

MONDAY, SEPTEMBER 30, 2013

1201 Court St. NE, Ste. 400, Salem, OR 97301; Room 427

PACE Trustee members in attendance at meeting start: Phil Wentz, Tigard-Tualatin 23J Facilities Manager; Phil Long, Medford 549C Superintendent; Mike Schofield, Forest Grove Chief Financial Officer; John Rexford, High Desert ESD Superintendent; Terry Lenchitsky, Oregon Trail Board Member, Bret Yancey, Springfield Public Schools Director of Business Operations.

SDAO staff in attendance at meeting start: Frank Stratton, Executive Director; Mike Doherty, Chief Financial Officer; Geoff Sinclair, Director of Claims Services; Scott Neufeld, Director of Loss Control; and Jens Jensen, Property and Casualty Claims Manager.

OSBA staff in attendance at meeting start: Betsy Miller-Jones, Executive Director; Tricia Yates, Director of Communications; Mike Robison, Director of Finance; Lisa Freiley, Director of Legal, Labor and PACE Services; and Tonya Hammer, Board Development/Event Planning Assistant

Guest Speakers in attendance at meeting start: Greg Coffey and Crissie Fortmeyer, Russell Investments.

Mike Schofield called the meeting to order at 10:07 a.m.

I. Action items

A. Approval of June 25, 2013 minutes

Motion: Terry Lenchitsky moved approval of the June 25, 2013 PACE meeting minutes as presented. Seconded by Phil Wentz.

The board voted on the motion and it passed unanimously.

B. Approval of July 22, 2013 minutes

Motion: Phil Long moved approval of the July 22, 2013 PACE meeting minutes as presented. Seconded by John Rexford.

The board voted on the motion and it passed unanimously.

II. Presentations and written reports

A. Investment update

Lisa Freiley gives a brief explanation about OSBA going through an RFP process for investment services for OSBA and PACE services. One for OSBA, a continuation of RBC, and one for

PACE, Russell Investments, which has been working to transition from RBC to Russell. Lisa introduced Greg Coffey and Crissie Fortmeyer and explained their goal was to inform the group about their portfolio as well as educational information about investment styles and different strategies.

Chair Adam Stewart, Hillsboro Chief Financial Officer, arrived at 10:09 a.m.

Crissie Fortmeyer thanked the group for their time. Her expertise lies in the area of investments for tax-exempt institutions. She stated feedback from the Board is very important and critical to knowing where they stand.

Greg Coffey, client executive, introduced himself. He has been in the industry for 10 years.

Crissie noted Russell Investments home office is in Seattle and owned by NW Mutual Life. NW Mutual Life is rated AAA. They have been around since 1936 and have 2.6 trillion in assets. Today, they are one of the largest asset management firms in terms of institutional portfolios, managing a little over 237 billion in assets. Russell Investments takes a holistic approach to managing investments.

Phil Wentz exited the meeting at 10:15 a.m.

Crissie reviewed pages in the handouts that were included in the packet.

Phil Wentz rejoined the meeting at 10:17 a.m.

Russell Investments was hired to do the day-to-day management on behalf of PACE. They would consult the committee with major market shifts, approval, feedback, or any other major issues that might arise. They are also working on ongoing education for the Trustees.

Crissie continued to review the handout and Russell's philosophy to investing.

The Trustees discussed the investment policies and their options. The policy adopted by the OSBA Board also applies to PACE. Russell Investments has a copy of the policy and is required to follow the prohibitions in the policy. The policy applies to PACE but they have the option of not going completely to a 60/40 investment. Geoff Sinclair noted it is actually a ceiling for the amount of equities that PACE can invest in.

Greg Coffey explained the conversion to Russell Investments and where they are in that process. He noted Russell was hired at the end of June and have almost completed the paperwork and legal documentation to accept all of the PACE assets to Russell. Initial discussion was assets might come in before this meeting at a 70% fixed income, 30% equity portfolio. Part of this meeting is the discuss moving to a 60% fixed income, 40% equity portfolio.

Historically, the PACE portfolio had been invested by 100% fixed income. Russell believed a total return = income + appreciation is a more appropriate way to invest going forward.

Greg reviewed the various scenarios included in the portfolio with the Trustees. Portfolio one is expected to return about 3.5% over a ten-year period on a median outcome. Portfolio two is expected to return a little over 4.8%. Portfolio three is expected to return a little over 5.3%. He reminded the Trustees it is important to pay attention to asset volatility. It is noted the context of the volatility numbers stated look very good with the average about 10%.

Lisa Freiley commented PACE had filed a certificate of participation for 70/30 (70 fixed income, equity at 30) but the Trustees are interested in moving to a 60/40 strategy. She noted if an equity component is introduced, it will have an impact on the capital assets needing to be generated in order to meet 100 or 200 year event the Trust wants to achieve.

Mike Doherty stated the 60/40 model would increase capital target by about \$2.8 million and the 70/30 model would increase capital by \$2.1 million or approximately a \$700,000 difference. A transition specialist is currently working with RBC to see what can and cannot be absorbed into Russell, what will potentially have to be sold, who and how that selling is going to happen

OSBA staff will work with Russell to compile reports to be sent quarterly tracking returns. The Trustees approve Lisa Freiley having the authority to invest up to 40% equities.

