



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

EXECUTIVE COMMITTEE MINUTES
May 8, 2019

The Executive Committee of the Monterey Educational Risk Management Authority met at 76 Stephanie Drive, Salinas, on May 8, 2019 at 1:30 p.m.

Executive Committee Members Present

Jerry Stratton, President, Salinas City Elementary School District
Veronica Flournoy, Spreckels Union School District
Colleen Stanley, Monterey County Office of Education
Ana Aguillon, Salinas Union High School District

Executive Committee Members Absent

Rory Livingston, Vice President, King City Union School District – *Arrived at 1:58 p.m.*

Guests and Staff

Marcus Beverly, Alliant
Matt Gowan, Alliant
Marlene Richardson, Intercare
Jacinto Bernal, McGilloway, Ray, Brown & Kaufman
Hallie Pacheco, MERMA

A. CALL TO ORDER

Jerry Stratton called the meeting to order at 1:37 p.m.

B. ROLL CALL

Present: Jerry Stratton, Veronica Flournoy, Colleen Stanley, Ana Aguillon
Absent: Rory Livingston

C. APPROVAL OF AGENDA AS POSTED

Motion was made to approve the agenda as posted.

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

D. PUBLIC COMMENTS

None

E. CONSENT CALENDAR

The following items were presented:

1. Executive Committee Minutes – April 10, 2019
2. Payment Register and Board Report – April 2019
3. Treasurer’s Reports – September and December 2018
4. Final Actuary Report Summary – FY 2018-19

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

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

F. ADMINISTRATIVE REPORTS

1. President’s Report

Jerry Stratton stated he is concerned with the tone in paragraphs two and three of the cover letter included with the Financial Reports for period ending March 31, 2019.

Paragraph 2: “Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the Unites States of America.” Paragraph 3: “Management has omitted the Management’s Discussion and Analysis, the Claims Development Information, the Schedule of Funding Progress for Other Postemployment Benefits, the Schedule of the Authority’s Proportionate Share of the Net Pension Liability, and the Schedule of the Authority’s Pension Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements.”

Jerry Stratton stated if he was on the outside reading that wording, he would wonder what is going on.

Jacinto Bernal of McGilloway, Ray, Brown & Kaufman stated this is a standard report template prepared by the American Institute of Certified Public Accountants. This follows the standards that we, as a CPA, have to present the report.

He stated this exact wording is on any report that is prepared on a monthly or quarterly basis that doesn't have the footnotes like on the regular year-end financial reports. It is basically stating that the financial statements have been prepared but they just don't include the footnotes.

Jerry Stratton stated he would like Jacinto to ask the people who do the template to consider adjusting the wording and soften the language to make it more palatable for outsiders.

2. Pool Administrator's Report

Marcus Beverly noted that the actuary report approved in the consent agenda stated the outstanding liabilities have dropped by 16%, \$3.7 million, and the funding rate dropped 10%. He also stated that Julio Jauregui, Marlene Richardson and he had a nice orientation meeting with Annette Mooneyham and Mindy Hunt at Greenfield Union School District.

Matt Gowan stated he recently attended CASBO and also gave a talk on Pool Financing at a recent CAJPA mini-conference. He had about 100 people show up for a morning session. He stated he essentially went through a lot of things that this JPA already does, what pools can do in this environment when things are getting more expensive, buy downs, coverage reviews, and vendor services. He stated it was amazing to receive feedback from the other JPA's that are seeing tremendous increases. All of these things that we have done for years and don't think twice about and they aren't doing. He stated MERMA is ahead of many other JPA's. Jerry Stratton stated that was great to report.

3. Claims Administrator's Report

Marlene Richardson of Intercare stated there is no formal report for this meeting. Connie Hampson will be presenting the report at the May 22nd Board of Directors meeting. She stated the claim reviews are being scheduled successfully. Salinas City Elementary School District is scheduled for May 17th, and Greenfield Union School District is scheduled for June 20th. Veronica Flournoy stated Spreckels claim review is scheduled for June 21st.

Discussion was held regarding volunteer coverage under workers' compensation. Marcus Beverly stated that MERMA will cover volunteers but the districts must pass a resolution and send in to MERMA. The Committee would like Hallie Pacheco to send out another reminder to the districts and report back with which districts have sent in resolutions.

4. Executive Committee

Nothing

G. FINANCIAL REPORTS

1. Financial Report for Period Ending March 31, 2019

Jacinto Bernal of McGilloway, Ray, Brown & Kaufman presented the Financial Report for period ending March 31, 2019. He stated he will look into softening the language on the two paragraphs in the cover letter discussed earlier in the meeting. Discussion held.

Rory Livingston arrived to the meeting at 1:58 p.m.

