

MONDAY, MARCH 3, 2014

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

PACE Trustee members in attendance at meeting start: Debbie Laszlo, Redmond Risk Manager; Phil Long, Medford 549C Superintendent; Phil Wentz, Tigard-Tualatin 23J Facilities Manager; Marie Knight, Vernonia 47J Fiscal Assistant; Mike Schofield, Forest Grove Chief Financial Officer; Terry Lenchitsky, Oregon Trail Board Member, Springfield Public Schools Director of Business Operations, Chair, Adam Stewart, Hillsboro Chief Financial Officer, and John Rexford, High Desert ESD Superintendent.

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

OSBA staff in attendance at meeting start: Betsy Miller-Jones, Executive Director; 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.

Guests in attendance at meeting start: Craig Prewitt, Phoenix-Talent School District.

Chair Adam Stewart called the meeting to order at 10:02 a.m.

I. Welcome and introductions

Betsy Miller-Jones introduced guest attendee, Craig Prewitt, OSBA Board Member from the Phoenix-Talent School District.

II. Action items

A. Approval of December 2, 2013 minutes.

Motion: John Rexford moved to approve the December 2, 2013 PACE meeting minutes as presented. Seconded by Phil Wentz. 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 asset summary section stating the PACE portfolio is invested in 60% fixed income; 40% equities. The equity

portion of the equities allocation is US equities and in international equities. The US equities segment is broken into three sections, Russell large cap funds, Russell defensive US funds, and Russell small cap fund. The fixed income allocation is split into two segments, core bond fund and the low duration fixed income fund. The market value reconciliation section shows PACE at about 45 million at the end of February. He states that since inception the portfolio has grown by 3.5%. He is predicting modest gains in equity market for 2013. Russell looks at portfolios in three stages, design, construct, and manage. Greg Coffey states they typically place 4-6 managers/fund in order to get a diverse selection of manager profiles. Terry Lenchitsky asks what commissions are paid to Russell by PACE. Greg Coffey explains PACE pays a flat or “all in” fee, there are no additional fees, it is fully transparent.

B. Underwriting Update

Mike will change the order of the agenda because Mr. Lauersdorf is not available.

1. Mike Doherty directs the group to page twelve of the packet to discuss earthquake limits. He explains the target typically used for pools as 1 in 250 year event or \$368 million dollars. Currently, PACE has \$100 million dollars. Mike Doherty states when he met with PACE’s broker in January and because PACE will not be experiencing a large increase this year, it might be a good idea to use some premiums to build back another \$100 million of earthquake for the whole program. Adam Stewart asks if the idea is for PACE to work at getting back to the 3.6 million? Mike states it all depends on available funds. Mike would like the Board to give a direction on this issue but wait to make a final decision until the budget is presented. The Board is in agreement with Mike Doherty’s proposal.

Kevin Pardy informs the group Mr. Lauersdorf is not available and they agree to give the update to the Board with the staff currently at the meeting and send any legal questions to Mr. Lauersdorf prior to the May meeting, if necessary.

2. Frank Stratton informs the Board a decision on the new coverage document is not needed today. A final decision on the new coverage document will be made at the May meeting.

Kevin Pardy, explains he brought revised handouts of the memo included in the packet. He explains the document is a comparison of the current coverage document to the proposed coverage document. He walks the group through the changes. He states the reason the reason for the revisions is the current document is outdated. The goals for the final coverage document are: 1) to make the members whole in a loss, 2) protect the pool, 3) outline a clear path for dispute resolution, 4) keep a competitive advantage, and 5) comply with our re-insurance contracts. The biggest highlight of this document is the size, it is three times the size

of the old document in part due to iso (insurance service organization) language. He explains iso language is copyrighted, industry standard language used for insurance terms, i.e., the definition of water. Kevin Pardy states there are a couple of major changes: 1) inland marine now has a schedule of mobile equipment and is being moved over to personal property coverage, and 2) changed the valuation in the event of a loss. Finally, he states there is an expansion to the property not covered section of the document and they are proud of the dispute resolution section which now includes a formal process for when there is a disagreement of a claim(s).

Geoff Sinclair explains the changes were made to get rid of ambiguity, reduce confusion and gain clarity. Frank Stratton states there is no expectation the changes to the document will affect our rates but it will clarify issues. Geoff Sinclair states agents have not seen this document but are aware it is coming. Kevin Pardy informs the group it will be a major focus at Agents Day this year.

