

MONDAY, DECEMBER 4, 2017
Local Government Center, Salem, Oregon

PACE Trustee members in attendance at meeting start: Phil Wentz, *Tigard-Tualatin 23J Facilities Manager*, 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*; Mike Schofield, *Gresham-Barlow 10 Chief Financial Officer*; Marie Knight, *Vernonia 47J Business Manager* and Craig Prewitt, *Phoenix-Talent 4 Board Chair*, Adam Stewart, *Hillsboro 1J Chief Financial Officer* and John Rexford, *Bend La-Pine, Chief of Staff*

SDAO staff in attendance at meeting start: Frank Stratton, *Executive Director*, Mike Doherty, *Chief Financial Officer*, Scott Neufeld, *Director of Risk Management, Claims & PACE Services*; Kevin Parady, *Underwriter*, Jens Jensen, *Property and Casualty Claims Manager* and Dan Davenport, *Manager of Risk Management*

OSBA staff in attendance at meeting start: Dave Harvey, *PACE Administrator*; Rachel Fleenor, *Branding & Digital Marketing Strategist* and Haley Percell, *Interim Director of Litigation Services*, Alex Pulaski, *Director of Communications*; Mike Robison, *outgoing Director of Finance*, Jon Greeley, *Director of Finance & Operations* and Pamela Mullen, *PACE Administration*

PACE staff absent at meeting start: Mary Paulson, *Deputy Executive Director*, Jim Green, *Executive Director, Assistant*

Guest in attendance at meeting start: Craig Scukas, *PWC*, Brandon Wilson, *Russell Investments*, James Marta, *CPA*, Allen Bunch, *PACE Community Colleges Consultant*, Peggy Stock, *Director of Labor Services*

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

- I. Welcome / Introductions - *Debbie Laszlo*
 - A. New Hires
 - i. *Dave Harvey*, PACE Administrator
 - ii. *Allen Bunch*, PACE Community College Consultant
 - iii. *Jon Greeley*, OSBA, PACE Director of Finance & Operations
 - iv. *Peggy Stock*, Director of Labor
- II. Presentations & Written Reports
 - A. Investment Update - *Brandon Wilson, Russell Investments*

Trustees heard a report from Russell Investments representative, Brandon Wilson on the investments held by PACE. Since inception with Russell, the PACE portfolio has generated \$11.4M in earnings with fiscal YTD earnings of \$1.8M and net cash flow has equaled \$19M. \$44.5M in contributions with \$25.5M in withdrawals for claims. He also spoke to the diversity of the multi-asset core plus fund and the economic & financial markets.

*****Brandon Wilson exits meeting at 10:16 a.m.*****

B. Actuary Report – *Craig Scukas, PWC*

Craig Scukas updated the Trustees on its actuarial study. Overall reserve levels have decreased by \$600K as of June 30, 2017, most of this change is due to the 2017 property losses from the winter storms. Retention has grown from \$500K to \$750K. In 2016 the program was reevaluated and our lower bound is a 1-in-200-year event and the upper bound is 2 times 1-in-200-year event. Higher capital needs due to higher unpaid claim estimates and higher projected loss estimate for next year.

****Jens Jensen exits meeting at 10:30 a.m.****

****Kevin Pardy exits meeting at 10:30 a.m.****

****Kevin Pardy enters meeting at 10:33 a.m.****

****Jens Jensen enters meeting at 10:35 a.m.****

C. Audit Presentation – *James Marta, CPA*

James Marta updated the trustees on its 2016-17 annual financial audit. PACE financials reflect increases in member contribution; as well as an increase in operations and insurance claims expenses. Investment income of \$4M up by 616% or \$3.5M over the prior year. Investment Total assets increased by \$7.1M or about 12% while liabilities increased by \$5M. Total net assets of \$39.9M, increased by \$2.1M. The auditor stated PACEs financial statements fairly present PACE” s financial position. No items were discovered which required a management letter to administration or to the trustees.

D. Finance Report – *Mike Doherty*

General liability claims have been quiet for the first quarter of the fiscal year. 2017-18 claims are below average through three months, we reduced prior year estimates by (\$850K) for the quarter.

The reinsurance budget was increased \$500K at final budget approval. Our broker was able to negotiate our overall contracts, including adding the \$50M in earth movement coverage, about \$300K below budget. Total operating expenses, including the contract fees for both OSBA and SDAO, are at 21% of budget. Net coverage program income is \$950K. Total Net Income for the first quarter is \$1.6 million, or 46% of budget, bringing total retained earnings to \$41.5 million.

****Dave Harvey exits meeting at 11:10 a.m.****

****Dave Harvey enters meeting at 11:12 a.m.****

****John Rexford exits meeting at 11:13 a.m.****

****James Marta exits meeting at 11:13 a.m.****

****John Rexford enters meeting at 11:15 a.m.****

E. Loss Ratio & Claims Discussion – *Scott Neufeld*

Scott let the Trustee know that PACE received and award for the SawStop Grant Program at the OR Prima conference; for Outstanding Achievement in Risk Management.

Attached you will find reports that display the loss ratio and claim type trends for each type of PACE member, organized by line of coverage. Below is a summary of the financial information.

You can see from the below chart that community colleges have been the best performers. Especially with a historic property net ratio of only 11%. The worst performers have been education service districts with a net ratio of 126%. Even though charter schools continue to create risk management challenges for PACE, their overall loss ratio at 57% is more than acceptable.

You will see that the claim trend information is different for each type of entity. Especially for general liability. For example, for school districts "Safety and Security" claims (which are primarily sex abuse claims) are by far the largest financial exposure. For community colleges, employment related claims are the largest financial exposure. Overall, for all types of members, employment related claims continue to be the largest cost driver. At the Trust meeting we will review the reports and other trends that are identified.

