeting. A quorum of the Executive Committee was present.

Introduction of Board of Directors and Guests

**C. APPROVAL OF AGENDA AS POSTED**

Motion was made to approve the agenda as presented.

<b>MOTION:</b> Colleen Stanley <b>SECONDED:</b> Veronica Flournoy <b>MOTION CARRIED</b>			
<b>AYES:</b> 6	<b>NOES:</b> 0	<b>ABSTAIN:</b> 0	<b>ABSENT:</b> 16
<b>AYES:</b>	Veronica Flournoy, Colleen Stanley, Ana Anguillon, Mary Dawson, Angel Cante, Jerry Stratton		
<b>ABSENT:</b>	Ian Trejo, Gordon Piffero, Eva Contreras, Rosemary Grounds, Rory Livingston, Nadene Dermody, Karen Vaughan, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Cesar Vega, Tracie Corpuz, Shelly Morr, Claudia Arellano, Rick Blanckmeister		

**D. PUBLIC COMMENTS**

None

**E. CONSENT CALENDAR**

Motion was made to approve the following items with a single motion:

1. Board of Directors' Minutes – October 5, 2016
2. Intercare Service Agreement – Second Amendment
3. Intercare Lease Agreement – May 2017.

<b>MOTION:</b> Ana Anguillon	<b>SECONDED:</b> Colleen Stanley	<b>MOTION CARRIED</b>	
<b>AYES:</b> 6	<b>NOES:</b> 0	<b>ABSTAIN:</b> 0	<b>ABSENT:</b> 16
<b>AYES:</b>	Veronica Flournoy, Colleen Stanley, Ana Anguillon, Mary Dawson, Angel Cante, Jerry Stratton		
<b>ABSENT:</b>	Ian Trejo, Gordon Piffero, Eva Contreras, Rosemary Grounds, Rory Livingston, Nadene Dermody, Karen Vaughan, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Cesar Vega, Tracie Corpuz, Shelly Morr, Claudia Arellano, Rick Blanckmeister		

**F. ADMINISTRATIVE REPORTS**

1. President's Report

President Stratton thanked Veronica Flournoy for taking his place on the Loss Control Manager Interview Panel on short notice. Veronica Flournoy stated that it was an interesting process and she enjoyed it.

President Stratton also informed the Board that he asked Marcus & Matt to provide some additional information regarding some of the funding changes. The information is not included in packet, will handed-out under the agenda item 6.

2. Pool Administrator's Report

Marcus reported on:

MERMA is moving forward with the investments. The County has agreed to contract terms with investment manager PFM. MERMA will be investing 25 million dollars in more long-term, higher yield securities after July 1<sup>st</sup>.

MERMA and MCSIG are remodeling the conference room with new paint, table & chairs.

Matt reported on:

Reminder that the CAJPA Conference is in September. President Stratton, along with members Flournoy and Stanley will be attending. President Stratton stated it is a great conference and encourages other members to try to attend.

3. Claims Administrator's Report

Intercare provided and reviewed with the Board the following reports:

- Annual and Monthly Results for April 30, 2017,
- New Claim Analysis as of April 30, 2017,
- Monthly Frequency & Severity Reports as April 30, 2017,
- Claim Closing Analysis YTD as of April 30, 2017,
- Net Reserve Changes –YTD 2016/17 as of April 30, 2017
- MERMA Company Nurse Results for April 2017 and,
- MERMA Bill Review Results for April 2017.

4. Board of Directors' Report

None

**G. FINANCIAL REPORTS**

**1. Financial Report for period ending March 31, 2017**

Jacinto Bernal of McGilloway, Ray, Brown & Kaufman presented the financial report as of March 31, 2017 for the Board to review, accept & file. After discussion, motion was made to accept the financial report as presented.

<b>MOTION:</b> Veronica Flournoy	<b>SECONDED:</b> Colleen Stanley	<b>MOTION CARRIED</b>
<b>AYES:</b> 6	<b>NOES:</b> 0	<b>ABSTAIN:</b> 0
		<b>ABSENT:</b> 16
<b>AYES:</b> Veronica Flournoy, Colleen Stanley, Ana Anguillon, Mary Dawson, Angel Cante, Jerry Stratton		
<b>ABSENT:</b> Ian Trejo, Gordon Piffero, Eva Contreras, Rosemary Grounds, Rory Livingston, Nadene Dermody, Karen Vaughan, Rick Miller, Pam Hernandez, Catherine Reimer, Nicole Hester, Cesar Vega, Tracie Corpuz, Shelly Morr, Claudia Arellano, Rick Blanckmeister		

**H. JPA BUSINESS**

**1. Workers' Compensation Excess Insurance Proposal – FY 2017-18**

This item was presented to the Executive Committee at their April 2017 meeting. After discussion, the Executive Committee recommended that funding at a 70% Confidence Level with an SIR of \$75,000 be presented to the Board at their May meeting for adoption.

Motion was made to approve the Workers' Compensation Excess Insurance with Great American and State National with Self-Insured Retention of \$75,000.

<b>MOTION:</b> Veronica Flournoy	<b>SECONDED:</b> Colleen Stanley	<b>MOTION CARRIED</b>	
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**2. Matching Safety Fund Update & Funding**

Hallie Pacheco presented the Matching Safety Fund update. Hallie reported that 75% of the funds were used during FY 2016-17. After discussion, motion was made to approve the Matching Safety Fund for FY 2017-18 in the amount of \$80,000.