The Board did not raise any concerns or want to stop or change pieces of the document as presented. The Board is in consensus the document is a step in the right direction.

C. Finance Update

- A. Mike Doherty states general liability has appeared to stabilize and he foresees the actuarial numbers coming down slightly on the estimate of general liability claims. Property claims were fully budgeted for and he states PACE is still under budget. Auto physical claims are right on target, and all operating expenses are within expectations. Interest income is about a million above the budget projection. An anticipated net income of 2.5 million is well above budget as well.

Kevin Pardy exits the meeting at 10:58 a.m.

Chair Adam Stewart led the Board into Executive Session at 10:58 a.m.

D. **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 11:43 a.m.

Mike Schofield and Geoff Sinclair exit the meeting at 11:44 a.m.

Mike Schofield and Geoff Sinclair return to the meeting at 11:46 a.m.

E. Risk Management

- A. Scott Neufeld reports the Safe Schools and Colleges program is up to 135 entities, up 30+ from last year. He reports the IPM class has been highly used this year as a refresher training. There have been 300,000 Safe School trainings since July 1 of this year. Scott announces CNA is conducting a boiler machinery training, they will be using the South Medford High School on April 2nd for the training, it will be a free eight hour class. He is hoping to have another one of these trainings sometime in the summer possibly in Eastern Oregon. Scott reports the Boundary Invasion Toolkit he has been working on with Lisa Freiley and Tricia Yates is completed. He states the plan is to have the toolkit unveiled at PACE Day.

Mike Schofield and Lisa Freiley exit the meeting at 11:58 a.m.

Lisa Freiley returns to the meeting at 12:00 p.m.

Mike Schofield returns to the meeting at 12:03 p.m.

- B. Brian Taylor from Safe Schools alert congratulates the group on the success of the Safe Schools training with 217,000 completions last year. He explains scenario learning has four services in their safety and compliance suite; a MSDS program, accident tracking program, Safe Schools Alert tip line, and Safe Schools training program. Brian informs the group Safe Schools Alert is an ORS 339.356 compliant program. The program gives students, staff, and parents four ways to report safety incidents (web, text, email, or phone). Brian Taylor walks the group through what a Safe Schools tipline on a website would look like. He states the program gives the district a way to track and respond to tips and it can be branded and modified to fit individual district needs. The web page has flyers built into the program (other language options are available) to help the district get word out. Incrementally rolling out the program is one option if the district wants to start out slow. Safe Schools would set up the website, provide training and administration of the website. The feedback from districts in Washington state who have been using it has been great. Districts report tracking, reporting, and resolution of bullying incidents having increased.

Brian Taylor reiterates this program is not intended to be an emergency platform. He emphasizes the need for top down support of this program. All information is private to administrative teams but still subject to potential public records requests. He states currently they work with about 25 pools and trusts across the U.S. Safe Schools Alert does not automatically disclose who is providing the tips. On average a fully implemented system would see 1-2 tips per week. ORS 339.356 requires Oregon districts provide an anonymous reporting capability, a systematic way to handle tips, and a means to resolve and report on them. He

emphasizes the importance of marketing the program; making sure school staff teams are set up and knowledgeable and disbursing posters and flyers within the school. Brian Taylor stated the options available are: option 1 - every district would have their own site (\$100,000 annually) and option 2 - one site for the state (not school specific) (\$72,000 annually). He believes option 1 to be the better option for this group.

Tricia Yates enters the meeting at 12:06 p.m.

Tricia Yates exits the meeting at 12:11 p.m.

Tricia Yates returns to the meeting at 12:14 p.m.

Chair Adam Stewart recessed the Board for lunch at 12:18 p.m.

Chair Adam Stewart reconvened the Board at 12:45 p.m.

F. Preloss update

1. Lisa Freiley informs the group the bulk of preloss is termination and discipline issues and staff are starting to get more contact regarding bullying issues. She informs the Trust OSBA has re-structured job duties of the attorneys in the office in hopes of streamlining and placing people in their area(s) of expertise. She explains the changes of staff as: Morgan Smith for training and the bulk of preloss, Haley and John for litigation. The goal is to continue to make the preloss system more effective.

