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Minutes of Joint Meeting of the Executive Committees of Nevada Public Agency Insurance Pool and for Public Agency Compensation Trust
Date: March 13, 2006

1. Roll

Members Present: Mike Rebaleati, Claudette Springmeyer, Lisa Jones, Dan Newell, Mike Pennacchio, Alan Kalt, Cash Minor, Roger Mancebo, Paul Johnson, Toni Inserra

Members Absent: Jeff Zander, Marilou Walling, Mike Tourin, Linda Bingaman

Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Larry Beller, Bob Lombard

At 10:00 a.m., Chairman Rebaleati called the meeting to order to address POOL items since there was a POOL quorum pending arrival of PACT committee members delayed due to weather. At 10:25 a.m. a PACT quorum also was present and the joint meeting commenced.

2. Action Item: Approval of Minutes of Meetings:
- **a. Joint Executive Committee of December 19, 2005**
- **b. PACT Executive Committee of November 21, 2005**
- **c. POOL Executive Committee June 30, 2005**

On motion and second to approve the POOL Executive Committee minutes of June 30, 2005, the motion carried.

On motion and second to approve the Joint Executive Committee minutes of December 19, 2005, the motion carried.

On motion and second to approve the PACT Executive Committee minutes of November 21, 2005, the motion carried.

3. Action Item: Acceptance of reports
- **a. Executive Director's Report**
- **b. Status of Litigation Against POOL**
- **c. Investment Advisor's Report**
- **d. Financial Reports**

e. **CHRM Oversight Committee Report**
f. **SimplyWell Wellness Program**

a. Wayne Carlson highlighted portions of his Executive Director's Report noting particularly his participation on the County Reinsurance, Ltd Property Task Force that was evaluating whether they should initiate a program. He also commented on the ongoing issues surrounding the passage of privacy protection legislation and the effect it was having on county clerks and recorders whose records no longer were maintained on line pending further clarification of the statutes.

b. Wayne reviewed the handouts listing the six year liability loss history for the POOL and the status of litigated claims pending. He advised the committee that the Lyon County v. NPAIP case had been resolved in a stipulated settlement but that the ASG v. Lyon County case continued to be defended under NPAIP's coverage. He also advised that the Aiazzi v. NPAIP case, subsequent to Wayne's deposition, was to be dismissed by the plaintiff as against NPAIP although the plaintiff would pursue its litigation against the City of Carlin.

c. Wayne handed out a summary report of investments for NPAIP, PACT and PRM and reviewed the amounts invested, noting that the combined total was just over $47 million.

d. Wayne noted that the most recent financial reports had been provided in the budget packet file sent to the committee members.

e. Wayne advised the committee that the CHRM Oversight Committee met on December 1, 2005, February 27, 2006 and March 8, 2006. At the March 8, 2006 meeting, they voted 4-2 to reconfirm their recommendation from December 1, 2005 that the Larry Beller & Associates contract be extended for one year and an RFP process be conducted to determine who should provide CHRM Services in the future. He then asked Curtis Calder, Chair of the CHRM Oversight Committee, to review the committee's discussion about the results of the CHRM Services Survey and its recommendation. Curtis reviewed the highlights of the survey noting that they felt the results were valid. He noted that results generally were positive overall from all members, but that the ratings were generally higher for the small and medium sized members compared to the lower ratings from the larger members. He noted that the committee expressed concerns that the larger members' needs were not being met currently. He noted the allocation of services to various program elements. They reviewed the scope of services presently provided. Larry Beller had provided some suggestions for revision to his approach to service delivery. Curtis also noted that they did not vote on any changes to the Mission and Vision, but that the committee would review that in the future. He noted that the scope of services appeared acceptable, but that the focus of effort may need to be shifted.

f. Wayne reviewed a handout about an on-line wellness program proposal he received. The program involves Web-site access to health and wellness information, but there is an initial health screening conducted on site that leads to them developing a wellness plan for each participant that is followed up by health education and nurse telephonic follow-up on progress that is based upon risk factor assessments. He noted that while our current wellness efforts focused on law enforcement, this could be extended to all employees.

