PACE Trustee members in attendance at meeting start: John Rexford, Bend La-Pine Chief of Staff; 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; Tim Belanger, Business Services Director Oregon Trail; Craig Prewitt, Phoenix-Talent 4 Board Chair; Marie Knight, Vernonia 47J Business Manager; Tenneal Wetherell, South Coast ESD, Superintendent

PACE Trustee members absent at meeting start: Mike Schofield, Gresham-Barlow 10 Chief Financial Officer; Nickie Blasdell, Risk Management, Portland CC; Brett Yancey, Springfield Public Schools Chief Operations Officer

SDAO staff in attendance at meeting start: Frank Stratton, Executive Director; Michael Doherty, Chief Financial Officer; Scott Neufeld, Director Claims & Risk Mgmt.; and Kevin Pardy, Underwriting Manager; Dan Davenport, Risk Manager,

SDAO staff absent at meeting start: Jens Jensen, Property and Casualty Claims Manager

OSBA staff in attendance at meeting start: Dave Harvey, PACE Administration; Mary Paulson, Deputy Executive Director; Jon Greeley, Director of Finance & Operations; Alex Pulaski, Director of Communications; Haley Percell, Director of Litigation Services; Jim Green, Executive Director; Rachel Fleenor, Branding & Digital Marketing Strategist Pamela Mullen, PACE Administration Assistant.

OSBA staff absent at meeting start: Lori Sattenspiel, Director of Legislative Services,


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

I. Educational training – Risk Management 101 – Dan Davenport

**11:04 a.m. Alex Pulaski exit meeting**

II. Welcome and introductions
   A. Acknowledgement of guests
   B. Any modifications or additions to the agenda (**note**: working lunch)
      No modifications or additions to the agenda.

III. Investment update – Greg Coffey, Russell Investments
    Greg provided an update on the PACE portfolio for periods ending March 31, 2018. Since inception with Russell, the portfolio has generated $11.5M in earnings with fiscal YTD earnings of $1.9M. Fiscal year-to-date net
contributions are $13M to the portfolio. The resulting high-level fund asset allocation is 60% core fixed income fund, 35% Multi-Asset Fund, and 5% Large Cap U.S. Equity Fund. Since inception with Russell Investments, net cash flow has equaled $18M; $49M in contributions with $31.5M in withdrawals for claims. Tech stocks have been down for 12-18 months. Consumer staples did not do well, likely to be okay from a growth perspective. Growth is peaking, recession won’t appear for a few more quarters. Emerging markets are likely to outperform all asset classes this year.

With a defensive tone entering the quarter, that position was increased as the quarter became increasingly volatile; the cash position was increased to provide volatility dampening, but also to allow for quick deployment of capital should markets extend their losses.

Within the global equities segment, U.S. equities continue to represent the most underweight position in the portfolio by over 5.0%, whereas European markets are held at a portfolio overweight by 4.6% based on valuation levels and improving fundamentals.

After the market volatility in February, some modest repositioning occurred with increased exposures to emerging market equity, creating an overweight of 2.1%. In addition, we expanded our modest overweight to Japanese equities to 1.4%.

From a sector standpoint, financial stocks continue to be held at an overweight following comment by Jerome Powell regarding a continued rise in interest rates. Technology and growth stocks are held at an underweight.

Within the return-seeking fixed income segment of the portfolio, we continued to trim high-yield and bank loan assets due to tight spreads and asymmetric payoff.

Commodities are held at a neutral weight as we are neither bullish or bearish on commodity markets.

The exposure to listed infrastructure remains depressed with an underweight position by 1.9% considering its interest rate sensitivity; previous REITs underweight was closed, bringing the asset class back to neutral due to its relatively cheaper valuation.

**Greg Coffey exit meeting at 11:21 a.m.**

IV. Action Items
A. Consent Agenda
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.

i. Approval of proposed 2018-19 PACE meeting calendar
ii. Approval of February 26, 2018 minutes
iii. Acceptance of PACE April 2nd, 2018 Budget Committee minutes
iv. Community College Roundtable Discussion Report – Allen Bunch

Motion: Craig Prewitt moved approval of the consent agenda as presented. Seconded by John Rexford

The board voted on the motion and it passed unanimously.