G. Training report

1. Lisa Freiley states the trainings completed to date are as outlined in the packet and a handful more trainings scheduled later March. The focus for most of the trainings this spring will be employment liability and bullying. She is trying to direct the majority of training to address where we are seeing growth in claims. She states trainings will be held in the eastern part of the State in the latter half of this spring. She is trying to proactively provide training opportunities instead of waiting to be asked. **Lisa Freiley states she will have a training schedule for next year to share with the Trust later this spring or summer.**

H. PACE Day

1. Lisa Freiley informs the group registrations are double at this point compared to last year. She encourages all Trustees to register and attend. Lisa Freiley shares the speakers will be presenting on boundary issues, threat assessment, and bullying. Tricia Yates passes the PACE Day brochure around. Betsy Miller-Jones states one goal this year is to try and attract more board members to attend. **Phil W. requests a small stack of PACE brochures.** Tricia Yates informs the group brochures are being mailed today (March 3rd). Lisa Freiley states there is a conflict with an

OASBO zone meeting and has put a call into Angie Peterman to see if there is something that can be done to remedy this.

I. Communications/Marketing update

1. Tricia Yates directs the group to page 184 of the packet for the communications update. She states they are continuing to provide crisis response to districts, has produced the PACE Boundary Invasion Toolkit, and is working on a training video (what to do in the event of a large property loss) to have ready for PACE Day. She states the best hiring practices video is due in May. She has also been updating, preparing and ordering a new PACE booth and promotional giveaways. She informs the Trust she is working on hiring a staff member to replace Josie Hummert's vacancy.
2. The PACE Boundary Invasion Toolkit is handed out. Scott Neufeld states they worked with the Washington State Management Pool to develop this toolkit, to be unveiled at PACE Day. He states going forward the risk management and claims staff will use the orange checklist worksheet in the back of the toolkit to identify which tools districts have completed, they will follow-up in 2015 with the long term goal being a credit during renewal on insurance with PACE. Lincoln County School District will pilot the toolkit. Tricia Yates states the toolkit is meant to be user friendly, as well as a customizable item. She shares it will not be promoted on the website until after PACE Day. Scott asks the group as a whole who the best person at a district would be to give the toolkit to. The general consensus is that a flyer should be sent to the business manager advertising the toolkit and especially the discount, then you give the toolkit to the Superintendent and/or HR Director. The idea being to put the information about the incentive(s) in the right place.

K. Trustee Training

1. Betsy Miller-Jones states Terry Lenchitsky, herself, and Frank Stratton. will be attending the AGRiP training next week. Lisa Freiley states the PRIMA conference will be in June in Long Beach, CA.

IV. New Business

A. Trustee Recruitment Committee Appointment

1. Lisa Freiley states John Rexford, Allen Bunch, Debbie Laszlo, Terry Lenchitsky, Phil Long, and Marie Knight's seats are up for expiration in June 2014. A committee needs to be appointed to find individuals to fill the community college and superintendent seats. **Adam Stewart, Marie Knight, and Mike Schofield volunteer to be committee members. Geoff Sinclair offers to give the committee a list of potential**

candidates to work from. Appointments recommendations need to be ready by the May meeting.

- B. Budget Committee Appointment
1. Lisa states a committee needs to be created for the budget. **Adam Stewart, John Rexford, and Mike Schofield volunteer to be on the budget committee.**
- C. Participation in appeal regarding Horton v. OHSU
1. Lisa Freiley informs the group OHSU was sued over a medical malpractice case. The Plaintiff was successful in the malpractice/negligence claim and as a result of the jury verdict which exceeds tort cap limits. The case is now pending before the Oregon Supreme Court. She states that what happens in this case will have an impact on PACE. OHSU attorneys are organizing an extensive appeal and have reached out to cities, counties, special districts and OSBA, about how to help support the pending litigation. OHSU's attorneys have contacted a historian to help write a historical amicus brief. Lisa states if we hire an attorney to write an amicus brief on our behalf (cities, counties, schools, special districts) it could potentially cost \$25-\$50,000. Lisa states this is a major issue and her recommendation would be to support the writing of the brief. *The briefs are due by June and a decision needs to be made on whether or not PACE participates.* OSBA is contributing to the historical brief.

Mike Doherty exits the meeting at 1:43 p.m.

Mike Doherty returns to the meeting at 1:44 p.m.

Motion: Phil Wentz moved to authorize up to but not exceeding \$20,000 for the amicus brief. Seconded by Phil Long.

The board voted on the motion and the motion carries with a vote of seven (7) in favor and one (1) opposed.

In Favor: Phil Long, Phil Wentz, Adam Stewart, Terry Lenchitsky, Debbie Laszlo, Marie Knight, and Mike Schofield.

Opposed: John Rexford

Chair Adam Stewart adjourned the meeting at 1:48 p.m.