

President  
Mr. Roger Carroll  
Town of Loomis  
6140 Horseshoe Bar Road, Suite K  
Loomis, CA 95650  
TEL: (916) 652-1840  
FAX: (916) 652-1847

Secretary  
Ms. Debra Magginetti  
City of Susanville  
66 North Lassen Street  
Susanville, CA 96130  
TEL: (530) 252-5103  
FAX : (530) 252-1020

**SCORE**

**Small Cities Organized Risk Effort  
Board of Directors Meeting  
Agenda**

Vice President  
Mr. Kelley McKinnis  
City of Weed  
550 Main Street  
P.O. Box 470  
Weed, CA 96094  
TEL: (530) 938-5027  
FAX: (530) 938-5096

Treasurer  
Ms. Linda Romaine  
Town of Fort Jones  
11960 East Street  
P.O. Box 40  
Fort Jones, CA 96032  
TEL: (530) 468-2281

**Location:** Gaia Anderson Hotel  
4125 Riverside Place  
Anderson, CA  
Himalaya A Conference Room

**Date & Time:** March 25, 2011  
9:00 AM

**A Action**  
**I Information**  
  
**1 Attached**  
**2 Hand Out**  
**3 Separate Cover**  
**4 Verbal**  
**5 Previously Mailed**

Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Susan Adams at Alliant Insurance at (916) 643-2700.

Documents and material relating to an open session agenda item that are provided to the SCORE Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

PAGE

- A. CALL TO ORDER**
- B. ROLL CALL**
- C. APPROVAL OF THE AGENDA**
- D. PUBLIC COMMENT**
- I E. CONSENT CALENDAR**

A 1

- 1. Meeting Minutes:
  - a. Board of Directors Meeting Minutes – January 28, 2011
  - b. Local Agency Workers’ Compensation Excess Joint Powers Authority (LAWCX) – Executive Committee Meeting February 22, 2011
  - c. Employment Risk Management Authority (ERMA) February 18, 2011
- 2. Local Agency Investment Fund (LAIF) Monthly Statement of Investments
- 3. Union Bank Account Statement – January & February 2011
- 4. SCORE Checking Account Transaction List – 1/19/11-3/17/11
- 5. Investment Statements from Chandler Asset Management – Jan. & Feb. 2011
  - a. Account 590
    - i. Portfolio Summaries
    - ii. Holdings Report – Most Recent
    - iii. Compliance Report
    - iiii. Transaction Reports
  - b. Account 591
    - i. Portfolio Summaries
- 6. York Insurance Services Claims Bill Review – January
- 7. SCORE Service Calendar

**F. GENERAL ADMINISTRATION**

- |     |  |          |          |
|-----|--|----------|----------|
|     | <b>1. President's Report</b>   | <b>I</b> | <b>4</b> |
|     | <i>Mr. Roger Carroll will update the Board on SCORE matters - VERBAL</i>   |          |          |
|     | <b>2. Alliant Matters</b>  | <b>I</b> | <b>4</b> |
|     | <i>Ms. Susan Adams will update the Board on Alliant matters - VERBAL</i>   |          |          |
| 75  | <b>3. Approval of SCORE Bylaws</b>   | <b>A</b> | <b>1</b> |
|     | <i>Staff will present the SCORE amended Bylaws as recommended by the Ad Hoc Committee ,resulting from the new Equity Distribution Plan approved at the January 28, 2011 Board Meeting</i>  |          |          |
| 90  | <b>4. Approval of SCORE Liability Master Plan Document</b>   | <b>A</b> | <b>1</b> |
|     | <i>Ms. Susan Adams will present the SCORE Liability Master Plan Document with reflected changes approved at the January 28, 2011 Board</i>   |          |          |
| 109 | <b>5. Approval of SCORE Workers' Compensation Master Plan Document</b>   | <b>A</b> | <b>1</b> |
|     | <i>Ms. Susan Adams will present the SCORE Workers' Compensation Master Plan Document with reflected changes approved at the January 28, 2011 Board Meeting.</i>  |          |          |
| 128 | <b>6. Approval of Dividend Allocation Program for Loss Mitigation</b>  | <b>A</b> | <b>1</b> |
|     | <i>Staff will present a proposal creating a Loss Mitigation fund for Members use for risk management services.</i>   |          |          |
| 133 | <b>7. SCORE Vendors Discussion</b>   | <b>I</b> | <b>4</b> |
|     | <i>The president has requested time for a discussion among the Board members to review the services and performance of SCORE's program administrator, Alliant Insurance Services and York Insurance Services, SCORE's Third Party Administrator and Risk Management Services provider.</i> |          |          |
| 134 | <b>8. October Training Day and Board Meeting Venue Discussion</b>  | <b>I</b> | <b>4</b> |
|     | <i>Staff will – discuss with the Board and solicit suggestions regarding the agenda training topics and logistics for the October 27, 2011 Training Day and October 28, 2011 Board Meeting</i>   |          |          |

**G. LIABILITY**

- |     |  |          |          |
|-----|--|----------|----------|
| 135 | <b>1. General Liability Actuarial Review</b>                                       | <b>I</b> | <b>1</b> |
|     | <i>Staff will present the actuarial review completed by Bickmore Risk Services</i> |          |          |
|     | <b>2. California Joint Powers Risk Management Authority (CJPRMA) Update</b>        | <b>I</b> | <b>4</b> |
|     | <i>Mr. Roger Carroll will update the Board regarding CJPRMA matters - VERBAL</i>   |          |          |
| 146 | <b>3. Employment Risk Management Authority (ERMA) Update</b>                       | <b>I</b> | <b>1</b> |
|     | <i>Jim Murphy will update the Board regarding ERMA matters</i>                     |          |          |

**H. WORKERS' COMPENSATION**

- 204      **1. Workers' Compensation Actuarial Review**                                **I     1**  
*Staff will present the actuarial review completed by Bickmore Risk Services*
  
- 215      **2. Local Agency Workers' Compensation Excess Joint Powers Authority** **I     4**  
**(LAWCX) Update**  
*Ms. Susan Adams will update the Board on LAWCX matters*

**I. FINANCIAL**

- 216      **1. Annual Audited Financial Reports: Years Ending June 30, 2009 and 2010**        **A     3**  
*Ms. Katherine Yeun, Maze and Associates will present SCORE's Financial Audit for Years Ending June 30, 2009 and 2010.*
  
- 217      **2. 2011/2012 Preliminary Budget**     **I     3**  
*The Program Administrator will present the preliminary budget for the July 1, 2011-2012 program year.*
  
- 218      **3. Approval of Internal Controls & Guidelines for Investments**                                **A     1**  
*The Board annually, shall discuss, approve or request changes, of SCORE's current Internal Controls and Guidelines.*

**J.                                \*\*TIME CERTAIN 11:30 a.m. LUNCH TIME SPEAKER\*\***

**Employee Assistance Program (EAP) Presentation**  
*Ms. Mary Berney from ACI Specialty Benefits will provide the Board with a presentation of ACI Services that SCORE members contract for.*

**224    K.                                CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95**

- 1.        Workers' Compensation**
  - a. 2010101505 City of Crescent City
  - b. 2011112213 City of Portola
  - c. 2006051751 City of Susanville
  - d. 2007058233 City of Weed
  - e. 2007070094 City of Williams

For authority:  
2009088405 City of Crescent City

- 2.        Liability**
  - a. 2010107181 v. Crescent City
  - b. 2006047763 v. Dunsmuir
  - c. 2011113228 v. Dunsmuir
  - d. 2008080767 v. Mt. Shasta
  - e. 2009098216 v. Mt. Shasta
  - f. 2010111720 v. Susanville

**L. REPORT FROM CLOSED SESSION**

**M. INFORMATION ITEMS**

225

**1. March 2011 Resource Contact Guide**

I 1

**N. CLOSING COMMENTS**

**ADJOURNMENT**

**NEXT MEETING**

June 24, 2011, 10:00 a.m.

Gaia Hotel

Anderson, CA

## Agenda Item E

### Consent Calendar

#### Action Item

**ISSUE:** The items on the Consent Calendar should be reviewed by the Board and, if there is any item requiring clarification or amendment, such item should be pulled from the agenda for separate discussion. The Board should adopt the Consent Calendar excluding those items pulled.

**RECOMMENDATION:** The Program Administrator recommends adoption of the Consent Calendar as presented.

**FISCAL IMPACT:** None

**BACKGROUND:** The Board places the following items on the Consent Calendar for adoption. The Board may accept the Consent Calendar as presented, or pull items for discussion and separate action while accepting the remaining items.

#### ATTACHMENTS:

1. Meeting Minutes:
  - a. Board of Directors Meeting Minutes – January 28, 2011
  - b. Local Agency Workers’ Compensation Excess Joint Powers Authority (LAWCX) – Executive Committee Meeting February 22, 2011
  - c. Employment Risk Management Authority (ERMA) February 18, 2011
2. Local Agency Investment Fund (LAIF) Monthly Statement of Investments
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  - a. Account 590
    - i. Portfolio Summaries
    - ii. Holdings Report – Most Recent
    - iii. Compliance Report
    - iiii. Transaction Reports
  - b. Account 591
    - i. Portfolio Summaries
6. York Insurance Services Claims Bill Review – January 2011
7. SCORE Service Calendar

**Agenda Item G.1**

**General Liability Actuarial Review**

**Information Item**

**ISSUE:** The annual actuarial review, based on 12/31/10 loss information, has been completed. The attached draft summary reflects the estimated ultimate cost of claims and expenses for the banking layer and the pooling layer for the 2011-2012 program year. This review also reflects the anticipated outstanding liabilities including ALAE for the banking and pooling layers for the 2011-2012 program year.

The 2011-2012 estimated liability for outstanding loss at the 70% confidence level is \$1,467,000 which is \$106,000 less than the projected liabilities as of June 30, 2010.

The draft report also provides estimated funding at various levels of confidence for the program years 2011/2012 and 2012/2013. The projected combined funding level rate per \$100 payroll at the 70% confidence level for 2011/2012 is \$3.42 which is 6% lower than the \$3.63 rate that was projected for the 2010/2011 program year. The projected funding is reflected in the budget proposed later in this agenda.

	<u>2011/2012</u> <u>@ 70% Confidence Level</u>	<u>2010/2011</u> <u>@ 85% Confidence Level</u>	
Banking Layer	\$1.40	\$1.92	-27.08%
Pooling Layer	\$2.03	\$2.90	-30.00%
Combined Layer	\$3.42	\$4.83	-29.20%
Outstanding Loss Liability	\$1,467,000	\$1,949,000	-24.73%

**RECOMMENDATION:** None

**FISCAL IMPACT:** \$472,000 less in funding for 2011/2012 coverage period.

**BACKGROUND:** SCORE has Actuarial Studies done annually for accreditation and budget purposes. By having these studies done, SCORE is able to project their funding for the upcoming year and see how the rates affect their budgets.

**ATTACHMENTS:** General Liability Actuarial Review as of March 11, 2011

**Agenda Item F.4**

**Score Liability Master Plan Documents Amendment**

**Action Item**

**ISSUE:** Board should review amendments to the Liability Master Plan Documents for approval.

**RECOMMENDATION:** Staff recommends approval of MPD amendment.

**FISCAL IMPACT:** Potentially strengthens the JPA as members leaving the program must leave their funds with the JPA until Program Years are closed.

**BACKGROUND:** SCORE had one member leave the JPA in 2010 and has received notice of intent to withdraw from two other members. As a result, discussion developed at the January Board meeting and an ad hoc committee was created to vet issues that result from members leaving the JPA.

The ad hoc committee recommended the Bylaws be changed as follows:

**“Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed”.**

The proposed Master Plan documents have been amended to include the recommendations of the Ad Hoc committee.

**ATTACHMENTS:** Red Line strikout of the Liability Master Plan Documents

**Agenda Item G.3**

**Employment Risk Management Authority (ERMA) Update**

**Information Item**

**ISSUE:** Mr. Jim Murphy will address the Board on ERMA matters.

**RECOMMENDATION:** None

**FISCAL IMPACT:** Unknown

**BACKGROUND:** This time is reserved for Mr. Murphy to report to the Board on ERMA matters.

**ATTACHMENTS:** ERMA Report



**Agenda Item H.1**

**Workers' Compensation Actuarial Review**

**Information Item**

**ISSUE:** The annual actuarial review, based on 12/31/10 loss information, has been completed. The attached "draft" summary reflects the estimated ultimate cost of claims and expenses for the banking layer and the pooling layer for the 2011-2012 program year. This review also reflects the anticipated outstanding liabilities including ALAE for the banking and pooling layers for the 2011-2012 program year.

The 2011-2012 estimated liability for outstanding loss at the 70% confidence level is \$2,967,000 which is \$144,000 higher than the projected liabilities as of June 30, 2010.

The "draft" report also provides estimated funding at various levels of confidence for the program years 2011/2012 and 2012/2013. The projected combined funding level rate per \$100 payroll at the 70% confidence level for 2010/2011 is \$4.59 which is 2% higher than the \$4.69 rate that was projected for the 2009/2010 program year. The projected funding is reflected in the budget proposed later in this agenda.

	<u>2011/2012</u> <u>@ 70% Confidence Level</u>	<u>2010/2011</u> <u>@85% Confidence Level</u>	
Banking Layer	\$1.57	\$2.13	-26.30%
Pooling Layer	\$1.89	\$2.56	-26.17%
Combined Layer	\$3.46	\$4.69	26.23%
Outstanding Loss Liability	\$2,937,000	\$3,260,000	10%

**RECOMMENDATION:** None

**FISCAL IMPACT:** \$124,000 decrease in reserves

**BACKGROUND:** SCORE has Actuarial Studies performed annually for accreditation and budget purposes. By having these studies done, SCORE is able to project their funding for the upcoming year and see how the rates affect their budgets.

**ATTACHMENTS:** Workers' Compensation Actuarial Review as of March 11, 2011.

**Agenda Item F.5**

**Score Workers' Compensation Master Plan Documents**

**Action Item**

**ISSUE:** Board should review amendments to the Workers' Compensation Master Plan Documents for approval.

**RECOMMENDATION:** Staff recommends approval of MPD amendment.

**FISCAL IMPACT:** Potentially strengthens the JPA as members leaving the program must leave their funds with the JPA until Program Years are closed.

**BACKGROUND:** SCORE had one member leave the JPA in 2010 and has received notice of intent to withdraw from two other members. As a result, discussion developed at the January Board meeting and an ad hoc committee was created to vet issues that result from members leaving the JPA.

The ad hoc committee recommended the Bylaws be changed as follows:

**“Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed”.**

The proposed Master Plan documents have been amended to include the recommendations of the Ad Hoc committee.

**ATTACHMENTS:** Red Line strikout of the Worker’s Compensation Master Plan Documents

**Agenda Item H.2**

**Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) Update**

**Information Item**

**ISSUE:** Staff will update the Board with information regarding the renewal with LAWCX.

**RECOMMENDATION:** None

**FISCAL IMPACT:** Unknown

**BACKGROUND:** LAWCX provides SCORE their Excess Workers' Compensation limits.

Ms. Susan Adams will answer any questions the Board may have at this time.

**ATTACHMENTS:** LAWCX Report

**Agenda Item I.1**

**Annual Audited Financial Reports: Years Ending June 30, 2009 and June 30, 2010**

**Action Item**

**Issue:** SCORE's financial audits for June 30, 2009 and 2010 should be reviewed and approved.

**Recommendation:** Should the Board agree that the Financial Audits are accurate, the Program Administrator recommends approval of the June 30, 2009 and June 30, 2010 Financial Audits.

**Fiscal Impact:** None

**Background:** At the December 14, 2010 SCORE webinar, the Board approved the JPA's unaudited Financial Statements as of June 30, 2009 and June 30, 2010. The approved unaudited financials were forwarded to MAZE and Associates, SCORE's financial auditor.

MAZE and Associated presented the June 30, 2009 Financial Audit at the January 28, 2011 Board meeting; however, the balance sheet reclassification, the claims Liability data for 2008 and the historical information for the estimated incurred claims and expenses were not included. After Board discussion, it was agreed that the Board not approve the 2009 Audit at the time and that MAZE present the 2009 and 2010 Financial Audit at the next Board meeting.

Ms. Katherine Yuen of MAZE and Associates will be at the meeting to present SCORE's financial audits for years ending June 30, 2009 and 2010 and answer any questions the Board may have.

**Attachments:** To be distributed at the meeting

**Agenda Item I.2**

**2011/2012 Preliminary Budget**

**Information Item**

**ISSUE:** The 2011/2012 Preliminary Budget will be presented by Ms. Susan Adams.

**RECOMMENDATION:** None

**FISCAL IMPACT:** Unknown

**BACKGROUND:** The budget uses estimates of payroll, property values and auto values, where appropriate to calculate premium and expenses for SCORE Board members. The budget also recognizes the calculation of experience modification factors as adopted by the program's Master Plan Documents.

Although the costs are not finalized, it has become the practice in the past for SCORE to review a Preliminary Program Budget at the March Board meeting. This practice was adopted to allow the members to have an indication of costs for their individual budgets. It also allowed the SCORE members to give direction as to where they would like to expend the funds in the following year.

**ATTACHMENTS:** To be distributed under separate cover

## Agenda Item F.6

### Dividend Allocation Program for Loss Mitigation Policy and Procedure

#### Action Item

**ISSUE:** At the January 28, 2011 meeting, the Board requested that the Ad Hoc committee appointed, examine various ways to manage the release of Dividend Funds from SCORE to assure SCORE continues as a viable, long-term solution to Members' self insurance needs. The Committee has now met twice; once to develop the proposed By-Law changes, and second to develop a possible new tool for SCORE Members' use; the Dividend Allocation Program for Loss Mitigation (DAPLM).

At the Ad Hoc Committee Meeting, they discussed several options and concluded that the a good use of these funds would be to create a program whereby Members come hold money within SCORE for use that reduces exposures that lead to losses, and that Members could then request use of these funds for certain expenditures (by reimbursement to the Member) after review by an appointed Loss Control Committee.

Members would actually be *encouraged to participate* in DAPLM so that all benefit from reducing risks. A draft of the Policy and Procedure is attached for review and discussion.

**RECOMMENDATION:** The committee recommends the Board review the attached Policy and Procedure and take action to approve or give direction for future consideration.

**FINANCIAL IMPACT:** This is a Member's money, but held by SCORE for specific services. It can always be released to the Member when future Dividends are declared.

**BACKGROUND:** During the Long Range Planning Session the Board discussed possible options to use the \$100,000 of Safety Funds. The Ad Hoc Committee was given the responsibility of creating a recommendation to the Board to use the Safety Funds. The following is a summary of the highlights of the proposed policy and procedure for the Grant Program:

- Members must send a written request for the use of their funds to the Loss Control Committee via the Program Administrator
- The request will include a statement of the funds and how they will lead to the reduction of frequency or severity or will mitigate liability risks at the Member.
- These funds can be used for equipment, materials, training programs, travel to meetings or any other services that will lead to these results. (Examples include; 1) need new carpet in City Hall to reduce tripping hazards, 2) new gym equipment for the Police Department, or 3) bringing training to town for numerous individuals to attend.
- The Loss Control Committee members will either deny or approve the request within 72 hours; a three quarters ( $\frac{3}{4}$ ) majority is required for approval
- Members may apply for funds on a reimbursement basis.

**ATTACHMENT:** *Draft* Dividend Allocation Program for Loss Mitigation - Policy and Procedure

## **ADMINISTRATIVE POLICY AND PROCEDURE**

### **SUBJECT: DIVIDEND ALLOCATION PROGRAM FOR LOSS MITIGATION**

#### Policy Statement:

Each Year SCORE may declare Dividends from the Liability and Workers' Compensation programs. Although Members may request that these funds be 1) released to them immediately when made payable, or 2) request that these funds be held by the Authority to cover future years' anticipated deficits, this Policy and Procedure address the *Third* option now available that allows for 50% of average Dividend funds to be managed by SCORE for payment of Members' Loss mitigation needs.

The new Dividend Allocation Program for Loss Mitigation (DAPLM) permits funds for individual Members' use to be held by SCORE for future reimbursement as permitted by the P&P as approved by the Board. Members are encouraged to participate in this program.

At the time Dividends are declared by the Board, Members must notify the Program Administrators and Treasure requesting a *Holdback*. (Up to 50% of the *prior three year average* may be held for DADLM purposes at any time.

To obtain release, a Member representative must send a written request for the use of their funds to member of an Ad Hoc Loss Control Committee. The request will include a statement which will justify how the use of these funds will reduce the frequency or severity of WC losses or will mitigate liability risks at the Member. These funds can be used for equipment, materials, training programs, travel to meetings or any other services that will lead to these results. The Committee will either deny or approve the request; a three quarters (¾) majority affirmation is required for approval. Members may apply for funds on a reimbursement basis.

#### Procedure:

A Member may apply for DAPLM by following the following procedure:

1. A Member will write a request to the Program Administrators requesting the use of DAPLM funds for city expenditure. The request will include a statement of the funds and how they will lead to the reduction of frequency or severity or will mitigate liability risks at the Member Agency. *(The request must be submitted by the SCORE Representative or Alternate and will contain approval of either the City Manager/Administrator or Finance Director of the Member.)*
2. The Program Administrators will forward the request to the appointed representatives of the Ad Hoc Loss Control Committee who will individually review the request and affirm approval or deny the request within 72 hours. A three quarters majority is required to approve a request.
3. If approved, the Member will purchase the service or item they requested and submit a receipt for reimbursement to the Program Administrator.
4. The Program Administrator will submit the reimbursement request and appropriate documentation to SCORE's accountant.

5. SCORE's accountant will reimburse the Member up to the maximum allowable amount and apply the reimbursement expense to the Member's account for tracking purposes.
  - a. If a request exceeds the budgeted funds available to a member, only the amount available for reimbursement will be paid.



**Agenda I.3**

**Approval of Internal Controls and Guidelines for Investments**

**Action Item**

**ISSUE:** The Board reviews and approves SCORE's Internal Controls and Guidelines for Investments.

**RECOMMENDATION:** The Program Administrator recommends approving the SCORE Internal Controls and Guidelines for Investments Policy.

**FISCAL IMPACT:** Unknown

**BACKGROUND:** The JPA's Internal Controls and Guidelines delegates the authority to invest funds of the Authority for a one-year period to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Board should review and approve the Internal Controls and Guidelines for Investment Policy annually.

**ATTACHMENTS:** Internal Controls & Guidelines adopted March 2008

**Agenda Item F.7**

**SCORE Vendors Service and Performance Discussion**

**Information Item**

**ISSUE:** The Board will openly discuss the current JPA administration, claims administration and risk management services provided to the SCORE members to evaluate if the Board should consider other vendors to provide these services.

**RECOMMENDATION:** None

**FISCAL IMPACT:** None

**BACKGROUND:** President Carroll requested that this be included in the agenda. He would like an open and frank discussion among the Board members regarding the JPA administration, claims administration and risk management services currently being provided to SCORE.

**ATTACHMENTS:** None

### Agenda Item F.3

#### SCORE BYLAWS AMENDMENT Action Item

**Issue:** Notice of the proposed amendment(s) to the SCORE BYLAWS were submitted to all Members 30 days prior to the Board meeting date scheduled for March 25<sup>th</sup>. There are three (3) proposed changes being considered at this time. The Board will consider approval of amendments to the SCORE Bylaws as follows:

- ARTICLE III – BOARD OF DIRECTORS – Section 1 – Governing Documents B.6 “Authorize release of funds at the request of a Member Agency that has withdrawn from the “Authority””.

*This change repeats language contained below in the new article include; WITHDRAWAL but is included here where other levels of voting authority of the Board are addressed. It states that a member that has withdrawn may request from the Board release of their funds with a 2/3 vote of the Board. This allows the ability of a withdrawn member to request their funds from a program year is not closed.*

- ARTICLE V – COMMITTEES
  1. Create a Finance Committee chaired by the Treasurer
  2. Add Section 3 – Other Standing Committees and outline their establishment and responsibilities.
  3. Add Section 4 – Ad Hoc Committees and outline their establishment and responsibilities.

- ARTICLE III – WITHDRAWAL

Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year(s)” that they participated in are closed. This includes funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. Funds available from the Banking Layer to these Members are available for distribution as declared by the Board.

If a “Program Year” is not closed and the “Participating Member” would be eligible for a distribution, a Member that has withdrawn from the “Authority” may annually, in writing, request an early release of their funds for consideration by the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

*This new section that details the financial responsibilities of a Member that Withdraws from SCORE. The current By-Laws only state that a past Member of the Authority is responsible for losses and cost, but not when and how they pay monies due.*

**Recommendation:** Staff recommends reviewing this changing and approving wording in the Bylaws amendments that best meet the objectives of the Board.

**Fiscal Impact:** None, if Members that withdraw from SCORE are required to leave their funds with SCORE until Shared Risk Layer years that they participated in are closed. This is to protect the organization as a whole from past Members withdrawing funds that may ultimately be needed for their share of claims payments, and leading to financial constraints within the Shared Risk Layer. Members have recourse to request funds earlier by a 2/3 vote of the Board.

**Background:** At the January 28, 2011 SCORE Board meeting, the Board approved a new Three / Five-Year Target Equity Distribution plan to be implemented effective July 1, 2011.

The development of these changes in SCORE's Programs Equity brought to light a number of potential issues to be discussed by the Board in the coming month(s). Originally, the Board started this process due to Ione leaving the Authority, and the two other Members stating that they too, needed to evaluate all other cost effective options for their cities. One key issue involves the timing for collection of funds FROM a Terminated Member; under Article VI Members' Responsibilities, the By-Laws only state that a past Member of the Authority is responsible for losses and cost, but not WHEN and HOW they pay monies due.

Now, two other Members have given notice, and may leave, but are still eligible for the return of Plan Equity. This was how SCORE was established, and likely changes can only be made on a go forward basis. We don't want to return money to a Member only to have it owed back to the Authority a year later due to claims development and NOT be able to collect it. Each Member is responsible to pay their liabilities, as outlined in the SCORE JPA AGREEMENT, ARTICLE XXII, EFFECT OF EXPULSION OR WITHDRAWAL.

At the January 28, 2011 Board meeting, an Ad Hoc committee was established to vet these issues. A conference call was held and the recommendation was to amend the Bylaws to state that:

**“Member Agencies that withdraw from SCORE's Liability and or Worker's Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed”.**

**Attachment:** “Draft” SCORE Bylaw Amendment, proposed to be effective March 25, 2011.

**Agenda Item F.8**

**October Training Day and Board Meeting Venue Discussion**

**Information Item**

**ISSUE:** Determine topics for Training Day which will be held on October 27, 2011 with the Board meeting following on October 28<sup>th</sup>. Staff is also requesting suggestions for a venue location

**RECOMMENDATION:** None

**FISCAL IMPACT:** \$10,000

**BACKGROUND:** Annually the Board meets one day prior to the June Board meeting to have a Training Day to educate the Board on matters that affect SCORE members. At the June 2010 Board meeting it was decided to move Training Day to coincide with the October Board meeting as this time of year is better for the Board members due to the fiscal year ending June 30<sup>th</sup>.

