

MONDAY, DECEMBER 02, 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, Debbie Laszlo, Redmond Risk Manager; Marie Knight, Vernonia 47J Fiscal Assistant.

SDAO staff in attendance at meeting start: Frank Stratton, Executive Director; Mike Doherty, Chief Financial Officer; 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; Alex Pulaski, Communications Specialist; Mike Robison, Director of Finance; Lisa Freiley, Director of Legal, Labor and PACE Services; and Ashley Town, Legal, Labor and PACE Services Assistant.

Guest Speakers in attendance at meeting start: Kevin Wick, PricewaterhouseCoopers (PWC) and James Marta, James Marta & Company Certified Public Accountants.

Mike Schofield called the meeting to order at 10:06 a.m.

I. Action items

A. Approval of September 30, 2013 minutes

Motion: Terry Lenchitsky moved to approve the September 30, 2013 PACE meeting minutes as presented. Seconded by John Rexford. No dissent.

The board voted on the motion and it passed unanimously.

Chair Adam Stewart, Hillsboro Chief Financial Officer; arrives at 10:12 a.m.

II. Presentations and written reports

A. Actuary Report

Kevin Wick, of PricewaterhouseCoopers (PWC), facilitated the PowerPoint presentation, "Actuarial Review As of June 30, 2013" for the PACE trustees. He discussed there were no significant actuarial changes this year. The fund balance went up in 2013 and the numbers are headed in the right direction.

B. Audit Presentation

James Marta, CPA, ARPM at James Marta & Company Certified Accountants, introduced himself to the PACE trustees. James noted that James Marta & Company Certified Accountants is located out of California.

James presented the PowerPoint presentation, "Property and Casualty Coverage for Education Financial Statements with Independent Auditor's Report for the Fiscal Years Ended June 30, 2013 and 2012" to the board. James states that the audit is a process of accountability for the Board he looks at a variety of factors when completing the audit including: looking at underlying claims, controls and processes, structure of plan and actuary studies. He states the audit opinion is unmodified, which is new language, in the past it would have been referred to as unqualified. James states member contributions are up by 11.1% (\$26M). Investment income is down by 17% (\$631K). Other operating expenses decreased about \$483K mainly due to dividends. Claims expense decreased by \$4.9M (32.5%) and total assets decreased by \$529K or (1.7%), while liabilities decreased by \$3.1M. Total net assets of \$12.2 M, increased by \$1.7M. Page 45 compares year over year net assets, last year it was 10M vs. this year at 12M. Claims liability in total decreased about \$667K and claims expense decreased by 33%. Management Improvement Recommendations made are: recommend review and revision of bylaws, recommend appointing a "program manager" for PACE and that formal contracts be established with the attorneys for PACE, and recommend a litigation management plan and procedures. He stated management was already working toward or have implemented changed in the areas identified in the recommendations. In closing, James shared he did not have any deficiencies or adjustments to report. PACE is in good financial position and working toward the targets. There were no questions.

James Marta exits the meeting at 10:54 a.m.

C. Financial Report

Mike Doherty provided an update of PACE financials for the 2013-14 year, through September 30, 2013. Mike states revenue is right at the 25% target, see page 81 of the packet. Liability claims at 24% year-to-date. The property graph shows 1.6 million dollars, including the corridor. Total operating expenses are 23% of budget, just slightly below the 25% target. Interest earnings are \$407K for the quarter, which is above the target for the quarter. Total net income \$840K which is 50% of the budget so far. On pages 84-85, Mike states the average increase for general liability is about \$400. He shares that property for the 2013-2014 year is starting off very well.

Mike Doherty then directs the group to the IRIS Tests, he runs them on an annual basis. Mike reiterates PACE is heading in the right direction. He walks the group through the chart on page 91 number by number. He states there are a couple of

numbers currently “out-of-whack” due to some unique circumstances. There were no questions.

