

WEDNESDAY, APRIL 26, 2017

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; John Rexford, High Desert ESD Superintendent; Brett Yancey, Springfield Public Schools Chief Operations Officer; Debbie Laszlo, Redmond 2J Regional Risk/Benefits Manager; Sharla Andresen, Central Oregon Community College Director of Contracts & Risk; Adam Stewart, Hillsboro 1J Chief Financial Officer; Mike Schofield, Gresham-Barlow 10 Chief Financial Officer; Craig Prewitt, Phoenix-Talent 4 Board Chair

PACE Trustee absent at meeting start: Marie Knight, Vernonia 47J Business Manager

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; and Kevin Pardy, Underwriter; Jens Jensen, Property and Casualty Claims Manager

OSBA staff in attendance at meeting start: Mike Robison, Interim PACE Administration & Director of Finance; Jim Green, Executive Director; Mary Paulson, Deputy Executive Director; Rachel Fleenor, Branding & Digital Marketing Strategist; Alex Pulaski, Director of Communications; Kate Wilkinson, Director of Litigation Services; Pamela Mullen, PACE Administration Assistant.

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

Guest in attendance at meeting start: Joel Trosi, & Ron Graybeal, Beecher Carlson Insurance

Chair Phil Wentz called the meeting to order at 11:00 a.m.

I. Welcome / Introductions – *Jim Green*

Jim greeted the Trustees and discussed the staffing change at OSBA/PACE and that Mike Robison is Interim PACE Administrator. We have met with staff and have any outstanding items covered and will keep the Trustees informed as we move forward with a replacement for the PACE Administrator. We do not see it as a full-time position; we will look at the job description and overall time the position requires. We will not decide on the position without the input from the Trustees.

II. Approval of Minutes

A. Approval of **February 27, 2017** minutes – **ACTION**

Motion: John Rexford moved approval of the February 27, 2017 PACE meeting minutes as presented. Seconded by Adam Stewart.

The board voted on the motion and it passed unanimously.

- B. Approval of **April 4, 2017 PACE Budget Committee** minutes – **ACTION**

Motion: Brett Yancey moved approval of the April 4, 2017 PACE Budget Committee meeting minutes as presented. Seconded by Craig Prewitt.

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. Approval of proposed 2017-18 PACE meeting calendar - *Mike Robison*
- B. Investment Report – *Greg Coffey, Russell Investments*
- C. Financial Report - *Mike Doherty*
- D. Legislative Update - *Lori Sattenspiel*
- E. Communication Report - *Alex Pulaski*
- F. Pre-loss Report - *Kate Wilkinson*
- G. Risk Management Report - *Scott Neufeld*
- H. Training Update - *Mike Robison*

Motion: Adam Stewart moved approval of the Consent Agenda as presented. Seconded by Craig Prewitt.

The board voted on the motion and it passed unanimously.

- IV. New Business

- A. Reinsurance renewal proposals –*Joel Troisi and Ron Graybeal; Beecher Carlson Insurance* – **ACTION**

Ron address the Trustees regarding the Reinsurance renewals on the following:

- i. Crime – slight increase by \$400.00
- ii. Cyber – slight increase by \$1,200.00
(providing a bit coin enhancement)
 - a. All renewals through AIG
- iii. Property
Joel addressed the Trustees regarding the Property Reinsurance renewal with an overall 15% rate increase. Having a blended approach and tenure has helped on the primary layer. Each insurer has provided in writing that they confirm the \$35M flood sublimit.
- iv. Property TIV/Inland Marine TIV/Auto TIV
Increase sublimits of \$1.560K
- v. 1 in 500-year event would be \$511M
- vi. 1 in 250-year event would be \$222M

- John Rexford asked the order of magnitude would be around \$5 – 10K per million, per limit.
- vii. Earth movement
 - a. Deductible will remain at \$500K per occurrence
 - b. Carriers are most interested in premium than deductible
 - viii. We are looking at offering higher earth movement for Community Colleges.
 - a. \$630K for the additional \$50M from Lloyds of London
Frank Stratton discussed not going this route above but go out to the market and purchase another \$50M limit for the whole program to bring PACE to \$400M; then reallocate for our biggest members and give them a higher pro-rata limit (such as we did last year). With the goal of getting to the \$500M limit gradually on an annual budget. Joel recommends we add \$500K in the budget for our reinsurance costs.