He showed the committee the cost per member based upon $175 per person per year times the number of employees. He then suggested that there were several options for consideration as to funding this kind of program such as, POOL/PACT absorbing the cost of over $2 million, which would raise the program costs by about 10%, by splitting the costs with members and further with employees or just facilitating access to member/employees on a voluntary basis with no costs paid by POOL/PACT. He noted that wellness programs help reduced health insurance costs, but that POOL/PACT does not offer health coverage. In discussion, comments were received about the value of wellness programs and the potential collective bargaining issues. Others mentioned their own health fairs that provide some of these initial assessments, but not follow-up. In response to questions regarding allowing members to opt in, Wayne noted that he had received the proposal for the group, but that he had not had an opportunity to negotiate with them for any options yet. It was suggested that staff survey members regarding their current health fair offerings and scope before proceeding further. Some members suggested that any cost increases would be resisted at this time even though the program had merit. In response to a question regarding using POOL/PACT as a means for access, not funding it, members recommended providing information to the board about options at a future board meeting if SimplyWell is willing to offer any options.

3. <u>Action Item:</u> Approval of Performance Compensation per Contract to PARMS

Wayne reviewed the calculations based upon the PARMS contract noting that the four year equity growth came to 28.1% which exceeded the target growth rate of 15% per year. The contract formula provides for a performance incentive for exceeding the 15% target capped at 7% of the base fee. This year, the performance payment comes to $51,912 at the capped percentage. The equity figures are calculated from the annual audited financials. In discussion about whether the amount should be accrued on the books, Wayne said it had not been accrued, but that the amount would be below the materiality level the auditor uses. However, he would discuss it with the auditor to see if he believed it should be included.

On motion and second to approve the payment, the motion carried.

4. <u>Action Item:</u> Approval of Prospective Members
POOL: Coyote Springs GID

Wayne Carlson reviewed this new general improvement district being formed to provide water and sewer operations for a large residential development in Lincoln County near the Clark County line and the City of Mesquite. The former Lincoln County manager is the staff of the district during this startup phase. Various committee members commented about the development scope and the risks to the POOL. Wayne commented that the risks are similar to that of TRI GID, a water and sewer provider in Storey County that serves a large industrial park. Pool has covered that GID from startup with no liability issues arising. On motion and second to approve for membership, the motion carried.

PACT: Elko County School District

Wayne noted that the updated loss runs had not yet been received for this district and that we had quoted it last year. They presently are self-insured and are interested in leaving self-insured status to reduce their overall level of self-insuring (health and workers compensation) for financial considerations. Because last year's experience rating included an adverse older year, the program costs were too high to join PACT at that time. Presuming their experience has improved, the adverse year will be dropped from the calculation, the program costs should be acceptable. Jeff Zander had expressed strong interest in joining PACT. On motion and second to approve membership, the motion carried.

PACT: Sierra Forest Fire Protection District

Wayne Carlson advised the committee that Mary Walker had contacted him for rate indications for this district to join PACT. Presently, it is a state agency and is being formed as a separate fire protection district. He will be meeting with Mary later this week to obtain an application and claims history. Committee members indicated that this may or may not include a five county forest interface territory that has been under consideration for four years. They questioned whether it was being formed by Washoe County for its areas only or involve the five county area. Wayne indicated that he would know more this week. The committee deferred taking any action on this district pending receipt of additional information.

5. Action Item: Review of Strategic Plan for Fiscal Years 2006/2007 - 2008/2009

Wayne reviewed segments of the strategic plan draft noting that the Loss Control and Claims sections were completed in cooperation with Willis and ASC. The CHRM section has not been updated since the CHRM Oversight Committee had not determined its scope of services until late last week. Wayne will work with Larry Beller to update this section of the plan. Alan Kalt suggested that the Communications section accelerate the security systems evaluation from 2008-2009 to 2007-2008 due to the increasing risks to which members are exposed. Wayne commented that he would budget for an independent vendor to perform these assessments with that in mind in the future. With regard to the Executive Committee section, Wayne mentioned that the board had maintained a policy of having a surplus to self-insured retention ratio of at least 8 to 1, but that they consistently had not moved the retention unless that ratio was more than 15 to 1. He suggested that they may want to change the policy to reflect this more conservative practice. The committee suggested proposing a policy change to 12 to 1 for the boards to consider at the next meeting. No action was taken on this item.