D. Underwriting Report

Mike Doherty states over the last couple of years there has been an on-going discussion regarding cyber liability and whether it is an additional coverage PACE wants to add to what is already covered under the policy. They went out and received quotes through Beecher, Carlson, Brown and Brown, staff discussed it internally and **the recommendation is to not add any additional coverage based on the quotes given to the pools program. Frank Stratton reiterates, they recommend not buying a third party product, but to continue to provide what is already being provided.** He states if members want more coverage for the expense portion, they can come up with a way to charge more in order to buy higher limits on additional coverage(s). Phil Wentz shares that at the AGRiP Conference there was an FBI agent that spoke about cyber crime and credit freezing. *Phil suggests that maybe this could be an additional way for people to do credit monitoring.* Lisa Freiley believes the statute referred to is pretty specific and outlines what has to be done. No other comments regarding the recommendation given.

E. Investment Update

Mike Robison provided the Board with an investment summary from Russell Investments. Mike updates the Board on the process of selecting a new financial advisor and all the assets at West Coast Trust and Royal Bank of Canada (RBC) were moved to Russell Investments officially the first part of October. He shares that for the month of October, investments grew approximately \$26K with Russell Investments. Adam Stewart asks Kevin Wick if the Russell investment information changes the risk factors in the report he gave. Kevin responds stating the information provided to the trustees at this meeting don't reflect the new investments. Mike Doherty responds saying that based on the formula provided by Kevin Wick the data provided today would change the equity target from 18 to 19.5M.

Chair Adam Stewart led the Board into Executive Session at 11:17 a.m.

F. **ENTERED EXECUTIVE SESSION**

ORS 192.660(2)(f) - “To consider information or records exempt by law from public inspection.”

Claims Report

LEAVE EXECUTIVE SESSION

Chair Adam Stewart reconvened the public meeting at 11:32 a.m.

G. Loss Control Report

Scott Neufeld passed around a Safe Schools handout and updated the board on the Safe Schools program sharing that he is working with Brian Taylor at Safe Schools to get a quote. He states they have a tip line where people can call for bullying, child abuse, boundary invasion and other various mandatory reporting issues. The calls would go straight to an administrator(s) or local law enforcement. This program is similar to the tip line program in Colorado and has been successful in other states with pools. **Scott will have additional information to share with the Board in March.** His staff met with the new CNA carrier, Clay Rhodes for an hour and had good discussion about things to look for when out doing inspections. He states the risk management staff met with the legal staff regarding trends and current events, they will meet about every 6 months on a going forward basis. There were no questions.

John Rexford exits the meeting at 11:34 a.m.

H. Update on policy revisions regarding weapons

Lisa Freiley shares this topic came up because St. Helens reversed its position on staff carrying weapons in schools. Lisa asked Mike Doherty to identify what numbers were reported at renewal time. St. Helens originally had a policy that prohibited the use of carrying weapons by staff on school property. Then the St. Helens board reversed that policy, they now have a policy which is silent on the issue. Lisa informs the group the majority of district's in Oregon, roughly 85% have this same policy. Terry Lenchitsky asks how we charge premiums to districts in regards to this issue. Lisa then directs the group to the chart she handed out to clarify what districts are doing. Mike Doherty explains the chart: there are 49 districts who have DPSST certified armed personnel from the city and the county where the district has no liability (Example given by Lisa: Eugene, have an SRO they contract with the city of Eugene and the liability stays with the city). There are 5 districts who have DPSST certified armed personnel from the city or county where the district has liability and those districts pay an additional premium. Then there are the DPSST certified non-city or county personnel, those are mainly community colleges. The remaining 250 have no armed personnel. Frank Stratton clarifies that no armed personnel doesn't mean that they don't have staff that carries, it simply means they don't require staff to carry as a job duty.

I. Preloss Update

Lisa Freiley provided a brief update to the board on preloss. Lisa states there continues to be an increase in contacts. She explains staff is continuing to educate members to be more proactive in calling sooner and/or working with their own attorneys before making decisions. Phil Long asks if there is a list of districts who use other local legal counsel. **Tricia makes note her staff can promote a resource article in regarding to helping educate members on when**

to call.

J. Workshop Update

Lisa Freiley provided a brief update to the board on workshops. She states staff are continuing to reach out to districts for trainings and works with risk management to provide timely training opportunities to districts.