Adam Stewart stated the consensus of the board and OSBA staff are instructed to move forward with a 60/40 investment strategy.

Greg Coffey and Crissie Fortmeyer are thanked for their time.

Greg Coffey and Crissie Fortmeyer, Russell Investments, exited the meeting at 11:04 a.m.

Betsy Miller-Jones, Lisa Freiley and Mike Robison exited the meeting at 11:04 a.m.

B. Communications update

Tricia Yates outlined her intent to update the group on communications and the member survey results. She reviewed the information included in the packet.

Betsy Miller-Jones rejoined the meeting at 11:05 a.m. and Mike Robison and Lisa Freiley rejoined the meeting at 11:06 a.m.

Mike Doherty exited the meeting at 11:06 a.m.

There are four areas of service and communications: 1) crisis assistance; 2) media interaction; 3) news generation; and 4) service to members. Since July, OSBA has assisted districts with media responses to legal crises. Media interaction since July consisted of responding to the *Eugene Register Guard* for Astoria, arming school staff, and broadcast and print news on the Woodburn school fire. In the news generation category, web and news articles from Hillsboro on the Safety Summit as well as articles for *School Leader News* have been printed. Alex Pulaski, OSBA communications specialist, continues to meet with Scott Neufeld about stories emphasizing content for the new website. Under services to the membership, the communications department

completed the PACE member survey and devoted a section of OSBA Newsclips to PACE emailed everyday statewide to the OSBA membership. Current work includes boundary invasion information for the website and updating the tenant user liability insurance program brochures.

Mike Doherty rejoined the meeting at 11:09 a.m.

Tricia Yates reviewed the PACE membership survey included in the Trustees' packet. Based on 78 member responses, 77% are aware PACE is a member-owned pool, up from 67% last year. More than 84% of respondents are very satisfied with PACE and they consider it a value. Staff are polite, professional and knowledgeable. Not surprisingly, cost is the biggest issue. Members are concerned about property risks, litigation and employee issues. Marketing for PACE Day begins October 1st with electronic "Save the Date" cards sent to members. April 25, 2014 is the date set for PACE Day.

C. Loss Control Report

Scott Neufeld commented on the increase of 10-15 more trainings since PACE's three-year agreement with Safe Schools. Review of classes offered over the last two years indicated both Safe Schools and Safe Colleges trainings on gang awareness and dating programs were not being utilized. Changes have been made to those trainings.

The risk staff completed 22 trainings in August. Risk staff spoke at the Oregon Association of School Business Officials (OASBO) conference in July 2013 and over 800 people attended their session. Geoff Sinclair and Scott Neufeld have partnered with OASBO to introduce a risk management module for their new business manager institute.

At the July 2013 conference, OASBO and Oregon School Safety Officers Association (OSSOA) 2013 discussed G-MAX or shock absorbency testing for astro-turf fields and possibly grass fields due to a lawsuit in Texas. A G-MAX test simulates the impact of a head on the field surface. Turf fields takes approximately two hours to complete and will also affect baseball fields, playgrounds and practice fields. This could be a big implication going forward.

Work continues on the boundary invasion information Tricia Yates referenced. The plan is to have the information sent to members via mail and online. If a draft of the boundary invasion information is available, it will be provided at the next Trustee meeting.

Risk staff received great information and feedback at the Hillsboro Safety Summit regarding the standard response protocol. School district staff as well as emergency responders and police attended the summit. As a result, all Linn County schools are implementing the standard response protocol.

D. Pre-Loss report

Lisa Freiley reviewed the pre-loss data included in the Trustees' packet. The bulk of the contacts pertain to discipline, dismissal, termination, non-renewals, etc. OSBA staff continued to clarify for superintendents and business manager on how pre-loss works. Staff have discouraged a

district's attorney calling but rather be contacted by a member. Lisa noted review of contracts and waivers continued to grow. Lisa credited Scott Neufeld's staff with this assistance. Use of the pre-loss service seems similar to last year but is more stable this year.

E. Workshop update

Lisa Freiley stated OSBA staff are working with districts throughout the state and continue to schedule trainings such as bullying as well.

PACE Day will be in Eugene, Oregon at the Hilton Hotel on April 25, 2014. "Save the date" cards will be sent tomorrow. Staff are working to identify speakers and the program. Any suggestions are welcome. Geoff Sinclair received contact information from Genesis on Glen Lipsomb, a school psychologist from California. His presentations include identifying behaviors on sexual misconduct, trusting your gut, and creating a culture where people feel comfortable reporting. Lisa noted she will be contacting Glen to determine his availability.

There have been discussions about how background and criminal record checks are not revealing much information. Staff will look at developing some materials on strengthening reference checks as a loss control strategy.

Geoff Sinclair stated he and Lisa Freiley intend to clarify with Genesis that PACE would like them to pay for any presenters used.

