

**MONDAY, MARCH 2, 2015**

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; Mike Schofield, Gresham-Barlow 10 Chief Financial Officer; John Rexford, High Desert ESD Superintendent; Adam Stewart, Hillsboro 1J Chief Financial Officer, Marie Knight, Vernonia 47J Fiscal Assistant, Debbie Laszlo, Redmond 2J Regional Risk/Benefits Manager, Sharla Andresen, Central Oregon Community College Director of Contracts & Risk; Craig Prewitt, Phoenix-Talent School District.*

*PACE Trustee members absent at meeting start: Brett 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; Jens Jensen, Property and Casualty Claims Manager; and Kevin Pardy, Underwriter.*

*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 Labor and PACE Services; Kate Wilkinson, Director of Litigation; Rachel Fleenor, Marketing, Communications & Social Media Consultant and Pamela Mullen, Labor & PACE Services Assistant.*

*Guest Speakers in attendance at meeting start: Greg Coffey, Russell Investments.*

*Guest Speakers in attendance: Peggy Holstedt, Director of Board Development & Policy Services, Jim Green, Deputy Executive Director.*

**Chair Adam Stewart called the meeting to order at 10:10 a.m.**

I. Welcome and introductions

Each attendee introduced themselves.

II. Action items

A. Approval of December 2, 2014 minutes.

***Motion: John Rexford moved to approve the December 2, 2014 PACE meeting minutes as presented. Seconded by Craig Prewitt. No dissent.***

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

III. Presentations and written reports

A. Investment update

Greg Coffey, of Russell Investments facilitated a brief presentation on the PACE portfolio assets and how Russell builds the funds the PACE portfolio is invested in (spiral bound handout). Greg explains the capital markets section after a poor January there has been a large amount of equity and bond market volatility at the start of 2015. Greg explains the asset summary section stating the PACE portfolio is invested in 60% fixed income; 30% equities and 10% in non-U.S. equities. Of the equity allocation 30% is invested in US equities and 10% is invested in international equities. The market value reconciliation section shows PACE at about \$53.8 million at the end of February. He states that since inception the portfolio has grown by 5.8%, outperforming its benchmark by 0.1%. Greg then discusses Environmental, Social and Governance (ESG) Investing with the Trustees. There is growing evidence suggesting that ESG factors, when integrated into investment analysis, may offer investors potential long-term performance advantages. Manager have become more aware of these factors and are looking at ESG as a way to differentiate a good run company and a poorly run company.

*\*\*Brett Yancey enters the meeting at 10:25 a.m.\*\**

*\*\*Lisa Freiley exits the meeting at 10:35 a.m.\*\**

*\*\*Lisa Freiley enters the meeting at 10:36 a.m.\*\**

*\*\*Betsy Miller Jones exits the meeting at 10:40 a.m.\*\**

*\*\*Jim Green enters the meeting at 10:40 a.m.\*\**

*\*\*Greg Coffey exits the meeting at 10:46 a.m.\*\**

B. Legislative Update

1. Jim Green, OSBA Deputy Director introduced himself and his team Lori Sattenspiel and Morgan Allen. Discuss the bill tracking PACE bills on the OSBA website and identifying bills to track through the legislative process. OSBA works closely with SDAO, AOC and LOC. The PACE tracking focuses on bills that would reduce liabilities, eliminate costs and pertain to facilities and student/staff safety. Current examples of these bills include tort caps, concussions, child abuse, radon and marijuana. Lisa Freiley stated that if the Trustees see a bill that OSBA/PACE has not identified, send Jim Green an email and copy Lisa they will follow up with each other.