K. Communications Update

Tricia Yates passed around her communications update handout. She highlighted some of the primary actions taken in the areas of crisis assistance, member training, resource articles and marketing. They have worked with SDAO staff on crisis response including sexual harassment lawsuit at Clatskanie and concealed weapons in St. Helens in order to turn calls around very quickly in those situations. *She has been working with David McGinnis of Capitol City Video, Inc. to develop two training videos, she anticipates production to begin for the first video in February, the second video in April.* Alex Pulaski has worked with Scott Neufeld to come up with four articles to post on the PACE website, topics include boundary invasion guidelines, winterization of buildings, effective practices and programs, and reducing the liability of organizing volunteers. In regards to marketing Tricia and her team have promoted the PACE Day save the date card, completed the PACE 2014 calendars and the calendar was distributed at convention. Tricia then shares her tag cloud with the Board.

L. PACE Day Update

Lisa Freiley provided a brief update on the status of PACE Day preparations. She informs the Board that staff met last week and we have a contract with the Hilton in Eugene for the 25th of April, set an agenda, made contact with a keynote speaker and will address boundary invasion, sexual misconduct, and professional ethics. She states there will also be presentations on bullying, concussions and employment. She reiterates the save the date card has gone out and another marketing blast will go out in December.

Chair Adam Stewart recessed the Board for lunch at 12:07 p.m.

Chair Adam Stewart reconvened the Board at 12:36 p.m.

M. Report on AGRiP Conference

Adam Stewart begins by sharing he went to the conference and really enjoyed it. He shares there was a climate change specialist there who spoke at a session. Phil Wentz shares he went to a presentation given by a current FBI Agent on cyber crime and spoke about topics such as: not using free Wi-Fi because it is the easiest thing to hack into using, the pineapple device (used to re-direct your internet), said it was very eye opening. Debbie Laszlo shared she attended a

communications seminar. Phil Wentz shared the keynote speaker was fantastic.

N. Report on Oregon PRIMA Conference

Frank Stratton provided a brief update on the Oregon PRIMA conference, he attended the excess liability in pool that CIS is trying to organize. They are trying to set up a pool for pools and for self insureds in Oregon in order to take a layer of risk from a million dollar SIR up to two million and then go out on a group purchase basis and buy up to ten million from the marketplace. He reports the participants have no interest in sharing any risk with schools and he is very doubtful SDAO will participate. Adam Stewart asks if it's likely to happen, Frank shares that he doesn't think it can happen without SDAO's involvement.

O. Appointment of Trustee to PACE Awards Committee

Lisa Freiley explains a PACE award for both individuals and organizations has been created. The brochure and materials have been sent out and three nominations have been received. She informs the group that she needs two volunteers from the Board to participate with loss control staff to review applications and select an individual and an organization to receive the award; it will be rewarded at PACE Day by Adam Stewart. **Debbie Laszlo and Phil Wentz volunteer to be on the committee.** *Lisa states she believes the timeline for review is late January or February.* Lisa asks the group to encourage both individuals and organizations to apply to try and get as many applicants as possible. Marie asks Lisa to clarify the things we are looking for in recipients. Lisa states we are looking for people or organizations who have implemented a program that has reduced risk using something innovative and creative. *Tricia clarifies the information is in Newsclips under PACE and the deadline for nominations is December 15th.*

P. Trustee Training

Lisa Freiley reiterates there are two trainings coming up. The Spring AGRiP Conference in San Francisco, CA, March 9 - 12th and the Annual PRIMA Conference in Long Beach, CA, June 8 - 11th.

III. New Business

- A. Terry Lenchitsky takes this opportunity to inform the group he attended OSBA's Fall Regionals and is happy to report that the perception is that PACE is doing a good job and members are happy. Adam Stewart asks if there is anymore word on potential competitors coming into the market. Frank Stratton states so far he has heard nothing, he is expecting there will be competition but has not heard anything to date.

IV. Future Business

- A. The next trust meeting is on March 3, 2014.

Chair Adam Stewart adjourned the meeting at 12:53 p.m.