We will continue to use this information for focusing our loss control/training efforts and in the rate setting processes.

F. Evaluation Committee Update - *Adam Stewart, Mike Schofield, Debbie Laszlo*

Adam update the Trustees and the new format for the evaluation process of listing OSBA / SDAO accomplishments, challenges and goals. It was agreed that this format be used going forward.

*****Alex Pulaski exits meeting at 11:20 a.m.*****

*****Mike Robison exits meeting at 11:45 a.m.*****

*****Alex Pulaski enters meeting at 11:50 a.m.*****

*****Mike Robison enters meeting at 11:50 a.m.*****

G. PACE presentation to Lloyds of London - *Frank Stratton, Scott Neufeld, Kevin Pardy*

Frank, Scott and Kevin gave the Trustees the presentation presented during their trip to London to visit with Lloyds of London underwriters. Lloyds is an insurance syndicate. It is composed of hundreds of separate companies that operate under the Lloyds umbrella and financial strength. Each separate company takes a portion of our property reinsurance risk. For PACE, Lloyds covers 60% of the property reinsurance exposure, with thirteen syndicates each taking a percentage share. I have attached the "2017-2018 Market Participation" that displays the detailed breakdown of percentages, limits and premium.

There were a couple of themes that all the underwriters consistently addressed. Number one is that the world-wide property market is hardening. The scope of losses from three US hurricanes, earthquakes in Mexico and Australia, and fires in California have put nearly all reinsurers in a negative position. The property reinsurance market was already underpriced going into these catastrophic events and now their loss ratios are well in excess of

100%. As a result, prices will be going up for everyone, even clients with excellent loss experience.

- H. AGRiP Award Submission Update - **ACTION**- *Dave Harvey*
The submission process will be every year.

Motion: John Rexford moved approval to continue to submit to AGRiP as presented by staff. Seconded by Craig Prewitt.

The board voted on the motion and it passed unanimously.

*****Adjourned for Lunch at 12:00 p.m.*****

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. Risk Management Report - *Dan Davenport*
- B. Pre-loss/Training Report - *Haley Percell*
- C. Communications Report - *Alex Pulaski*
- D. Legislative Report - *Lori Sattenspiel*

Motion: Craig Prewitt moved approval of the Consent agenda. Seconded by Adam Stewart.

The board voted on the motion and it passed unanimously.

IV. Claims Report - *Jens Jensen*

- A. In Executive Session - ORS 192.660(2)(f)
Discussion of pending claims and litigation.

Chair Debbie Laszlo calls the meeting into "Executive Session" at 12:43 p.m.

Chair Debbie Laszlo calls the meeting back into regular session at 1:17 p.m.

V. Action Items

- A. Approval of **September 25, 2017** minutes - **ACTION**

Motion: Adam Stewart moved approval of the PACE minutes as presented. Seconded by Phil Wentz.

The board voted on the motion and it passed unanimously.

B. PACE Vision Statement - Alex Pulaski - **ACTION**

- a. **NEW** - *"Working together to keep Oregon students safe, reduce risks and conserve member resources."*

Motion: Craig Prewitt moved approval of the NEW PACE Vision statement as presented by staff. Seconded by John Rexford.

The board voted on the motion and it passed unanimously.

C. Claim Adjustment – Scott Neufeld – **ACTION**

John Rexford stated “he has not financial interest in the action.

Motion: Mike Schofield moved approval of the Claims adjustment of \$383,100 extension as presented by staff. Seconded by Adam Stewart.

Motion: Phil Wentz moved approval of the Claims adjustment to Bend La-Pine from one to two-year extension as presented by staff. Seconded by Mike Schofield.

The board voted on the motion and it passed unanimously.

D. Earthquake & Flood Coverage Change – Kevin Parady – **ACTION**

Motion: Craig Prewitt moved approval of the 2017-18 Earthquake endorsement as presented by staff. Seconded by Adam Stewart.

The board voted on the motion and it passed unanimously.

E. Liability, Property Claims Audit (RFP) – Dave Harvey/Scott Neufeld – **ACTION**

Motion: John Rexford moved approval of the RFP as presented by staff. Seconded by Craig Prewitt.

The board voted on the motion and it passed unanimously.

*****John Rexford exits meeting at 1:30 p.m.*****

VI. New Business

F. *Discussion* - Claims Committee – *Frank Stratton*

Discussed not having a Claims Committee meeting before each Trustee meeting since it is redundant, given that the same information is discussed during executive session. A better use of time would be to have an educational component in the first hour of the meetings to educate potential Trustee recruits. It was decided that we would begin this format at the February 26, 2018 meeting.

G. *Discussion* – Charter School Update – *Jim Green*

VII. Trustee Training Opportunities

H. March 4-8, 2018, AGRiP, Governance & Leadership, *San Diego, CA*

i. ACTION: (PACE to receive AWARD)

DEADLINE FOR ATTENDANCE: January 16, 2018

- I. April 7-9, 2018; NSBA, *San Antonio, TX*
- J. April 19, 2018; PACE Day, *Salem, OR*
- K. April 20, 2017, AGENTS Day, *Salem, OR*
- L. June 3-6, 2018; PRIMA, *Indianapolis, IN*
- M. Sept. 30 - Oct. 3, 2018; AGRiP, *Portland, OR*

VIII. Future Business Items

A. **Next Meeting Date - February 26, 2018**

(OSBA, 1201 Court St., NE, Ste. 400, Salem, OR 97301 (Room 113))

Chair Debbie Laszlo adjourned the meeting at 2:30 p.m.