Colleen Stanley reported that at the last Executive Committee meeting it was discussed that it appeared too much interest was allocated to MERMA. This was discovered during MERMA's annual financial audit for FY 2017-18. She stated after looking into it further it was found that the \$25,000,000 for the separate investment fund was never put into another account. It was kept in the pool account. MERMA received their interest for the custom portfolio as a separate allocation from the Auditor/Controller's Office plus received the allocation through the pool. When allocating the interest the \$25,000,000 was being double counted to the tune of \$605,000. This money needs to get re-allocated back to the districts.

Colleen stated she will be meeting with Garry Bousum on Friday and will discuss re-allocating the interest amount. She will report back after she meets with Garry Bousum.

The Committee asked that this interest allocation item be addressed and placed on the Board of Directors agenda for the May 22nd meeting.

Motion was made to accept and file the Financial Report as presented for period ending March 31, 2019.

MOTION: Veronica Flournoy	SECONDED: Ana Aguillon	MOTION CARRIED	
AYES: 5	NOES: 0	ABSTAIN: 0	ABSENT: 0
AYES: Veronica Flournoy, Ana Aguillon, Colleen Stanley, Rory Livingston, Jerry Stratton			
ABSENT:			

H. JPA BUSINESS

1. Workers' Compensation Excess Insurance Update

Matt Gowan stated there has been no change since the last meeting. Still looking at a 3% increase on the first layer and a 5% increase on the second layer of excess insurance and a 7% increase in payroll. Matt stated there is a decrease from an actuary standpoint, from \$2.24 in FY 2018-19 to \$2.15 for FY 2019-20. There is one more excess option in underwriting. He stated he doesn't know what it will come in at.

A motion was made to give direction to move forward with the additional option and deleting existing option #3 on the renewal spreadsheet and bring it to the Board of Directors at the May 22nd meeting for approval.

MOTION: Veronica Flournoy	SECONDED: Rory Livingston	MOTION CARRIED	
AYES: 5	NOES: 0	ABSTAIN: 0	ABSENT: 0
AYES: Veronica Flournoy, Rory Livingston, Colleen Stanley, Ana Aguillon, Jerry Stratton			
ABSENT:			

2. Proposed Budget FY 2019-20

Marcus Beverly presented the proposed budget for FY 2019-20. There were not a lot of changes since the last meeting. He stated he had the actuary increase the admin budget to \$5.6 million. Marcus stated the Committee directed him to deal with the personnel expenses in regard to a 3% COLA. He did meet and confer with unrepresented staff and they decided they would like an increase in the salary as opposed to the benefits. The salary schedules will be updated for the next fiscal year to reflect that 3% increase across the board. The estimates for the excess insurance is driving most of the overall increase in the budget, with the Self-Insurance Plan assessment also having an impact. He stated we have been told to expect increases again in the Self-Insurance Plans.

Jerry Stratton stated the only thing that may change in the budget would be if the new excess option #3A becomes very lucrative, it could change those numbers on the expense side.

No action was taken on this item, but the Committee provided guidance to bring the proposed budget for FY 2019-20 as an action item to the Board of Directors at the May 22nd meeting with excess insurance option #3A replacing the existing option #3 and reflected in the budget for approval.

3. Revised FY 2019-20 Premium Assessments

Marcus Beverly presented the revised FY 2019-20 premium assessments which has been updated to reflect the \$5.6 million for the admin budget and no offset in surplus as a result. Overall the rates are down 3%, although each member has their own premium. Most members' premiums went down.

Motion was made to present the revised premium assessments for FY 2019-20 to the Board of Directors at the May 22nd meeting for approval.

MOTION: Rory Livingston	SECONDED: Veronica Flournoy	MOTION CARRIED	
AYES: 5	NOES: 0	ABSTAIN: 0	ABSENT: 0
AYES: Rory Livingston, Veronica Flournoy, Colleen Stanley, Ana Aguillon, Jerry Stratton			
ABSENT:			

4. Executive Committee Members Terms Ending June 30, 2019

No action was taken on this item, but the Committee will recommend to the Board that Colleen Stanley and Veronica Flournoy be re-elected to serve for another 2-year term. MERMA will also solicit interest from the Board of Directors in serving on the Executive Committee and to fill a vacancy for a 1-year term due to an upcoming retirement.

I. CLOSING COMMENTS

The Committee discussed the location for the October 9th Board of Directors meeting. Jerry Stratton stated he is happy to sponsor the Board of Directors meeting at the Yacht Club again this year.


J. UPCOMING MEETINGS

Board of Directors – May 22, 2019 at 2:00 p.m.
Executive Committee – August 14, 2019 at 1:30 p.m.

K. ADJOURNMENT

Motion was made to adjourn the meeting at 3:07 p.m.

MOTION: Rory Livingston	SECONDED: Ana Aguillon	MOTION CARRIED
AYES: 5	NOES: 0	ABSTAIN: 0
ABSENT: 0		
AYES: Rory Livingston, Ana Aguillon, Veronica Flournoy, Colleen Stanley, Jerry Stratton		
ABSENT:		

Rory Livingston, President: 

Marcus Beverly, Executive Director: 

Date: 10-9-2019