

**Minutes of PACE Trustee Minutes**  
**Monday, September 24, 2018**  
**1201 Court St., NE, Suite 113, Salem, OR 97301**

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**PACE Trustee members in attendance at meeting start:** Brett Yancey, *Springfield Public Schools Chief Operations Officer*; Debbie Laszlo, *Redmond 2J Regional Risk/Benefits Manager*; Sharla Andresen, *Central Oregon Community College Director of Contracts & Risk*; Adam Stewart, *Hillsboro 1J Capital Projects Officer*; Marie Knight, *Vernonia 47J Business Manager*; Tenneal Wetherell, *South Coast ESD 7, Superintendent*; Tim Belanger, *Oregon Trail 46, Business Services Director*; Craig Prewitt, *Phoenix-Talent 4 Board Chair*; John Rexford, *Leadership Support Specialist, High Desert ESD*

**PACE Trustee absent at meeting start:** Mike Schofield, *Gresham-Barlow 10 Chief Financial Officer*

**SDAO staff in attendance at meeting start:** Frank Stratton, *Executive Director*; Mike Doherty, *Chief Financial Officer*; Scott Neufeld, *Director of Claims & Risk Management*; Kevin Pardy, *Underwriter*; Jens Jensen, *Property Casualty Claims Manager*; Dan Davenport, *Risk Manager*

**OSBA staff in attendance at meeting start:** Haley Percell, *Director of Litigation Services*; Dave Harvey, *PACE Administrator*; Pamela Mullen, *PACE Administration Assistant*; Rachel Fleenor, *Digital Branding & Marketing Strategist*; Chris Davidson, *Director of Business Services*

**Chair Debbie Laszlo called the meeting to order at 10:00 a.m.**

I. **Educational Training** - Overview of the Insurance site - *Frank Stratton, SDAO*

II. **Welcome** - *Debbie Laszlo*

A. Acknowledge guests

1. Chris Davidson, OSBA-Director of Business Services

B. Any modifications or additions to the agenda

III. **Presentations**

A. Trust Financial Investments - *Greg Coffey, Russell Investments*

Greg provided an update on the investments in the PACE portfolio through August 2018. He began with a review of the capital markets and Russell's outlook. Within the U.S., economic activity is robust with economic growth likely to continue in the near-term. Russell expressed concern over the expensive valuations of U.S. equities and stated that they prefer non-U.S. equities over U.S. equities at this point in the market cycle. International markets continued to show an improvement in economic data; however, non-U.S. equity market performance has yet to benefit from an improvement in the data.

Greg then reviewed the asset allocation summary and noted the following:

- 40% of the portfolio is allocated to return oriented assets such as equities. Currently, the portfolio is 4% underweight to U.S. equities in favor of European and Japanese equities based on valuations.
- About 2% of the portfolio is being held in cash to provide a defensive element to the portfolio.
- The allocation to core bonds in the portfolio remains unchanged, but the increase in interest rates has increased the portfolios yield to over 4.5%. From a performance perspective Greg noted:
- Positive U.S. equity market performance has contributed to a \$743k gain in value to begin the new fiscal year through August, or 1.1%
- Since inception with Russell, the PACE portfolio has generated \$12.4 million in earnings, or 4.6% through a relatively conservative asset allocation. This return is in-line with a targeted return assumption of 4-to-5%.
- With a defensive stance across the equity portfolio, this has modestly hindered short-term performance results as an underweight to the U.S. and to technology stocks has held back results. Russell expressed conviction in their belief that an underweight to the U.S. is warranted and moving forward International markets should show signs of improvement.
- The fixed income portfolio has been hindered from the increase in interest rates over the last 12 months, but as the level of rate increase stabilizes, the higher income component of the portfolio should help to improve performance results as the negative pricing effect fades.
- The overall positioning in the portfolio remains defensive as at this stage of the market cycle it is important to focus on capital preservation as opposed to stretching for return.

Greg then spent some time reviewing the differences between developed market equity and emerging market equity. This was in response to a question that was asked at a prior meeting. Greg reviewed some of the notable differences between the various market types as well as how index providers categorize various countries into an index.

B. PACE video promo - *Dave Harvey*

Dave unveiled the new PACE promo video to help our members understand what PACE is and does for each of them. The video will be shown at PACE Day and during conferences PACE sponsors.

IV. **Consent Agenda - ACTION**

**Sample Motion: "I move approval of the consent agenda."**

*Requires a second and a vote but NO discussion of items on the consent agenda. If a board member wishes to discuss an item they should ask to have the item removed from the consent agenda and it will be taken up separately after the consent agenda.*

A. Approval of July 19, 2018 minutes - **ACTION**

B. Communication Report - *Alex Pulaski*

See boardbook for the communications report.