B. Reinsurance renewal proposals – Joel Troisi, & Richard Poling; Beecher Carlson Insurance

i. Property, Equipment & Terrorism Renewal
   Property
   Last’s year’s rate increase was 15%, primarily due to the adverse loss experience from large snow, fire and floods. This year the program has performed exceptionally well. We bound certain reinsures with a two-year rate commitment; this is due to relationship the team has built with the reinsures overtime.

   This year PACE will get a flat rate renewal as a result of the two-year renewal agreement with Lloyds of London last year. Overall PACE is looking at a 6% increase driven primarily by the Equipment Breakdown written by CNA. CNA Insurance Equipment Breakdown renewal rate change equals a 28% rate increase; driven in large part by risk control hours CNA provides (i.e., on-site boiler room training). Terrorism renewal is also on a flat rate renewal this year. CNA offer some good retention levels as well. PACE will offer an additional layer of coverage of $50M, at the time of the meeting we are waiting for 30% of this layer complete (at a cost of $250K) and should be completed this week.

   Equipment Breakdown
   One-year option(s) CNA would provide the following:
   • move to $25K deductible – $17K premium credit
   • move to a $50K deductible - $51K premium credit
   • move to a $75K deductible - $86K premium credit

   Terrorism
   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.
Motion: John Rexford moved approval of the Property renewal as presented. Seconded by Craig Prewitt

The board voted on the motion and it passed unanimously.

ii. General Liability, Errors & Omissions, Auto Liability, Cyber & Crime Renewal

**Staff recommendation, PACE stay with the $750K retention *option 1b (includes Terrorism- one-year commitment).**

**OPTION 1B: 9.25M XS $750 SIR out/out with TRIA RATE: .25244**

Premium $1,215,253

Excess Limits:

**Staff recommendation - $5,000,000 excess of the underlying $10,000,000 for $180K**

Crime:

AIG has provided an increased limit of $250K for social engineering at no additional charge.

**Staff recommendation – stay with AIG so as to not give up the important social engineering limits, but to speak seek a quote from Travelers next year and try to obtain higher social engineering limits from them.**

Cyber Liability:

$1,000,000/$5,000,000 withy a $100K retention for $173,966 annually (the renewal quote has increased to $186,620, the 7% increase and is due to increased pool budget numbers).

**Staff recommendation – renew with AIG**

***Staff recommendation to continue with this renewal which on average will be a less than 3% increase to our members.***

iii. General Liability Sub-limits

Motion: John Rexford moved approval of the Property renewal as presented. Seconded by Adam Stewart

The board voted on the motion and it passed unanimously.

**12:00 p.m. Alex Pulaski enters meeting**
**12:00 p.m. Adam Stewart exit meeting**
**12:05 p.m. Adam Stewart enters meeting**

**Break for lunch @ 12:05 p.m.**
**Reconvened meeting for a working lunch @ 12:20 p.m.**
**12:50 p.m. Joel Troisi, Richard Poling, Ron Graybill, Jess Getman, Jim Green, & Dave Harvey exit meeting**
**12:52 p.m. Dave Harvey enters meeting**

C. Coverage Changes / Facility value greater than $150M (current loss limit from $100M to $150M) – Kevin Pardy

**Staff request to change the current PACE Liability coverage document with the previously submitted PACE Educators Liability, PACE Auto Liability, PACE Auto Excess Liability, PACE Cell Phone Liability documents and the latitude to capture the retentions laid out by David VanSpreyBroeck at the February 26, 2018 PACE Trustee meeting.**

Motion: John Rexford moved approval of the coverage changes as presented. Seconded by Craig Prewitt.

The board voted on the motion and it passed unanimously.

D. Charter School Coverage Exclusion Language – Kevin Pardy

**Staff requests new exclusion coverage language to Charter schools for anything outside of their Charter agreements. We are requiring they submit their agreements to the underwriter for review. This is just for Charter Schools not the Charter Districts. This is for PACE to identify just who is being covered (i.e., not a corporation or a subcontractor such as an educational provider).**

Motion: John Rexford moved approval of the reporting requirements as presented. Seconded by Craig Prewitt.

The board voted on the motion and it passed unanimously.

E. Reporting Requirements – Kevin Pardy

**Staff request reporting reequipments from 1 year to 2 years.**

Motion: Adam Stewart moved approval of the reporting requirements as presented. Seconded by Sharla Andresen.

The board voted on the motion and it passed unanimously.

F. 2018-19 fiscal year checklist for 5% GL Credit for EPL, BI (K-12) & BI (CCs) – Dan Davenport

Motion: Craig Prewitt moved approval of the 5% GL credit (2019-20 fiscal year) as presented. Seconded by Adam Stewart

The board voted on the motion and it passed unanimously.