**ATTACHMENTS:** None

**Agenda Item K.**

**Closed Session Pursuant to Government Code Section 54956.95**

**Action Item**

**ISSUE:** Pursuant to Government Code Section 54956.95, the Board will hold a Closed Session to discuss the following claims for payment of a tort liability loss or a public liability loss:

\*\*For Authority

- 1. Workers' Compensation**
  - a. 2010101505 City of Crescent City
  - b. 2011112213 City of Portola
  - c. 2006051751 City of Susanville
  - d. 2007058233 City of Weed
  - e. 2007070094 City of Williams

For authority:  
2009088405 City of Crescent City

- 2. Liability**
  - a. 2010107181 v. Crescent City
  - b. 2006047763 v. Dunsmuir
  - c. 2011113228 v. Dunsmuir
  - d. 2008080767 v. Mt. Shasta
  - e. 2009098216 v. Mt. Shasta
  - f. 2010111720 v. Susanville

**RECOMMENDATION:** The Program Administrator cannot make a recommendation at this time, as the subject matter is confidential.

**FISCAL IMPACT:** Unknown

**BACKGROUND:** Confidential

**Agenda Item E**

**Consent Calendar**

**Action Item**

**ISSUE:** The items on the Consent Calendar should be reviewed by the Board and, if there is any item requiring clarification or amendment, such item should be pulled from the agenda for separate discussion. The Board should adopt the Consent Calendar excluding those items pulled.

**RECOMMENDATION:** The Program Administrator recommends adoption of the Consent Calendar as presented.

**FISCAL IMPACT:** None

**BACKGROUND:** The Board places the following items on the Consent Calendar for adoption. The Board may accept the Consent Calendar as presented, or pull items for discussion and separate action while accepting the remaining items.

**ATTACHMENTS:**

1. Meeting Minutes:
  - a. Board of Directors Meeting Minutes – January 28, 2011
  - b. Local Agency Workers’ Compensation Excess Joint Powers Authority (LAWCX) – Executive Committee Meeting February 22, 2011
  - c. Employment Risk Management Authority (ERMA) February 18, 2011
2. Local Agency Investment Fund (LAIF) Monthly Statement of Investments
3. Union Bank Account Statement – January & February 2011
4. SCORE Checking Account Transaction List – 1/19/11 – 3/17/11
5. Investment Statements from Chandler Asset Management – Jan. & Feb. 2011
  - a. Account 590
    - i. Portfolio Summaries
    - ii. Holdings Report – Most Recent
    - iii. Compliance Report
    - iiii. Transaction Reports
  - b. Account 591
    - i. Portfolio Summaries
6. York Insurance Services Claims Bill Review – January 2011
7. SCORE Service Calendar

**Small Cities Organized Risk Effort (SCORE)  
Board of Directors Meeting Minutes  
January 28, 2011**

**Member Cities Present**

Mike Botorff, City of Biggs  
Ken McDonald, City of Crescent City  
Liz Clontz, City of Dorris  
Jim Lindley, City of Dunsmuir  
Pamela Russell, City of Etna  
Linda Romaine, Town of Ft. Jones  
Bruce Pope, City of Isleton  
Satwant Takhar, City of Live Oak  
Roger Carroll, Town of Loomis  
Crickett Strock, Town of Loomis

Kathy LeBlanc, City of Loyalton  
Janie Sprague, City of Montague  
Ted Marconi, City of Mount Shasta  
Jim Murphy, City of Portola  
John Duckett, City of Shasta Lake  
Debra Magginetti, City of Susanville  
Kelly McKinnis, City of Weed  
Earl Wilson, City of Weed  
Charles Bergson, City of Williams  
Steve Baker, City of Yreka

**Member Cities Absent**

City of Colfax                      City of Rio Dell

**Consultants & Guests**

Susan Adams, Alliant Insurance Services  
Mike Simmons, Alliant Insurance Services  
Bonnie Markuson, York Insurance  
Craig Wheaton, York Insurance  
Cameron Dewey, York Insurance  
Marcus Beverly, York Insurance  
Jack Kastorff, York Insurance

Rudy Schroeder, York Insurance  
Katherine Yuen, MAZE & Associates  
Dave Stein  
Amanda Goad, TargetSafety  
Christopher Lyles, Mayor of City of Etna  
Rex Greenbaum, City of Williams  
Christopher Liles, Mayor, City of Etna

**A. CALL TO ORDER**

Mr. Roger Carroll, President, called the meeting to order at 10:05 a.m.

**B. ROLL CALL/ABSENCE REPORT**

The above mentioned members were present constituting a quorum. Cities absent were City of Colfax, , and City of Rio Dell.

**C. APPROVAL OF THE AGENDA**

**A motion was made to amend the agenda to move item J.1., TargetSafety PreventionLink Presentation after item F.3., SCORE Resource Contact Guide.**



**MOTION:** Ted Marconi      **SECOND:** Kelly McKinnis      **MOTION CARRIED**

**D. PUBLIC COMMENTS**

There were no public comments.

**E. CONSENT CALENDAR**

**A motion was made to pull item 8, items a and b, Notice of Intent to Withdraw from SCORE, City of Crescent City and City of Williams, from the Consent Calendar.**

**MOTION:** Kelly McKinnis      **SECOND:** Jim Murphy      **MOTION CARRIED**

**A motion was made to approve the Consent Calendar, less item 8, a and b.**

**MOTION:** Jim Murphy      **SECOND:** Kelly McKinnis      **MOTION CARRIED**

**E. 8. Notice of Intent to Withdraw from SCORE**

**a. City of Crescent City**

Mr. Ken McDonald stated that the letter of intent to withdraw from SCORE was approved and signed by the City Manager. The letter was submitted to SCORE on December 16, 2010 and a week later, the City Manager resigned. Mr. McDonald indicated the decision to submit notice to SCORE was due savings. The City received a quote from another pool that included a 40% savings for the next 3 years. Mr. McDonald added that the decision was made strictly on savings; however, did not take into account SCORE's equity distribution and service level. Mr. McDonald will update the Board with the City's status at the next SCORE meeting.

City of Williams entered the meeting at 10:17 a.m.

**b. City of Williams**

Mr. Charles Bergson stated the decision to submit a letter of intent to withdraw was made by the City's staff. This decision was made based on the City's annual budget and the City is currently at its preliminary stages of receiving quotes from several other pools.

**A motion was made to approve items 8.a and 8.b in the Consent Calendar.**

**MOTION:** Kelly McKinnis      **SECOND:** John Duckett      **MOTION CARRIED**

## **F. GENERAL ADMINISTRATION**

### **1. President's Report**

No report from the SCORE President; however, Mr. Jack Kastorff informed the Board that effective January 1, 2011, the Federal Government announced that the State of California Division of Occupational Safety and Health (Cal/OSHA) seeks to change the way it assigns citations. California employers should be prepared to be penalized for serious citations given by Cal/OSHA.

### **2. Alliant Update**

Ms. Susan Adams stated the agenda included a California State Association of Counties Excess Insurance Authority (CSAC-EIA) brochure for a Healthcare Symposium. Symposium dates and locations for Northern California are February 3<sup>rd</sup>, at Rancho Cordova and February 4<sup>th</sup> in Pleasanton.

Alliant Insurance is hosting a dinner at the Public Agency Risk Managers Association (PARMA) Conference on Monday, February 7<sup>th</sup>. SCORE Board members are welcome to attend the dinner. Ms. Adams requested that anyone who did not receive an invite should let her know. PARMA Conference is from February 6-9, 2011 in Anaheim.

### **3. SCORE Resource Contact Guide**

Alliant Staff created a SCORE Resource Contact Guide which is a one page contact sheet that includes all vendor contact information. The Resource Contact Guide will be updated as needed and will be included in the SCORE agendas. Staff will also upload the information in the SCORE website.

## **J. LOSS PREVENTION/SAFETY**

### **1. TargetSafety PreventionLink Presentation**

Ms. Amanda Goad of TargetSafety gave a brief presentation of the new PreventionLink Connect platform. The PreventionLink Connect provides resources to SCORE members including online training, managing announcements and events, and staying in compliance with current and new regulations.

There are over 600 online classes with a variety of topics. Cities are able to customize its own content and deliver information, track employee licensing and record courses taken by employees. PreventionLink Connect also allows the cities to search for content. This feature has been very popular with the Fire Departments.

TargetSafety distributes current and relevant news information to all members and posts events and any featured resources. Ms. Goad stated that the cities are welcome to contact

her should anyone have additional questions regarding the platform.

## **G. FINANCIAL**

### **1. Financials for the Quarter Ending December 31, 2010**

Gilbert and Associates (Gilbert) were unable to attend the meeting to present the Financials for Quarter Ending December 31, 2010. Ms. Adams presented the financials and stated that SCORE's assets continue to grow. The Board questioned if the financials should be approved by the members each time it is presented. After discussion, the Board agreed that the financials should be accepted by the members quarterly.

**A motion was made to accept the Quarterly Financial Statements for Quarter Ending December 31, 2010.**

**MOTION:** Steve Baker

**SECOND:** Pam Russell

**MOTION CARRIED**

### **2. Annual Audited Financial Report for Year Ending June 30, 2009**

Ms. Katherine Yuen of MAZE and Associates (MAZE) presented the "Draft" Audited Financial as of June 30, 2009. The audit is 95% complete. The incomplete items are the balance sheet reclassification, the claims liability data for 2008, and the historical information for the estimated incurred claims and expenses. Because of SCORE's accounting records for 2009, MAZE had difficulties completing the audit. Ms. Yuen indicated that Gilbert recreated 2 years of financial statements and MAZE used Gilbert's information to complete the audit. Ms. Yuen stated its goal is to have SCORE current with the audit process.

The Board posed the question of when the 2010 audit will be complete and Ms. Yuen responded that she cannot complete the 2010 audit until the 2009 audit has been approved. After Board discussion, it was agreed that the Board will have a webinar to approve the 2009 audit and the 2010 draft audit be reviewed by the Finance Committee prior to presenting to the Board at the March meeting. The Board also expressed that they are pleased with the audit being performed by MAZE.

The 2011 audit is scheduled to begin in September.

Ms. Yuen then advised staff that she could prepare the 2009 and 2010 on one audit and would have to staff for a Finance Committee review prior to the March Board meeting.

### **3. Equity Distribution and Rate Stabilization Plan**

#### **a. Equity Distribution and Rate Stabilization Presentation**

Staff advised the Board that the December 14, 2010 webinar PowerPoint

presentation is included in the agenda for reference during discussion of items b, c, and d.

**b. Approval of a Three/Five-Year Target Equity Distribution Plan**

As of September 30, 2010, SCORE's available assets are \$16,632,020. During the December 14<sup>th</sup> webinar, Staff presented the Board with a 3 to 5 year equity distribution plan for both the Liability and Workers' Compensation plans. The plan will be subject to review and modification by the Board to assure that proper funding of all SCORE programs continues.

Staff also presented an option of developing a Loss Control/Safety Plan that permits members to utilize the funds for services, equipment, training or projects that will lead to mitigation of risk. Any cities that withdraw from SCORE cannot use the funds.

The Board questioned if SCORE has done all that it could to encourage members to remain in SCORE. Staff responded and agreed that SCORE has made every effort to retain its members including using its funds to lower rates and distribute dividends.

**Motion was made to approve the Annual Equity Distribution Plan as presented with release of funds subject to meeting SCORE's net assets funding commitments as of December 31<sup>st</sup> of each year including the other actions outlined in the plan presented.. The Annual Equity Distribution Plan should be reviewed annually at the Strategic Planning Session and meet Target Equity ratios**

**MOTION:** Kelly McKinnis

**SECOND:** Pam Russell

**MOTION CARRIED**

**c. Approval of Banking and Shared Risk Funding Levels**

For the past 10+ years, SCORE has conservatively funded actuarially at the 80% and 85% confidence levels for prior and future claims years. Claims have not developed at this level; therefore, SCORE has more than adequate reserves for payment of future anticipated losses and is well funded over the 90% confidence level. This has developed and the funds should be released back to members that qualify.

After Board discussion, the Board made a motion to decrease its confidence level.

**Motion was made to approve a reduction of funding for both the Workers' Compensation and Liability programs, both the banking and shared risk layers, to a 70% actuarially determined level from the current 85%. This Funding level of 70% is subject to review and modification by the Board as required assuring that proper**

**funding continues and that the JPA meet the targeted equity reserves.**

**MOTION:** Ted Marconi                      **SECOND:** Jim Murphy                      **MOTION CARRIED**

**d. Other Issues (Resulting from an Equity Distribution Plan)**

With the development of the actions approved with the Equity Distribution Plan, Staff advised the Board to consider establishing an Ad Hoc Committee to examine the various issues that will result from the implementation of the new distribution plan. One key issue involved the timing for collection of funds from a Terminated Member. Other changes that need to be made in the SCORE governing documents. The Ad Hoc Committee will also determine a timeline for addressing any issues that may develop and impact the members' participation in SCORE. The Committee will also address compliance issues that may surface while reviewing the governing documents.

After Board discussion, the Board agreed to establish an Ad Hoc Committee to vet these issues.

**Motion was made to appoint an Ad Hoc Committee to discuss various items that may impact JPA participation. Ad Hoc Committee members are Linda Romaine, Jim Murphy, Ted Marconi, Pam Russell, and Steve Baker.**

**MOTION:** Linda Romaine                      **SECOND:** Steve Baker                      **MOTION CARRIED**

The Board took a break at 11:49 a.m.

The Board resumed at 12:10 p.m.

**4. Employment Assistance Program (EAP) Premium Calculation Adjustment**

At the June 2010 Board Meeting, the Board asked staff to amend the budget to charge the EAP premiums only to those members that were participating in the program. Staff provided the Board with the calculation of the additional or return premiums. After discussion, it was noted that there was an error in the calculations. Staff will revise the calculations. The Board was asked to make a recommendation on how to administer the difference.

**Motion was made to apply the difference in funds to 2011/2012 premiums.**

**MOTION:** Ted Marconi                      **SECOND:** John Duckett                      **MOTION CARRIED**

**5. Recommended Investment Policy Change**

**A motion was made to approve SCORE's investment policy to shorten the duration of the portfolio.**

**MOTION: Ted Marconi                      SECOND: John Duckett                      MOTION CARRIED**

**6.     Request to Change March 25, 2011 Board of Directors Meeting to April 8, 2011**

**A motion was not made as it was decided to leave the meeting date of March 25, 2011 as is currently on the schedule.**

**H.     LIABILITY**

**1.     California Joint Powers Risk Management Authority (CJPRMA) Update**

Mr. Roger Carroll updated the Board on the December CJPRMA meeting and advised them that we will be receiving a distribution that will be applied to the 2011/12 liability premium.

**I.     WORKERS' COMPENSATION**

**1.     Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) Update**

Staff updated the Board of items from the November 2010 Board Meeting which included the availability of "The Company Nurse" triage services, discussion on whether or not to offer 4850 coverage as an option and the 2011/2012 excess rates from CSAC which is 5% higher than expiring. This rate may decrease before 7/1/12.

**2.     SCORE LAWCX Alternate**

Mr. Dau Luc resigned from the SCORE Board and we need to appoint a new alternate. Mr. John Duckett, City of Shasta Lake volunteered.

**A motion was made to appoint Mr. John Duckett of Shasta Lake, as the SCORE LAWCX Alternate.**

**MOTION: Kelly McKinnis                      SECOND: Steve Baker                      MOTION CARRIED**

**K.     CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95**

At 12:30 p.m., pursuant to Government code section 54956.95, the Board held a closed session to discuss the following claims for payment of tort liability loss or public liability loss.

**1.     Workers' Compensation**

- a. 2008078652 vs. Ione DOI 7-7-08
- b. 2006051751 vs. Susanville DOI 7-31-06

- c. 2007058233i vs. Weed DOI 1-22-07
- d. 2007070094 vs. Williams DOI 12-19-07

**2. Liability**

- a. 2010104729 vs. Isleton
- b. 2009098216 vs. Mt. Shasta
- c. 200808767 vs. Mt. Shasta
- d. 2006047763 vs. Dunsmuir
- e. 2010106357 vs. Dunsmuir
- f. 2010107181 vs. Crescent City
- g. 2008074550 vs. Crescent City

**L. REPORT FROM CLOSED SESSION**

The Board returned from closed session at 12:50 p.m. Mr. Carroll reported that the above closed session items were discussed and appropriate direction was given to Staff.

**M. CLOSING COMMENTS**

There were no closing comments.

**ADJOURNMENT**

The meeting was adjourned at 12:51pm.

**NEXT MEETING: Friday, March 25, 2011 at Gaia Anderson Hotel**

Respectfully Submitted,

Debra Maggini, Secretary

Date

LOCAL AGENCY WORKERS' COMPENSATION EXCESS  
JOINT POWERS AUTHORITY  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

MINUTES OF THE EXECUTIVE COMMITTEE MEETING  
OF FEBRUARY 22, 2011

A meeting of the Local Agency Workers' Compensation Excess JPA (LAWCX) Executive Committee was held via teleconference on February 22, 2011, at the offices of Public Agency Risk Sharing Authority of California (PARSAC) in Sacramento, CA; Belmont-San Carlos Fire Department in San Carlos, CA; and City of Clovis, CA.

COMMITTEE MEMBERS PRESENT: Joanne Rennie, President, PARSAC  
Bill Henderson, Vice President, City of Livermore  
Jeff Cardell, Treasurer, City of Clovis (left after item 10.C.)  
Darrell Handy, City of Alameda  
Stuart Schillinger, Past President, BCJPIA  
Jace Schwarm, City of Encinitas  
Douglas Fry, FASIS

COMMITTEE MEMBERS ABSENT: None

OTHERS PRESENT: Karen Thesing, Manager  
IaSee Her, Assistant Manager  
Chrissy Mack, Recording Secretary  
Tammy Vitali, Claims Manager  
Richard Shanahan, Legal Counsel, Bartkiewicz, Kronick & Shanahan  
Janet Hamilton, City of Lodi  
Rob Kramer, BCJPIA Administrator/Bickmore Risk Services Administration Department Manager (left after item 10.C.)  
Jeanette Workman, CSJVRMA Administrator, Bickmore Risk Services (left after item 10.C.)  
Brian Kelley, FASIS & VCJPA Administrator, Bickmore Risk Services (left after item 10.C.)  
Susan Adams, SCORE Administrator, Alliant Insurance Services, Inc. (left after item 10.C.)

1. CALL TO ORDER

The meeting was called to order at 10:00 a.m. by President Joanne Rennie.



2. INTRODUCTIONS

Introductions took place, and it was determined a quorum was present.

3. PUBLIC COMMENTS

None.

4. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Karen Thesing, Manager, requested that the order of items A and B under 8, Workers' Compensation Matters, be switched so that B is discussed before A.

**Bill Henderson moved to approve the agenda as amended. Seconded by Jace Schwarm. A roll call vote was taken, and the motion passed unanimously.**

5. PRESIDENT'S/GENERAL MANAGER'S MESSAGE

President Rennie welcomed everyone to the meeting being held at PARSAC's office.

6. CONSENT CALENDAR

**Jace Schwarm moved to approve/accept the following items: A) Summary of Action Items and Minutes from the October 26, 2010, Executive Committee Meeting; B) Internal Financial Statements as of September 30, 2010, and December 31, 2010; C) Treasurer's Report Dated December 31, 2010; and D) Administration's Assessment Report from August 2010. Seconded by Jeff Cardell. A roll call vote was taken, and the motion passed unanimously.**

7. FINANCIAL MATTERS

A. Discussion and Action Regarding Assessments for the 2011/12 Program Year

The Committee was reminded that in 2010, the Board of Directors approved a financial plan to assess the members approximately \$1.8 million over a three-year period with no interest charged to the members. The total assessment amount is allocated to the oldest deficit program year, and then moves to the next year once the assessment allocation brings the funding in that year sufficient to cover projected outstanding losses at the 80% confidence level. This continues until the total assessment is exhausted. The first

installment was included in the 2010/11 budget. The Executive Committee annually reviews the need for each assessment installment utilizing the December 31<sup>st</sup> financial statements. As of December 31, 2010, LAWCX's financial statements reflected positive net assets of \$25,447,074 with liability recorded at the expected confidence level. Several of the older individual program years, however, are in a deficit position.

Prior to the meeting, the Committee received an assessment analysis as of December 31, 2010. The analysis reflected the 1994/95 program year has a \$237,825 deficit at the 80% confidence level; however, this program year was not included in the three-year assessment plan as it was funded above the 80% confidence level when the plan was developed. The funding level dropped due to the incorrect date of loss for a claim, which was originally classified as 1993/94, but was actually 1994/95. However, as this program is still funded above the expected confidence level, staff does not recommend a change to the currently approved three-year assessment plan.

Ms. Thesing stated staff is recommending continuation of the three-year assessment plan, and the second assessment billing be issued by the third quarter of 2011 with the plan re-evaluated at December 31, 2011. Ms. Thesing noted the assessment is billed to both current members and withdrawn members that participated in the program years being assessed.

**Jace Schwarm moved to continue the current approved assessment plan, issue the second assessment billing by the third quarter of 2011, and re-evaluate at December 31, 2011. Seconded by Bill Henderson. A roll call vote was taken, and the motion passed unanimously.**

**B. Discussion and Action Regarding the Discount Factor Utilized for Pooled Rates**

Ms. Thesing stated that per a policy adopted in 2009, each year, the discount rate for the pooled portion of the Workers' Compensation Program is discussed by the investment advisor and actuary to determine whether a change is warranted. They then make a recommendation to the Executive Committee and Board. Ms. Thesing informed the Committee that LAWCX's investment advisor, Carlos Oblites from PFM, and LAWCX's actuary, John Alltop from Bickmore Risk Services (BRS), have discussed the discount rate and are recommending the discount rate remain at 5% for the 2011/12 program year. Ms. Thesing explained that due to the long payout patterns of LAWCX claims and based on the estimated outstanding losses as of June 30, 2010, it has been determined that the duration for LAWCX claims is approximately six years. In addition, in reviewing the earning potential of LAWCX's portfolio over the past five years, although the return has dropped slightly over the past year, the total return has been 5.44%.

**Jeff Cardell moved to recommend to the Board the discount factor for 2011/12 pooled rates remain at 5%. Seconded by Doug Fry.**

Ms. Thesing was asked to explain the discount factor. Ms. Thesing informed the Committee that when the ultimate expected losses are calculated, it is known the losses will not be paid immediately. Due to LAWCX being an excess pool, the payout patterns tend to be longer. Due to this, LAWCX will earn interest in the investment portfolio for a period of time before losses are paid. Therefore, a discount factor is applied to account for the monies earned on the investments. Ms. Thesing noted primary pools typically utilize a lower discount rate as the rate at which they pay claims is faster than that for an excess pool.

**A roll call vote was taken, and the motion passed unanimously.**

C. Discussion and Possible Action Regarding New Member Contributions to the \$2M to \$5M Pool Layer

Ms. IaSee Her, Assistant Manager, stated that beginning with the 2006/07 program year, LAWCX established a Mid-Layer Pool at the \$2 million to \$5 million layer of coverage. The goal was to fund the layer to \$5 million through premium contributions over a period of five years. The Mid-Layer Pool was fully funded in three years, as of the 2009/10 program year; therefore, premiums are no longer being charged for this layer of coverage.

At the time the Mid-Layer Pool was established, language was placed in the Master Program Document (MPD) stating new members shall participate in the Mid-Layer Pool and must contribute funds at the same rate and for the same period of time as current members. Prior to the meeting, the Committee received the excerpt from the MPD that sets forth the provisions of the Mid-Layer Pool. Ms. Her informed the Committee that staff has determined the language needs to be clarified to: 1) clearly define new members, 2) set forth how new members contribute to the Mid-Layer Pool, and 3) set forth a policy regarding contributions to the pool by new members since the pool is fully funded.

Ms. Her first discussed the current language regarding new members. She stated it is unclear whether a new member refers to a direct new member or to a new underlying member of a member JPA. Staff believes the intent was only new direct members of LAWCX would be considered new members of the Mid-Layer Pool and required to make a contribution. Therefore, staff is recommending a new member be defined as a new direct member of LAWCX. New underlying members of current member JPAs would not be charged a premium for the Mid-Layer Pool and the individual JPAs would be responsible for allocating any refunds from the Mid-Layer Pool amongst its members.

**Bill Henderson moved to define new members of the Mid-Layer Pool as new direct members to LAWCX. Seconded by Jace Schwarm.**

It was questioned whether this is the current practice. It was confirmed that new underlying members have not been charged for the Mid-Layer Pool. Program year 2010/11 is the first

year in which funds have not been collected for the Mid-Layer Pool. However, if assessments are ever needed for this Pool, the underlying members would be included in the assessment.

**A roll call vote was taken, and the motion passed unanimously.**

It was questioned how the definition will be documented. Ms. Her responded that amendments to the governing documents will be drafted and presented to the Board at their next meeting for approval.

Ms. Her also informed the Committee that since the original goal to fund the Mid-Layer Pool to \$5 million has been reached, with the cash balance of the pool at \$5.3 million, staff would like the Committee to consider whether to allow contributions into the Pool by new direct members to be voluntary. This may better position LAWCX from a marketing standpoint and premiums by new direct members are not necessary at this time since the Pool is fully funded. The new direct member would have coverage under the Mid-Layer Pool, however, they would have no rights to any equity.

Discussion ensued regarding the funding of the Pool, claim payout patterns, and allowing members to have coverage when they have not made a contribution to the Pool. It was agreed the funding of the Pool is sufficient per the goal set, but concern was expressed with allowing contributions to the Mid-Layer Pool by new direct members to be voluntary.

**Jace Schwarm moved to require new direct members of LAWCX to contribute to the Mid-Layer Pool. Seconded by Bill Henderson.**

It was questioned how many new direct members have not contributed into the Mid-Layer Pool. Ms. Thesing responded premiums have not been charged for the Mid-Layer Pool beginning with the 2010/11 program year, and there were no new direct members that joined for the 2010/11 program year.

The funding of the Pool was again discussed, and it was noted \$5 million was a minimum threshold established for funding the Pool. A maximum funding level was not established, nor was there a discussion regarding including the Mid-Layer Pool in retrospective adjustments. It was suggested that the funding level of the Mid-Layer Pool be included as part of LAWCX's annual financial review.