C. PACE Student Threat Assessment Survey Results

See boardbook for the survey results.

**Motion: Craig Prewitt moved approval of the Consent Agenda.  
Seconded by Adam Stewart.**

**The board voted on the motion and it passed unanimously.**

V. **Action Items**

A Presentation & approval of Trust Agreement - *Dave & Frank* - **ACTION**  
Change the following **from:** 3. (b) Composition. All Trustees must serve on a board of directors of an OSBA Member. No Trustee shall serve, and no appointment shall be effective, until such appointee acknowledges in writing full and, unconditional acceptance of the terms of this Trust.

**To:** 3. (b) Composition. All Trustees must be employed by a district, community college or ESD that is a member of OSBA, or serve on a board of a district, community college or ESD. No Trustee shall serve, and no appointment shall be effective, until such appointee acknowledges in writing full and, unconditional acceptance of the terms of this Trust.

Also, make change in Bylaws Section 4.1.(b)

**From:** 12. (b) (2) Winding Up. Upon termination of the Trust, any excess funds held in the Trust after payment of all just claims and expenses shall be first distributed to Trust members for the payment of all liabilities incurred prior to such termination and for liquidation of all assets of the trust. Upon satisfaction of all obligations of the Trust, all remaining assets of the Trust shall be returned to current participating members based on a formula of historic contributions and losses to the Trust.

**To:** Added language highlighted in yellow. 12. (b) (2) Winding Up. Upon termination of the Trust, any excess funds held in the Trust after payment of all Premiums, just claims and expenses shall be first distributed to Participants for the payment of all liabilities incurred prior to such termination and for liquidation of all assets of the trust. Upon satisfaction of all obligations of the Trust, all remaining assets of the Trust shall be returned to current Participants based on a formula of historic contributions and losses **established by the Trustees**.

**From:** 15. Amendment. OSBA reserves the right to alter, amend or terminate this Trust and the terms under which it exists at any time by a memorandum in writing delivered to the Trustees, provided any such change or termination shall not prejudice the rights of any Participant with respect to any accrued right or claim. In order to advise OSBA on any proposed material change to the provisions of this Trust Agreement, the Trustees shall prepare an impact statement to determine the financial impact, if any, on Trust operations and fiscal stability of the proposed changes to the Trust Agreement. The Trustees will provide a 30-day notice to Participants by sending a written copy of the impact statement to the participating Participants.

If any Participant of the Trust, by virtue of this impact statement can clearly show that a change to the provisions in this Trust Agreement will directly result in a significant financial detriment (e.g. Deterioration of operating ratios or trust reserves) they may withdraw from the Trust with any vested equity.

**To:** Delete the last sentence in this Section. 15. Amendment. OSBA reserves the right to alter, amend or terminate this Trust and the terms under which it exists at any time by a memorandum in writing delivered to the Trustees, provided any such change or termination shall not prejudice the rights of any Participant with respect to any accrued right or claim. In order to advise OSBA on any proposed material change to the provisions of this Trust Agreement, the Trustees shall prepare an impact statement to determine the financial impact, if any, on Trust operations and fiscal stability of the proposed changes to the Trust Agreement. The Trustees will provide a 30-day notice to Participants by sending a written copy of the impact statement to the participating Participants.

**Motion: Tim Belanger moved approval of the restated Trust agreement as presented, with the revision of Article 3 (b) and Article 15. Seconded by Craig Prewitt.**

**The board voted on the motion and it passed unanimously.**

B. Presentation & approval of PACE Bylaws - *Dave & Frank* - **ACTION**

Article 3.2. Discussed the **deletion** of this language in the Bylaws. With current language the Trust would be giving up settlement rights if a member doesn't want to settle. It is in direct contradiction with the language in the Trust agreement.

Article 4.1. (b). Enter same language as 3. (b). Composition from the Trust agreement.

Article 7.1. Add language "Amendments must be approved by a vote of two-thirds majority of the trust board".

Article 8.6. Notice of Delivery of Documents. Does the Trust want to tie itself to a certificate of notification OR move to the Amendment Article? Discussed the **deletion** of this language in the Bylaws. "and by certified mail, return receipt requested"

**From:** 8.6. Notice of Delivery of Documents. Any notice required to be given, except as otherwise provided, shall be in writing ~~and by certified mail, return receipt requested~~, and shall be deemed to have been given as of the date of posting to whomever may properly receive legal service of process for the addressee of such notice. Any notice actually received shall be deemed properly given whether or not pursuant to the provisions of the Bylaws.