*\*\*Lisa Freiley exits the meeting at 10:55 a.m.\*\**

*\*\*Mike Doherty exits the meeting at 10:55 a.m.\*\**

*\*\*Lisa Freiley enters the meeting at 10:56 a.m.\*\**

*\*\*Betsy Miller Jones exits the meeting at 10:56 a.m.\*\**

*\*\*Mike Doherty enters the meeting at 10:58 a.m.\*\**

*\*\*Mike Robison exits the meeting at 11:10 a.m.\*\**

*\*\*Jim Green exits the meeting at 11:11 a.m.\*\**

*\*\*Scott Neufeld exits the meeting at 11:11 a.m.\*\**

*\*\*Kevin Pardy exits the meeting at 11:11 a.m.\*\**

C. Evaluation Committee Update

1. PACE Trustee Board Chairman Adam Stewart, on behalf of the PACE Trustee Evaluation Committee, Phil Wentz, myself and Marie Knight, reported that the board agrees the PACE staff are on track. The committee met and produce a report to submit to the Trustees. Using a new system to evaluate PACE staff, the trustee committee compared the PACE business plan and goals to staff outcomes. The trustees agreed that this system is valuable to them, because it allows them to see how PACE staff are accomplishing goals. The Committee will need to revisit the Business plan at the July 2015 meeting.

*\*\*Mike Robison enters the meeting at 11:13 a.m.\*\**

*\*\*Scott Neufeld enters the meeting at 11:13 a.m.\*\**

*\*\*Betsy Miller Jones enters the meeting at 11:20 a.m.\*\**

D. Underwriting Update

1. Kevin Pardy identified to the Trustees two (2) minor issues that need addressing before the 2015 renewal. They are Data Breach Coverage and Securities Fraus Claims. Staff proposed a exclusion to clarify PACE's intentions. We are asking to exclude the fines, damages and defense costs relating to an alleged violation(s).Any liability for Damages or Defense Costs of any Occurrence, Wrongful Act, Claim based upon, arising from or in consequence of:
  1. Any actual or alleged violation of The Securities Act of 1933, The Securities Exchange Act of 1934, The Public Utilities Holding Act of 1935, The Trust Indenture Act of 1939, The Investment Company Act of 1940, any State Blue Sky Laws and any federal, state, local or foreign laws similar to the aforementioned laws and/or regulating the same or similar conduct or services, whether such law is statutory, regulatory or common law;
  2. Involving directly or indirectly debt security financing, including but not limited to bonds, notes and debentures; or the investment of, or the failure to invest, public funds, including but not limited to the use of derivative investment instruments; and/or
  3. Any regulation, investigation and enforcement actions based upon, arising from or in consequence of subparagraphs 1. and 2. above.

***ACTION ITEM:*** SDAO to bring proposals to the May 4, 2015 meeting on the following:

- A. Exclusionary language
- B. Options

2. Data Breach / Cyber Liability

- A. Kevin Pardy discussed that as of July 1, 2015 PACE will no longer will have support from our reinsure for Cyber liability. We are in the process of getting new quotes. Good news is our broker is telling us that the coverage is getting better and more affordable. Geoff Sinclair stated that servicing these losses of doing the investigation. Products we are looking at offer dollar \$1. Some districts are offer an agreement to Credit monitor. These secondary administration can be costly.

*\*\*John Rexford exits the meeting at 11:40 a.m.\*\**

*\*\*John Rexford enters the meeting at 11:41 a.m.\*\**

3. Earthquake

- A. Mike Doherty address the Trustees regarding increasing PACE's earthquake limits (*see page 43 in your handouts*). Staff believe that within the budget we have enough financial resources to increase limits by another \$100M to increase the total limit to \$300M with the possibly of adding an another \$100M in the future. Once staff works with the broker to clarify several of these points, we will bring a recommendation and plan back for approval during the budget process.

E. Finance Report

1. Mike Doherty updated the Trustees on the Financial's. Through the first six months of the 2014-15 policy general liability claims are trending slightly below average and budget. Prior year general liability claims have no real surprise movements up or down. Auto physical damage claims remain below budget through six months. Property claims, through almost eight months, are on the lower side of our averages and current amount to \$1.2 million.

Total operating expenses, including the contract fees for both OSBA and SDAO, are at 50% of budget. The six month income on investments is 42% of budget, or \$850,000. As noted in the investment income chart, the 12-month return as of January 31st is 5.4% with the "averaged" 12-month return at 5.75%.

With the addition of investment income, the net addition to retained earnings half way through the fiscal year is \$2.2 million.

F. Litigation Services Update on Reorganization

1. The trustees welcomed new OSBA Director of Litigation Kate Wilkinson. Kate reported on the Litigation Department's reorganization process, implementation of a new software system called Prolaw to track time and projects, as well as the department's new direction. She anticipates working to have more legal white papers on the OSBA website and to have more written resources for our members.