6. Action Item: Review of Services and Approval of PACT Budget for 2006-2007

Wayne reviewed the key items in the budget. He commented that the 75% confidence level recommended by the actuary had been incorporated into the budget, but that the methodology used by the actuary contemplated funding on a one-year basis without consideration of the PACT's equity position. He has asked the actuary to clarify what effect the existing equity would have on his recommended confidence levels, but has not received clarification at this time. He noted that he included a shift of the CHRM costs from being split evenly between POOL and PACT to a 35% PACT, 65% POOL allocation even though the Executive Committee previously had agreed to leave it at an even split in order to readdress the issue relative to the CHRM Oversight Committee's discussions about the philosophy behind allocation methods. He also shifted loss control to 70% PACT, 30% POOL since that was most likely the apportioned time and effort for this service. Overall, since the CHRM and Willis Loss Control fees were within 10% of each other, the net effect would be about a 50-50 split. In discussion, various committee members commented that this would open up a debate as to how to allocate each component of the budget and it would be difficult to determine the proportions. Overall, it was suggested that the 50-50 split should be maintained.

Wayne then explained that he was awaiting a proposal from SpecialtyHealth to expand the law enforcement wellness program to additional members because of its success. He reviewed a report from SpecialtyHealth that provided illustrations of successes and indicated that the officers were due for their annual physical soon so a more comprehensive review would become available in the near future. He included in the budget an amount based upon their current program pricing to expand services to up to 300 officers, which would cover 30% of our officer population.

With regard to the excess insurance, preliminary discussions with Midwest Employers indicated an increase in the $500,000 corridor deductible to $750,000 was likely and would result in the premiums being kept level. If we did not take the increased deductible, the premiums would rise by 10-15% most likely. Wayne included the additional deductible and incorporated the additional loss fund needed in the actuarial loss fund estimate.

Wayne commented that with the significant increase in the equity, the boards' target 15% equity growth average would require a net income of nearly $1.77 million, but that would drive rates up. He included a net income target of just over $1,000,000 in light of the significant increase in equity and to maintain rate stability. In response to a question about the overall effect of the budget changes on PACT, Wayne indicated that for municipalities, the preliminary rate increase was about 13%, for hospitals about 9% and for schools about 9%.

On motion and second to approve the budget with the noted changes in allocations, the motion carried.

7. <u>Action Item:</u> Review of Services and Approval of POOL Budget for 2006-2007

Wayne reviewed the key items in the budget. He commented that the 70% confidence level recommended by the actuary had been incorporated into the budget, but that the methodology used by the actuary contemplated funding on a one-year basis without consideration of the POOL's equity position. He has asked the actuary to clarify what effect the existing equity would have on his recommended confidence levels, but has not received clarification at this time. He noted that he included a shift of the CHRM costs from being split evenly between POOL and PACT to a 35% PACT, 65% POOL allocation even though the Executive Committee previously had agreed to leave it at an even split in order to readdress the issue relative to the CHRM Oversight Committee's discussions about the philosophy behind allocation methods. He also shifted loss control to 70% PACT, 30% POOL since that was most likely the apportioned time and effort for this service. Overall, since the CHRM and Willis Loss Control fees were within 10% of each other, the net effect would be about a 50-50 split. In discussion, various committee members reiterated their comments regarding the PACT budget that this would open up a debate as to how to allocate each component of the budget and it would be difficult to determine the proportions. Overall, it was suggested that the 50-50 split should be maintained.

