

WEDNESDAY, APRIL 20, 2016

Hilton-Eugene, 66 E. 6th Avenue, Eugene, OR 97401 (Vista II Room)

PACE Trustee members in attendance at meeting start: Phil Wentz, Tigard-Tualatin 23J Facilities Manager; John Rexford, High Desert ESD Superintendent; Brett Yancey, Springfield Public Schools Director of Business Operations; Debbie Laszlo, Redmond 2J Regional Risk/Benefits Manager; Marie Knight, Vernonia 47J Fiscal Assistant; Sharla Andresen, Central Oregon Community College Director of Contracts & Risk and Adam Stewart, Hillsboro 1J Chief Financial

PACE Trustee members absent at meeting start: Craig Prewitt, Phoenix-Talent 4 Board Chair and Officer Mike Schofield, Gresham-Barlow 10 Chief Financial Officer.

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 Risk Management; and Kevin Pardy, Underwriter.

SDAO staff in absent at meeting start: 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, Staff Counsel / PACE Administration; Rachel Fleenor, Marketing-Communications & Social Media Consultant; Steve Kelley, Director of Board Development; Kate Wilkinson, Director of Litigation and Pamela Mullen, PACE Administration Assistant.

Guest in attendance at meeting start: Joel Troisi, Richard Poling and Ron Graybeal, Beecher Carlson Insurance.

Chair Phil Wentz called the meeting to order at 10:02 a.m.

I. Welcome & Introductions

II. **Action Items**

A. Approval of **February 29, 2016** minutes- **ACTION**

Motion: Brett Yancey moved approval of the February 29, 2016 PACE meeting minutes as presented. Seconded by Adam Stewart.

The board voted on the motion and it passed unanimously.

B. Approval of **April 04, 2016** minutes – **ACTION**

Motion: Marie Knight moved approval of the April 04, 2016 PACE meeting minutes as presented. Seconded by Brett Yancey.

The board voted on the motion and it passed unanimously.

III. 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. Trustee 2016-2017 Calendar
- B. Investment Report
- C. Financial Report
- D. Communications Report
- E. Pre-loss Report
- F. Risk Management Report
- G. PACE Training Report

Motion: Brett Yancey moved approval of the Consent Agenda as presented. Seconded by Marie Knight.

The board voted on the motion and it passed unanimously.

IV. New Business

A. Reinsurance Renewal Proposal – *Joel Troisi and Richard Poling, Beecher Carlson Insurance* – **ACTION**

Discussed the Carriers and the 2016-17 premium total of \$7.05M which is around a seven percent (7%) increase from last year. He directed the Trustees to page 7 of the presentation and discussed the like-for-like basis on premium numbers from last year to this year and if you remove the Terrorism and the Earth movement and we just purchased a \$300M policy the premium would be at \$6.8M which would represent a -9% rate reduction even after the large claim in 2015.

- Copyright Infringement Coverage
- Coverage for Underground Pipes
- Earth Movement & Flood Coverage - **ACTION**
 - Moved toward a more traditional approach would come in at a “blended” \$206,375 (participants are all participating in the same layer price).
- Terrorism Coverage Property - **ACTION**
 - Discussed that more competitive rates are found in the standalone market (which follows PACE’s form); meaning they will write a separate policy in lieu of charging a sur charge and including it on the all-risk. Ironshore has offered a

standalone \$100M annual aggregate. Net price will be \$63,750K. Joel explained the definition of Terrorism; it is based on an ideological act, a violent act or destruction of property that is ideologically based. Doesn't need to from a foreign entity, can be from a domestic citizen. It is for physical damage and loss of life is not considered a trigger. Must be traditional physical damage in order to trigger coverage under the policy. In order for the coverage to kick in the member would have a physical damaged event that ideologically based that causes a loss in excess of the deductible of \$250K.

Changes to All Risk Property

- Electronic Data Processing Media has increase from \$10M to \$50M.
- Outdoor Property sublimit increased from \$20M to \$25M.
- Per member, per occurrence has been amended to \$250K per member, per occurrence.
- Flood High Hazard
 - \$500K real property
 - \$500 contents
 - \$50K business interruption
 - PACE Program Deductible \$250K, per occurrence deductible.

ACTION: Staff recommendation that the Trustees approved the purchase of property, equipment breakdown and terrorism coverage with the \$350M earth movement as presented by Joel Troisi.

Motion: **Adam Stewart moved approval staff recommendation as presented. Seconded by John Rexford.**

The board voted on the motion and it passed unanimously.

- General Liability
 - Genesis has been your partner for many years and over the past seven (7) years we have gone out to several key markets and the rate the result has decreased approximately 10% over this period. PACE has elected to stay with Genesis and makes sense for consistency. For this 2016 renewal, it was decided not to market the reinsurance program primarily due to the marketing last year and the need to focus on alternative reinsurance structure options with Genesis as well as negotiate coverage changes. PACE also worked closely with Genesis to come up with agreed upon Drone coverage / wording.

ACTION: Staff recommendation that the Trustees approve Option 3 Genesis quote as presented by Richard Poling.

Motion: **Sharla Andresen moved approval staff recommendation as presented. Seconded by John Rexford.**

The board voted on the motion and it passed unanimously.

- Crime
 - AIG renewal 7-1-16/17 @ \$376,825

ACTION: Staff recommendation that the Trustees approve continuing with AIG Crime renewal as presented by Richard Poling.