Mr. Rob Kramer, BCJPIA/BRS, cautioned that if LAWCX's Mid-Layer Pool continues to grow, it could become a hindrance when marketing to new members, as it would not be cost effective for new members to join. BRS has had this experience with other pools it administers.

It was noted the governing documents currently state new members must contribute to the Pool, so the motion on the table would not result in a change in the current policy.

**A roll call vote was taken, and the motion passed unanimously.**

It was questioned whether a new direct member must pay their contribution to the Mid-Layer Pool in one payment or over a period of years. Ms. Her responded that is another question being posed to the Committee: 1) what timeframe will be permitted for contributions by new members, and 2) what rate will be charged to new members of the Pool. Ms. Her stated the governing documents currently state new members will contribute at the same rate and over the same period of time as current members. However, the pool was funded at a different actuarial rate each year. In addition, the original intent was to fund the Pool over a five-year period, however, it was accomplished in three years due to the allocation of premium savings realized in program year 2005/06. After some discussion, the Committee agreed the policy should specify that the rate will be the rate charged for the Mid-Layer Pool contained in the 2005/06 program year actuarial study, and new members will be allowed to pay the contribution over a five-year period.

**Jace Schwarm moved to require new direct members to contribute to the Mid-Layer Pool at the same rate as was established in the 2005/06 actuarial study to be contributed over a five-year period. Seconded by Bill Henderson. Motion passed unanimously.**

Clarification was requested regarding whether the intent is to not charge interest if the member pays their contribution over a five-year period. The Committee concurred no interest would be charged.

Ms. Thesing noted amended governing documents will be presented to the Executive Committee at their May meeting and the Board of Directors at their June meeting.

D. Preliminary Proposed Budget for Fiscal Year 2011/12

Prior to the meeting, the Committee received the preliminary proposed budget for the 2011/12 fiscal year. Ms. Thesing noted the Committee reviews the preliminary budget at the first meeting of the calendar year, it is then distributed to the members to assist them in developing their own entity budget, and a final proposed budget is presented to the Board for review and approval at the June Board meeting.

Ms. Thesing reviewed the preliminary proposed budget with the Committee, noting:

SELF-FUNDED RATES FOR THE POOLED LAYERS OF COVERAGE

The Board reviewed and accepted the actuarial study at the November Board meeting, which reflected rates for the 2011/12 program year. For the \$150,000 to \$5 million layer, the safety rates have increased 1.8% and non-safety rates have increased 0.5%. This is favorable as compared to last year's average rate increase of 7.2%.

The pooled layer of coverage is adjusted by an experience modification factor for each entity. For the 2011/12 preliminary budget, the 2010/11 experience modification factors have been used. Once all of the data needed to calculate the 2011/12 experience modifier factors has been received, the final proposed budget will be adjusted accordingly.

#### ESTIMATED PAYROLL

Typically, the most recent actual payroll utilized for the budget is inflated 5%. However, as members have faced economic challenges, in 2010/11 the payroll was only inflated by 3% and this will continue with the 2011/12 budget. Therefore, the actual payroll for 2009/10 has been inflated by 3% for budgeting purposes.

#### \$2M to \$5M SELF-INSURED LAYER (MID-LAYER POOL)

When the Mid-Layer Pool was established in 2006/07, the goal was to fund it to \$5 million. The Mid-Layer Pool currently has a cash balance of \$5.3 million. Therefore, the preliminary proposed budget does not include premiums for the Mid-Layer Pool.

#### EXCESS INSURANCE LAYER

The actual excess rate has not been received from CSAC-EIA. To be conservative, the budgeted rate for 2010/11 has been increased by 10% for the 2011/12 budget.

#### ASSESSMENT

The preliminary budget includes a \$600,000 assessment as part of the three-year, \$1.8 million total assessment. This is the second year of the assessment and was reviewed by the Committee in a prior agenda item.

#### MEMBERSHIP

LAWCX has not received any notices of intent to withdraw for the 2011/12 program year. In addition, there have been no requests for changes to retained limits to-date.

#### ADMINISTRATIVE EXPENSES

The estimated administrative expenses have increased less than 1% over the prior year. The Program Administration, Financial Audit, and Claims Audit contracts expire June 30, 2011, and the preliminary budget reflects the expiring amounts. These amounts may change depending on the outcome of renegotiated and/or new contracts.

At the August Executive Committee meeting, the Committee requested a spreadsheet describing each administrative cost and the cost per \$100 of payroll. The spreadsheet was included with the proposed preliminary budget for the Committee's review.

It was questioned if the entities should utilize the preliminary proposed budget for their own budgeting purposes at this point in time. Ms. Thesing answered affirmatively.

It was also questioned how soon all of the data will be received in order to calculate the experience modification factors for 2011/12. Staff estimated it may be at least one month before the final data is received. Staff is awaiting loss data from some of the members' TPAs. Ms. Thesing stated an updated preliminary budget can be distributed upon calculation of the 2011/12 experience modification factors. The Committee directed staff to send an update to the members once it becomes available.

It was questioned what constitutes the amount budgeted for risk control services. Ms. Thesing responded that based on last year's risk control program, \$70,000 is budgeted with \$20,000 allocated to member risk control reimbursement requests and \$50,000 allocated for BRS' risk control services.

**Jace Schwarm moved to approve distribution of the proposed preliminary budget to the members. Seconded by Darrell Handy. A roll call vote was taken, and the motion passed unanimously.**

E. Discussion and Possible Action Regarding Late Payments

Ms. Thesing informed the Committee that at the November Board meeting, the Board considered a recommendation from the Executive Committee that a policy be adopted stipulating members that are late paying LAWCX invoices would be assessed interest on all delinquent amounts due and payable to LAWCX at the rate of 10% per annum from the due date of the billing until the date posted by the designated financial institution.

This matter was brought forth as LAWCX currently does not have a late payment provision; payments on invoices are due and payable upon receipt of the invoice and considered past due if not received on or before 45 days from the date the invoice is issued. Each year, staff contacts members that are late in paying, but does not formally track or report results of the late payments due to the lack of a late payment policy. When staff was contacting late payers of the 2010/11 deposit premiums, it appeared there were an unusually high number of late payments, and one member was late in paying by 60 days beyond the 45 days from when the invoice was issued. Upon research, it was determined the payment pattern was consistent with previous years, but staff felt it warranted a discussion by the Executive Committee and Board.

At the November Board meeting, the Board requested staff to determine the reason for the late payments in 2010/11 and sent the matter back to the Committee for further discussion. Ms. Thesing informed the Committee staff contacted the six entities that were late in paying their 2010/11 deposit premium. Four of the entities answered with a range of responses which Ms. Thesing reviewed with the Committee.

It was questioned whether staff can quantify the amount of interest LAWCX loses due to the late payments. Ms. Thesing responded staff is unable to do so, however, the interest LAWCX is currently earning on investments is low. Staff believes the Committee should consider whether it is equitable for some members to pay on time while others do not without penalty.

It was noted it is currently a financially difficult time for all entities and instituting penalties may not be in LAWCX's best interest. It was suggested if a member is late, they receive a telephone call from an Executive Committee member. Another suggestion was made to contact the members prior to the due date to remind them the invoice is coming due.

**Jeff Cardell moved to direct staff to: 1) send a reminder via email three weeks after the issuance of an invoice to remind entities of the invoice due date, 2) send another reminder via email 10 days prior to the due date to those entities that have not submitted payment, and 3) revisit the issue next year to determine what impact the reminders have on late payments. Seconded by Bill Henderson. A roll call vote was taken, and the motion passed unanimously.**

F. Discussion and Possible Action Regarding Establishing Finance Committee

Ms. Thesing informed the Committee that President Rennie is interested in LAWCX establishing a Finance Committee to review complicated financial items.

Discussion ensued regarding the need for a Finance Committee. It was noted if a Finance Committee is established, it would be an opportunity to have other Board members engaged.

It was suggested and agreed that LAWCX utilize ad hoc committees for special subjects should the need arise. It was noted ad hoc committees do not fall under the provisions of the Brown Act.

7. WORKERS' COMPENSATION MATTERS

B. Loss Data Collection – 4850 Payment Protocols

The Committee was reminded that LAWCX previously discussed making 4850 benefits optional. In reviewing this issue, staff discovered some members are not reporting data correctly to LAWCX.

Ms. Tammy Vitali, Claims Manager, stated LAWCX has a policy that sets forth parameters members must follow when reporting data to LAWCX on a monthly basis. One of the parameters is to code 4850 benefits separately, with maximum temporary disability



benefits coded as a temporary disability benefit and the remaining full salary coded as 4850. Staff has discovered that nine members are making one payment; therefore, on their loss runs the full salary benefit is coded as 4850, which does not follow LAWCX's reporting protocols.

As it will require payments to be made separately so they can be reported correctly, Ms. Vitali stated staff is requesting the Committee affirm the policy and direct staff to contact the nine members reiterating the need for correct data submissions to LAWCX. Staff can then work with the respective TPAs to code 4850 benefits separately effective July 1, 2011.

Discussion ensued and staff clarified that even if LAWCX continues to make 4850 a mandatory coverage and it does not become optional, the data needs to be provided in accordance with LAWCX policy.

**Darrell Handy moved to affirm Resolution 3-2007 requiring Members to submit loss data as prescribed and direct staff to work with the nine members and their TPAs regarding correct data submission effective July 1, 2011. Seconded by Bill Henderson. A roll call vote was taken, and the motion passed unanimously.**

A. Discussion Regarding 4850 as Optional Benefit

Ms. Thesing reminded the Committee that examining the feasibility of making coverage for 4850 benefits optional was a goal contained in the Administration's Assessment Report presented to the Committee in August 2010. The goal falls in line with LAWCX's mission to be flexible and adaptable to members' needs. In addition to falling in line with LAWCX's mission, during 2009/10 some members contemplated withdrawing from LAWCX to obtain coverage directly through CSAC-EIA. Coverage for 4850 is optional through CSAC-EIA, therefore, their premiums are lower if an entity opts out of the coverage. Another reason to consider the matter is public agencies provide 4850 benefits through payroll. Safety employees' salaries are budgeted and paid regardless of whether an employee is injured. If a safety employee is injured and the entity has coverage for 4850, the entity will be reimbursed. However, there is a premium paid to have the potential benefit of needing the coverage. Some agencies do not want to incur the extra premium expense and have 4850 covered. Ms. Thesing also reminded the Committee Labor Code 4850 provides that safety employees receive their full salary in lieu of temporary disability payments for the period of their disability, but not exceeding one year, and thus only applies to those entities with safety payroll.

The Committee previously approved having an actuarial study performed to determine safety rates excluding 4850 coverage as a first step in considering making 4850 coverage optional. At the November Board meeting, LAWCX's actuary presented the results of the study and provided the safety rates excluding 4850 coverage. The actuary informed the Board that should an entity wish to continue obtaining coverage for 4850 through LAWCX, there would be no change to the rates already established for the 2011/12

program year. However, if an entity opted out of the coverage, they would realize a decrease in their safety rate. Ms. Vitali noted that based on this information, an entity opting out at a \$150,000 self-insured retention (SIR) would realize an overall decrease of 27.6% in their safety rate. An entity joining at a \$250,000 SIR would realize an overall decrease of 25.5% in their safety rate.

At the Board meeting, discussion took place regarding creating an adverse selection situation, and the actuary responded it would not affect the overall spread of risk. It was also discussed that, based on the actuarial study, it appeared some members pay a portion of the full salary benefit as 4850 while others define it in the same manner as LAWCX. Therefore, the loss runs may not be consistent among the members. Upon reviewing the information and potential issues, the Board concluded more information was needed and directed staff and the Committee to further evaluate the issue, with the consideration of 4850 as an optional benefit placed on the agenda for the June 2011 Board meeting and possibly the November 2011 Retreat.

It was questioned whether the actuary is correctly funding the coverage layers, as the additional two years of temporary disability benefits available to safety employees in addition to the one year of full salary benefits needs to be considered in the rates. Ms. Vitali responded the actuaries do take this into consideration when establishing the rates, but more importantly, the TPAs need to be setting reserves correctly. Ms. Vitali noted that regardless of whether 4850 becomes an optional benefit through LAWCX, the TPAs will need to continue setting reserves correctly.

It was noted that while being flexible is an attractive benefit, the potential loss of revenue to the pool could be adverse to the overall LAWCX program. In addition, there may be other services or other coverages offered by LAWCX that entities want to opt out of, so LAWCX needs to consider the philosophical question of allowing optional coverages and services.

The potential savings to entities that opt out of 4850 coverage was discussed. It was questioned whether the entities are paying more in premiums for 4850 than the benefit being received, and, if so, is the current safety rate including 4850 too high. If the 4850 coverage is rated correctly, there should be no savings to an entity to opt out of the coverage. It was stated an entity would only realize a savings if they opt out and do not have any safety employees injured for which 4850 benefits are paid. After additional discussion, it was agreed clarification is needed from the actuary regarding the rates.

It was noted, if opting out of 4850 benefits is beneficial to the members, LAWCX may need to consider whether to continue providing any coverage for 4850. It was agreed there are still questions that need to be further reviewed: 1) should LAWCX eliminate coverage for 4850, 2) should LAWCX make coverage for 4850 benefits an optional benefit, and 3) are the safety rates correct.

The Committee directed staff to request the actuary to attend the May Executive Committee meeting to discuss whether the funding rates are appropriate. The Executive Committee agreed to continue the discussion and possibly bring the matter before the Board at the November 2011 Retreat if the Committee has come to a conclusion on a recommendation regarding this issue.

9. RISK CONTROL MATTERS

A. Risk Control Services for 2011/12

Ms. Her noted BRS has been providing risk control services to LAWCX since January 1, 2005. She explained that originally, a menu of services was developed and members were allocated points each year based on their deposit premium. In 2009/10, a loss analysis was performed which indicated 12 members had a loss frequency rate that exceeded the LAWCX average rate. Therefore, for that program year, points were allocated to the 12 members for specific, targeted risk control assessments. For the remaining LAWCX members, they received points which could be utilized for the menu of services available.

In 2010/11, the services provided to the members changed once again. A total of \$70,000 was budgeted for risk control services, with \$50,000 allocated to risk control services provided by BRS; the services are mainly directed at addressing the findings from the targeted risk assessments for the 12 members. The remaining members are receiving information regarding BRS safety and risk control webinars, safety communications, streaming video service, and safety consultations by phone/email. For the remaining \$20,000, a risk control reimbursement program was established which allows members to submit a request up to \$1,000 for reimbursement of workers' compensation or workplace safety related risk control expenses.

Ms. Her stated the Committee needs to discuss what type of risk control services, if any, the members are interested in receiving for the 2011/12 program year. The Committee discussed whether the risk control services provided through LAWCX have been beneficial for the members, whether to continue providing risk control services through LAWCX, and, if so, allowing members to opt out of the risk control services. It was suggested that instead of contracting for risk control services, LAWCX simply continue the member reimbursements for workers' compensation related risk control services. The members would be allowed a reimbursement up to \$1,000 in line with the current reimbursement program. It was noted that for the JPA members, \$1,000 is not much of a benefit, so they may be interested in opting out. Another suggestion was for members to contract directly with BRS should they wish to purchase risk control services, and LAWCX would request BRS to provide members with a discount for the services.

It was questioned whether staff has received feedback from the members regarding the risk control services. Ms. Thesing responded staff has received both positive and negative feedback. When the 12 members received their risk assessments in 2009/10, some of the members were unhappy with being targeted for the services. With the change in the program for 2010/11, staff did receive questions from members regarding why they were not receiving the points. In regards to the reimbursement program, approximately only half of the \$20,000 has been requested for reimbursement to-date.

It was noted that some entities do not have a budget for risk control services and having the services available through LAWCX is beneficial. President Rennie suggested the Executive Committee utilize the "telephone tree" to contact the Board members to obtain feedback. The Committee concurred with this suggestion, and it was agreed a series of questions will be developed by staff and the President, provided to the Committee along with the "telephone tree" list, and the Committee can provide feedback received to staff by early April. Risk control services will then be placed on the May Executive Committee meeting agenda for further discussion.

## 10. ADMINISTRATIVE MATTERS

### A. Board Self-Evaluations

At the October Executive Committee meeting, the Committee reviewed a sample Board self-evaluation survey, which the Committee agreed would be a useful tool for LAWCX. Therefore, following the November Board meeting, a Board self-evaluation survey was sent to the Board to evaluate various areas including: preparation for, operation of, and participation in Board meetings; Board decision-making; overall opinion of Board meetings; and suggestions for improvement. Ms. Thesing noted upon receipt of the results, she met with President Rennie to review them in detail. Prior to the meeting, the Committee received the survey results.

President Rennie noted that at the last Board meeting, there were recommendations made by the Executive Committee that were not supported by some of the Committee at the Board meeting. She noted this can be confusing to the Board, and she questioned whether the Committee should be making recommendations to the Board. If the conclusion is the Committee should be making recommendations to the Board, she questioned how the Committee should ensure a consensus is reached at the Committee level prior to the matter being brought before the Board. Discussion took place and it was suggested that if the Committee cannot come to consensus on an item, a recommendation not be made by the Committee, with two sides presented to the Board. It was noted if a majority of the Committee agrees on an issue, there should be no reason not to make a recommendation to the Board. However, if there is a dissenting member, the member could identify that they are representing their position as an individual entity as opposed to their position as an Executive Committee member.

Other comments from the survey were addressed, and Ms. Thesing noted staff does provide periodic training to new Board members, as was suggested in the survey comments; however, staff will add language to all agendas noting if a Board member would like to discuss the agenda prior to the meeting, they can contact staff. President Rennie noted the Board members should also be encouraged to contact Executive Committee.

Ms. Thesing next discussed with the Committee the issue of telephonic meetings. This has been an on-going request from some Board members to hold their meetings via teleconference. Ms. Thesing noted the Executive Committee previously held a Committee meeting via teleconference and it was difficult. Having an entire Board meeting via teleconference would be extremely difficult at this point in time, and this will be discussed at the next Board meeting.

Another area that received a lot of comments was the training sessions held at Board meetings. Some entities believe the meetings are too short, some believe they are too long, and some members are interested in the training being held during the meeting, while others would prefer the training to be scheduled before or after the meetings. Ms. Thesing stated while all points of view are valid, staff is unsure how to proceed and would be interested in the Board reviewing the self-evaluation survey results at the Retreat in November so the issues can be discussed in more detail. It was agreed the results of the Board self-evaluation survey should be distributed to the Board at this point in time, with the results discussed in-depth at the next Retreat.

President Rennie suggested roundtable discussions be held at Board meetings during lunch. Topics could be developed and each Executive Committee member could facilitate a specific topic for those sitting at their table. It was noted that some members prefer to network with each other during lunch. Other Committee members expressed the roundtable may be worthwhile.

It was also suggested the meetings should be directed toward business that needs to be conducted and the meetings be limited to no more than three to four hours in length. It was agreed that the meetings should be efficiently run, as entities have time constraints with staff levels being reduced. In addition, when LAWCX has held presentations during lunch, they, as a whole, have not been well received. It was noted LAWCX attempts to educate members during the Board meetings which needs to be taken into consideration.

President Rennie noted she will introduce the Executive Committee members at the next Board meeting, as there were comments made indicating some of the Board members do not know who the Committee members are.

It was noted that while the Committee has been focusing on the comments that were made, if the rankings are reviewed, a majority of the Board members appear to be satisfied with the Board meetings.

B. Discussion and Possible Action Regarding Contract Renewal – Sampson, Sampson & Partners

LAWCX has been contracting with Sampson, Sampson & Partners, LLP (SSP) for financial audit services the past six years. Should LAWCX desire to continue contracting with them for services, SSP proposed fees for the next three years of: \$7,975 for fiscal year ended 2011, \$8,150 for fiscal year needed 2012, and \$8,325 for fiscal year ended 2013.

**Bill Henderson moved to approve obtaining financial audit services through Sampson, Sampson & Partners, LLP, at the rates proposed, for the fiscal years ended 2011, 2012, and 2013. Seconded by Jeff Cardell. Motion passed unanimously.**

C. Discussion and Possible Action Regarding Contract Renewal – Bickmore Risk Services (BRS)

LAWCX's contract for program administration services with BRS expires June 30, 2011. BRS has provided these services since July 1, 1995. President Rennie suggested an ad hoc committee be formed to begin contract negotiations with BRS. Jeff Cardell, Bill Henderson, and Darrell Handy were appointed to the ad hoc committee.

11. CLOSED SESSION

A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

The Committee recessed to closed session at 1:38 p.m. to discuss claims for the payment of workers' compensation liability incurred by a local agency member of the joint powers authority.

B. Report from Closed Session

The Committee reconvened to open session at 1:55 p.m. It was reported there was no action taken in closed session.

12. CLOSING COMMENTS

A. Executive Committee

The Committee expressed satisfaction with the meeting and the location. It was noted there is enough room in PARSAC's new conference room to hold a Board meeting. Ms. Thesing noted LAWCX has secured Le Rivage for the next Board meeting in June, however, PARSAC could be considered for the November meeting.

President Rennie requested members send her suggestions for topics to be discussed at the roundtable sessions for the next Board meeting.

B. Staff

None.

13. ADJOURNMENT

The February 22, 2011, Executive Committee meeting adjourned at 1:59 p.m. by general consent.

  
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Chrissy Mack, Board Secretary

**EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)**

**MINUTES OF THE BOARD OF DIRECTORS  
MEETING OF FEBRUARY 18, 2011**

A regular meeting of the Board of Directors of ERMA was held on February 18, 2011, at Silverado Resort & Spa, Napa, CA

**BOARD MEMBERS PRESENT:** Jake O'Malley, President, MPA  
Scott Ellerbrock, Vice President, PERMA  
Craig Downs, Treasurer, VCJPA  
Debbie Stutsman, BCJPIA  
Dave Elias, CSJVRMA  
Judy Hayes, Contra Costa County Housing Authority  
Jim Murphy, SCORE

**BOARD MEMBERS ABSENT:** John Gillison, PARSAC  
Florice Lewis, Oakland Housing Authority

**ALTERNATE MEMBERS PRESENT:** Dan Weakley, BCJPIA  
Joe Kriskovich, MPA  
Artesia Dupree, Oakland Housing Authority  
Joanne Rennie, PARSAC  
Min-Lee Cheng, VCJPA

**OTHERS PRESENT:** Karen Thesing, Executive Director  
Chrissy Mack, Board Secretary  
Ruth Graf-Urasaki, Litigation Manager  
Rebecca Lane, Assistant Litigation Manager (*left after item 10.B.*)  
Nancy Broadhurst, Finance Manager  
Charlotte Hemker-Smith, Legal Counsel  
Rob Kramer, Bickmore Risk Services, BCJPIA (*left after item 10.B.*)  
Adrienne Beatty, BCJPIA (*left after item 10.B.*)  
Jeanette Workman, CSJVRMA (*left after item 10.B.*)  
Brian Kelley, VCJPA (*left after item 10.B.*)  
Michael Christian, Jackson Lewis  
Suzanne Solomon, Liebert Cassidy & Whitmore  
Susan Adams, Alliant Insurance Services (*left after item 10.B.*)  
Carlos Oblites, PFM (*left after item 7.A.*)

1. CALL TO ORDER

The February 18, 2011, Board of Directors' meeting was called to order at 9:05 a.m. by President Jake O'Malley.



2. INTRODUCTIONS

Introductions took place. A majority of the members were present constituting a quorum.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

**Craig Downs moved to approve the agenda as posted. Seconded by Dave Elias. Motion passed unanimously.**

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

**Craig Downs moved to approve/accept the following items: A) Minutes of November 8, 2010, Board of Directors' Meeting and Summary of Action Items; B) General Warrants from October 16, 2010, through January 15, 2011; C) Claims Payments from October 16, 2010, through January 15, 2011; D) Petty Cash Statement from October 16, 2010, through January 15, 2011; E) Treasurer's Report Dated December 31, 2010; and F) Internal Financial Statements for the Quarter Ended December 31, 2010. Seconded by Dave Elias. Motion passed unanimously.**

6. FUTURE GOALS AND OBJECTIVES

A. Review and Approval of ERMA Goals and Objectives Established at the 2011 Annual Workshop

During the Annual Workshop discussion the previous day, the Board set forth goals, objectives, and direction for staff. Ms. Karen Thesing, Executive Director, outlined these items for the Board:

- Send risk assessment self-check tool to all members; include sample staff report
- Continue outreach efforts to current member JPA's underlying members as well as potential new members
- Continue current training program for 2011/12 including both live training and web-based training
- Staff to investigate adding online training modules through in2vate for a "supervisory 101" type course
- Establish benchmarks for defense panel to provide an objective evaluation

7. FINANCIAL MATTERS

A. Investment Performance Review Presented by Public Financial Management, Inc. (PFM)

Mr. Carlos Oblites, PFM, was present at the meeting and provided the Board with a written investment report for the fourth quarter of 2010. Mr. Oblites reviewed the state of the market and ERMA's investment portfolio with the Board. Mr. Oblites informed the Board the returns for 2010 were quite strong when compared to the market. The portfolio returned 2.35% and continues to accrue earnings at a rate of 1.08%.

B. Annual Review and Approval of Investment Policy

Prior to the meeting, the Board received the current Investment Policy, which was last revised in February 2009. Staff noted the Policy has been reviewed by Mr. Oblites and staff, and there are no recommended changes to the current Policy.

**Scott Ellerbrock moved to approve the Investment Policy. Seconded by Artesia Dupree. Motion passed unanimously.**

C. Member Reductions in Payroll

Ms. Karen Thesing, Executive Director, informed the Board that members have been increasingly facing reductions in departments, resulting in a reduction in payroll. Past practice has dictated that if a member realizes a significant change in payroll due to the elimination or addition of a department, ERMA's Executive Director has the implied authority to determine whether an adjustment to their payroll is warranted. Staff provided the Board with specific examples of adjustments to members' payroll over the past five years, including both additions and reductions in payroll. Ms. Thesing requested the Board provide specific authority to the Executive Director regarding payroll adjustments.

It was questioned whether the Board should consider not only amendments to payroll due to the addition or reduction of a department, but also establishing a percentage threshold, such as total payroll decreasing by 10%, to allow for changes. This suggestion was briefly discussed by the Board.