**To:** Notice of Delivery of Documents. Any notice required to be given, except as otherwise provided, shall be in and shall be deemed to have been given as of the date of posting to whomever may properly receive legal service of process for the addressee of such notice. Any

notice actually received shall be deemed properly given whether or not pursuant to the provisions of the Bylaws.

**Motion: Sharla Andresen moved approval of the Bylaws as presented and discussed. Seconded by Craig Prewitt.**

**The board voted on the motion and it passed unanimously.**

C. Retained Earnings recommendation – *Michael Doherty* - **ACTION**

Discussed different options to return funds to our members. Tabled this item and staff will bring back a recommendation to the Trustees at the December 3, 2018 meeting. Bring a recommendation to return funds in 3, 4 or 5 years.

**VI. Department Reports**

A. Financial Report - *Michael Doherty*

Michael reported the 2017-18 unaudited financials and since last reported in July the only real change to the financials is the incorporation of the actuary report. Property losses were 21% of budget while general liability claims were 95% of budget. As noted in the contract expenses line item, OSBA will be returning approximately \$160,000 for positions that were not filled for portions of the fiscal year. Total operating expenses were 92% of budget. Interest earnings totaled \$1.6 million, an approximate return of 2.85%. The actuary made some very favorable adjustments to prior year general liability claims resulting in a reduction in claims of (\$3.5 million).

PACE will add approximately \$11.9 million to retained earnings bringing the total to \$51.7 million. This places PACE's retained earnings near the top of the range the Trust selected based on the PWC Capital Modeling study. The range is currently set between \$28 million and \$54 million.

B. PACE Claims Audit – *Scott Neufeld*

Scott reported the independent claims audit findings and response for the 2018 Claims audit. The team audit score was 93%. This is classified as a commendable rating under the Bickmore scoring system. Bickmore suggested a few recommendations for improved performance (i.e., updating the Operations Manual regarding coverage verification & internal controls as well as litigation management strategies, etc.). Staff agreed with most recommendations however some would need to be reviewed on a case-by-case basis.

C. Underwriting Report – *Kevin Pardy*

Kevin discussed the proposed Charter school guidelines and the requirement that the charter's complete a Charter Supplemental application and provide a copy of all their charter agreements to continue their PACE membership. Should be ready for the 2019 renewal.

D. Legislative Update – *Lori Sattenspiel*

Lori's report focused on revenue reform and cost containment efforts which OSBA is focused on for the upcoming 2019 legislative session.

Also, she discussed Senate Bill 1540 which passed during the 2018 session and it modified the definition of child abuse for mandatory reporting. See her full report in Boardbook from this meeting.

E. Risk Management Report - *Dan Davenport*

Dan discussed the need to continue to create a behavior change amongst our members as they tend to take the SafeSchools / SafeColleges trainings in the first two weeks of each year and nothing the rest of the year. He stressed the need to continue the Risk management trainings as well as the PACE in-person trainings to our members throughout the school year. He also discussed the numerous other trainings provided to our members (i.e., CPI (the positive feedback from Molalla), CPR and Playground Supervision.

F. PACE Legal / Training Report - *Haley Percell*

PACE legal had a total of 485 calls and emails from members for assistance from legal staff on termination, ADA-non disclination and complaint procedures. Also, discussed the numerous upcoming and completed trainings.

G. Claims Report & Pending Litigation Update - *Jens Jensen*

Jens discussed various claims and pending litigations with the Trustees.

VII. **Discussion Items**

A. PACE Annual Meeting - *Dave Harvey*

1. What is it?
2. When should it occur, (April or July)?

B. Drone Liability - *Debbie Laszlo*

Debbie requested an update and if the OSBA policy team has drafted a policy that would address some coverage issues for members.

VIII. **Future Business Items**

Conferences

1. **AGRiP**

September 30- October 3, 2018 - Portland Marriott

**PACE / SDAO Dinner @ 6:00 PM**

Jake's Grill, 614 SW 11th Ave., Portland, OR

Room: Ambassador Room

**Attendees:**

Sharla Andresen, Amy Williams, Dave Harvey, Brett Yancey, Marie Knight Debbie Laszlo, Haley Percell, Pamela Mullen, Frank Stratton.  
Scott Neufeld

Dan Davenport

2. Next Meeting - **December 3, 2018**

OSBA, 1201 Court St. NE, Suite 400, Salem, OR 97301 (Room 113)

IX. Adjourn - 3:00 P.M.