**1:15 p.m. Mary Paulson exit meeting**
**1:16 p.m. Mary Paulson enters meeting**

G. Approval of 2018-19 proposed budget – Dave Harvey, Michael Doherty, Marie Knight & Brett Yancey

Motion: Sharla Andresen moved approval of the Budget as presented. Seconded by Craig Prewitt
The board voted on the motion and it passed unanimously.

**1:20 p.m. Lori Sattenspiel enters the meeting**

IV. Department Reports

A. Financial report - Michael Doherty
   Michael discussed the 2017-18 PACE financial statements through March 31, 2018. I have also included the GL claims and investment return graphs with activity through March 31st. There have been several positive settlements to GL claims in the last month. As noted in the claims graphs the 2012-13 and 2013-14 years each had decreases in claims of over ($300,000) in March. The 2015-16 year has also been decreasing since October. These recent reductions in addition to the reduction the actuary already provided in his mid-year report has allowed a reduction in prior year claims of ($1.6) million shown near the bottom of the financials. Property claims have been very quiet through the first nine month with less than $600,000 in claims. I have also recorded three-quarters of the $4 million actuary estimate within our $5 million SIR layer.

   Several of the larger direct expenses have been fully accounted for including broker fees and property appraisals. Total operating expenses, including the contract fees for both OSBA and SDAO, are at 72.75% of budget. Reinsurance will be approximately 95% of budget for the fiscal year. Net coverage program income is $2.1 million mostly coming from the favorable experience in property claims.

   Investment earnings have certainly had their ups and down recently earning $2.7 million in the first two quarters but losing ($750,000) in the March quarter. In total, investments are currently at 50% of budget.

   Addition to retained earnings through nine (9) months is $5.5 million, or 156% of budget. This brings total retained earnings to $45 million with an actuary targeted equity of between $28 - $53 million.

B. Discussion of Pending Claims & Litigation - Jens Jensen
   Discussed the current pending claims and litigations with the Trustees.

C. Legislative Update – Lori Sattenspiel
   Discussed the legislative short session and bills of interest to PACE such as:
   - Sexual Harassment investigations
   - Mandatory Reporting
   - Concussions

D. Risk Management report – Dan Davenport
   Dan discussed the various conferences and trainings the risk management team have been involved in; such as SafeSchools / SafeColleges, AGRiP, a work-a-like meeting in Austin, Tx. He also discussed the EPL toolkit push to get our members to take advantage of the 5% GL credit offered by PACE. A group of CCs got together to have conversations around risk, this meeting was led by Allen Bunch. He also discussed the various training topics
including the CPI program.

E. Communications Report – Alex Pulaski
   Film crew from Blue Chalk media will be a PACE Day to begin the work of
developing a video on what PACE does for our members. They will be
asking a few of you to interview on camera.

   **1:30 p.m. John Rexford exit meeting**
   **1:30 p.m. Lori Sattenspiel exit meeting**

F. Pre-Loss / Training Report – Haley Percell
   Haley introduced her new team, Jennifer Nancarrow & Amy Williams to the
Trustees. Andrea Schiers will begin work in late May. The legal department
is now fully staffed.

   **1:45 p.m. John Rexford enters meeting**

V. Discussion Items
   A. AGRiP experience – All who attended
      Attendees gave a quick update of their experience at AGRiP. Positive &
      valuable experience overall.
   B. OASBO Zone Meeting – Dave Harvey
      Dave discussed the zone meeting and went over the Agenda being
      presented to the OASBO members.
   C. SafeOregon (follow-up marketing plan) – Dave Harvey
      OSP will speak at PACE Day in the a.m.
   D. 2019-20 5% Discount Documentation (Survey Monkey on screen) – Dave
      and Dan
   E. PACE Day (Trustee Role) – Dave Harvey
      Use the new ribbons “Ask me about PACE”. We have a new program this
year and are very excited about the possibilities.
   F. Future Trustee topics and activities – All
      None

VI. Future Meeting
   A. Next meeting: July 18-19, 2018 @ Five Pine Lodge & Conference Center,
      1021 E. Desperado Trail, Sisters, OR., meeting start time on July 18, 2018 at
      12:00 p.m.

   **Chair Debbie Laszlo adjourned the meeting at 2:00 p.m.**