Wayne commented that he had included in the excess insurance and loss fund budget items an amount for adding a blanket pollution legal liability program that would incorporate the current remediation program for existing participants in the matrix pollution legal liability optional program. Essentially, this option would provide some third party liability coverage for all members up to a $2,000,000 limit per occurrence, but only remediation for those members in the current program. Others could apply for remediation coverage, but more site specific information would be necessary to obtain the coverage. In discussion, various committee members asked questions about the program and cost allocation. Wayne noted that he had not developed a cost allocation per member, but would work with the pollution liability underwriters for a methodology. Committee members expressed concern about adding additional costs to the members at this time. Wayne indicated that the current matrix could continue and be marketed to members who might be interested in some coverage. On motion and second not to include the blanket pollution liability program in the budget, the motion carried.

Wayne then reviewed the education and training budget noting that he included a law enforcement certification program developed by Public Agency Training Council's Legal & Liability Risk Management Institute. The program cost estimate is about $15,000 for a medium sized agency and entails policy review, training plans and document reviews, internal affairs reviews, on site reviews of customs and practices, training and internal affairs and assistance in writing and implementing defensible policies in order to obtain a national certification. This would be followed by ongoing legal, policy and training alerts and is subject to a three year recertification process. He budgeted for up to 5 agencies that likely would be ready for this kind of process. He also indicated that Ann was discussing with PATC having them tailor model policies to Nevada for our typical agencies, distribute those first to all and have them adopted, then commence certificate reviews to see if that would improve the results and save costs. He also included in the budget continuation of the SkidCar rental and driving simulator programs. Doug Smith commented that Great Basin College had inquired about assistance in setting up a driving laboratory and that Craig Buchholz was checking into it further. Ann Wiswell indicated that the WNCC driving simulator classes filled up fast every time they were offered so that program was working well. Wayne mentioned that Ann had researched an ADA issue for Lyon County's recreation programs and found a speaker who is willing to conduct a course for schools and recreational programs on compliance with ADA in these settings. The cost for a seminar was included in the budget.

Chairman Rebaleati deferred a decision on the budget pending discussion of the CHRM services item later on the agenda. Following discussion of item 9.d., Chairman Rebaleati requested a motion on the budget. On motion and second to approve the budget with the changes as noted, the motion carried.

8. <u>Action Item:</u> Review of POOL and PACT Program Renewal Status and Action on Options

- **a. Include Pollution Legal Liability Coverage in POOL Form**
- **b. Market Conditions and Status Overview**
- **c. Marketing Strategies for Excess and Reinsurance**
- **d. Public Risk Mutual Proposal for Renewal Coverage**

a. Given the previous discussion of the pollution program during the budget review, this item was considered resolved.

b and c. Bob Lombard reviewed the market conditions for POOL and PACT. He commented that Claudette Springmeyer, Cash Minor, Wayne Carlson, Ann Wiswell and he were traveling to New Jersey and to London next week to meet with the reinsurers for the POOL program. He indicated that preliminary information suggested favorable renewal terms and pricing for the POOL program. Bob said that he likely would have alternate quotations from a few markets for portions of the liability reinsurance program, including a school specialty market that will offer terms just for the school portion of the POOL program. This market, United Educators, not only offers reinsurance, but also has an extensive array of school specific risk management services that would be attractive to our school members.

With regard to PACT, Bob indicated that the market remained limited due to the regulatory requirement for specific and aggregate excess insurance. Thus, Midwest Employers, with whom he and PACT staff met, likely would offer a flat renewal if we took an additional $250,000 corridor deductible and a 10-15% increase otherwise. Subsequent to that meeting, we revisited concerns expressed by Midwest about an increase in severity in recent years by reviewing our claims records and reassessing whether current reserves were appropriate. After sharing findings with Midwest, their concerns may modify and result in more favorable renewal terms. Wayne commented that he would be receiving the results of the ongoing independent PACT claims audit on Wednesday of this week and that may help our efforts.

d. Doug Smith indicated that Public Risk Mutual planned to offer the same terms as at present with a modest price increase based upon the actuarial recommendations. PRM would offer $50,000 excess of $150,000 POOL retention on property and $250,000 excess $2,000,000 on liability.