F. Financial report

Mike Doherty reviewed the updated financial report included in the Trustees' packet from the July presentation for the fiscal year 2012-13 financials. Auditors were in the office the last week and there were no adjusting entries. The materials provided in the packet are the final results. Mike noted total assets and liabilities were down resulting in a net income loss of \$1.6 million.

Geoff Sinclair exited the meeting at 11:29 a.m.

Retained earnings of \$12.1 million are up compared to \$10.5 at the end of the prior year. Mike noted on the income statement that the only major change since July is the losses. The actuary of losses came in approximately \$400,000 less than anticipated. This resulted in retained earnings up \$1.6 million compared to the \$1.2 reported in July 2013. Also included was a refund transfer from PACT for an old insurance policy. The report includes updated actuary estimates and the annual report which separates out the financials back to the policy years they belong to. This reflects which years were profitable and which were not.

Geoff Sinclair rejoined the meeting at 11:30 a.m.

Mike Doherty commented this report indicated our pricing is accurate for renewal without large increases in the future. He reviewed the claims graph and noted the target range for retained earnings is 18-22.

III. New Business

A. Excellence in Safe School Operations Certification

Lisa stated Sean Spellecy, a retired school principal, has a website and training program and does certifications of schools.

Mike Schofield exited meeting at 11:34 a.m.

Sean's company, New Dawn Security, has identified what he considered 26 safe school standards, assesses and provides feedback on whether or not they are in fact a safe school. This is determined by 4 parts: operations, policies, procedures and prevention. Under operations, Sean inspects for things such as emergency operation plans, crisis response, analysis, anti-terrorism, safety inspections, crime vandalism, security system reviews, extra-curricular event management, etc. Under policies and procedures he includes: bullying, harassment, incident reporting, privacy protections, school discipline plans, employee management, etc. Under prevention he reviews for: risk, threat, vulnerabilities, predator prevention, active shooter responses, emergency responder partnership, etc. His website contains online training. When a member becomes certified, they have met these 26 standards.

Sean's business is New Dawn Security. They are currently connected to an insurance program (Great America).

Mike Schofield rejoined the meeting at 11:37 a.m.

Phil Long commented the importance of schools thinking of first steps - local SWAT teams, police officers, SRO's, PACE loss prevention, brokers' loss prevention, etc. These groups would not do a policy review but would do building evaluations, assessment, lock-in/lock-out drills, etc. for free. Lisa Freiley noted this could be achieved with something similar to a checklist. Phil Wentz agreed. Frank Stratton suggested PACE has many resources currently and could assemble a best practices program at SDAO.

Tricia Yates exited the meeting at 11:40 a.m.

The Trustees discuss the benefits of schools going through some type of safety training and providing districts with a self-evaluation checklist. The delivery for this information should be PACE Day.

Tricia Yates rejoined the meeting at 11:45 a.m.

Adam Stewart asked Scott for suggestions of ideas to share at PACE Day at the next trust meeting. Bret Yancey and Phil Wentz will forward information to Scott and Lisa.

Group broke for lunch and Tricia Yates exited the meeting at 11:55 a.m.

Geoff Sinclair called the meeting to order at 12:27 p.m.

IV. Claims litigation update

A. Litigation guidelines

The information was included in the Trustees' packet.

Geoff Sinclair asked the Trust to approve the litigation guidelines for the claims manual and the attorney contract to be added in the PACE claims manual.

Phil Long rejoined the meeting at 12:28 p.m.

Motion: Terry Lenchitsky moved to accept the litigation guidelines for inclusion in the PACE claims manual. Seconded by Phil Wentz.

Bret asks for clarification on the addition to the litigation guidelines.

Lisa Freiley rejoined the meeting at 12:29 p.m.

John Rexford rejoined the meeting at 12:31 p.m.

The committee has further discussion on the litigation guideline additions.

The board voted on the motion and it passed unanimously.

B. Attorney contract

Motion: John Rexford moved to accept the attorney contract guidelines for inclusion in the PACE claims manual. Seconded by Phil Long.

The committee discussed the contract and retention requirements. Lisa Freiley will work with Geoff Sinclair to include some time frame to work with - her recommendation would be three years.

John Rexford agreed to the amendment to the three-year renewal. Phil Long seconded the amendment.

The board voted on the motion and it passed unanimously.

C. Executive session

Chair Adam Stewart calls the meeting to executive session at 12:39 p.m.

Betsy rejoined the meeting at 12:39 p.m.

Terry exits the meeting at 1:05 p.m.

Chair Adam Stewart calls the meeting back to regular session at 1:16 p.m.

V. Trustee training opportunities

A. AGRiP Leadership Conference, San Antonio, TX

Adam Stewart, Debbie, Marie and Phil Wentz are going to AGRiP.

Jens Jensen exited the meeting at 1:18 p.m.

OSBA Convention is coming up in November 14-17 at the Marriot in Portland.

Oregon School Law Conference in Eugene, Oregon on December 4-6, 2013.

Adam states the next trust meeting is on December 2, 2013.

Chair Adam Stewart adjourned the meeting at 1:19 p.m.