**Jim Murphy moved to provide the Executive Director with authority to adjust a member's payroll submission due to the elimination or addition of a department. Seconded by Scott Ellerbrock. Motion passed unanimously.**

8. EXCESS COVERAGE MATTERS

A. Marketing Strategy for 2011/12

For the 2010/11 program year, ERMA purchased excess insurance for the \$1 million excess of \$1 million layer. The policy has a \$2 million per entity aggregate and a \$10 million policy aggregate. Ms. Thesing noted that at the Annual Workshop held the previous day, the Board discussed with Mr. Mike Simmons and Ms. Susan Adams, Alliant, marketing of the excess insurance for 2011/12. Discussion took place regarding whether there was a desire for ERMA to obtain quotes with limits of \$2 million excess of \$1 million in addition to the current \$1 million excess of \$1 million limit, as well as options for increasing the aggregate limit. The Board provided direction for Alliant to market the \$1 million excess of \$1 million layer and increase the aggregate limits. While Alliant will also seek quotes with limits of \$2 million excess of \$1 million, the ERMA Board did not express a strong desire for this option. Ms. Thesing noted based on this, the amount that will be budgeted for 2011/12 excess insurance will be based on the premiums paid for the \$1 million excess of \$1 million layer in the 2010/11 program year.

Discussion ensued regarding the aggregate policy limit of \$10 million. It was noted that should the policy aggregate limit be reached, there would be no further coverage available under the policy. It is a claims made policy, and coverage would be available on a "first-come, first-served" basis. It was questioned whether payment of the aggregate is dictated by the insurance carrier or if ERMA could establish a policy to provide how the aggregate limit would be apportioned among the members. Ms. Susan Adams, Alliant, responded that she will contact the insurance carrier regarding this question.

Ms. Thesing noted that she held discussions with Alliant and Ms. Charlotte Hemker-Smith, Legal Counsel, regarding establishing a policy regarding the exhaustion of the aggregate limit. A potential policy was discussed that would require a percentage of insurance payouts to be paid back to ERMA if the aggregate limit was exhausted; however, she and Ms. Hemker-Smith agreed this would not be favorable for the members. Ms. Hemker-Smith noted her reasoning against the policy is should an insurance payout occur, the ERMA member entity would not be receiving the insurance payout; the funds would be going to a third party. The entities may be unable to repay of percentage of the monies paid by the insurance carrier, and it would be an unknown whether they would be required to pay until the end of the program year.

Ms. Adams stated she will request whether the carrier would reinstate the limits should the aggregate limit be exhausted. It would be included as a condition of the policy, and ERMA would pay for the reinstatement should it be needed.

**Jim Murphy moved that ERMA pursue purchasing coverage at the \$1 million excess of \$1 million layer for the 2011/12 program year and revisit increasing the limits to \$2 million excess \$1 million at the 2012 Annual Workshop for the following program year. Seconded by Dave Elias. Motion passed unanimously.**

9. TRAINING/LOSS PREVENTION MATTERS

A. Discussion and Possible Action Regarding Target Performance Standards and Risk Assessments

ERMA's policy on target performance standards and risk assessments provides that members' loss performance be evaluated annually. If a member's loss performance meets two out of three established targets, with the targets being a loss ratio over 80% for two program years; injury frequency rate more than twice the ERMA average for two program years; and a severity rate of more than twice the ERMA average for two program years, ERMA's Litigation Manager recommends to the Board whether the member should receive a risk assessment. The risk assessment analysis is reviewed by the Board at the November meeting, so data as of June 30<sup>th</sup> can be utilized in the analysis providing for the most up-to-date information. The risk assessments are conducted by the Litigation Manager.

Ms. Ruth Graf-Urasaki, Litigation Manager, informed the Board that at last year's Annual Workshop, the Board requested information to assist them in determining whether the risk assessments appear beneficial. Ms. Graf-Urasaki stated that risk assessments were conducted for Desert Hot Springs, Richmond, Pittsburg, and Rialto in 2006/07; Banning, Desert Hot Springs, Fowler, and Oakland Housing Authority in 2007/08; and Desert Hot Springs was monitored in 2008/09. Ms. Graf-Urasaki presented graphs reflecting the loss performance data prior to and following the risk assessments for these members. She noted that the number of claims for these members following their risk assessment has stabilized and in some instances decreased. In addition, the claims severity has significantly decreased. She noted Desert Hot Springs is also seeing a decrease in the type of claims reported following their comprehensive risk assessment. Ms. Graf-Urasaki stated it appears, based on the data, that the risk assessments are beneficial.

It was questioned when the next risk assessments will be conducted. Ms. Graf-Urasaki responded that the Board approved risk assessments for three members, along with a follow-up with Desert Hot Springs, at the Board meeting in November 2010. These risk assessments are currently being conducted.

**Craig Downs moved to approve continuing to utilize the target performance standards and risk assessments. Seconded by Debra Stutsman. Motion passed unanimously.**

10. ADMINISTRATIVE MATTERS

A. Report from Underwriting Committee

President O'Malley informed the Board the Underwriting Committee held a meeting on December 13, 2010, to review the experience modification methodology and the issue of weighted voting. He noted Mr. Scott Ellerbrock, PERMA; Mr. John Gillison, PARSAC; and Mr. Joe Kriskovich, MPA; serve on the Committee, with President O'Malley serving as ex-officio. President O'Malley stated staff provided the Underwriting Committee with significant data to assist with their discussion. Prior to the meeting, the Board received the draft December 13, 2011, Underwriting Committee Meeting Minutes and the staff reports from the same meeting.

Ms. Thesing explained that, based on a goal established at the 2010 Annual Workshop, the Underwriting Committee reviewed whether ERMA should change the experience modification factor from the current three-tiered factor to a factor based solely on each individual member's experience. The Committee also discussed whether ERMA should move to a weighted voting system instead of the current one vote per member model.

Ms. Nancy Broadhurst, Finance Manager, discussed with the Board the process the Underwriting Committee undertook in reviewing the experience modification factors. She explained that with the current experience modification model, there are three tiers: 1) a JPA experience modification factor; 2) an individual member experience modification factor; and 3) a cap of .25 applied to the individual member experience modification factor. The Underwriting Committee reviewed two models that were presented reflecting the calculation of experience modification factors solely based on each individual member's experience, with one model capping the premium change that would result if the experience modification factor changed. The models were reviewed by the Committee to determine whether a change would be beneficial to ERMA members.

Ms. Thesing noted that the Underwriting Committee discussed the fact that ERMA's current experience modification methodology is relatively new. As such, ERMA may want to continue with the current methodology for at least a period of three years before making any further changes. However, the Committee also discussed issues faced by JPAs when a JPA's experience modification is applied to a new underlying member joining ERMA through their pool. Some JPA experience modification factors are higher than 1.0 which can be a deterrence for new underlying members. This can be a factor when: 1) a current underlying member withdraws from one JPA member and joins another JPA member within ERMA, and 2) marketing the ERMA program to underlying members within a JPA member that have not yet joined ERMA. Therefore, the Committee is recommending to the Board: 1) if an underlying member withdraws from one ERMA JPA member and joins another, a JPA experience modification factor of 1.0 be applied to that member for the first year, and 2) if a new underlying member of an existing JPA member joins ERMA through the JPA, a 1.0 JPA experience modification factor be applied to that member for the first year.

Ms. Thesing informed the Board that the Underwriting Committee also addressed ERMA's current voting structure. Currently, each ERMA member has one vote on the Board of Directors. Discussion took place regarding whether ERMA should change to a weighted voting structure. The Underwriting Committee reviewed the structure of ERMA and discussed that any new direct members joining ERMA will most likely be individual entities as opposed to JPAs. It was the consensus that ERMA has always worked cohesively as a group; therefore, the Underwriting Committee is recommending no changes be made to ERMA's current voting structure.

Clarification was requested regarding whether a current underlying member's experience modification factor would change if that member withdrew from an ERMA JPA member and joined another JPA member. It was clarified that if an underlying member withdraws from one JPA and joins another JPA within ERMA, the underlying member would maintain their individual experience modification factor.

**Joanne Rennie moved: 1) if an underlying member withdraws from an ERMA JPA member and joins another JPA member, a JPA experience modification of 1.0 will be applied to that member for the first year; 2) if a new underlying member of an existing JPA member joins ERMA through the JPA, a 1.0 JPA experience modification factor will be applied to that member for the first year; 3) if a current underlying member withdraws from an ERMA JPA member and joins another ERMA JPA member, the underlying member will retain their current individual experience modification factor; and 4) the ERMA Board continue with the current voting structure of one vote per member. Seconded by Craig Downs. Motion passed unanimously.**

B. Bickmore Risk Services Letter of Engagement for Actuarial Services

Ms. Thesing noted that Bickmore Risk Services (BRS) has been providing actuarial services to ERMA since the pool's inception. Ms. Thesing stated the Board needs to determine whether to continue contracting with BRS for actuarial services or issue a request for proposal (RFP).

Prior to the meeting, the Board received a proposed letter of engagement for performing actuarial studies to develop rates for the 2011/12, 2012/13, and 2013/14 program years. BRS proposed a fee of \$9,840 per study. Ms. Thesing noted BRS has not increased their fees since 2008.

**Dave Elias moved to approve the proposal from BRS to provide actuarial services for the next three years (developing rates for 2011/12, 2012/13, and 2013/14). Seconded by Jake O'Malley. Motion passed unanimously.**

11. CLAIMS MATTERS

A. Closed Session

Pursuant to Government Code Section 54956.95(a), the Board recessed to closed session at 9:55 a.m. to discuss the following claims for the payment of employment practices liability incurred by the joint powers authority:

- Michael Booker et. al. v. City of Richmond/Richmond/ERMA Arbitration
- Neely v. Coalinga
- Mapes v. Union City
- Young v. Pinole
- Green v. Desert Hot Springs

B. Report from Closed Session

The Board reconvened to open session at 10:45 a.m., and there was no report from closed session.

12. LEGAL MATTERS

A. Evaluation of Defense Counsel Panel

At the Annual Workshop, the Board discussed the current nine member defense counsel panel. It was noted the Board will make a decision regarding whether to remove any firms from the panel at the April Board meeting.

13. CLOSING COMMENTS

A. Board

Several comments were made that the Annual Workshop works well without a facilitator.

B. Staff

Ms. Thesing thanked everyone in attendance for a productive Annual Workshop and Board meeting, and reminded everyone to complete their Annual Workshop evaluation form.

13. ADJOURNMENT

The meeting adjourned at 10:50 a.m. by general consent.

  
\_\_\_\_\_  
Chrissy Mack, Board Secretary



**Local Agency Investment Fund**

**P.O. Box 942809**

**Sacramento, CA 94209-0001**

**(916) 653-3001**

SMALL CITIES ORGANIZED RISK EFFORT

TREASURER

C/O TOWN OF FORT JONES

P.O. BOX 40

FORT JONES, CA 96032-0040

[www.treasurer.ca.gov/pmia](http://www.treasurer.ca.gov/pmia)

[-laif](#)

March 17, 2011

PMIA Average Monthly Yields

**Account Number: 40-04-001**

Transactions

[Tran Type Definitions](#)

February 2011 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	2,476,774.84
Total Withdrawal:	0.00	Ending Balance:	2,476,774.84



ITC, INSTITUTIONAL CUSTODY  
 350 CALIFORNIA STREET, 6TH FLOOR  
 SAN FRANCISCO CA 94104

MB 02 002036 32428 H 11 A

SMALL CITIES ORGANIZED RISK EFFORT  
 ATTN: LINDA ROMAINE  
 P. O. BOX 40  
 FORT JONES, CA 96032-0040

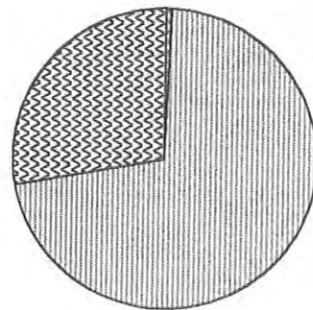


### Overview of Total Account Value

Closing Value on 12/31/2010	\$10,196,231.23
Opening Value on 01/01/2011	\$10,196,231.23
Closing Value on 01/31/2011	\$10,205,767.65
<b>Net Change For Period</b>	<b>\$9,536.42</b>

### Overview of Account by Investment Category

Your Current Portfolio Mix



	% of Total Account	Market Value	Description
	0.66%	67,011.35	Cash & Cash Equivalents
	71.31%	7,277,648.70	Government Obligations
	28.03%	2,861,107.60	Corporate Obligations
	<b>100.00%</b>	<b>\$10,205,767.65</b>	<b>Total Account Value</b>

### Account Statement

#### Statement Period

January 1, 2011 through January 31, 2011

#### Account Number

6736301210

#### Account Name

SMALL CITIES ORGANIZED RISK EFFORT

#### Relationship Manager

CARMEN CONIENDO  
 415-705-7207

#### Investment Manager

CHANDLER LIQUID ASSET MGMT

#### Online Access

unionbank.com/trustandcustody

### Contents

- Account Summary
  - Principal Portfolio Summary
  - Unrealized Gain/Loss Summary
  - Cash Transactions Summary
  - Asset Detail
  - Maturity Summary
  - Transaction Detail



Account Number  
6736301210

Account Name  
SCORE

## Account Statement

### Statement Period

January 1, 2011 through January 31, 2011

## Principal Portfolio Summary

Description	Market Value	Percentage of Portfolio	Current Yield
Cash & Cash Equivalents	67,011.35	0.66%	0.01%
Government Obligations	7,277,648.70	71.31%	3.22%
Corporate Obligations	2,861,107.60	28.03%	3.02%
<b>Total Principal Portfolio</b>	<b>\$10,205,767.65</b>	<b>100.00%</b>	<b>3.14%</b>

## Unrealized Gain/Loss Summary

Description	Cost Basis	Market Value	Gain/Loss
Cash & Cash Equivalents	67,011.35	67,011.35	0.00
Government Obligations	7,115,826.39	7,277,648.70	161,822.31
Corporate Obligations	2,821,824.59	2,861,107.60	39,283.01
<b>Total Gain/Loss</b>	<b>\$10,004,662.33</b>	<b>\$10,205,767.65</b>	<b>\$201,105.32</b>

## Cash Transactions Summary

	Principal Cash
<b>Receipts</b>	
Dividend	0.70
Interest	16,212.51
<b>Total Receipts</b>	<b>\$16,213.21</b>
<b>Disbursements</b>	
Accrued Interest Paid	(696.74)
Purchases	(53,422.50)
Payments to/for Beneficiaries	(1,029.00)
<b>Total Disbursements</b>	<b>(\$55,148.24)</b>

## Cash Transactions Summary (continued)

	Principal Cash
<b>Other Transactions</b>	
Net Cash Management	38,935.03
<b>Total Other Transactions</b>	<b>\$38,935.03</b>
<b>Total Net Transactions</b>	<b>\$0.00</b>



■ Account Number  
 6736301210  
 ■ Account Name  
 SCORE

## Account Statement

■ Statement Period

January 1, 2011 through January 31, 2011

### Asset Detail - Principal Portfolio

■ Cash & Cash Equivalents

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>HighMark Money Market Funds</b>								
HIGHMARK MONEY MARKET 100% U S TREASURY FD FIDUCIARY SH ***CASH MANAGEMENT SWEEP	431114503S	67,011.350	67,011.35	67,011.35	1.0000 01/31/2011	0.66%	0.01%	6.77
<b>Total Cash &amp; Cash Equivalents</b>			<b>\$67,011.35</b>	<b>\$67,011.35</b>		<b>0.66%</b>	<b>0.01%</b>	<b>\$6.77</b>

■ Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>US Treasury</b>								
UNITED STATES TREAS NTS 4.6250% 2/29/2012	912828GK0	155,000.000	163,549.80	162,156.35	104.6170 01/31/2011	1.59%	4.42%	7,168.75
UNITED STATES TREAS NTS 4.5000% 4/30/2012	912828GQ7	400,000.000	394,250.00	420,764.00	105.1910 01/31/2011	4.12%	4.28%	18,000.00
UNITED STATES TREAS NTS 4.2500% 9/30/2012	912828HE3	120,000.000	120,253.13	127,546.80	106.2890 01/31/2011	1.25%	4.00%	5,100.00
UNITED STATES TREAS NTS 3.8750% 10/31/2012	912828HG8	350,000.000	357,396.48	370,793.50	105.9410 01/31/2011	3.63%	3.66%	13,562.50
UNITED STATES TREAS NTS 3.3750% 11/30/2012	912828HK9	365,000.000	367,036.33	384,290.25	105.2850 01/31/2011	3.77%	3.21%	12,318.75
UNITED STATES TREAS NTS 2.5000% 3/31/2013	912828HV5	125,000.000	128,154.72	130,117.50	104.0940 01/31/2011	1.27%	2.40%	3,125.00
UNITED STATES TREAS NTS 2.7500% 10/31/2013	912828JQ4	125,000.000	129,633.79	131,396.25	105.1170 01/31/2011	1.29%	2.62%	3,437.50



Account Number  
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Account Name  
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## Account Statement

### Statement Period

January 1, 2011 through January 31, 2011

## Asset Detail - Principal Portfolio (continued)

### Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>Federal Govt Agency</b>								
FEDERAL FARM CR BKS CONS 4.8750% 2/18/2011	31331VSK3	55,000.000	56,880.17	55,119.90	100.2180 01/31/2011	0.54%	4.86%	2,681.25
FEDERAL HOME LOAN BANKS 3.3750% 6/24/2011	3133XRCW8	100,000.000	98,880.00	101,191.00	101.1910 01/31/2011	0.99%	3.34%	3,375.00
FEDERAL FARM CR BKS CONS 5.3750% 7/18/2011	31331VJ80	225,000.000	235,895.18	230,379.75	102.3910 01/31/2011	2.26%	5.25%	12,093.75
FEDERAL NATL MTG ASSN 5.0000% 10/15/2011	31359MZ30	100,000.000	106,746.50	103,299.00	103.2990 01/31/2011	1.01%	4.84%	5,000.00
FEDERAL HOME LN BKS 4.8750% 11/18/2011	3133XHPH9	150,000.000	157,239.45	155,391.00	103.5940 01/31/2011	1.52%	4.71%	7,312.50
FEDERAL NATL MTG ASSN 4.8750% 5/18/2012	31398ABX9	50,000.000	53,007.15	52,862.00	105.7240 01/31/2011	0.52%	4.61%	2,437.50
TENNESSEE VALLEY AUTH 6.7900% 5/23/2012	880591DT6	215,000.000	234,715.95	232,780.50	108.2700 01/31/2011	2.28%	6.27%	14,598.50
FEDERAL HOME LOAN BANK BONDS DTD 06/18/2010 0.875% 08/22/2012	3133XYWB7	205,000.000	205,686.75	206,109.05	100.5410 01/31/2011	2.02%	0.87%	1,793.75
FEDERAL HOME LN BKS 4.6250% 10/10/2012	3133XML66	125,000.000	128,470.00	133,666.25	106.9330 01/31/2011	1.31%	4.33%	5,781.25
FEDERAL NATL MTGE ASSN NOTES 0.500% 10/30/2012	31398A4T6	205,000.000	204,145.97	204,735.55	99.8710 01/31/2011	2.01%	0.50%	1,025.00
FEDERAL HOME LOAN BANKS 3.6250% 5/29/2013	3133XQU34	200,000.000	197,247.00	213,104.00	106.5520 01/31/2011	2.09%	3.40%	7,250.00



Account Number  
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Account Name  
SCORE

### Account Statement

Statement Period

January 1, 2011 through January 31, 2011

### Asset Detail - Principal Portfolio (continued)

#### Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDERAL HOME LN BKS 3.8750% 6/14/2013	31339X2M5	200,000.000	200,403.10	214,202.00	107.1010 01/31/2011	2.10%	3.62%	7,750.00
FEDERAL HOME LN MTG CORP 3.7500% 6/28/2013	3137EABM0	100,000.000	98,060.70	107,048.00	107.0480 01/31/2011	1.05%	3.50%	3,750.00
FEDERAL NATL MTG ASSN 3.8750% 7/12/2013	31398ASD5	200,000.000	201,173.60	214,586.00	107.2930 01/31/2011	2.10%	3.61%	7,750.00
FEDERAL HOME LN MTG CORP 4.5000% 7/15/2013	3134A4TZ7	115,000.000	119,039.95	125,164.85	108.8390 01/31/2011	1.23%	4.13%	5,175.00
TENNESSEE VALLEY AUTH 4.7500% 8/1/2013	880591DW9	230,000.000	242,426.00	251,406.10	109.3070 01/31/2011	2.46%	4.35%	10,925.00
FEDERAL FARM CREDIT BANK BONDS DTD 09/23/2010 1.10% 09/23/2013	31331JJ38	105,000.000	105,000.00	104,885.55	99.8910 01/31/2011	1.03%	1.10%	1,155.00
FEDERAL NATL MTGE ASSN NOTES 1.200% 09/27/2013	31398A4A7	205,000.000	205,000.00	204,708.90	99.8580 01/31/2011	2.01%	1.20%	2,460.00
FEDERAL FARM CR BKS GLOBAL 3.8750% 10/7/2013	31331GCS6	60,000.000	65,300.40	64,546.80	107.5780 01/31/2011	0.63%	3.60%	2,325.00
FEDERAL HOME LOAN BANKS 3.6250% 10/18/2013	3133XSAE8	250,000.000	258,142.75	266,922.50	106.7690 01/31/2011	2.62%	3.40%	9,062.50
FEDERAL HOME LOAN MTGE CORP NOTES 1.400% 11/18/2013	3134G1PP3	110,000.000	110,456.50	110,273.90	100.2490 01/31/2011	1.08%	1.40%	1,540.00
FEDERAL NATL MTG ASSN DTD 12/11/2008 2.875% 12/11/2013	31398AUJ9	100,000.000	101,696.10	104,950.00	104.9500 01/31/2011	1.03%	2.74%	2,875.00



Account Number  
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Account Name  
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## Account Statement

### Statement Period

January 1, 2011 through January 31, 2011

## Asset Detail - Principal Portfolio (continued)

### Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>Federal Govt Agency</b>								
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/08/2009 2.50% 01/07/2014	3137EABX6	35,000.000	34,625.96	36,280.65	103.6590 01/31/2011	0.36%	2.41%	875.00
FEDERAL NATL MTG ASSN NTS DTD 03/13/2009 2.750% 03/13/2014	31398AVZ2	95,000.000	96,665.83	99,155.30	104.3740 01/31/2011	0.97%	2.63%	2,612.50
FEDERAL FARM CR BKS GLOBAL BDS DTD 04/17/2009 2.625% 04/17/2014	31331GTJ8	205,000.000	216,410.30	213,583.35	104.1870 01/31/2011	2.09%	2.52%	5,381.25
FEDL HOME LOAN MTG CORP NOTES DTD 04/24/2009 2.50% 04/23/2014	3137EACB3	150,000.000	155,568.75	155,443.50	103.6290 01/31/2011	1.52%	2.41%	3,750.00
FEDERAL NATL MTG ASSN NOTES DTD 05/15/2009 2.500% 05/15/2014	31398AXJ6	300,000.000	301,178.80	311,073.00	103.6910 01/31/2011	3.04%	2.41%	7,500.00
FEDERAL FARM CR BKS CONS 1.9000% 6/2/2014	31331JQA4	260,000.000	259,368.20	264,758.00	101.8300 01/31/2011	2.59%	1.87%	4,940.00
FEDERAL HOME LN BKS 5.2500% 6/18/2014	3133X7FK5	100,000.000	111,171.90	113,138.00	113.1380 01/31/2011	1.11%	4.64%	5,250.00
FEDERAL FARM CREDIT BANK BONDS 3.000% 09/22/2014	31331GL80	245,000.000	250,683.60	257,154.45	104.9610 01/31/2011	2.52%	2.86%	7,350.00
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/07/2010 2.875% 02/09/2015	3137EACH0	250,000.000	256,160.83	261,045.00	104.4180 01/31/2011	2.56%	2.75%	7,187.50
FEDERAL NATL MTG ASSN 2.3750% 7/28/2015	31398AU34	275,000.000	283,288.50	278,789.50	101.3780 01/31/2011	2.73%	2.34%	6,531.25



Account Number  
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Account Name  
SCORE

## Account Statement

### Statement Period

January 1, 2011 through January 31, 2011

### Asset Detail - Principal Portfolio (continued)

#### Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>Federal Govt Agency</b>								
FEDERAL NATL MTG ASSN 1.8500% 9/9/2015	3136FPEQ6	105,000.000	104,816.25	102,830.70	97.9340 01/31/2011	1.01%	1.89%	1,942.50
<b>Total Government Obligations</b>			<b>\$7,115,826.39</b>	<b>\$7,277,648.70</b>		<b>71.31%</b>	<b>3.22%</b>	<b>\$234,148.50</b>

#### Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>Corporate Bonds</b>								
US BANCORP DTD 03/13/2009 2.250% 03/13/2012	91160HAA5	160,000.000	159,980.80	163,294.40	102.0590 01/31/2011	1.60%	2.20%	3,600.00
BANK OF AMERICA FDIC GTD TLG 3.1250% 6/15/2012	06050BAA9	280,000.000	290,365.50	290,231.20	103.6540 01/31/2011	2.84%	3.01%	8,750.00
GOLDMAN SACHS GP INC FDIC TL 3.2500% 6/15/2012	38146FAA9	280,000.000	284,814.50	290,550.40	103.7680 01/31/2011	2.85%	3.13%	9,100.00
WELLS FARGO & COMPANY DTD 03/30/2009 2.1250% 06/15/2012	949744AC0	290,000.000	290,859.44	296,127.70	102.1130 01/31/2011	2.90%	2.08%	6,162.50
PNC FUNDING CORP NOTES DTD 12/22/2008 2.300% 06/22/2012	69351CAC7	290,000.000	294,515.30	296,815.00	102.3500 01/31/2011	2.91%	2.25%	6,670.00
JPMORGANCHASE & CO DTD 04/06/2009 2.1250% 12/26/2012	481247AM6	295,000.000	295,914.50	303,445.85	102.8630 01/31/2011	2.97%	2.07%	6,268.75
WAL MART STORES INC 4.2500% 4/15/2013	931142CL5	45,000.000	48,179.25	48,279.15	107.2870 01/31/2011	0.47%	3.96%	1,912.50