<b>MOTION:</b> Colleen Stanley	<b>SECONDED:</b> Veronica Flournoy	<b>MOTION CARRIED</b>	
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<b>AYES:</b> Veronica Flournoy, Colleen Stanley, Ana Anguillon, Mary Dawson, Angel Cante, Jerry Stratton			
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**3. Budget – FY 2017-18**

The Executive Committee recommended that the Board of Directors adopt the budget as presented for FY 2017-2018. Total revenues are expect to increase due to an increase in the base rate of 13.7% and a total payroll increase of 10%. Discussion held and motion was made to adopt the budget for FY 2017-2018.

<b>MOTION:</b> Veronica Flournoy	<b>SECONDED:</b> Colleen Stanley	<b>MOTION CARRIED</b>	
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**4. Program Funding for FY 2017-18**

The Board approved FY 2017-18 premium assessments based on a 70% Confidence Level, \$75,000 SIR, and 1.5% discount rate. The base rate of \$2.7609 per \$100 payroll was also approved.

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**5. Election of Executive Committee Members**

Each year the term of certain members of the Executive Committee expires and the Board must appoint new members. This year two members are up for election, Veronica Flournoy and Colleen Stanley. There is also a vacancy on the Executive Committee to fill Tracie Corpuz' term which ends on June 30, 2018.

Veronica Flournoy nominated Colleen Stanley and Ana Anguillon to serve on the Executive Committee. Colleen Stanley nominated Veronica Flournoy. The Board elected Veronica Flournoy and Colleen Stanley to serve on the Executive Committee from July 1, 2017 to June 30, 2019. Ana Anguillon was elected to serve on the Executive Committee from July 1, 2017 to June 30, 2018 (1-year term).

<b>MOTION:</b> Veronica Flournoy	<b>SECONDED:</b> Colleen Stanley	<b>MOTION CARRIED</b>	
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**6. Net Fund Balance History and Future Disclosure**

Marcus Beverly reported that MERMA annually sends notice to its members to enable them to disclose to their Boards any unfunded liability position with regard to their Workers' Compensation claims, per Education Code Section 42141. Traditionally this notice has included an exhibit entitled Summary of Contingent Net Assets (Deficit) by Member, with each member's Pool Fund Balance or Deficit. The calculation of the balance or deficit by member is based on the JPA agreement in effect prior to 2011 and as such is not applicable to this disclosure going forward. Prior to 2011 MERMA was an "Equity" Pool, meaning each member maintained an ongoing ownership stake in the pool's assets. If a member left the pool they could take their share of MERMA's equity, and their liabilities, with them. This occurred four times in the past (Monterey Peninsula College in 1999, Hartnell Community College in 2003, and Alisal and Monterey Peninsula School Districts in 2006).

The members decided to adopt a new JPA Agreement and establish a set of Bylaws as of February 24, 2011. These documents eliminated the ability for a departing member to take their share of equity and liabilities with them if they left the pool, effectively changing MERMA from an "Equity" pool to a "Non-Equity" pool. This means that the assets of the pool are collectively owned by the members and the only time in which a member's share of the equity would be calculated is upon termination of the pool itself and after the settling of all its outstanding liabilities, a process that could take over thirty years, though interim distributions could be made and the pool could sell its remaining liabilities to a third party.

Marcus informed the Board that given the above information, there is no need or basis for MERMA's accountant to annually calculate and distribute a Net Fund Balance for each member, and no individual member has a divided interest in the pool's net position, be it a surplus or deficit. In addition, the method used to calculate the annual balance is not the same as would be used upon termination of the pool. As such, going forward members will not receive an annual Net Fund Balance but will receive a notice similar to the attached sample from another JPA that reports on the financial condition of the pool as a whole. Discussion held. The Board will review and may discuss further at their October meeting. Information item only, no action.

**7. Loss Control Manager Recruitment Update**

Marcus Beverly reported that MERMA conducted a recruitment for a new Loss Control Manager, and the job was offered to the top candidate, Julio Jauregui. Mr. Jauregui's start date will be June 12, 2017. Information item only.

**8. Meeting Schedule for FY 2017-18**

A copy of the scheduled meeting dates/calendar for FY 2017-18 was provided to the Board. The Executive Committee adopted a resolution to establish the meeting dates at their March 8th meeting. Information item only.

**I. CLOSING COMMENTS**

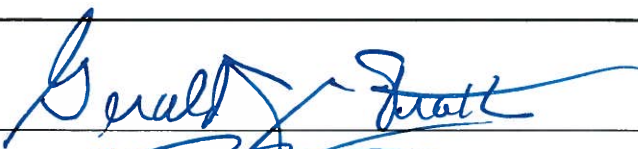

None

**J. UPCOMING MEETING -** October 18, 2017

**K. ADJOURNMENT**

Motion was made to adjourn the meeting at 2:58 p.m.

<b>MOTION:</b> Veronica Flournoy <b>SECONDED:</b> Colleen Stanley <b>MOTION CARRIED</b>			
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President/Vice President   
\_\_\_\_\_  
Executive Director   
\_\_\_\_\_  
Date 11/31/18