Motion: Craig Prewitt moved approval to renew with Genesis & AIG on property and to purchase another \$50M of earthquake for the pool as presented by Beecher Carlson Insurance. Seconded by John Rexford.

The board voted on the motion and it passed unanimously.

- B. Approval of **2017-18** proposed budget – *Mike Robison, Mike Doherty, PACE Trustee Budget Committee members: Mike Schofield, Phil Wentz & Brett Yancey*– **ACTION**
Actuary report came down around 3% from June; in total, we have \$14.8M in claims increase \$500K to \$10.8M for the earthquake limits.
Contracts, SDAO
 - i. Underwriting – from 38% to 40% increase
 - ii. Risk Management (new CC position with a 90% share to SDAO and 10% to SDIS) – from 40% to 42% increase
 - iii. Claims Administration– from 68% to 69.75% increase
 - a. Total Net Operation Expenses – from \$295K to \$355K
 - iv. SDAO fee total is \$2.2M (a 13% increase; exclude the CC position our fee increase will be at 5%)Contract – OSBA
 - i. FTE is remaining the same as last year with a 4.7% increaseDirect Expensed for PACE
 - i. Marketing increased due to our partnership/sponsorships from \$120K to \$140K
 - ii. Interest income increased from 4.5% to 5%
 - iii. Total is \$4.2M and a 1% premium increase and gives us \$3.7M in retained earnings for this policy period

Adam Stewart ask for clarification on the 15% increase in reinsurance and a 1% increase in property. Mike Doherty answered that we had saving last year in the budget.

Motion: John Rexford moved approval of the budget with the modification as presented. Seconded by Brett Yancey.

The board voted on the motion and it passed unanimously.

- C. Retained Earnings Policy (Budgeting/Risk Tolerance) - *Mike Robison & Frank Stratton* – **ACTION**
Discussed the \$3M to be paid to SDAO members and \$3.3M to be paid to PACT members and the need to update the current policy. Staff is recommending several changes to the PACE Retained Earnings Policy. The major changes to the policy are in the section titled Setting Retained Earnings Goals (starting with item #12). This section has been rewritten, including adding language on how surplus retained earnings would be used to benefit the PACE members. The remainder of the revisions are either cosmetic, grammatical, or clarification.

Current policy reads that we can give back funds if we don't drop below 25% above the minimum threshold. When the Trust's retained earnings exceed the maximum targeted retained earnings, the Trustees at their discretion, may annually return to members any retained earnings accumulated by the Trust in excess of the maximum target.

Pending approval of the Retained Earnings policy, and as requested by the Trustees, staff will create a policy that contains the mechanics/methodology of how dividends would be paid out according to the Retained Earnings Policy. This will be an action item for your July meeting.

Motion: Adam Stewart moved approval of the adoption of the Retained Earnings Policy as presented. Seconded by Sharla Andresen.

The board voted on the motion and it passed unanimously.

Scott Neufeld exits meeting at 11:55 a.m.

Scott Neufeld enters meeting at 11:58 a.m.

- D. Coverage Changes – *Kevin Pardy, Mike Doherty* – **ACTION**
Staff are proposing a decrease to CC:
- i. Property – (-10%) rate reduction
 - ii. Liability -5% rate reduction
 - a. If agreed it will be a 2% average increase for all the NON-CC members. The increase is 1% overall however, 2% for all NON-CC members. CC's have 10% of the PACE premium but contribute 20% of the retained earnings. CCs

can still get the 5% GL credit for completing the
Employment Liability toolkit.

Sharla Andresen abstained from the motion on Coverage Changes.

~~**Motion: Craig Prewitt moved approval to a rate reduction to Community Colleges on property of -10% and liability of -5% as presented. Seconded by Adam Stewart**~~

Craig Prewitt and Adam Stewart withdrew motion and amend motion to include the 2% increase to NON-CC members.