Account Number  
6736301210

Account Name  
SCORE

## Account Statement

### Statement Period

January 1, 2011 through January 31, 2011

## Asset Detail - Principal Portfolio (continued)

### Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
<b>Corporate Bonds</b>								
CHEVRON CORPORATION SR NOTES DTD 03/03/2009 3.95% 03/03/2014	166751AH0	190,000.000	200,126.65	204,375.40	107.5660 01/31/2011	2.00%	3.67%	7,505.00
GENL ELEC CAP CORP NOTES 5.900% 05/13/2014	36962G4C5	180,000.000	194,130.60	199,731.60	110.9620 01/31/2011	1.96%	5.32%	10,620.00
WAL MART STORES INC NOTES DTD 05/21/2009 3.200% 05/15/2014	931142CQ4	150,000.000	155,436.00	157,168.50	104.7790 01/31/2011	1.54%	3.05%	4,800.00
MICROSOFT CORP NT DTD 05/18/2009 2.950% 06/01/2014	594918AB0	200,000.000	204,324.00	208,606.00	104.3030 01/31/2011	2.04%	2.83%	5,900.00
PROCTER & GAMBLE CO 4.9500% 8/15/2014	742718DA4	180,000.000	204,706.80	200,813.40	111.5630 01/31/2011	1.97%	4.44%	8,910.00
BERKSHIRE HATHAWAY INC 3.200% 02/11/2015	084670AV0	195,000.000	198,471.25	201,669.00	103.4200 01/31/2011	1.98%	3.09%	6,240.00
<b>Total Corporate Obligations</b>			<b>\$2,821,824.59</b>	<b>\$2,861,107.60</b>		<b>28.03%</b>	<b>3.02%</b>	<b>\$86,438.75</b>
<b>Total Principal Portfolio</b>			<b>\$10,004,662.33</b>	<b>\$10,205,767.65</b>		<b>100.00%</b>	<b>3.14%</b>	<b>\$320,594.02</b>
<b>Total Account Values</b>			<b>\$10,004,662.33</b>	<b>\$10,205,767.65</b>		<b>100.00%</b>	<b>3.14%</b>	<b>\$320,594.02</b>



Account Number  
6736301210

Account Name  
SCORE

### Account Statement

Statement Period

January 1, 2011 through January 31, 2011

### Maturity Summary

	Face Value	Par Value	Cost Basis	Market Value	Percentage of Market Value
2011		630,000.000	655,641.30	645,380.65	6.37%
2012		3,785,000.000	3,844,961.60	3,936,168.80	38.82%
2013		2,170,000.000	2,209,913.86	2,291,591.50	22.60%
2014		2,290,000.000	2,384,397.39	2,421,281.15	23.88%
2015		825,000.000	842,736.83	844,334.20	8.33%
2016					
2017					
2018					
2019					
2020					
Ten-to-Fourteen Years					
Fifteen-to-Nineteen Years					
Twenty Years and Over					
<b>Total</b>	<b>\$0.00</b>	<b>9,700,000.000</b>	<b>\$9,937,650.98</b>	<b>\$10,138,756.30</b>	<b>100.00%</b>

### Transaction Detail

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
	Beginning Balance			\$0.00	\$9,990,174.86
01/03/11	Dividend	CASH RECEIPT OF DIVIDEND EARNED ON HIGHMARK 100% US TREASURY MONEY MKT ONE MONTH YIELD (ANNUALIZED).01%	431114503S	0.70	
01/05/11	Payments to/for Beneficiaries	CASH DISBURSEMENT PAID TO CHANDLER ASSET MANAGEMENT INC. PAYMENT PER REQUEST R/T 286 MGMT FEE PERIOD ENDING DECEMBER 31,2010 INVOICE # 9113		(1,029.00)	
01/07/11	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC NTS 2.500% 1/07/14 0.0125/\$1 PV ON 35,000 PAR VALUE DUE 1/7/2011	3137EABX6	437.50	



Account Number  
6736301210

Account Name  
SCORE

### Account Statement

#### Statement Period

January 1, 2011 through January 31, 2011

### Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
01/10/11	Purchases	PURCHASED 50,000 PAR VALUE OF CHEVRON CORP NTS 3.950% 3/03/14 TRADE DATE 01/06/11 PURCHASED THROUGH PERSHING 50,000 PAR VALUE AT 106.845 %	166751AH0	(53,422.50)	53,422.50
01/10/11	Accrued Interest Paid	PAID ACCRUED INTEREST ON PURCHASE OF CHEVRON CORP NTS 3.950% 3/03/14	166751AH0	(696.74)	
01/12/11	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NOTES 3.875% 7/12/13 0.019375/\$1 PV ON 200,000 PAR VALUE DUE 1/12/2011	31398ASD5	3,875.00	
01/18/11	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC 4.500% 7/15/13 0.0225/\$1 PV ON 115,000 PAR VALUE DUE 1/15/2011	3134A4TZ7	2,587.50	
01/18/11	Interest	CASH RECEIPT OF INTEREST EARNED ON FFCB BDS 5.375% 7/18/11 0.026875/\$1 PV ON 225,000 PAR VALUE DUE 1/18/2011	31331VJ80	6,046.88	
01/28/11	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NTS 2.375% 7/28/15 0.011875/\$1 PV ON 275,000 PAR VALUE DUE 1/28/2011	31398AU34	3,265.63	
	Net Cash Management	TOTAL ACTIVITY FOR HIGHMARK 100% US TREASURY MONEY MKT FROM 01/01/11 TO 01/31/11	431114503S	38,935.03	(38,935.03)
<b>Net Activity</b>				<b>\$0.00</b>	<b>\$14,487.47</b>
<b>Ending Balance</b>				<b>\$0.00</b>	<b>\$10,004,662.33</b>

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### Small Cities Organized Risk Effort Transaction List by Date January 19 - March 17, 2011

Date	Type	Num	Name	Memo/Description	Amount
01/21/2011	Payment	414513	Crescent City		66,969.00
01/21/2011	Payment	13470	Isleton		5,000.00
01/21/2011	Payment	43868	Weed		167,363.00
01/21/2011	Payment	31988	Portola		10,307.00
01/21/2011	Payment	40888	Dunsmuir		10,631.00
01/21/2011	Payment	43318	Shasta Lake		51,706.00
01/31/2011	Payment	95465	Yreka		63,865.00
01/31/2011	Payment	43889	Weed		34,470.00
01/31/2011	Payment	32211	Williams		30,526.00
01/31/2011	Deposit				577.67
02/03/2011	Transfer			1-16-2011 to 1-31-2011	-42,940.67
02/03/2011	Transfer			1-16-2011 to 1-31-2011	-7,429.07
02/04/2011	Bill		York Insurance Services Group, Inc-CA		3,902.26
02/04/2011	Bill		York Insurance Services Group, Inc-CA		3,574.42
02/04/2011	Bill		York Insurance Services Group, Inc-CA		11,674.76
02/04/2011	Bill		York Insurance Services Group, Inc-CA		1,501.79
02/04/2011	Bill		Gaia Hotel		570.38
02/04/2011	Bill Payment (Check)		Gaia Hotel		-570.38
02/07/2011	Transfer			special funding claim#2010104729	-250,000.00
02/15/2011	Payment	80869	Susanville		73,582.00
02/18/2011	Transfer			2-1-2011 to 2-15-2011	-12,839.25
02/18/2011	Transfer			2-1-2011 to 2-15-2011	-14,124.55
03/02/2011	Payment	17287	Dorris		2,008.00
03/02/2011	Payment	29214	Montague		3,664.00
03/03/2011	Transfer			2-16-2011 to 2-28-2011	-6,153.02
03/03/2011	Transfer			2-16-2011 to 2-28-2011	-7,897.28
03/17/2011	Transfer			3-1-2011 to 3-15-2011	-18,013.51
03/17/2011	Transfer			3-1-2011 to 3-15-2011	-17,473.41

Thursday, Mar 17, 2011 10:26:24 AM PDT GMT-7



**PORTFOLIO CHARACTERISTICS**

Average Duration	2.18
Average Coupon	3.28 %
Average Purchase YTM	2.60 %
Average Market YTM	0.95 %
Average S&P Rating	AAA
Average Final Maturity	2.32 yrs
Average Life	2.30 yrs

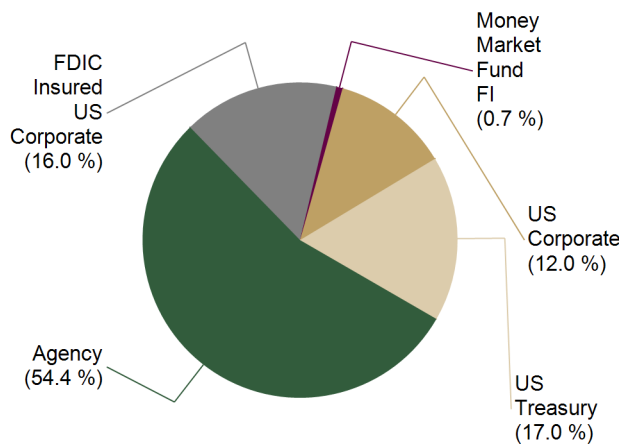
**ACCOUNT SUMMARY**

	Beg. Values as of 12/31/10	End Values as of 1/31/11
<b>Market Value</b>	10,196,194	10,205,771
<b>Accrued Interest</b>	65,443	76,728
<b>Total Market Value</b>	<b>10,261,638</b>	<b>10,282,500</b>
<b>Income Earned</b>	22,144	21,554
<b>Cont/WD</b>		-1,029
<b>Par</b>	9,755,946	9,767,011
<b>Book Value</b>	9,907,161	9,916,400
<b>Cost Value</b>	9,989,321	10,003,809

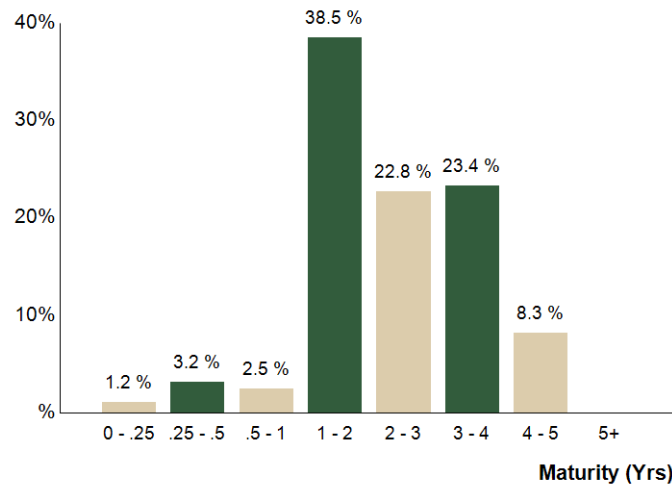
**TOP ISSUERS**

Issuer	% Portfolio
Government of United States	17.0 %
Federal National Mortgage Assoc	16.4 %
Federal Home Loan Bank	13.7 %
Federal Farm Credit Bank	11.7 %
Federal Home Loan Mortgage Corp	7.8 %
Tennessee Valley Authority	4.8 %
JP Morgan FDIC Insured	3.0 %
PNC Funding FDIC Insured	2.9 %
	<b>77.2 %</b>

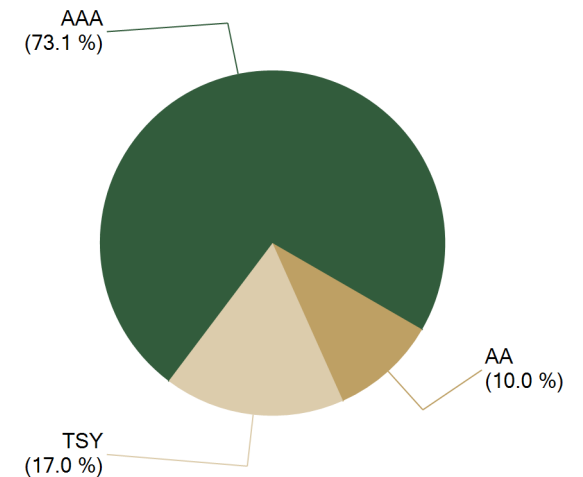
**SECTOR ALLOCATION**



**MATURITY DISTRIBUTION**



**CREDIT QUALITY**



**PERFORMANCE REVIEW**

Total Rate of Return As of 1/31/2011	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			Since 3/31/2006
					3 Yrs	5 Yrs	3/31/2006	
Small Cities Organized Risk Effort	0.21 %	-0.73 %	0.21 %	3.12 %	4.23 %	N/A	5.45 %	29.22 %
1-5 yr Govt	0.29 %	-0.66 %	0.29 %	2.77 %	3.61 %	N/A	5.09 %	27.13 %
1-5 Year Govt/A Rated or better Corporate	0.35 %	-0.67 %	0.35 %	3.16 %	3.69 %	N/A	5.09 %	27.10 %



PORTFOLIO CHARACTERISTICS

Average Duration	2.13
Average Coupon	3.28 %
Average Purchase YTM	2.59 %
Average Market YTM	1.02 %
Average S&P Rating	AAA
Average Final Maturity	2.26 yrs
Average Life	2.26 yrs

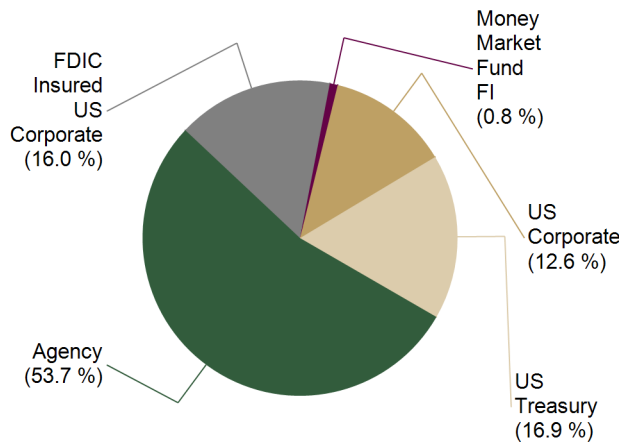
ACCOUNT SUMMARY

	Beg. Values as of 1/31/11	End Values as of 2/28/11
<b>Market Value</b>	10,205,771	10,194,641
<b>Accrued Interest</b>	76,728	79,964
<b>Total Market Value</b>	<b>10,282,500</b>	<b>10,274,605</b>
<b>Income Earned</b>	21,554	21,531
<b>Cont/WD</b>		-1,027
<b>Par</b>	9,767,011	9,783,899
<b>Book Value</b>	9,916,400	9,933,668
<b>Cost Value</b>	10,003,809	10,023,017

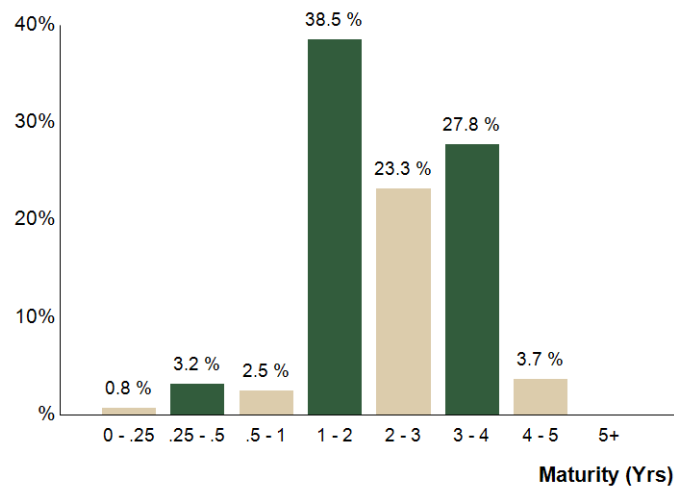
TOP ISSUERS

Issuer	% Portfolio
Government of United States	16.9 %
Federal National Mortgage Assoc	16.4 %
Federal Home Loan Bank	13.7 %
Federal Farm Credit Bank	11.1 %
Federal Home Loan Mortgage Corp	7.7 %
Tennessee Valley Authority	4.7 %
JP Morgan FDIC Insured	3.0 %
PNC Funding FDIC Insured	2.9 %
<b>Total</b>	<b>76.5 %</b>

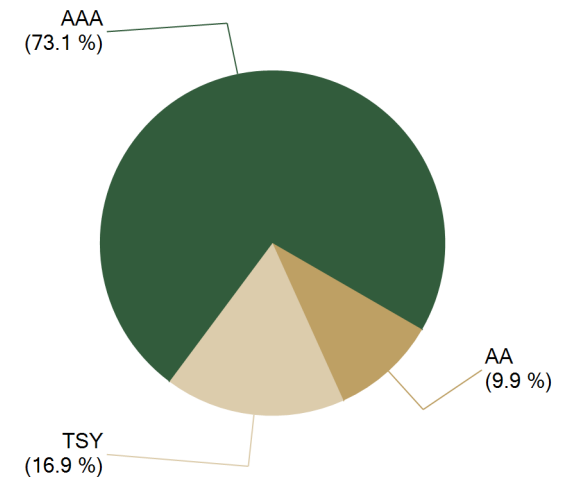
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY



PERFORMANCE REVIEW

Total Rate of Return As of 2/28/2011	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			Since 3/31/2006	
					3 Yrs	5 Yrs	10 Yrs		
Small Cities Organized Risk Effort	-0.07 %	-0.37 %	0.15 %	2.64 %	3.89 %	N/A	N/A	5.34 %	29.13 %
1-5 yr Govt	-0.21 %	-0.49 %	0.09 %	2.23 %	3.17 %	N/A	N/A	4.96 %	26.86 %
1-5 Year Govt/A Rated or better Corporate	-0.12 %	-0.36 %	0.23 %	2.69 %	3.29 %	N/A	N/A	4.97 %	26.95 %



Holdings Report

As of 2/28/11

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Term (yrs) Duration
<b>AGENCY</b>									
3133XRCW8	FHLB Note 3.375% Due 6/24/2011	100,000.00	06/09/2008 3.77 %	98,880.00 99,883.65	100.95 0.43 %	100,947.80 628.13	0.99 % 1,064.15	Aaa AAA	0.32 0.32
31331VJ80	FFCB Note 5.375% Due 7/18/2011	225,000.00	12/12/2007 3.92 %	235,895.18 226,153.41	101.98 0.29 %	229,444.20 1,444.53	2.25 % 3,290.79	Aaa AAA	0.38 0.39
31359MZ30	FNMA Note 5% Due 10/15/2011	100,000.00	02/06/2008 3.05 %	106,746.50 101,142.79	102.91 0.38 %	102,906.10 1,888.89	1.02 % 1,763.31	Aaa AAA	0.63 0.62
3133XHPH9	FHLB Note 4.875% Due 11/18/2011	150,000.00	05/07/2008 3.41 %	157,239.45 151,471.48	103.21 0.42 %	154,816.35 2,092.19	1.53 % 3,344.87	Aaa AAA	0.72 0.71
31398ABX9	FNMA Note 4.875% Due 5/18/2012	50,000.00	Various 3.57 %	52,520.75 50,734.95	105.31 0.51 %	52,657.10 697.39	0.52 % 1,922.15	Aaa AAA	1.22 1.18
880591DT6	Tennessee Valley Authority Note 6.79% Due 5/23/2012	215,000.00	Various 4.10 %	235,881.16 221,503.27	107.76 0.48 %	231,693.25 3,974.04	2.29 % 10,189.98	Aaa AAA	1.23 1.19
3133XYWB7	FHLB Note 0.875% Due 8/22/2012	205,000.00	12/22/2010 0.67 %	205,686.75 205,613.98	100.43 0.58 %	205,878.22 44.84	2.00 % 264.24	Aaa AAA	1.48 1.47
3133XML66	FHLB Note 4.625% Due 10/10/2012	125,000.00	05/30/2008 3.92 %	128,470.00 126,284.62	106.49 0.59 %	133,109.25 2,264.32	1.32 % 6,824.63	Aaa AAA	1.62 1.55
31398A4T6	FNMA Note 0.5% Due 10/30/2012	205,000.00	12/22/2010 0.73 %	204,145.97 204,227.19	99.77 0.64 %	204,532.81 344.51	1.99 % 305.62	Aaa AAA	1.67 1.65
3133XQU34	FHLB Note 3.625% Due 5/29/2013	200,000.00	06/04/2008 3.93 %	197,247.00 198,758.96	106.11 0.88 %	212,225.20 1,852.78	2.08 % 13,466.24	Aaa AAA	2.25 2.16
31339X2M5	FHLB Note 3.875% Due 6/14/2013	200,000.00	Various 3.83 %	200,403.10 200,206.26	106.63 0.95 %	213,259.20 1,657.64	2.09 % 13,052.94	Aaa AAA	2.29 2.19
3137EABM0	FHLMC Note 3.75% Due 6/28/2013	100,000.00	07/02/2008 4.18 %	98,060.70 99,094.78	106.57 0.90 %	106,571.20 656.25	1.04 % 7,476.42	Aaa AAA	2.33 2.24
31398ASD5	FNMA Note 3.875% Due 7/12/2013	200,000.00	Various 3.74 %	201,173.60 200,590.88	106.86 0.95 %	213,710.40 1,054.86	2.09 % 13,119.52	Aaa AAA	2.37 2.27
3134A4TZ7	FHLMC Note 4.5% Due 7/15/2013	115,000.00	11/05/2008 3.68 %	119,039.95 117,050.72	108.29 0.97 %	124,528.79 661.25	1.22 % 7,478.07	Aaa AAA	2.38 2.27
880591DW9	Tennessee Valley Authority Note 4.75% Due 8/1/2013	230,000.00	Various 3.23 %	242,426.00 237,862.94	108.52 1.18 %	249,585.88 910.42	2.44 % 11,722.94	Aaa AAA	2.42 2.30
31331JJ38	FFCB Callable Note 1X 3/23/11 1.1% Due 9/23/2013	105,000.00	09/13/2010 1.10 %	105,000.00 105,000.00	99.58 1.27 %	104,561.73 506.92	1.02 % (438.27)	Aaa AAA	2.57 2.51
31398A4A7	FNMA Callable Note 1X 9/27/11 1.2% Due 9/27/2013	205,000.00	09/10/2010 1.20 %	205,000.00 205,000.00	99.65 1.34 %	204,281.88 1,052.33	2.00 % (718.12)	Aaa AAA	2.58 2.12
31331GCS6	FFCB Note 3.875% Due 10/7/2013	60,000.00	09/21/2010 0.92 %	65,300.40 64,537.07	106.99 1.15 %	64,194.72 930.00	0.63 % (342.35)	Aaa AAA	2.61 2.46
3133XSAE8	FHLB Note 3.625% Due 10/18/2013	250,000.00	02/25/2009 2.87 %	258,142.75 254,621.43	106.34 1.18 %	265,856.25 3,348.09	2.62 % 11,234.82	Aaa AAA	2.64 2.50
3134G1PP3	FHLMC Callable Note 1X 8/18/11 1.4% Due 11/18/2013	110,000.00	08/18/2010 0.98 %	110,456.50 110,213.20	99.96 1.42 %	109,960.18 55.61	1.07 % (253.02)	Aaa AAA	2.72 1.89



Holdings Report

As of 2/28/11

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Term (yrs) Duration
<b>AGENCY</b>									
31398AUJ9	FNMA Note 2.875% Due 12/11/2013	100,000.00	03/03/2009 2.50 %	101,696.10 100,988.66	104.55 1.21 %	104,547.70 638.89	1.02 % 3,559.04	Aaa AAA	2.79 2.67
3137EABX6	FHLMC Note 2.5% Due 1/7/2014	35,000.00	02/04/2009 2.73 %	34,625.96 34,782.90	103.17 1.36 %	36,110.73 131.25	0.35 % 1,327.83	Aaa AAA	2.86 2.75
31398AVZ2	FNMA Note 2.75% Due 3/13/2014	95,000.00	11/10/2009 2.32 %	96,665.83 96,169.67	104.16 1.35 %	98,952.86 1,219.17	0.97 % 2,783.19	Aaa AAA	3.04 2.89
31331GTJ8	FFCB Note 2.625% Due 4/17/2014	205,000.00	10/05/2010 1.02 %	216,410.30 215,117.90	103.74 1.40 %	212,669.05 2,003.02	2.09 % (2,448.85)	Aaa AAA	3.13 2.98
3137EACB3	FHLMC Note 2.5% Due 4/23/2014	150,000.00	07/16/2010 1.48 %	155,568.75 154,656.84	103.32 1.42 %	154,981.50 1,333.33	1.52 % 324.66	Aaa AAA	3.15 3.01
31398AXJ6	FNMA Note 2.5% Due 5/15/2014	300,000.00	Various 2.41 %	301,178.80 300,831.21	103.32 1.44 %	309,960.91 2,208.33	3.04 % 9,129.70	Aaa AAA	3.21 3.07
31331JQA4	FFCB Note 1.9% Due 6/2/2014	260,000.00	06/08/2010 1.96 %	259,368.20 259,481.57	101.13 1.54 %	262,926.82 1,221.28	2.57 % 3,445.25	Aaa AAA	3.26 3.14
3133X7FK5	FHLB Note 5.25% Due 6/18/2014	100,000.00	01/08/2010 2.57 %	111,171.90 108,315.10	112.31 1.42 %	112,309.40 1,064.58	1.10 % 3,994.30	Aaa AAA	3.30 3.04
31331GL80	FFCB Note 3% Due 9/22/2014	245,000.00	Various 2.48 %	250,683.60 249,235.49	104.64 1.65 %	256,374.13 3,246.25	2.53 % 7,138.64	Aaa AAA	3.57 3.34
3137EACH0	FHLMC Note 2.875% Due 2/9/2015	250,000.00	Various 2.28 %	256,160.83 255,479.10	103.74 1.89 %	259,351.26 439.24	2.53 % 3,872.16	Aaa AAA	3.95 3.72
31398AU34	FNMA Note 2.375% Due 7/28/2015	275,000.00	08/27/2010 1.73 %	283,288.50 282,442.55	100.87 2.17 %	277,394.70 598.70	2.71 % (5,047.85)	Aaa AAA	4.41 4.17
3136FPEQ6	FNMA Callable Note 1X 9/9/11 1.85% Due 9/9/2015	105,000.00	09/16/2010 1.89 %	104,816.25 104,832.93	97.29 2.49 %	102,155.76 928.08	1.00 % (2,677.17)	Aaa AAA	4.53 3.80
<b>Total Agency</b>		<b>5,270,000.00</b>	<b>2.54 %</b>	<b>5,399,350.78</b> <b>5,342,285.50</b>	<b>1.16 %</b>	<b>5,472,455.33</b> <b>41,097.11</b>	<b>53.66 %</b> <b>130,169.83</b>	<b>Aaa</b> <b>AAA</b>	<b>2.52</b> <b>2.37</b>
<b>FDIC INSURED US CORPORATE</b>									
91160HAA5	US Bancorp FDIC Guaranteed Note 2.25% Due 3/13/2012	160,000.00	03/10/2009 2.25 %	159,980.80 159,993.38	101.83 0.48 %	162,930.88 1,680.00	1.60 % 2,937.50	Aaa AAA	1.04 1.02
38146FAA9	Goldman Sachs FDIC Guaranteed Note 3.25% Due 6/15/2012	280,000.00	Various 2.69 %	284,814.50 281,937.60	103.51 0.53 %	289,815.12 1,921.11	2.84 % 7,877.52	Aaa AAA	1.30 1.27
949744AC0	Wells Fargo & Company FDIC Guaranteed Note 2.125% Due 6/15/2012	290,000.00	Various 2.03 %	290,859.44 290,355.38	102.17 0.44 %	296,299.10 1,300.97	2.90 % 5,943.72	Aaa AAA	1.30 1.28
06050BAA9	Bank of America Corp FDIC Guaranteed Note 3.125% Due 6/15/2012	280,000.00	Various 1.97 %	290,365.50 284,039.45	103.33 0.54 %	289,331.28 1,847.22	2.83 % 5,291.83	Aaa AAA	1.30 1.27
69351CAC7	PNC Funding Corp FDIC Guaranteed Note 2.3% Due 6/22/2012	290,000.00	08/31/2009 1.73 %	294,515.30 292,114.20	102.45 0.43 %	297,108.78 1,278.42	2.90 % 4,994.58	Aaa AAA	1.32 1.30