*\*\*Lunch break at 12:10 p.m.\*\**

*\*\*Reconvened meeting at 12:40 p.m.\*\**

*\*\*Chair Adam Stewart led the Board into Executive Session at 12:45 p.m.\*\**

**G. ENTERED EXECUTIVE SESSION**

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

Claims Report

**LEAVE EXECUTIVE SESSION**

*\*\*John Rexford exits meeting at 1:00 p.m.\*\**

*\*\*Jens Jensen exit the meeting at 1:21 p.m.\*\**

*\*\*Chair Adam Stewart reconvened the public meeting at 1:21 p.m.\*\**

**H. Risk Management Report**

1. Scott Neufeld reports staff continues to be out following-up with our members regarding the Boundary Invasion Toolkit project. We have 59 entities that have completed the 7 items needed for the 5% credit.

We are scheduling another boiler training session in the Metro area. We will be hosting a class at N. Clackamas SD on March 27th. We already have over 30 people registered for the class.

Brian Wolf has been hired as the Eastern Oregon risk management representative.

**I. Pre-loss Report**

1. Between July 2014 through January 2015 there were 944 calls. On an average basis its around 135 contacts a month. Based on this data the most common calls are on contract reviews, torte liability, discipline, terminations and discrimination. Working on changes on how we received email pre-loss requests with a focus on getting contacts to provide us more information and getting them an auto response that we will get back with them shortly.

**J. Training report**

1. Peggy Holstedt highlighted the Risk Management training with SDAO and discussed the Regional trainings regarding the Boundary Invasion trainings so the Administrators can be trained and go back and train their staff. John Michael Keys is returning for the "I Love You Guys Training" from March 11-20, 2015. Lisa Freiley updated the Trustees on the change in staff for the upcoming training schedule.

K. PACE Day Update

1. Lisa Freiley reports that we are working on sponsors and registrations. Numbers look good to date and we still have a month to go. Speakers are confirmed and the Safety Awards committee is meeting immediately after the Trustee meeting to contact the nominees soon.

L. Communications Report

1. Tricia Yates and Marketing Consultant Rachel Fleenor reported to the trustees on the 2014 PACE Membership Survey. A full report can be found on the PACE website.

M. Trustee Training

1. Lisa Freiley states Adam Stewart, herself, John Rexford, Brett Yancey, Mike Robison, Mike Schofield, Geoff Sinclair will be attending the AGRiP training next week. Marie Knight will be attending the GOSH conference in Portland next week. The PRIMA conference will be in June in Houston, TX.

IV. New Business

A. Gold Standard Agent Recognition

1. The trustees also authorized research on a new "Gold Standard Agent" form of recognition. The Special Districts Association of Oregon (SDAO) proposed the idea as a way to reward long-standing PACE agent partners. SDAO is putting together an agreement for Agents to sign; also looking at different tiers. SDAO will bring ideas and option for the trustees to review on how to recognize agents at their May 4, 2015 meeting.

B. Budget Committee Appointment

1. The Trustees recommended the appointment of the following trustees: John Rexford (Superintendent, High Desert ESD), Mike Schofield (Chief Financial Officer, Gresham-Barlow SD), Brett Yancey (Director, Business Operations, Springfield) and Adam Stewart (Chief Financial Officer, Hillsboro 1J). The committee will meet in April 2015.

C. Trustee Recruitment Committee

1. Lisa Freiley reports the group that three Trustees terms are up and all three are eligible for a second term. They are John Rexford, Phil Wentz and Mike Schofield. *All agreed to serve a second term.* The recommendations go to the Oregon School Boards Association's (OSBA) Board of Directors, which makes the appointments, for consideration at their June 2015 meeting.

D. Schedule for July 2015 PACE Trustee Meeting

1. Lisa Freiley informs the trustees about a potential conflict with the July meeting. This meeting is traditionally the PACE Trustees planning meeting. The Trustees approved July 24, 2015 from 9-4 p.m. for the meeting.

V. Future Business

- A. Next meeting, May 4, 2015 - Local Government Center, 1201 Court St. NE, Salem, OR; room 427 at 10:00 a.m.

**Chair Adam Stewart adjourned the meeting at 2:56 p.m.**