PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
Finance Committee Meeting – Telephone Conference
August 7, 2018 – 10:00 a.m.

COMMITTEE MEMBERS PRESENT:

Chairman: Jeff Gardner, City of Plymouth
Greg Franklin, City of Yucaipa (left at 9:50 a.m.)
David Wilson, City of West Hollywood
Noah Daniels, City of Rancho Cucamonga

COMMITTEE MEMBERS ABSENT:

Chuck Dantuono, City of Highland

PARSAC STAFF PRESENT:

General Manager:	Joanne Rennie
Deputy General Manager:	Kin Ong
Risk Manager:	Erike Young
Sr. Accountant:	Tracey Smith-Reed

OTHERS PRESENT:

Mike Harrington, Bickmore
Becky Richter, Bickmore
David Kim, Bickmore

In compliance with Government Code §54953(c)(2), the following minutes indicate "unanimous" when all voting members listed above were accounted for and voted in favor of a motion. If any member was absent during a vote, abstained, or voted against any motion, they are indicated as such by name.

The PARSAC Finance Committee met telephonically to discuss, approve, or amend the following items.

CALL MEETING TO ORDER: DETERMINE QUORUM

The meeting was called to order at 10:02 a.m. with a quorum present [introductions].

No modifications to the agenda. A motion was made to approve the agenda.
[M/S/C: Daniels/Wilson/Unanimous.]

General Manager introduced Erike Young of PARSAC and the Finance Committee.

A. SUPPLEMENTAL ACTUARIAL REPORT – Presented by Mike Harrington of Bickmore

Liability
The actuary completed a supplemental analysis of the Liability and Workers' Compensation loss data at June 30, 2018. Although the Liability Program's ultimate loss estimates only increased $32,786 (including EPL claims), outstanding liabilities increased $927,429 due to lower than expected claim payments. The Liability Program continues to be well funded above the 90% confidence level. The Workers' Compensation report was not completed due to loss data issues but will be completed prior to the EC Meeting.

The actuary completed an analysis of the Liability and Workers' Compensation programs based on loss data at September 30, 2017 and projects losses through June 30, 2018. A supplemental review of loss data is conducted at the end of the fiscal year based on actual claims activity and the actuary provided an updated analysis of each program's ultimate losses and outstanding liabilities.

The actuary determined the outstanding liabilities for the Liability program increased $927,429, while actual paid losses decreased $917,554 and ultimate loss projections increased $32,786. Due to an increase in outstanding liabilities, program surplus is $10,099,878 at expected (previous estimate $11,027,307) and $6,724,351 (previously $8,045,937) at the 90% confidence level. Overall, the last three years are trending better than expected.

After a brief discussion, a motion was made to recommend approval of the Liability Supplemental Actuarial Report. *[M/S/C: Daniels/Wilson/Unanimous.]*

Workers' Compensation
Mr. Harrington stated the same approach is taken for the workers' compensation side as stated above with liability. When preparing the updated summary with reports from the TPA to ensure the accuracy of the data, there appeared

to be some discrepancies with the TPA shared risk report and loss run data when a detailed study was performed. He requested the TPA run a cumulative loss run by layers to be able to true up the shared risk report. He did state that the overall data is exact, but when breaking it down by layers, there were discrepancies. With the Committee's concurrence, it was requested that the TPA reports be run again by layer, and then a revised supplemental actuarial report will be completed.

B. DISPOSITION OF EQUITY AND EXCESS DIVIDENDS

ERMA

After several years of conservative funding, ERMA is now in excellent financial position with surplus exceeding $15 million at the expected confidence. Overall ERMA is funded above the 90% confidence level and PARSAC recently received a dividend distribution of $488,957.

The Board previously allocated ERMA dividends for rate stabilization, grant funding, drawing down PARSAC's OPEB liability and LCW consortium membership. The following options are presented for consideration:

(1) Return all funds as collected (funds will be set aside for withdrawn members until all years are closed)

(2) Apply dividends to the EPL Rate Stabilization Fund. Rate stabilization is used to offset potential rate increases in the future. There is $300,000 currently in this fund balance, which may not exceed $500,000.