### Holdings Report

As of 2/28/11

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Term (yrs) Duration
<b>FDIC INSURED US CORPORATE</b>									
481247AM6	JP Morgan Chase FDIC Guaranteed Note 2.125% Due 12/26/2012	295,000.00	04/22/2009 2.04 %	295,914.50 295,454.86	102.63 0.67 %	302,764.11 1,131.86	2.96 % 7,309.25	Aaa AAA	1.83 1.79
<b>Total FDIC Insured US Corporate</b>		<b>1,595,000.00</b>	<b>2.10 %</b>	<b>1,616,450.04</b> <b>1,603,894.87</b>	<b>0.52 %</b>	<b>1,638,249.27</b> <b>9,159.58</b>	<b>16.03 %</b> <b>34,354.40</b>	<b>Aaa</b> <b>AAA</b>	<b>1.37</b> <b>1.35</b>
<b>MONEY MARKET FUND FI</b>									
431114503	Highmark Treasury Money Market Fund	83,898.73	Various 0.01 %	83,898.73 83,898.73	1.00 0.01 %	83,898.73 0.00	0.82 % 0.00	Aaa AAA	0.00 0.00
<b>Total Money Market Fund FI</b>		<b>83,898.73</b>	<b>0.01 %</b>	<b>83,898.73</b> <b>83,898.73</b>	<b>0.01 %</b>	<b>83,898.73</b> <b>0.00</b>	<b>0.82 %</b> <b>0.00</b>	<b>Aaa</b> <b>AAA</b>	<b>0.00</b> <b>0.00</b>
<b>US CORPORATE</b>									
931142CL5	Wal-Mart Stores Note 4.25% Due 4/15/2013	45,000.00	12/14/2010 1.16 %	48,179.25 47,902.47	106.84 1.00 %	48,076.52 722.50	0.47 % 174.05	Aa2 AA	2.13 2.02
98385XAD8	XTO Energy Inc Note 4.9% Due 2/1/2014	55,000.00	02/17/2011 1.63 %	60,144.70 60,115.96	109.63 1.52 %	60,294.03 224.58	0.59 % 178.07	Aaa AAA	2.93 2.74
166751AH0	ChevronTexaco Corp Note 3.95% Due 3/3/2014	190,000.00	Various 2.47 %	200,126.65 198,009.93	107.00 1.56 %	203,294.88 3,710.81	2.01 % 5,284.95	Aa1 AA	3.01 2.80
36962G4C5	General Electric Capital Corp Note 5.9% Due 5/13/2014	180,000.00	Various 3.84 %	194,130.60 190,789.66	111.15 2.28 %	200,068.39 3,186.00	1.98 % 9,278.73	Aa2 AA+	3.21 2.91
931142CQ4	Wal-Mart Stores Note 3.2% Due 5/15/2014	150,000.00	03/03/2010 2.29 %	155,436.00 154,163.22	104.79 1.66 %	157,178.40 1,413.33	1.54 % 3,015.18	Aa2 AA	3.21 3.03
594918AB0	Microsoft Note 2.95% Due 6/1/2014	200,000.00	02/01/2010 2.42 %	204,324.00 203,255.33	104.49 1.53 %	208,971.00 1,475.00	2.05 % 5,715.67	Aaa AAA	3.26 3.09
742718DA4	Procter & Gamble Co Note 4.95% Due 8/15/2014	180,000.00	09/29/2010 1.30 %	204,706.80 202,115.30	110.82 1.72 %	199,469.16 396.00	1.95 % (2,646.14)	Aa3 AA-	3.46 3.21
084670AV0	Berkshire Hathaway Note 3.2% Due 2/11/2015	195,000.00	Various 2.76 %	198,471.25 198,131.64	103.29 2.32 %	201,406.92 346.67	1.96 % 3,275.28	Aa2 AA+	3.96 3.70
<b>Total US Corporate</b>		<b>1,195,000.00</b>	<b>2.41 %</b>	<b>1,265,519.25</b> <b>1,254,483.51</b>	<b>1.80 %</b>	<b>1,278,759.30</b> <b>11,474.89</b>	<b>12.56 %</b> <b>24,275.79</b>	<b>Aa2</b> <b>AA+</b>	<b>3.29</b> <b>3.06</b>
<b>US TREASURY</b>									
912828GK0	US Treasury Note 4.625% Due 2/29/2012	155,000.00	Various 3.55 %	161,073.95 156,546.82	104.30 0.31 %	161,666.24 19.48	1.57 % 5,119.42	TSY TSY	1.00 0.99
912828GQ7	US Treasury Note 4.5% Due 4/30/2012	400,000.00	05/30/2007 4.83 %	394,250.00 398,636.14	104.84 0.35 %	419,359.20 6,016.57	4.14 % 20,723.06	TSY TSY	1.17 1.13
912828HE3	US Treasury Note 4.25% Due 9/30/2012	120,000.00	10/04/2007 4.20 %	120,253.13 120,080.44	105.96 0.47 %	127,148.40 2,129.67	1.26 % 7,067.96	TSY TSY	1.59 1.52
912828HG8	US Treasury Note 3.875% Due 10/31/2012	350,000.00	12/06/2007 3.40 %	357,396.48 352,520.59	105.60 0.50 %	369,605.60 4,533.32	3.64 % 17,085.01	TSY TSY	1.67 1.61



### Holdings Report

As of 2/28/11

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody S&P	Term (yrs) Duration
<b>US TREASURY</b>									
912828HK9	US Treasury Note 3.375% Due 11/30/2012	365,000.00	Various 3.25 %	367,036.33 365,724.99	104.95 0.53 %	383,078.82 3,079.69	3.76 % 17,353.83	TSY TSY	1.76 1.70
912828HV5	US Treasury Note 2.5% Due 3/31/2013	125,000.00	01/06/2010 1.69 %	128,154.72 127,036.25	103.72 0.70 %	129,648.50 1,304.95	1.27 % 2,612.25	TSY TSY	2.09 2.02
912828JQ4	US Treasury Note 2.75% Due 10/31/2013	125,000.00	05/10/2010 1.65 %	129,633.79 128,560.24	104.62 0.99 %	130,771.50 1,149.00	1.28 % 2,211.26	TSY TSY	2.67 2.56
<b>Total US Treasury</b>		<b>1,640,000.00</b>	<b>3.52 %</b>	<b>1,657,798.40</b> <b>1,649,105.47</b>	<b>0.50 %</b>	<b>1,721,278.26</b> <b>18,232.68</b>	<b>16.93 %</b> <b>72,172.79</b>	<b>TSY</b> <b>TSY</b>	<b>1.61</b> <b>1.55</b>
<b>TOTAL PORTFOLIO</b>		<b>9,783,898.73</b>	<b>2.59 %</b>	<b>10,023,017.20</b> <b>9,933,668.08</b>	<b>1.02 %</b>	<b>10,194,640.89</b> <b>79,964.26</b>	<b>100.00 %</b> <b>260,972.81</b>	<b>Aaa</b> <b>AAA</b>	<b>2.26</b> <b>2.13</b>
<b>TOTAL MARKET VALUE PLUS ACCRUED</b>						<b>10,274,605.15</b>			



**Small Cities Organized Risk Effort**  
**Joint Powers Authority**  
**January 31, 2011**

**COMPLIANCE WITH INVESTMENT POLICY**

*Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.*

Category	Standard	Comment
U.S. Treasury Issues	No limitations	Complies
Government Agencies	No limitations	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; \$1MM per issuer	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; \$1MM per issuer; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum; \$1MM per issuer; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; \$1MM per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum; \$1MM per issuer	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum	Complies
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies



**Small Cities Organized Risk Effort**  
**Joint Powers Authority**  
**February 28, 2011**

**COMPLIANCE WITH INVESTMENT POLICY**

*Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.*

Category	Standard	Comment
U.S. Treasury Issues	No limitations	Complies
Government Agencies	No limitations	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; \$1MM per issuer	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; \$1MM per issuer; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum; \$1MM per issuer; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; \$1MM per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum; \$1MM per issuer	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum	Complies
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies



Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
<b>ACQUISITIONS</b>										
Purchase	01/03/2011	431114503	0.70	Highmark Treasury Money Market Fund	1.000	0.01 %	0.70	0.00	0.70	0.00
Purchase	01/07/2011	431114503	437.50	Highmark Treasury Money Market Fund	1.000	0.01 %	437.50	0.00	437.50	0.00
Purchase	01/10/2011	166751AH0	50,000.00	ChevronTexaco Corp Note 3.95% Due 3/3/2014	106.845	1.71 %	53,422.50	696.74	54,119.24	0.00
Purchase	01/12/2011	431114503	3,875.00	Highmark Treasury Money Market Fund	1.000	0.01 %	3,875.00	0.00	3,875.00	0.00
Purchase	01/15/2011	431114503	2,587.50	Highmark Treasury Money Market Fund	1.000	0.01 %	2,587.50	0.00	2,587.50	0.00
Purchase	01/18/2011	431114503	6,046.88	Highmark Treasury Money Market Fund	1.000	0.01 %	6,046.88	0.00	6,046.88	0.00
Purchase	01/28/2011	431114503	3,265.63	Highmark Treasury Money Market Fund	1.000	0.01 %	3,265.63	0.00	3,265.63	0.00
	<b>Subtotal</b>		<b>66,213.21</b>				<b>69,635.71</b>	<b>696.74</b>	<b>70,332.45</b>	<b>0.00</b>
<b>TOTAL ACQUISITIONS</b>			<b>66,213.21</b>				<b>69,635.71</b>	<b>696.74</b>	<b>70,332.45</b>	<b>0.00</b>
<b>DISPOSITIONS</b>										
Sale	01/10/2011	431114503	54,119.24	Highmark Treasury Money Market Fund	1.000	0.01 %	54,119.24	0.00	54,119.24	0.00
	<b>Subtotal</b>		<b>54,119.24</b>				<b>54,119.24</b>	<b>0.00</b>	<b>54,119.24</b>	<b>0.00</b>
Security Withdrawal	01/05/2011	431114503	1,029.00	Highmark Treasury Money Market Fund	1.000		1,029.00	0.00	1,029.00	0.00
	<b>Subtotal</b>		<b>1,029.00</b>				<b>1,029.00</b>	<b>0.00</b>	<b>1,029.00</b>	<b>0.00</b>
<b>TOTAL DISPOSITIONS</b>			<b>55,148.24</b>				<b>55,148.24</b>	<b>0.00</b>	<b>55,148.24</b>	<b>0.00</b>
<b>OTHER TRANSACTIONS</b>										
Interest	01/07/2011	3137EABX6	35,000.00	FHLMC Note 2.5% Due 1/7/2014	0.000		437.50	0.00	437.50	0.00
Interest	01/12/2011	31398ASD5	200,000.00	FNMA Note 3.875% Due 7/12/2013	0.000		3,875.00	0.00	3,875.00	0.00
Interest	01/15/2011	3134A4TZ7	115,000.00	FHLMC Note 4.5% Due 7/15/2013	0.000		2,587.50	0.00	2,587.50	0.00
Interest	01/18/2011	31331VJ80	225,000.00	FFCB Note 5.375% Due 7/18/2011	0.000		6,046.88	0.00	6,046.88	0.00
Interest	01/28/2011	31398AU34	275,000.00	FNMA Note 2.375% Due 7/28/2015	0.000		3,265.63	0.00	3,265.63	0.00
	<b>Subtotal</b>		<b>850,000.00</b>				<b>16,212.51</b>	<b>0.00</b>	<b>16,212.51</b>	<b>0.00</b>
Dividend	01/03/2011	431114503	105,946.38	Highmark Treasury Money Market Fund	0.000		0.70	0.00	0.70	0.00



### Transaction Ledger

12/31/10 Thru 1/31/11

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
OTHER TRANSACTIONS										
	Subtotal		105,946.38				0.70	0.00	0.70	0.00
<b>TOTAL OTHER TRANSACTIONS</b>			<b>955,946.38</b>				<b>16,213.21</b>	<b>0.00</b>	<b>16,213.21</b>	<b>0.00</b>



Transaction Ledger

1/31/11 Thru 2/28/11

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
<b>ACQUISITIONS</b>										
Purchase	02/01/2011	431114503	5,462.50	Highmark Treasury Money Market Fund	1.000	0.01 %	5,462.50	0.00	5,462.50	0.00
Purchase	02/01/2011	431114503	0.63	Highmark Treasury Money Market Fund	1.000	0.01 %	0.63	0.00	0.63	0.00
Purchase	02/09/2011	431114503	3,593.75	Highmark Treasury Money Market Fund	1.000	0.01 %	3,593.75	0.00	3,593.75	0.00
Purchase	02/11/2011	431114503	3,120.00	Highmark Treasury Money Market Fund	1.000	0.01 %	3,120.00	0.00	3,120.00	0.00
Purchase	02/15/2011	431114503	4,455.00	Highmark Treasury Money Market Fund	1.000	0.01 %	4,455.00	0.00	4,455.00	0.00
Purchase	02/18/2011	431114503	2,110.63	Highmark Treasury Money Market Fund	1.000	0.01 %	2,110.63	0.00	2,110.63	0.00
Purchase	02/18/2011	431114503	55,000.00	Highmark Treasury Money Market Fund	1.000	0.01 %	55,000.00	0.00	55,000.00	0.00
Purchase	02/22/2011	431114503	896.88	Highmark Treasury Money Market Fund	1.000	0.01 %	896.88	0.00	896.88	0.00
Purchase	02/23/2011	98385XAD8	55,000.00	XTO Energy Inc Note 4.9% Due 2/1/2014	109.354	1.63 %	60,144.70	164.69	60,309.39	0.00
Purchase	02/28/2011	431114503	3,584.38	Highmark Treasury Money Market Fund	1.000	0.01 %	3,584.38	0.00	3,584.38	0.00
	<b>Subtotal</b>		<b>133,223.77</b>				<b>138,368.47</b>	<b>164.69</b>	<b>138,533.16</b>	<b>0.00</b>
<b>TOTAL ACQUISITIONS</b>			<b>133,223.77</b>				<b>138,368.47</b>	<b>164.69</b>	<b>138,533.16</b>	<b>0.00</b>
<b>DISPOSITIONS</b>										
Sale	02/23/2011	431114503	60,309.39	Highmark Treasury Money Market Fund	1.000	0.01 %	60,309.39	0.00	60,309.39	0.00
	<b>Subtotal</b>		<b>60,309.39</b>				<b>60,309.39</b>	<b>0.00</b>	<b>60,309.39</b>	<b>0.00</b>
Maturity	02/18/2011	31331VSK3	55,000.00	FFCB Note 4.875% Due 2/18/2011	100.000		55,000.00	0.00	55,000.00	0.00
	<b>Subtotal</b>		<b>55,000.00</b>				<b>55,000.00</b>	<b>0.00</b>	<b>55,000.00</b>	<b>0.00</b>
Security Withdrawal	02/07/2011	431114503	1,027.00	Highmark Treasury Money Market Fund	1.000		1,027.00	0.00	1,027.00	0.00
	<b>Subtotal</b>		<b>1,027.00</b>				<b>1,027.00</b>	<b>0.00</b>	<b>1,027.00</b>	<b>0.00</b>
<b>TOTAL DISPOSITIONS</b>			<b>116,336.39</b>				<b>116,336.39</b>	<b>0.00</b>	<b>116,336.39</b>	<b>0.00</b>
<b>OTHER TRANSACTIONS</b>										
Interest	02/01/2011	880591DW9	230,000.00	Tennessee Valley Authority Note 4.75% Due 8/1/2013	0.000		5,462.50	0.00	5,462.50	0.00
Interest	02/09/2011	3137EACH0	250,000.00	FHLMC Note 2.875% Due 2/9/2015	0.000		3,593.75	0.00	3,593.75	0.00



Transaction Ledger

1/31/11 Thru 2/28/11

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
OTHER TRANSACTIONS										
Interest	02/11/2011	084670AV0	195,000.00	Berkshire Hathaway Note 3.2% Due 2/11/2015	0.000		3,120.00	0.00	3,120.00	0.00
Interest	02/15/2011	742718DA4	180,000.00	Procter & Gamble Co Note 4.95% Due 8/15/2014	0.000		4,455.00	0.00	4,455.00	0.00
Interest	02/18/2011	31331VSK3	55,000.00	FFCB Note 4.875% Due 2/18/2011	0.000		1,340.63	0.00	1,340.63	0.00
Interest	02/18/2011	3134G1PP3	110,000.00	FHLMC Callable Note 1X 8/18/11 1.4% Due 11/18/2013	0.000		770.00	0.00	770.00	0.00
Interest	02/22/2011	3133XYWB7	205,000.00	FHLB Note 0.875% Due 8/22/2012	0.000		896.88	0.00	896.88	0.00
Interest	02/28/2011	912828GK0	155,000.00	US Treasury Note 4.625% Due 2/29/2012	0.000		3,584.38	0.00	3,584.38	0.00
	<b>Subtotal</b>		<b>1,380,000.00</b>				<b>23,223.14</b>	<b>0.00</b>	<b>23,223.14</b>	<b>0.00</b>
Dividend	02/01/2011	431114503	72,473.85	Highmark Treasury Money Market Fund	0.000		0.63	0.00	0.63	0.00
	<b>Subtotal</b>		<b>72,473.85</b>				<b>0.63</b>	<b>0.00</b>	<b>0.63</b>	<b>0.00</b>
<b>TOTAL OTHER TRANSACTIONS</b>			<b>1,452,473.85</b>				<b>23,223.77</b>	<b>0.00</b>	<b>23,223.77</b>	<b>0.00</b>





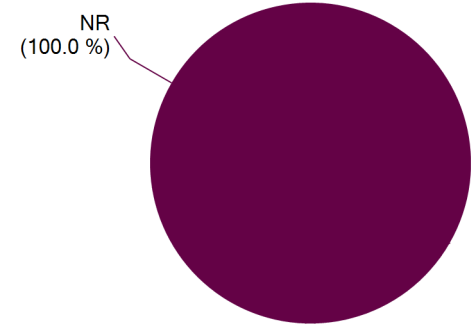
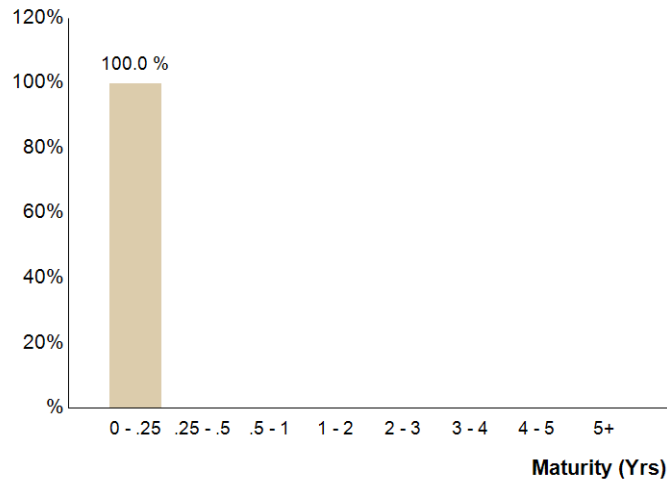
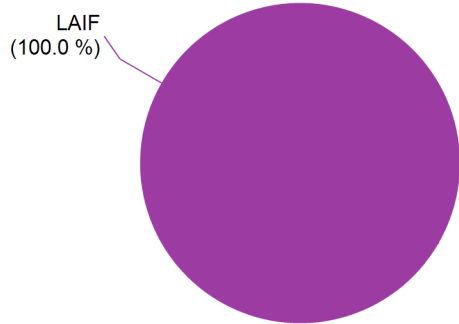
PORTFOLIO CHARACTERISTICS	ACCOUNT SUMMARY	TOP ISSUERS
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Average Duration	0.00
Average Coupon	0.55 %
Average Purchase YTM	0.55 %
Average Market YTM	0.55 %
Average S&P Rating	NR
Average Final Maturity	0.00 yrs
Average Life	0.00 yrs

	Beg. Values as of 12/31/10	End Values as of 1/31/11
<b>Market Value</b>	2,473,933	2,476,775
<b>Accrued Interest</b>	2,875	957
<b>Total Market Value</b>	<b>2,476,809</b>	<b>2,477,732</b>
<b>Income Earned</b>	938	923
<b>Cont/WD</b>		0
<b>Par</b>	2,473,933	2,476,775
<b>Book Value</b>	2,473,933	2,476,775
<b>Cost Value</b>	2,473,933	2,476,775

Issuer	% Portfolio
Local Agency Investment Fund	100.0 %
	<b>100.0 %</b>

SECTOR ALLOCATION	MATURITY DISTRIBUTION	CREDIT QUALITY
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PERFORMANCE REVIEW								
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Total Rate of Return As of 1/31/2011	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			Since 12/31/2006
					3 Yrs	5 Yrs	12/31/2006	
SCORE LAIF Account	0.04 %	0.11 %	0.04 %	0.51 %	1.52 %	N/A	2.69 %	11.47 %

# York Insurance Services

P.O. Box 619058  
Roseville, CA 95661-9058

# Savings Summary

Invoice Cycle Date: 12/1/2010

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20101203-52922	Balcom, John	12/14/2010	2002009136	621770924	\$27.62	\$11.08	\$0.00	\$16.54	\$0.00	\$16.54	\$10.50	\$0.00	\$10.50
20101217-52003	Balcom, John	12/27/2010	2002009136	621770924	\$27.62	\$11.08	\$0.00	\$16.54	\$0.00	\$16.54	\$10.50	\$0.00	\$10.50
20101129-51802	Balcom, John	12/7/2010	2002009136	050579848	\$295.14	\$295.14	\$0.00	\$0.00	\$0.00	\$0.00	\$10.50	\$0.00	\$10.50
20101210-50819	Campbell, Darrell	12/16/2010	2010110021	942838030	\$150.00	\$20.59	\$0.00	\$127.50	\$1.91	\$127.50	\$10.50	\$0.29	\$10.79
20101210-50818	Chapman, Susan	12/16/2010	2003013141	941623075	\$108.00	\$18.43	\$0.00	\$89.57	\$0.00	\$89.57	\$10.50	\$0.00	\$10.50
20101210-54807	Daly, Dan	12/16/2010	2004028568	621770924	\$94.28	\$0.00	\$0.00	\$94.28	\$0.00	\$94.28	\$10.50	\$0.00	\$10.50
20101217-52005	Daly, Dan	12/29/2010	2004028568	621770924	\$201.32	\$179.24	\$0.00	\$22.08	\$0.00	\$22.08	\$10.50	\$0.00	\$10.50
20101222-51902	Downing, Thomas	12/29/2010	2010109476	680442103	\$199.00	\$32.02	\$0.00	\$150.30	\$16.68	\$150.30	\$10.50	\$2.50	\$13.00
20101119-54730	Downing, Thomas	11/30/2010	2004025909	621770924	\$68.84	\$0.01	\$0.00	\$68.83	\$0.00	\$68.83	\$10.50	\$0.00	\$10.50
20101222-51007	Dutton, Jerry	12/28/2010	2009088405	941698406	\$72.30	\$3.68	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101210-53207	Franco, Bertha	12/15/2010	2003009697	946036494	\$94.00	\$94.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10.50	\$0.00	\$10.50
20101210-50817	Franco, Bertha	12/16/2010	2003009697	680334324	\$175.00	\$85.43	\$0.00	\$85.09	\$4.48	\$85.09	\$10.50	\$0.67	\$11.17
20101119-54732	Franco, Bertha	12/14/2010	2003009697	621770924	\$335.73	\$0.00	\$0.00	\$335.73	\$0.00	\$335.73	\$10.50	\$0.00	\$10.50
20101222-51901	Friedman, Kevin	12/29/2010	2010110985	204976263	\$173.00	\$57.45	\$0.00	\$115.55	\$0.00	\$115.55	\$10.50	\$0.00	\$10.50
20101201-56025	Goldsberry, Stephen	12/9/2010	2010109958	260732427	\$246.00	\$158.79	\$0.00	\$87.21	\$0.00	\$87.21	\$10.50	\$0.00	\$10.50
20101129-50311	Goldsberry, Stephen	12/3/2010	2010109958	721561129	\$587.00	\$369.81	\$0.00	\$217.19	\$0.00	\$217.19	\$10.50	\$0.00	\$10.50
20101203-50917	Goulart, Edwin	12/10/2010	2010110376	680142799	\$73.00	\$16.07	\$0.00	\$48.39	\$8.54	\$48.39	\$10.50	\$1.28	\$11.78
20101201-56209	Goulart, Edwin	12/10/2010	2010110376	203887321	\$47.80	\$26.90	\$0.00	\$20.90	\$0.00	\$20.90	\$10.50	\$0.00	\$10.50
20101210-50803	Goulart, Edwin	12/16/2010	2010110376	260732427	\$246.00	\$158.79	\$0.00	\$87.21	\$0.00	\$87.21	\$10.50	\$0.00	\$10.50
20101203-53114	Goulart, Edwin	12/9/2010	2010110376	721561129	\$849.00	\$618.22	\$0.00	\$230.78	\$0.00	\$230.78	\$10.50	\$0.00	\$10.50
20101215-51217	Gundy, Thomas	12/21/2010	2010103275	680296847	\$50.83	\$50.83	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101210-50815	Harralson, Kevin	12/16/2010	2010102473	680295886	\$15.50	\$3.81	\$0.00	\$9.94	\$1.75	\$9.94	\$10.50	\$0.26	\$10.76
20101210-50805	Hasemeyer, Kash	12/16/2010	2010105993	204976263	\$111.00	\$42.38	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101203-50921	Hasemeyer, Kash	12/10/2010	2010105993	680310525	\$226.00	\$122.14	\$0.00	\$93.47	\$10.39	\$93.47	\$10.50	\$1.56	\$12.06