Motion: **Adam Stewart moved approval staff recommendation as presented. Seconded by Brett Yancey.**

The board voted on the motion and it passed unanimously.

- Cyber
 - AIG renewal \$1,000,000/\$5,000,000 with a \$100,000 retention for \$164,580 annually.

ACTION: Staff recommendation that the Trustees approve continuing with AIG Cyber Liability renewal as presented by Richard Poling.

Motion: **Debbie Laszlo moved approval staff recommendation as presented; subject to getting the “as is” renewal premium and staff has latitude to make the decision. Seconded by John Rexford.**

The board voted on the motion and it passed unanimously.

B. Approval of 2016-17 Proposed Budget – Mike Doherty – ACTION

Mike Doherty discussed that for the property program, we fully funded the \$5M SIR for the first two budget cycles under that structure and funded \$4.5M in the current budget. The actuary report still reflects an annual expense of \$4M within that layer and I have allocated \$4.5M for this budget. He also discussed the reinsurance quotes with the earth movement being added. He then discussed the OSBA and SDAO contract expenses and that a much higher percentage of staff time was spent on PACE’s boundary invasion toolkit and that we should be sure to plan accordingly as this will be a regular item every couple of years. OSBA is still working with the reorganizing of the legal department structure and requested a 6.5% increase in order to attract attorneys to the program. SDAO submitted a 6.65% increase in their administration contract. Interest income has been slightly reduced to \$2.7 million. This assumes an average portfolio value of \$60 million with the currently portfolio at \$55 million. I decreased the earnings expectation

from 5.25% to 4.5% based on the comments from Greg during his most recent presentation. With the above information we are proposing a 2% average rate increase to members with a budget that adds \$2.5 million to retained earnings.

ACTION: The Budget Committee recommendation is that the Trustees approve the 2016-17 Budget as presented by Richard Poling.

Motion: **Adam Stewart moved approval staff recommendation as presented. Seconded by John Rexford.**

The board voted on the motion and it passed unanimously.

***Mike Schofield entered the meeting at 11:56 a.m. ***

Mike Doherty discussed the approval of the \$350M in quake and staff would like to make some small adjustments to some of the larger members with a lot of TIV and increase their limits from \$10M to perhaps \$12M or \$15M. Is that an underwriting decision? Lisa asked "how are the current limits set now?" all are at \$10M we have made some special accommodation to some CC's. It is on the declaration page within their renewal. Top ten districts with the highest TIV were sent to Joel at Beecher Carlson. Joel would have to go back to the insurers and doesn't see any issues with this change. Frank Stratton stated that in the past this has been an underwriting decision. Lisa Freiley stated that general speaking it has been a discretionary part for underwriting to act on and as long as they operate within the dollar amount that the Trustees have agreed to purchase property. It was agreed that this is an underwriting decision.

C. Coverage Changes – Kevin Pardy – ACTION

- a. Underwriting just got packets out yesterday into the Agents hands and you should be seeing the Liability renewal document shortly. Liability coverage document rewrite has already been budgeted for the \$30K. We will present it to you and hopefully will be in the 2017 renewal
- b. Done Coverage: Genesis has allowed us to add this without any increase in premium and you must be in compliance with all Federal, State and Local laws. They added that collision with another aircraft is not covered and Drones are considered another aircraft.
- c. Copyright Infringement: Genesis has also allowed this added coverage.

Motion: **John Rexford moved approval staff recommendation to accept coverage changes as presented. Seconded by Adam Stewart.**

The board voted on the motion and it passed unanimously.

***Break for lunch at 12:05 p.m. ***

***Reconvened meeting at 12:45 p.m. ***

B. Employment Toolkit – Scott Neufeld – ACTION

- a. Next two years five percent (5%) each year and the checklist is ready and will provide it at PACE Day. The kit will be the same for Community Colleges and K-12's. We hope to have the "draft" to Communication Services by mid-May for a roll-out July 1, 2016. We are currently working on creating a trainer position for our Member Services that has the knowledge and skills. There is a plan in place to address the need for this trainer position. On the Boundary Invasion GL credit we had 200 complete it last year and only 80 this year. The Districts and CC's did not know that the training is required yearly to continue to get the 5% GL credit.

C. PACE ten (10) year anniversary – *Lisa Freiley*

- a. Just wanted to bring to your attention that PACE will be celebrating ten years in 2017. Please come to the July meeting with some ideas on how we commemorate this accomplishment.

Chair Phil Wentz calls the meeting into "Executive Session" 1:00 p.m.

- A. In Executive Session - ORS 192.66(2)(f) Claims Report

Chair Phil Wentz call the meeting back to regular session at 1:48 p.m.

I. Future Business

- A. **Next meeting:** *July 26, 2016*
High Desert ESD
2804 SW 6th Street
Redmond, OR 97756
Conference Room
Time: 12:00 p.m.

V. Trustee Training Opportunities

- A. Upcoming workshops for Trustees
 - April 21, 2016, *PACE Day*, Eugene, Oregon
 - June 5-8, 2016, *PRIMA Annual Conference*, Atlanta, Georgia
 - July 15-17, 2016, *OSBA Summer Board Conference*, Bend, OR
 - November 11-13, 2016, *OSBA Annual Convention*, Portland, OR
 - March 25-27, 2017, *NSBA Conference*, Denver, CO

Chair Phil Wentz adjourned the meeting at 2:32 p.m.