No action was deemed necessary on these items.

9. <u>Action Item:</u> Review of Annual Meeting Agenda Items Such As:

- **a. Executive Committee and Officers Up for Election at the Annual Meeting, Candidates and Conduct of the Elections**
- **b. Changes to Article 20 of Interlocal Cooperation Agreement for POOL**

c. **Changes to Article 20 of Interlocal Cooperation Agreement for PACT**
d. **Extension of Larry Beller & Associates Contract for CHRM Services**
e. **Extension of Public Agency Risk Management Services, Inc. Contract**

a. Wayne Carlson handed out a list of POOL and PACT Executive Committee Members up for election this year. Chairman Kalt suggested that this list be sent with the board packet along with a letter inviting other members who are interested to submit their names and that there would be nominations from the floor at the annual meeting. On motion and second to recommend to the board that the current slate of Executive Committee Members be reelected, the motion carried.

b and c. Wayne Carlson commented on the proposed changes indicating that they were necessary clarifications to the decisions made at the last annual meeting. At that meeting, the boards voted to limit the members right to sue the pools because the members constituted the pools. However, the wording made it impossible for a member to sue for declaratory relief in interpretation or enforcement of the Interlocal Cooperation Agreement or the coverage agreement and the proposed changes would correct that wording.

d. Larry Beller presented several documents regarding his response to the challenges presented by the CHRM Oversight Committee's survey results and discussions. He reviewed several handouts that he had provided to the CHRM Oversight Committee. Wayne Carlson noted that the Executive Committees received the survey results that were sent to the CHRM Oversight Committee. Larry reviewed the training results and new approaches he is planning to implement, including options for Web-site delivered training. He discussed service levels and ways to increase involvement with members' human resources professionals by further developing their service plans. He reviewed refinements in the policy update process and the Web site. Larry indicated he plans to notify governing boards when training has been conducted within their agencies to increase awareness and to provide annual reports of services and service plan progress. He also provided a performance review document for consideration. Larry proposed revisions to the current contract Exhibit A that had more specific details of services to be delivered and handed out a proposed new Exhibit A. He proposed a 5% increase over current program costs for a fee effective July 1, 2006 in the amount of $1,133,370 for the scope of services plus an amount up to $25,000 to enable purchase of outside vendor services to enable online training and/or Webinars. For Years 2 and 3, he proposed a 4% contract fee increase or CPI, whichever is greater, plus outside services up to $30,000 in each year. Larry responded to several questions from the committee members.

Committee members discussed the CHRM Oversight Committee's recommendation to extend the Larry Beller & Associates contract for one year and to conduct an RFP process to select a future service provider, including Beller. Some members questioned what the RFP would accomplish other than a lot of effort and whether that process would disrupt Larry's focus on services. Others expressed a need to respect the substantial efforts of the CHRM Oversight Committee in conducting the survey and their discussions about how to redesign the services to address the concerns expressed in the survey results. Also discussed was tailoring how to deliver services to large entities including substituting a non-CHRM service for a CHRM service as an option subject to approval by the Executive Committees.

After considerable discussion about the advantages and disadvantages of an RFP in responding to the survey results and positioning CHRM for the future, some committee members expressed interest in proposing several options to the board. Larry Beller offered an alternative to the CHRM Oversight Committee's recommendation – that he be given a two-year contract that was subject to performance review after the first year and if performance was not satisfactory in response to the concerns, then to authorize the RFP process during the second year. The committee further discussed options including presenting multiple options to the board.

On motion and second to recommend to the boards two options: 1) the recommendation from the CHRM Oversight Committee for a one year extension and an RFP process, and 2) extension of the Larry Beller & Associates contract for two years, subject to a performance review after one year at which time the Executive Committees with advice from the CHRM Oversight Committee would determine whether to conduct an RFP process, the motion carried.

10. Public Comment

None was received.

11. <u>Action Item:</u> Adjournment

The meeting was adjourned at 2:50 p.m.