# York Insurance Services

# Savings Summary

P.O. Box 619058  
Roseville, CA 95661-9058

Invoice Cycle Date: 12/1/2010

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20101210-50804	Hathaway, Roy	12/16/2010	2010108900	680229685	\$133.00	\$65.65	\$0.00	\$57.02	\$10.33	\$57.02	\$10.50	\$1.55	\$12.05
20101210-50810	Hathaway, Roy	12/16/2010	2010108900	680229685	\$133.00	\$65.65	\$0.00	\$57.02	\$10.33	\$57.02	\$10.50	\$1.55	\$12.05
20101222-51825	Hathaway, Roy	12/29/2010	2010108900	941623075	\$81.00	\$12.38	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101201-56024	Hathaway, Roy	12/9/2010	2010108900	680229685	\$136.75	\$69.40	\$0.00	\$67.35	\$0.00	\$67.35	\$10.50	\$0.00	\$10.50
20101210-50806	Hathaway, Roy	12/16/2010	2010108900	941623075	\$103.00	\$34.38	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101201-56202	Hathaway, Roy	12/10/2010	2010108900	680229685	\$266.00	\$131.30	\$0.00	\$134.70	\$0.00	\$134.70	\$10.50	\$0.00	\$10.50
20101222-51006	Herrin, David	12/28/2010	2008072266	680142799	\$87.00	\$18.38	\$0.00	\$58.33	\$10.29	\$58.33	\$10.50	\$1.54	\$12.04
20101210-50816	Herrin, David	12/16/2010	2010106744	680142799	\$87.00	\$87.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101210-54810	Herrin, David	12/16/2010	2010106744	621770924	\$59.47	\$0.00	\$0.00	\$59.47	\$0.00	\$59.47	\$10.50	\$0.00	\$10.50
20101201-56210	Herrin, David	12/14/2010	2010106744	931053903	\$128.15	\$9.10	\$0.00	\$119.05	\$0.00	\$119.05	\$10.50	\$0.00	\$10.50
20101210-50812	Herrin, David	12/16/2010	2010106744	680142799	\$87.00	\$18.38	\$0.00	\$58.33	\$10.29	\$58.33	\$10.50	\$1.54	\$12.04
20101217-50912	Herrin, David	12/22/2010	2008072266	931053903	\$47.60	\$0.00	\$0.00	\$47.60	\$0.00	\$47.60	\$10.50	\$0.00	\$10.50
20101201-56205	Jasmer, Jr., William	12/20/2010	2010106792	680142799	\$243.71	\$67.94	\$0.00	\$149.82	\$25.95	\$149.82	\$10.50	\$3.89	\$14.39
20101222-51625	King, Aaron	12/29/2010	2010101505	680370105	\$450.00	\$162.18	\$0.00	\$244.65	\$43.17	\$244.65	\$10.50	\$6.48	\$16.98
20101210-50820	King, Aaron	12/16/2010	2010101505	680370105	\$185.00	\$99.95	\$0.00	\$72.29	\$12.76	\$72.29	\$10.50	\$1.91	\$12.41
20101210-54811	King, Aaron	12/16/2010	2010101505	621770924	\$31.85	\$9.48	\$0.00	\$22.37	\$0.00	\$22.37	\$10.50	\$0.00	\$10.50
20101122-54201	King, Aaron	11/30/2010	2010101505	941698406	\$147.30	\$6.20	\$0.00	\$141.10	\$0.00	\$141.10	\$10.50	\$0.00	\$10.50
20101201-53119	King, Aaron	12/9/2010	2010101505	621770924	\$58.29	\$0.00	\$0.00	\$58.29	\$0.00	\$58.29	\$10.50	\$0.00	\$10.50
20101215-51525	King, Aaron	12/21/2010	2010101505	941698406	\$107.30	\$6.04	\$0.00	\$101.26	\$0.00	\$101.26	\$10.50	\$0.00	\$10.50
20101119-54615	Lamanna, Eric	11/29/2010	2010101409	721561129	\$1,008.00	\$775.52	\$0.00	\$232.48	\$0.00	\$232.48	\$10.50	\$0.00	\$10.50
20101203-53703	Lamanna, Eric	12/9/2010	2010101409	721561129	\$24,392.20	\$24,392.20	\$0.00	\$0.00	\$0.00	\$0.00	\$10.50	\$0.00	\$10.50
20101203-50919	Lemos, Jerry	12/10/2010	2010104035	931053903	\$159.18	\$29.77	\$0.00	\$129.41	\$0.00	\$129.41	\$10.50	\$0.00	\$10.50
20101201-53323	Lewis, Ronald	12/8/2010	4600578	680422620	\$2,375.00	\$1,843.00	\$0.00	\$532.00	\$0.00	\$532.00	\$10.50	\$0.00	\$10.50
20101210-50821	Lewis, Ronald	12/16/2010	4600578	680061218	\$70.00	\$13.07	\$0.00	\$48.39	\$8.54	\$48.39	\$10.50	\$1.28	\$11.78

# York Insurance Services

# Savings Summary

P.O. Box 619058  
Roseville, CA 95661-9058

Invoice Cycle Date: 12/1/2010

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20101203-51001	Loftus, Ronald	12/10/2010	2005032899	202164341	\$72.25	\$0.00	\$0.00	\$72.25	\$0.00	\$72.25	\$10.50	\$0.00	\$10.50
20101203-53113	Loftus, Ronald	12/9/2010	2005032899	721561129	\$152.00	\$127.06	\$0.00	\$24.94	\$0.00	\$24.94	\$10.50	\$0.00	\$10.50
20101201-56204	Lowrance, Doug	12/10/2010	2008078221	680310525	\$112.00	\$43.38	\$0.00	\$61.76	\$6.86	\$61.76	\$10.50	\$1.03	\$11.53
20101201-53117	Macdonald, Michael	12/9/2010	2005039356	201898794	\$120.83	\$43.96	\$0.00	\$76.87	\$0.00	\$76.87	\$10.50	\$0.00	\$10.50
20101201-56207	Melo, Matt	12/10/2010	2009098682	680085726	\$93.00	\$46.26	\$0.00	\$39.73	\$7.01	\$39.73	\$10.50	\$1.05	\$11.55
20101201-56211	Melo, Matt	12/10/2010	2009098682	721561129	\$350.80	\$350.80	\$0.00	\$0.00	\$0.00	\$0.00	\$10.50	\$0.00	\$10.50
20101203-51003	Melo, Matt	12/10/2010	2009098682	721561129	\$350.80	\$350.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101210-50813	Melo, Matt	12/16/2010	2009098682	680085726	\$93.00	\$46.26	\$0.00	\$39.73	\$7.01	\$39.73	\$10.50	\$1.05	\$11.55
20101210-50814	Melo, Matt	12/16/2010	2009098682	721561129	\$350.80	\$350.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101203-50916	Melo, Matt	12/10/2010	2009098682	680085726	\$93.00	\$46.26	\$0.00	\$39.73	\$7.01	\$39.73	\$10.50	\$1.05	\$11.55
20101210-50808	Melo, Matt	12/16/2010	2009098682	680085726	\$93.00	\$46.26	\$0.00	\$39.73	\$7.01	\$39.73	\$10.50	\$1.05	\$11.55
20101217-50913	Moore, Laurie	12/22/2010	2010107071	260732427	\$246.00	\$158.79	\$0.00	\$87.21	\$0.00	\$87.21	\$10.50	\$0.00	\$10.50
20101215-51920	Perkins, Eugene	12/21/2010	4600282	223218521	\$1,779.00	\$1,085.56	\$0.00	\$578.44	\$115.00	\$578.44	\$10.50	\$17.25	\$27.75
20101222-51903	Plack, Douglas	12/29/2010	2008077081	320091741	\$3,444.00	\$1,694.00	\$0.00	\$1,750.00	\$0.00	\$1,750.00	\$10.50	\$0.00	\$10.50
20101215-51921	Schiavone, Travis	12/21/2010	2010110805	941741654	\$187.00	\$97.43	\$0.00	\$89.57	\$0.00	\$89.57	\$10.50	\$0.00	\$10.50
20101210-50809	Scott, Garrett	12/16/2010	2010099797	680402701	\$106.50	\$37.31	\$0.00	\$58.81	\$10.38	\$58.81	\$10.50	\$1.56	\$12.06
20101222-51008	Scott, Garrett	12/28/2010	2010099797	941698406	\$72.30	\$3.68	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101119-54729	Scott, Garrett	11/30/2010	2009097714	621770924	\$27.89	\$17.94	\$0.00	\$9.95	\$0.00	\$9.95	\$10.50	\$0.00	\$10.50
20101201-53118	Shively, Michael	12/9/2010	2002001940	361924025	\$103.47	\$0.00	\$0.00	\$103.47	\$0.00	\$103.47	\$10.50	\$0.00	\$10.50
20101217-52004	Shively, Michael	12/27/2010	2002001940	361924025	\$14.27	\$0.00	\$0.00	\$14.27	\$0.00	\$14.27	\$10.50	\$0.00	\$10.50
20101201-56022	Smith, Ray	12/9/2010	4600234	270993855	\$727.00	\$479.28	\$0.00	\$247.72	\$0.00	\$247.72	\$10.50	\$0.00	\$10.50
20101201-56023	Smith, Ray	12/9/2010	4600234	270993855	\$334.00	\$157.85	\$0.00	\$176.15	\$0.00	\$176.15	\$10.50	\$0.00	\$10.50
20101201-56206	Smith, Ray	12/14/2010	4600234	565905168	\$54.00	\$17.59	\$0.00	\$36.41	\$0.00	\$36.41	\$10.50	\$0.00	\$10.50
20101203-52920	Smith, Rohn	12/16/2010	4600323	621770924	\$277.99	\$39.25	\$0.00	\$238.74	\$0.00	\$238.74	\$10.50	\$0.00	\$10.50

# York Insurance Services

# Savings Summary

P.O. Box 619058  
Roseville, CA 95661-9058

Invoice Cycle Date: 12/1/2010

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20101119-54733	Spruill, William	12/8/2010	2007058233	361924025	\$317.09	\$0.00	\$0.00	\$317.09	\$0.00	\$317.09	\$10.50	\$0.00	\$10.50
20101222-51824	Spruill, William	12/29/2010	2007058233	263103718	\$2,045.88	\$2,045.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101201-56208	Spruill, William	12/10/2010	2007058233	522372297	\$228.20	\$126.94	\$0.00	\$101.26	\$0.00	\$101.26	\$10.50	\$0.00	\$10.50
20101119-54734	Spruill, William	11/30/2010	2007058233	361924025	\$335.43	\$0.00	\$0.00	\$335.43	\$0.00	\$335.43	\$10.50	\$0.00	\$10.50
20101201-53324	Spruill, William	12/8/2010	2007058233	201413484	\$8,000.00	\$5,356.15	\$0.00	\$2,643.85	\$0.00	\$2,643.85	\$10.50	\$0.00	\$10.50
20101201-56212	Spruill, William	12/10/2010	2007058233	952843281	\$2,072.00	\$589.43	\$0.00	\$1,482.57	\$0.00	\$1,482.57	\$10.50	\$0.00	\$10.50
20101210-50811	Vierra, Frank	12/16/2010	4600461	942492609	\$207.00	\$105.74	\$0.00	\$86.07	\$15.19	\$86.07	\$10.50	\$2.28	\$12.78
20101203-52921	Vierra, Frank	12/15/2010	2004020693	621770924	\$117.57	\$0.00	\$0.00	\$117.57	\$0.00	\$117.57	\$10.50	\$0.00	\$10.50
20101119-54731	Vierra, Frank	11/29/2010	2004020693	621770924	\$74.51	\$0.00	\$0.00	\$74.51	\$0.00	\$74.51	\$10.50	\$0.00	\$10.50
20101201-53120	Vierra, Frank	12/9/2010	2004020693	621770924	\$119.23	\$16.54	\$0.00	\$102.69	\$0.00	\$102.69	\$10.50	\$0.00	\$10.50
20101201-56311	Whittaker, Jr., William	12/13/2010	2009097949	352284284	\$316.00	\$125.94	\$0.00	\$190.06	\$0.00	\$190.06	\$10.50	\$0.00	\$10.50
20101210-50807	Whittaker, Jr., William	12/16/2010	2009097949	941623075	\$126.00	\$24.74	\$0.00	\$101.26	\$0.00	\$101.26	\$10.50	\$0.00	\$10.50
20101203-50922	Whittaker, Jr., William	12/13/2010	2009097949	352284284	\$268.00	\$149.61	\$0.00	\$118.39	\$0.00	\$118.39	\$10.50	\$0.00	\$10.50
20101201-56201	Whittaker, Jr., William	12/10/2010	2009097949	941623075	\$63.00	\$6.07	\$0.00	\$56.93	\$0.00	\$56.93	\$10.50	\$0.00	\$10.50
20101203-50925	Woldanski, Steven	12/10/2010	2007070094	841618403	\$400.00	\$109.30	\$0.00	\$276.17	\$14.53	\$276.17	\$10.50	\$2.18	\$12.68
20101201-56203	Woodford, David	12/10/2010	2009094090	205236289	\$143.00	\$41.74	\$0.00	\$101.26	\$0.00	\$101.26	\$10.50	\$0.00	\$10.50
20101201-53116	Woodford, David	12/10/2010	2009094090	621770924	\$146.32	\$22.71	\$0.00	\$123.61	\$0.00	\$123.61	\$10.50	\$0.00	\$10.50
<b>Total</b>					<b>\$59,284.91</b>	<b>\$44,254.17</b>	<b>\$0.00</b>	<b>\$14,665.33</b>	<b>\$365.41</b>	<b>\$14,665.33</b>	<b>\$882.00</b>	<b>\$54.80</b>	<b>\$936.80</b>

# York Insurance Services

P.O. Box 619058  
Roseville, CA 95661-9058

# Savings Summary

Invoice Cycle Date: 1/1/2011

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20110112-51717	Balcom, John	1/25/2011	2002009136	942602710	\$155.00	\$25.59	\$0.00	\$110.00	\$19.41	\$110.00	\$10.50	\$2.91	\$13.41
20110114-57417	Banos, Evangelos	1/26/2011	4600399	562422696	\$356.02	\$356.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101223-52510	Banos, Evangelos	1/3/2011	4600399	562422696	\$795.35	\$0.01	\$0.00	\$795.34	\$0.00	\$795.34	\$10.50	\$0.00	\$10.50
20110112-51719	Barber, Michelle	1/25/2011	2007065130	270426842	\$1,254.00	\$896.93	\$0.00	\$357.07	\$0.00	\$357.07	\$10.50	\$0.00	\$10.50
20110119-54213	Barber, Michelle	1/25/2011	2007065130	941698406	\$3,649.00	\$2,478.71	\$0.00	\$1,053.26	\$117.03	\$1,053.26	\$10.50	\$17.55	\$28.05
20110107-50710	Barber, Michelle	1/19/2011	2007065130	941698406	\$72.30	\$3.68	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101229-53910	Campbell, Darrell	1/7/2011	2010110021	942838030	\$150.00	\$20.59	\$0.00	\$127.50	\$1.91	\$127.50	\$10.50	\$0.29	\$10.79
20110107-51316	Capon, Eric	1/19/2011	2010111314	942988520	\$2,443.80	\$2,101.56	\$0.00	\$342.24	\$0.00	\$342.24	\$10.50	\$0.00	\$10.50
20110107-50717	Capon, Eric	1/19/2011	2010111314	942988520	\$174.00	\$131.98	\$0.00	\$42.02	\$0.00	\$42.02	\$10.50	\$0.00	\$10.50
20101229-56510	Capon, Eric	1/10/2011	2010111314	204743684	\$46.00	\$19.28	\$0.00	\$22.71	\$4.01	\$22.71	\$10.50	\$0.60	\$11.10
20110107-50918	Daly, Dan	1/19/2011	2004028568	621770924	\$94.28	\$0.00	\$0.00	\$94.28	\$0.00	\$94.28	\$10.50	\$0.00	\$10.50
20110107-50801	Daly, Dan	1/19/2011	2004028568	621770924	\$51.99	\$33.82	\$0.00	\$18.17	\$0.00	\$18.17	\$10.50	\$0.00	\$10.50
20110107-50924	Downing, Thomas	1/19/2011	2004025909	621770924	\$79.73	\$0.01	\$0.00	\$79.72	\$0.00	\$79.72	\$10.50	\$0.00	\$10.50
20110112-51718	Downing, Thomas	1/25/2011	2010109476	942838030	\$150.00	\$20.59	\$0.00	\$129.41	\$0.00	\$129.41	\$10.50	\$0.00	\$10.50
20101217-52002	Franco, Bertha	1/5/2011	2003009697	621770924	\$110.88	\$0.00	\$0.00	\$110.88	\$0.00	\$110.88	\$10.50	\$0.00	\$10.50
20110107-50712	Franco, Bertha	1/19/2011	2003009697	680344702	\$148.00	\$58.43	\$0.00	\$85.09	\$4.48	\$85.09	\$10.50	\$0.67	\$11.17
20110107-50802	Franco, Bertha	1/26/2011	2003009697	621770924	\$335.73	\$0.00	\$0.00	\$335.73	\$0.00	\$335.73	\$10.50	\$0.00	\$10.50
20110107-50922	Franco, Bertha	1/19/2011	2003009697	621770924	\$95.78	\$11.55	\$0.00	\$84.23	\$0.00	\$84.23	\$10.50	\$0.00	\$10.50
20110112-51002	Franco, Bertha	1/26/2011	2003009697	621770924	\$110.88	\$0.00	\$0.00	\$110.88	\$0.00	\$110.88	\$10.50	\$0.00	\$10.50
20110107-51315	Friedman, Kevin	1/19/2011	2010110985	941623075	\$2,018.00	\$1,486.00	\$0.00	\$532.00	\$0.00	\$532.00	\$10.50	\$0.00	\$10.50
20110112-50318	Friedman, Kevin	1/24/2011	2010110985	204976263	\$158.00	\$56.74	\$0.00	\$101.26	\$0.00	\$101.26	\$10.50	\$0.00	\$10.50
20110107-50713	Friedman, Kevin	1/19/2011	2010110985	680338951	\$298.00	\$165.00	\$0.00	\$133.00	\$0.00	\$133.00	\$10.50	\$0.00	\$10.50
20110119-51406	Goulart, Edwin	1/25/2011	2010110376	680085726	\$124.00	\$63.73	\$0.00	\$51.23	\$9.04	\$51.23	\$10.50	\$1.36	\$11.86
20110107-50402	Goulart, Edwin	1/19/2011	2010110376	680085726	\$124.00	\$63.73	\$0.00	\$51.23	\$9.04	\$51.23	\$10.50	\$1.36	\$11.86

# York Insurance Services

# Savings Summary

P.O. Box 619058  
Roseville, CA 95661-9058

Invoice Cycle Date: 1/1/2011

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20110107-50602	Goulart, Edwin	1/19/2011	2010110376	680085726	\$278.25	\$145.10	\$0.00	\$113.17	\$19.98	\$113.17	\$10.50	\$3.00	\$13.50
20110107-50714	Goulart, Edwin	1/19/2011	2010110376	680085726	\$278.25	\$278.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20110107-50715	Goulart, Edwin	1/19/2011	2010110376	680085726	\$248.00	\$127.46	\$0.00	\$102.46	\$18.08	\$102.46	\$10.50	\$2.71	\$13.21
20101229-56614	Goulart, Edwin	1/8/2011	2010110376	680142799	\$73.00	\$16.07	\$0.00	\$48.39	\$8.54	\$48.39	\$10.50	\$1.28	\$11.78
20110107-50404	Harralson, Kevin	1/19/2011	2010102473	941715308	\$885.00	\$590.67	\$0.00	\$294.33	\$0.00	\$294.33	\$10.50	\$0.00	\$10.50
20110107-50405	Harralson, Kevin	1/19/2011	2010102473	941715308	\$4,425.00	\$1,481.66	\$0.00	\$2,943.34	\$0.00	\$2,943.34	\$10.50	\$0.00	\$10.50
20110107-50804	Harralson, Kevin	1/19/2011	2010102473	361924025	\$40.84	\$0.00	\$0.00	\$40.84	\$0.00	\$40.84	\$10.50	\$0.00	\$10.50
20110114-57416	Harralson, Kevin	1/25/2011	2010102473	361924025	\$40.84	\$0.00	\$0.00	\$40.84	\$0.00	\$40.84	\$10.50	\$0.00	\$10.50
20110119-54217	Harralson, Kevin	1/25/2011	2010102473	941156596	\$45,597.23	\$36,441.59	\$0.00	\$9,155.64	\$0.00	\$9,155.64	\$10.50	\$0.00	\$10.50
20110119-51404	Hasemeyer, Kash	1/25/2011	2010105993	680338951	\$104.00	\$67.90	\$0.00	\$36.10	\$0.00	\$36.10	\$10.50	\$0.00	\$10.50
20101229-53911	Hasemeyer, Kash	1/7/2011	2010105993	680310525	\$112.00	\$43.38	\$0.00	\$61.76	\$6.86	\$61.76	\$10.50	\$1.03	\$11.53
20110119-51408	Herrin, David	1/25/2011	2010106744	203887321	\$324.00	\$150.03	\$0.00	\$173.97	\$0.00	\$173.97	\$10.50	\$0.00	\$10.50
20110119-51407	Herrin, David	1/25/2011	2010106744	203887321	\$324.00	\$150.03	\$0.00	\$173.97	\$0.00	\$173.97	\$10.50	\$0.00	\$10.50
20101229-58022	Herrin, David	1/24/2011	2010106744	621770924	\$289.17	\$0.00	\$0.00	\$289.17	\$0.00	\$289.17	\$10.50	\$0.00	\$10.50
20110107-50805	Herrin, David	1/19/2011	2010106744	621770924	\$59.73	\$0.00	\$0.00	\$59.73	\$0.00	\$59.73	\$10.50	\$0.00	\$10.50
20110107-51314	Herrin, David	1/19/2011	2010106744	721561129	\$2,307.65	\$1,785.74	\$0.00	\$521.91	\$0.00	\$521.91	\$10.50	\$0.00	\$10.50
20110119-54218	Herrin, David	1/25/2011	2010106744	721561129	\$2,307.65	\$2,307.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20110112-51312	Herrin, David	1/21/2011	2008072266	721561129	\$15,558.88	\$9,802.09	\$0.00	\$5,756.79	\$0.00	\$5,756.79	\$10.50	\$0.00	\$10.50
20110107-50403	Herrin, David	1/19/2011	2008072266	931053903	\$2,703.51	\$1,133.73	\$0.00	\$1,569.78	\$0.00	\$1,569.78	\$10.50	\$0.00	\$10.50
20110107-50601	Herrin, David	1/19/2011	2008072266	680142799	\$87.00	\$18.38	\$0.00	\$58.33	\$10.29	\$58.33	\$10.50	\$1.54	\$12.04
20110107-50921	Huston, Tony	1/19/2011	4600258	621770924	\$27.62	\$11.08	\$0.00	\$16.54	\$0.00	\$16.54	\$10.50	\$0.00	\$10.50
20101223-52815	King, Aaron	1/4/2011	2010110687	942988520	\$1,417.65	\$1,166.15	\$0.00	\$251.50	\$0.00	\$251.50	\$10.50	\$0.00	\$10.50
20101229-56515	King, Aaron	1/10/2011	2010110687	260674354	\$560.00	\$380.99	\$0.00	\$179.01	\$0.00	\$179.01	\$10.50	\$0.00	\$10.50
20110103-50312	King, Aaron	1/11/2011	2010101505	680370105	\$300.00	\$108.12	\$0.00	\$163.10	\$28.78	\$163.10	\$10.50	\$4.32	\$14.82

# York Insurance Services

# Savings Summary

P.O. Box 619058  
Roseville, CA 95661-9058

Invoice Cycle Date: 1/1/2011

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20110119-50707	King, Aaron	1/27/2011	2010101505	941698406	\$72.30	\$3.68	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20101229-57002	Lamanna, Eric	1/8/2011	2010101409	721561129	\$24,392.20	\$24,392.20	\$0.00	\$0.00	\$0.00	\$0.00	\$10.50	\$0.00	\$10.50
20101229-57713	Lamanna, Eric	1/10/2011	2010101409	721561129	\$1,260.00	\$969.40	\$0.00	\$290.60	\$0.00	\$290.60	\$10.50	\$0.00	\$10.50
20110119-51411	Lester, Michael	1/25/2011	2005034213	941623075	\$81.00	\$12.38	\$0.00	\$68.62	\$0.00	\$68.62	\$10.50	\$0.00	\$10.50
20110112-51317	Lester, Michael	1/21/2011	2005034213	941623075	\$13,487.67	\$7,957.73	\$0.00	\$4,976.95	\$552.99	\$4,976.95	\$10.50	\$82.95	\$93.45
20110112-51310	Lester, Michael	1/21/2011	2005034213	941623075	\$178.63	\$150.72	\$0.00	\$27.91	\$0.00	\$27.91	\$10.50	\$0.00	\$10.50
20110107-50716	Lester, Michael	1/19/2011	2005034213	941623075	\$3,360.00	\$2,066.38	\$0.00	\$1,293.62	\$0.00	\$1,293.62	\$10.50	\$0.00	\$10.50
20101223-52508	Lewis, Ronald	1/12/2011	4600578	621770924	\$127.89	\$114.36	\$0.00	\$13.53	\$0.00	\$13.53	\$10.50	\$0.00	\$10.50
20101229-56509	Lewis, Ronald	1/10/2011	4600578	942838030	\$237.00	\$53.05	\$0.00	\$182.04	\$1.91	\$182.04	\$10.50	\$0.29	\$10.79
20101229-56511	Lewis, Ronald	1/10/2011	4600578	942838030	\$650.00	\$355.02	\$0.00	\$294.98	\$0.00	\$294.98	\$10.50	\$0.00	\$10.50
20101229-56611	Lewis, Ronald	1/8/2011	4600578	680061218	\$1,885.00	\$315.22	\$0.00	\$1,334.31	\$235.47	\$1,334.31	\$10.50	\$35.32	\$45.82
20110107-50711	Lewis, Ronald	1/19/2011	4600578	470913587	\$374.40	\$241.40	\$0.00	\$113.05	\$19.95	\$113.05	\$10.50	\$2.99	\$13.49
20110119-50708	Lewis, Ronald	1/27/2011	4600578	680150668	\$660.00	\$215.34	\$0.00	\$444.66	\$0.00	\$444.66	\$10.50	\$0.00	\$10.50
20101229-57816	Lewis, Ronald	1/10/2011	4600578	680344543	\$6,174.00	\$3,530.15	\$0.00	\$2,643.85	\$0.00	\$2,643.85	\$10.50	\$0.00	\$10.50
20101229-58018	Macdonald, Michael	1/10/2011	2005039356	201898794	\$120.83	\$43.96	\$0.00	\$76.87	\$0.00	\$76.87	\$10.50	\$0.00	\$10.50
20101229-53909	Melo, Matt	1/7/2011	2009098682	721561129	\$350.80	\$350.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20110112-51311	Perkins, Eugene	1/21/2011	4600282	680422620	\$737.00	\$693.54	\$0.00	\$43.46	\$0.00	\$43.46	\$10.50	\$0.00	\$10.50
20110112-51720	Perkins, Eugene	1/25/2011	4600282	942838030	\$150.00	\$20.59	\$0.00	\$129.41	\$0.00	\$129.41	\$10.50	\$0.00	\$10.50
20101229-57714	Schiavone, Travis	1/10/2011	2010110805	941741654	\$2,932.00	\$2,624.44	\$0.00	\$307.56	\$0.00	\$307.56	\$10.50	\$0.00	\$10.50
20110107-50401	Schiavone, Travis	1/21/2011	2010110805	941741654	\$292.00	\$230.80	\$0.00	\$61.20	\$0.00	\$61.20	\$10.50	\$0.00	\$10.50
20110107-50718	Schiavone, Travis	1/19/2011	2010110805	941741654	\$120.00	\$63.07	\$0.00	\$56.93	\$0.00	\$56.93	\$10.50	\$0.00	\$10.50
20110107-51317	Schiavone, Travis	1/19/2011	2010110805	941741654	\$856.00	\$598.74	\$0.00	\$244.39	\$12.87	\$244.39	\$10.50	\$1.93	\$12.43
20101229-58021	Shively, Michael	1/10/2011	2002001940	361924025	\$20.08	\$0.00	\$0.00	\$20.08	\$0.00	\$20.08	\$10.50	\$0.00	\$10.50
20110107-50920	Shively, Michael	1/19/2011	2002001940	361924025	\$91.94	\$0.00	\$0.00	\$91.94	\$0.00	\$91.94	\$10.50	\$0.00	\$10.50