AMENDED MOTION: Motion: Adam Stewart moved approval to a rate reduction to Community Colleges on property of -10% and liability of -5% and the 2% average increase for all NON-CC's as presented. Seconded by Craig Prewitt.

- D (cont'd). Property Coverage Document
 - Coverage for Underground Pipes and more (expansion of coverage)
 - i. Improve the definition – Staff is recommending the Trust allow us to improve this definition by including drainage fields, ducts or ductwork, fiber optic or other cabling, sump or septic systems or tanks. In conjunction with this, we also recommend that we add the following definition for **Building Footprint**: *“Building Footprint means the specific area that is occupied by a building and is delineated by the perimeter of the building structure.”*
 - Sudden & Accidental Water Damage (clarification of coverage)
 - ii. We recommend that the PACE Trustees authorize staff to add a Flood Exclusion specifically for floods and add new definitions for Ground Water, Surface Water, and Water. We will also need authorization to amend the PACE Flood Endorsement.
 - Preservation of Undamaged Covered Property (could be perceived as a limitation)
 - iii. Staff recommends the Trustees authorize us to revise **Additional Coverage D**. Preservation of Undamaged Covered Property to correct any confusion over application of this coverage to premises other than premises at which the loss occur.

Motion: John Rexford moved approval to the property coverage changes as presented. Seconded by Mike Schofield.

The board voted on the motion and it passed unanimously.

- E. Cyber Insurance discussion - *Sharla Andresen*
 - Sharla asked that the Cyber Coverage be explained that PACE has a \$100K self-insured retention. Geoff Sinclair explained it the district was

wanting more hand holding. We have engaged the services of Sean Hoar a Cyber Attorney and will help us going forward with these types of losses.

****Break for Lunch at 12:30 p.m. ****

****Reconvened meeting at 1:00 p.m. **.**

- F. Evaluation Process Discussion - *Mike Robison, Jim Green*
Jim discussed with the Trustees that we will place the TASB evaluation report for the PACE Trustee evaluation process on hold and will continue with the process we did last year. Also, we will re-visit other options at the July retreat with work from our Facilitator, Mike Dugas.

V. Presentations & Written reports continued

- A. Claims Report - *Geoff Sinclair*
 - a. In Executive Session - ORS 192.660(2)(f)
Discussion of pending claims and litigation.

Chair Phil Wentz calls the meeting into “Executive Session” 12:40 p.m.

- J. In Executive Session - ORS 192.66(2)(f) Claims Report – *Geoff Sinclair*

Chair Phil Wentz call the meeting back to regular session at 1:25 p.m.

IV. New Business Items

- A. Check writing authority – *Geoff Sinclair / Frank Stratton* – **ACTION**

Motion: Adam Stewart moved approval of check writing authority up to the recommended amount by staff as presented. Seconded by Debbie Laszlo.

The board voted on the motion and it passed unanimously.

VII. Trustee Training Opportunities

1. April 27, 2017, PACE Day, Salem, Oregon
2. June 4-7, 2017, PRIMA Conference, Phoenix, AZ
3. July 14-16, 2017, OSBA Summer Board Conference, Bend, OR
4. July 26-28, 2017, OASBP Summer Conference, Bend, OR
5. October 1-4, 2017 AGRiP Fall Educational Forum, Baltimore MD
6. November 9-12, 2017 OSBA Annual Convention, Portland, OR

IV. Future Business

- A. Next meeting: **July 24-25, 2017** at Five Pine Lodge & Conference Center, 1021 E. Desperado Trail, Sisters, OR (Conference Room) 12:00 p.m.
- B. Mike Robison asked the Trustees for check writing authority for Frank Stratton to bind & pay insurance and Mike Robison and Jim Green contract authority of up to \$10,000 on behalf of PACE – **ACTION**

Motion: Craig Prewitt moved approval of contract authority to Mike Robison & Jim Green up to \$10,000 and Frank Stratton authority to bind and pay for insurance on behalf of PACE by staff as presented. Seconded by John Rexford.

The board voted on the motion and it passed unanimously.

- C. Requested to place the policy / process of authority as a formal discussion at the July 25, 2017 PACE Trustee meeting.

Chair Phil Wentz adjourned the meeting at 2:10 p.m.