(3) Apply dividends to continue LWC consortium subscription. In 2014, PARSAC funded 5 years of consortium subscriptions, which will conclude at the end of this fiscal year, it was noted that in May 2017, the Board approved funding for one additional year. Dividends may be applied to fund additional subscription years. The annual subscription fee is $83,000.

(4) Allocate additional EPL grant funds. EPL grants are available for updating personnel manuals, employee handbooks, training, policy development. The aggregate EPL grant balance is $700,000.

(5) Allocate dividends based on a combination of all the above.

After a brief discussion, a motion was made to recommend the following allocation to the Executive Committee: $200,000 for rate stabilization; fund LCW for an additional two years ($166,000); and return the remainder ($122,957) as dividends. *[M/S/C: Daniels/Wilson/Unanimous.]*

CARMA

PARSAC participated in the CARMA excess liability pool from 1993 until 2009, and recently received a dividend of $86,438. The Finance Subcommittee considered the following options:

(1) Return all funds as collected

(2) Apply $42,224 to the rate stabilization fund to bring the balance to $750,000 per policy and allocate the balance $44,214 to safety grants to be shared equally by the members ($1,288).

After some discussion a motion was made to recommend to the EC to allocate $42,224 to the rate stabilization fund and allocate the balance of $44,214 to the safety grants to be shared equally by the members ($1,288 per member). *[M/S/C Wilson/Daniels/Unanimous.]*

C. BUDGET ADJUSTMENT

After approximately two years of recruiting for loss control staff, the position was upgraded for a flexibly staffed risk management position. Fortuitously, the services of an expert in loss control and safety were retained. Erike Young joined staff July 23rd and was immediately useful in recrafting the loss control program and reducing dependence on contracted services. Joining Erike is Chris Behnke, in a Senior Management Analyst capacity.

These two individuals will provide additional support to the membership immediately and will be instrumental to the realization of PARSAC's long term succession plan.
Returning to the Executive Committee at their August meeting will be title changes for the previously approved Deputy General Manager and Senior Management Analyst, the position was eliminated from staff complement in favor of the loss control position. One of the positions is a budgeted position, and the other is funded through salary savings.

Staff would also like to recommend moving $20,000 from Loss Control to training in order to supplement the cost of the RM 101 training which has recently been requested by several member cities. With these changes, the bottom line does not change.

A motion was made to approve budget adjustment and request the Executive Committee approve the staff recommendation. *[M/S/C: Daniels/Wilson/Unanimous.]*

D. REPORT ON UNDESIGNATED EQUITY

A fluctuation in equity was identified during the retrospective premium adjustment (RPA) process, over a period of years. This was brought to the Finance Subcommittee's attention and later to the Executive Committee. At the Finance Subcommittee's direction then brand-new accountant, Tracey Smith-Reed, took on the task of quantifying the fluctuations and cause. The process entailed tying out the cumulative RPA schedules to the historic audits. There were many variables in the identification and quantification process.

Reconciliation of RPA schedules to audited financial statements appeared to be the best way of validating accuracy of equity by program. To ensure validity, staff elected to "draw a line in the sand" for the liability program determining that credible data existed from 2005 forward. Workers' Compensation data dates to inception. To verify the data, RPA schedule inputs were traced back to audited financial statements, using claim data captured in the "true up" actuarial report. Once all inputs were verified the most recent three-year RPA schedules were prepared using claims data from the June 30 audit for each of the periods. There remained a discrepancy in both programs.

The discrepancy in the Workers' Compensation Program is approximately two hundred and fifty thousand ($250.000). The liability program discrepancy is approximately two and one half million dollars ($2,500,000). Once agreed upon, and no longer fluctuating, these amounts become allocated equity to the respective program.

After a short discussion, a motion was made to approve staff as outlined above and recommend to the EC Committee. *[M/S/C: Franklin/Wilson/Unanimous.]*

There was no public comment, and the meeting was adjourned at 11:33 a.m.

Respectfully submitted,

Carolyn Shreve
PARSAC Deputy Secretary

APPROVED: November 30, 2018

Jeff Gardner, City of Plymouth
Chairman