# York Insurance Services

# Savings Summary

P.O. Box 619058  
Roseville, CA 95661-9058

Invoice Cycle Date: 1/1/2011

**SCORE**

DCN	Patient Name	Date Received	Claim No	Provider Tax ID #	Billed Charges	Bill Rev Reduction	Prior Allowance	Bill Rev. Allow	PPO Reduction	Final Allow	Bill Review Cost	PPO Cost	Total Cost
20110107-50923	Smith, Ray	1/19/2011	4600234	562422696	\$91.60	\$91.60	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101229-58020	Smith, Ray	1/10/2011	4600234	562422696	\$28.81	\$0.00	\$0.00	\$28.81	\$0.00	\$28.81	\$10.50	\$0.00	\$10.50
20101229-58019	Smith, Ray	1/19/2011	4600234	562422696	\$326.36	\$326.36	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20101223-52509	Smith, Ray	1/10/2011	4600234	562422696	\$1,127.42	\$45.21	\$0.00	\$1,082.21	\$0.00	\$1,082.21	\$10.50	\$0.00	\$10.50
20110119-51410	Smith, Ray	1/25/2011	4600234	565905168	\$54.00	\$17.59	\$0.00	\$32.77	\$3.64	\$32.77	\$10.50	\$0.55	\$11.05
20110119-51409	Smith, Ray	1/25/2011	4600234	565905168	\$54.00	\$17.59	\$0.00	\$32.77	\$3.64	\$32.77	\$10.50	\$0.55	\$11.05
20110114-57917	Smith, Ray	1/24/2011	4600234	942988520	\$583.00	\$504.03	\$0.00	\$78.97	\$0.00	\$78.97	\$10.50	\$0.00	\$10.50
20110114-57414	Smith, Ray	1/25/2011	4600234	562422696	\$365.34	\$365.34	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20110107-50925	Smith, Rohn	1/26/2011	4600323	621770924	\$277.99	\$39.25	\$0.00	\$238.74	\$0.00	\$238.74	\$10.50	\$0.00	\$10.50
20101229-53908	Spruill, William	1/7/2011	2007058233	951965700	\$1,445.00	\$1,150.02	\$0.00	\$280.23	\$14.75	\$280.23	\$10.50	\$2.21	\$12.71
20110112-51715	Spruill, William	1/25/2011	2007058233	522372297	\$228.20	\$126.94	\$0.00	\$101.26	\$0.00	\$101.26	\$10.50	\$0.00	\$10.50
20101217-52006	Spruill, William	12/30/2010	2007058233	361924025	\$1,315.05	\$0.01	\$0.00	\$1,315.04	\$0.00	\$1,315.04	\$10.50	\$0.00	\$10.50
20110114-57415	Sterling, Jason	1/25/2011	2002003711	361924025	\$546.02	\$505.46	\$0.00	\$40.56	\$0.00	\$40.56	\$10.50	\$0.00	\$10.50
20101229-53907	Vega, Edgardo	1/7/2011	2010103795	470913587	\$78.00	\$57.10	\$0.00	\$17.77	\$3.13	\$17.77	\$10.50	\$0.47	\$10.97
20101229-58023	Vierra, Frank	1/12/2011	2004020693	621770924	\$287.95	\$16.55	\$0.00	\$271.40	\$0.00	\$271.40	\$10.50	\$0.00	\$10.50
20110112-51003	Vierra, Frank	1/26/2011	2004020693	621770924	\$187.62	\$0.02	\$0.00	\$187.60	\$0.00	\$187.60	\$10.50	\$0.00	\$10.50
20110112-51125	Vierra, Frank	1/28/2011	2004020693	621770924	\$771.82	\$396.19	\$0.00	\$375.63	\$0.00	\$375.63	\$10.50	\$0.00	\$10.50
20110119-51412	Vierra, Frank	1/25/2011	4600461	205245235	\$174.11	\$13.39	\$0.00	\$160.72	\$0.00	\$160.72	\$10.50	\$0.00	\$10.50
20110119-51405	Whittaker, Jr., William	1/25/2011	2009097949	941623075	\$63.00	\$6.07	\$0.00	\$56.93	\$0.00	\$56.93	\$10.50	\$0.00	\$10.50
20101229-56701	Whittaker, Jr., William	1/10/2011	2009097949	352284284	\$470.00	\$470.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20110119-51413	Woldanski, Steven	1/25/2011	2007070094	841618403	\$214.22	\$76.62	\$0.00	\$130.72	\$6.88	\$130.72	\$10.50	\$1.03	\$11.53
20110107-50709	Woldanski, Steven	1/19/2011	2007070094	680095976	\$275.00	\$36.21	\$0.00	\$202.97	\$35.82	\$202.97	\$10.50	\$5.37	\$15.87
20110119-54111	Woodford, David	1/26/2011	2009094090	621770924	\$146.32	\$22.71	\$0.00	\$123.61	\$0.00	\$123.61	\$10.50	\$0.00	\$10.50
<b>Total</b>					<b>\$159,065.58</b>	<b>\$113,487.25</b>	<b>\$0.00</b>	<b>\$44,429.83</b>	<b>\$1,148.50</b>	<b>\$44,429.83</b>	<b>\$913.50</b>	<b>\$172.28</b>	<b>\$1,085.78</b>

# SCORE

## SCORE Service Calendar

AS – Alliant Insurance Service Staff

PA – Program Administrator

CA – Claims Auditor

FA – Financial Auditor

York – York Insurance Services Group Staff

BD – Board of Directors

RM – Risk Management

FC – Finance Committee

GA – Gilbert Associates

Date	Activity	Responsible Party	Date Completed	Status/Notes
<b>January 2011</b>				
1/1/11	Obtain Electronic Loss Runs from York for both WC & Liability	AS	1/4	
1/1/11	Send out PEPiP Renewal information	AS	1/4	
1/1/11	Invite Amada G to demonstrate PreventionLink	AS	12/20	
1/1/11	Request agenda items from vendors	AS	12/29	Due Date Jan 14 <sup>th</sup>
1/5/11	Alliant Staff Jan Agenda Review	AS	1/5	CCALL Mike, Susan, Joyce.
1/10/11	Collect Crime Program 7/1 Renewal Apps from Members and submit to ACIP	AS	1/10	ACIP will Market.
1/15/11	Request RSVP for Jan Mtg	AS	1/4	
1/15/11	Collect DE/6 Reports as of 12/31/10	AS		Currently obtaining
1/15/11	Begin draft of next FY Budget	PA		Draft Budget Started
1/20/11	Alliant Staff Final Agenda Review	AS	1/20	Conference Call Mike, Susan, Joyce
1/21/11	Post/Distribute Jan Agenda	AS		Via SCORE website
(mtg)	January Board Mtg – Gaia Anderson Hotel	BD		
(mtg)	Quarterly Financials as of 12/31/10 / Draft	GA		
(mtg)	Equity Distribution Plan and Rate Stabilization	AS/PA		
(mtg)	Recommend to decrease Rate Funding	AS/PA		
1/31/11	Forward all DE/6 to CJPRMA (Saima Kumar)	AS		
1/31/11	Submit loss runs to Actuary for studies in WC & Liability	AS/PA		Obtaining from York. Request date Jan 4 <sup>th</sup>

Date	Activity	Responsible Party	Date Completed	Status/Notes
<b>February 2011</b>				
2/1/11	Collect PEPiP Renewal Apps from Members and Submit to AUS	AS		
2/6/11	PARMA Conference	PA		2/6-2/9,2011
2/8/11	Review To Do List from January Board Mtg	AS		
2/11/11	Draft Minutes	AS		
<b>March 2011</b>				
3/2/11	Request updates for March Agenda	AS		
3/2/11	Workers' Compensation Claims Audit (from LAWCX)			Susan to look over. Every other year.
3/11/11	Request RSVP to members for March Mtg	AS		
3/15/11	Begin Work Draft Budget for next Fiscal Year (Review and incorporate LAWCX, ERMA, CJPRMA, & PEPiP draft numbers into budget)	PA		PA began in Feb
3/15/11	Draft Fiscal Year Budget, Vendor Contracts, Target Equity Policy, Investment Policy & Internal Controls Guidelines, Conflict of Interest Code, WC/Liab Retros, Election of Officers (even years)	PA		PA began in Feb
3/15/11	Collect drafts of WC & Liability Actuarial Studies for March Meeting	AS		
3/15/11	Collect Form 700s for Members	SF Office		Currently obtaining
3/15/11	Review and Submit Crime Program Proposals to members	AS		
3/18/11	Send notification March Board Agenda to Members	AS		
3/18/11	Finalize # of attendees March Meeting	AS		
(mtg)	Find venue for October Strategic Planning & mgt	AS		

Date	Activity	Responsible Party	Date Completed	Status/Notes
<b>March 2011</b>				
(mtg)	Conflict of Interest Code (every even numbered year)	AS		
(mtg)	Approval of Investment Policy	AS		Annual
3/25/11	CAJPA Accreditation	AS		After approval of 09/10 audits
3/25/11	Actual to Budget Assessments (CYE 12/31)			March Agenda
3/31/11	Send List of Renewal Certificates to Members	AS		
3/31/11	Review Strategic Action Plan for Tasks	AS		
3/31/11	File Audited Financial Statements w/ Secretary of State, Sacramento County and Members	GA/AS		Will file after Board approval.
<b>April 2011</b>				
4/01/11	Collect DE/6 Reports as of 03/31/10	AS		
4/01/11	Payment for Treasurer's Bond	AS		
4/10/11	Review To Do List form Board Mtg	AS		
4/15/11	CJPRMA Certificate Renewal List	AS		
4/15/11	Finalize and Email March Board draft mtg minutes	AS		
4/15/11	SCORE Certificate Renewal List Due	AS		
4/20/11	Begin Agendas for June Board Mtg	AS		
4/20/11	Submit CJPRMA Certificate Renewal List to CJPRMA	AS		
4/20/11	Complete and Submit LAWCX Compliance Survey	AS		
	Submit Pollution Program Renewal Apps to Members (every 3 years) Expires 2012	AS		
4/29/11	Update Draft Budget with changes from March Mtg	PA		

Date	Activity	Responsible Party	Date Completed	Status/Notes
<b>May 2011</b>				
5/13/11	Obtain PEPPIP Renewal Proposals	AS		
5/13/11	Obtain Quarter Financials as of 03/31/10	AS/GA		
5/17/11	Obtain Final Actuarial Reports for WC & Liability for June Mtg	AS		
5/25/11	Finalize WC & Liability MOCs and Dec Pages for June Mtg	AS		
5/25/11	Request agenda items from Vendors	AS		
5/25/11	Send RSVP Requests to members	AS		
<b>June 2011</b>				
6/01/11	Follow up on October Meeting Contracts	AS		
6/15/11	Bind orders for PEPPIP Program	AS		
6/20/11	Certificates of Insurance	AS		
(mtg)	SCORE MOCs and Dec Pages – Signed	AS/Roger		
(mtg)	Fiscal year Budget, Vendor Contracts, MOCs, Program Renewals, Financial Audit, Actuarial Studies, Target Equity Policy, Service Calendar, Liability Claims Auditor Contract, Treasurer’s Authority, any amendments to Gov’t Docs, etc	AS/PA		
(mtg)	Resolution for mtg dates	BD		
(mtg)	Adoption of the Budget	BD		
(mtg)	Quarterly Financials as of 03/31/11	AS/GA		
(mtg)	CAJPA Conference	BD		
(mtg)	Approval of WC & Liability MOC	BD		
(mtg)	Discuss and determine Oct Training Day topics	AS/PA		
06/28/11	Binder for Crime Program	AS		
06/28/11	Invoice for Broker Fee, Treasurer’s Bond	AS		
(mtg)	Investment Authority Approval (annually)	AS		
(mtg)	Approval of PEPPIP Proposal	BD		

Date	Activity	Responsible Party	Date Completed	Status/Notes
<b>July 2011</b>				
7/1/11	Review To Do List from Board Mtg	AS		
7/8/11	Finalize and Email June Board draft mtg minutes	AS		
7/15/11	Begin Agenda for August Board Mtg	AS		
7/15/11	Follow up w/ Board President regarding items that need signatures	AS		
<b>July 2011</b>				
7/15/11	Finalize DE/6 Collection for 06/30/11	AS		
7/20/11	Copy and Mail all signature items to members	AS		
7/29/11	Follow up on payments for ERMA, LAWCX, PEPPI, CJPRMA, etc.	AS		On going
07/29/11	Follow up w/ ACIP members regarding premium payments	AS		
7/29/10	Complete and Submit LAWCX Compliance Report	AS/PA		
7/29/10	Follow up regarding Member deposit premium payments	AS		
<b>August 2011</b>				
8/1/11	Submit LAWCX renewal apps to members in Worker's Compensation	AS		
8/04/11	Request agenda items from vendors for August Board Mtg	AS		
8/12/11	Send RSVP Requests to members	AS		
8/13/11	LAWCX Actual Payroll Audit by Class Code	AS		
8/13/11	Submit Fiscal Year Financial Information to Auditor	AS		On going

Date	Activity	Responsible Party	Date Completed	Status/Notes
<b>August 2011</b>				
8/13/11	Begin Public Self/Insurers Report with State	AS/York		
8/18/11	Begin Strategic Planning Agenda	AS		
(mtg)	Quarterly Financials as of June 30, 2011	GA		
(mtg)	CAJPA Conference	AS		
(mtg)	October Training Day and Board Mtg location	AS		
<b>September 2011</b>				
9/16/11	Finalize and Email August Board draft mtg minutes	AS		
9/2/11	Review To Do List from August Board Mtg	AS		
9/6/11	CAJPA Conference	PA/BD		9/6-9/2011
9/14/11	Begin Agenda for October	AS		
9/14/11	Send RSVP Requests to Members	AS		
9/14/11	File Public Self/Insurers Annual Report with State	AS		
9/14/11	Request Agenda items from vendors for October Board mtg	AS		
<b>October 2011</b>				
10/1/11	Request DE/6 Payroll	AS		
	File Controllers Report with State	GA		
(mtg)	ACI Quarterly Utilization Reports: July 1, 2011 – September 30, 2011	AS		
(mtg)	RFP for Liability Claims Audit (to present at March 2012 Mtg)	AS/BD		For 2012
(mtg)	RFP for Workers' Compensation Claims Audit (to present at March 2012 Mtg)	AS/BD		For 2012
(mtg)	PARMA Conference (Agenda Item)	AS		

<b>Date</b>	<b>Activity</b>	<b>Responsible Party</b>	<b>Date Completed</b>	<b>Status/Notes</b>
<b>October 2011</b>				
(mtg)	Quarterly Financials as of 9/30/11			
10/28/11	Forward all DE/6 to CJPRMA (Saima Kumar)	AS		
10/28/11	Finalize and Email October Board draft mtg minutes	AS		
<b>Date</b>	<b>Activity</b>	<b>Responsible Party</b>	<b>Date Completed</b>	<b>Status/Notes</b>
<b>November 2011</b>				
11/1/11	Follow up with LAWCX regarding WC Claims Audit (Paid for by LAWCX)	AS		
11/2/11	Review To Do List from October Board Mtg	AS		
11/16/11	Send out Renewal items for Property and Crime	AS		
<b>December 2011</b>				
12/01/11	Send PEPPI Policy and Post on SCORE website	AS		
12/21/11	Request agenda items from Vendors for Jan Board mtg	AS		



### Agenda Item F.3

#### SCORE BYLAWS AMENDMENT Action Item

**Issue:** Notice of the proposed amendment(s) to the SCORE BYLAWS were submitted to all Members 30 days prior to the Board meeting date scheduled for March 25<sup>th</sup>. There are three (3) proposed changes being considered at this time. The Board will consider approval of amendments to the SCORE Bylaws as follows:

- ARTICLE III – BOARD OF DIRECTORS – Section 1 – Governing Documents B.6 “Authorize release of funds at the request of a Member Agency that has withdrawn from the “Authority””.

*This change repeats language contained below in the new article include; WITHDRAWAL but is included here where other levels of voting authority of the Board are addressed. It states that a member that has withdrawn may request from the Board release of their funds with a 2/3 vote of the Board. This allows the ability of a withdrawn member to request their funds from a program year is not closed.*

- ARTICLE V – COMMITTEES
  1. Create a Finance Committee chaired by the Treasurer
  2. Add Section 3 – Other Standing Committees and outline their establishment and responsibilities.
  3. Add Section 4 – Ad Hoc Committees and outline their establishment and responsibilities.

- ARTICLE III – WITHDRAWAL

Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year(s)” that they participated in are closed. This includes funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. Funds available from the Banking Layer to these Members are available for distribution as declared by the Board.

If a “Program Year” is not closed and the “Participating Member” would be eligible for a distribution, a Member that has withdrawn from the “Authority” may annually, in writing, request an early release of their funds for consideration by the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

*This new section that details the financial responsibilities of a Member that Withdraws from SCORE. The current By-Laws only state that a past Member of the Authority is responsible for losses and cost, but not when and how they pay monies due.*

**Recommendation:** Staff recommends reviewing this changing and approving wording in the Bylaws amendments that best meet the objectives of the Board.

**Fiscal Impact:** None, if Members that withdraw from SCORE are required to leave their funds with SCORE until Shared Risk Layer years that they participated in are closed. This is to protect the organization as a whole from past Members withdrawing funds that may ultimately be needed for their share of claims payments, and leading to financial constraints within the Shared Risk Layer. Members have recourse to request funds earlier by a 2/3 vote of the Board.

**Background:** At the January 28, 2011 SCORE Board meeting, the Board approved a new Three / Five-Year Target Equity Distribution plan to be implemented effective July 1, 2011.

The development of these changes in SCORE's Programs Equity brought to light a number of potential issues to be discussed by the Board in the coming month(s). Originally, the Board started this process due to Ione leaving the Authority, and the two other Members stating that they too, needed to evaluate all other cost effective options for their cities. One key issue involves the timing for collection of funds FROM a Terminated Member; under Article VI Members' Responsibilities, the By-Laws only state that a past Member of the Authority is responsible for losses and cost, but not WHEN and HOW they pay monies due.

Now, two other Members have given notice, and may leave, but are still eligible for the return of Plan Equity. This was how SCORE was established, and likely changes can only be made on a go forward basis. We don't want to return money to a Member only to have it owed back to the Authority a year later due to claims development and NOT be able to collect it. Each Member is responsible to pay their liabilities, as outlined in the SCORE JPA AGREEMENT, ARTICLE XXII, EFFECT OF EXPULSION OR WITHDRAWAL.

At the January 28, 2011 Board meeting, an Ad Hoc committee was established to vet these issues. A conference call was held and the recommendation was to amend the Bylaws to state that:

**“Member Agencies that withdraw from SCORE's Liability and or Worker's Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed”.**

**Attachment:** “Draft” SCORE Bylaw Amendment, proposed to be effective March 25, 2011.

# SMALL CITIES ORGANIZED RISK EFFORT

(SCORE)

BYLAWS

AMENDED

JULY 1, 2000

JANUARY 26, 2007

~~AUGUST 24, 2007~~ MARCH 25, 2011

## **BYLAWS**

For the regulation of the Small Cities Organized Risk Effort, except as otherwise provided by statute or the “Agreement” creating the Small Cities Organized Risk Effort, a Joint Powers “Authority.”

### **ARTICLE I** **DEFINITIONS**

The terms in these Bylaws shall be as defined herein and in the “Agreement” creating the Small Cities Organized Risk Effort Joint Powers Insurance Authority, unless otherwise specified herein.

- A. “Agreement” shall mean the Joint Powers “Agreement” creating the Small Cities Organized Risk Effort Joint Powers “Authority.”
- B. The “Authority” shall mean the Small Cities Organized Risk Effort (SCORE).
- C. “Cash Assessments” are changes levied upon the members by the Board of Directors that are intended to raise the funding of the “Authority” to a level above the minimum solvency level when the normal budgeting and member contributions are insufficient to maintain such a level of funding. “Cash Assessments” are not changes against the members because of retrospective adjustment calculations of a pooled coverage “Program.”
- D. “Mandatory Programs” are programs for which participation by all members is required.
- E. “Master Plan Document” shall mean a governing document that defines the procedures of a coverage “Program.”
- F. “Memorandum of Coverage” shall be the governing document issued by the “Authority” to Member Agencies specifying the type and amount of pooled coverage provided to each Member Agency by the “Authority.”
- G. “Program” shall mean a formal plan or procedure adopted by the Board of Directors to provide coverage against the possibility of loss or reduce the chance of loss.
- H. “Voluntary Program” shall mean a “Program” for which participation is merely voluntary by the members.

### **ARTICLE II** **OFFICES**

The principal office for the transaction of business of the “Authority” and receipt of all notices is hereby fixed and located as described in Appendix A attached hereto and incorporated herein by reference. The Board shall have the authority, with a majority vote of those present and voting at a regular or special meeting of the Board, to change the location of the principal executive office from time to time.

### **ARTICLE III** **BOARD OF DIRECTORS**

#### **Section 1 – Governing Board**

In accordance with Article X of the “Agreement,” the Board of Directors shall be the governing body of the “Authority.” Each member’s governing board shall appoint, by resolution, a director and an alternate to the Board of Directors of the “Authority.” Such appointment shall not take

effect until such resolution is received by the “Authority” at its executive office as defined in Article II above. Voting members shall be the Directors, or in the case of their absence, their Alternates.

The Board of Directors shall provide policy direction to the Committees, the Officers, and any employees or contracted service providers of the “Authority.” The Board shall have the authority to delegate any and all authority except those specifically reserved onto the Board or specifically requiring a vote by the Board of Directors. Some of those authorities reserved onto the Board are:

- A. By a three fourths vote of the entire Board of Directors:
  - 1) Accept a new member to the “Authority”
- B. By a two thirds vote of the entire Board of Directors:
  - 1) Amend these Bylaws pursuant to Article XVII of these Bylaws;
  - 2) Create or terminate any risk management, self-insurance, or group purchase insurance “Program;”
  - 3) Expel an existing member from the “Authority;” or
  - 4) Remove an Officer of the “Authority” or Committee Member; and
  - 5) Authorize a “Cash Assessment.”
  - ~~5)6) Authorize release of funds at the request of a Member Agency that has withdrawn from the “Authority[msl]”.~~
- C. By a simple majority of Directors voting at a regular or special meeting:
  - 1) Adopt an operating budget for each of the “Authority’s” fiscal years; or
  - 2) Authorize payment of a dividend, or charge a surcharge, under a retrospective adjustment;
  - 3) Change the location of the Principal Executive Office.

## Section 2 – Meetings

All regular and special meetings of the Board of Directors shall be conducted in accordance with the Ralph M. Brown Act (Government Code Section 54950) as it now exists or may be amended from time to time. The Secretary shall give notice or cause notice to be given of all meetings and prepare minutes or cause minutes to be prepared and distributed to the Board of Directors. An official set of minutes of all Board meetings shall be kept at the principal executive offices of the “Authority” as defined in Article II.

All matters duly noticed and within the purview of the Board of Directors may be decided by a simple majority of those voting at a regular or special meeting, unless the governing documents prescribe otherwise.

The Board shall have at least four regular meetings a year. The time and place of such meetings for the next calendar year shall be established by resolution of the Board adopted at the last regular Board meeting of the then current calendar year.

A special meeting of the Board of Directors may be called by the President, or in the case that the President cannot be contacted, by the Vice-President, with 24 hours notice stating the time and place of such meeting and the matter to be discussed. Such notice may be delivered personally, by way of electronic transmission (other than voice communication) or mail. Notice by mail must be received at least 24 hours prior to the meeting.

All meetings may be postponed or cancelled by the President with at least 24 hours prior notice.

## ARTICLE IV

### OFFICERS OF THE AUTHORITY

#### **Section 1 - Election**

The Board of Directors will elect the officers and committee members from among the Board's Directors and Alternates. Any Board member may nominate themselves or another Board member for any office or as a member-at-large on the Executive Committee. These nominations may be made by either prior written nomination delivered to the executive offices of the "Authority" or from the floor. The President shall announce each nominee for each office or member-at-large. Each Board member present shall cast one vote for the candidate of his/her own choice for each office or member-at-large. If more than one candidate was nominated, a roll call vote shall be taken. A plurality shall succeed to the office or as a member-at-large.

#### **Section 2- Term**

The terms of the President, Vice-President, Secretary, Treasurer and a member-at-large of the Executive Committee will be for two (2) years. The term of these offices and member-at-large will begin with the commencement of the Fiscal Year in each of the even numbered calendar years. The officers and member-at-large shall serve their term until the first one of the following events occurs:

- 1) The term expires
- 2) Until termination of employment with a member entity; or
- 3) Until removal from office or as the member-at-large by a vote of two-thirds of the entire Board of Directors.

Should a vacancy occur in any of the office or the position of member-at-large prior to the expiration of the term, the Board of Directors, at their next regular or special meeting shall elect an officer or a member-at-large to fill the vacancy until the remainder of the term expires.

#### **Section 3- Duties**

**President** – The President shall preside over all meetings of the Board of Directors. The President shall execute documents on behalf of the "Authority" as authorized by the Board and serve as the primary liaison between this "Authority" and any other organization. Jointly with the Vice-President, Secretary, or Treasurer, the President shall have authority to approve payments of warrants. The President shall have such other powers and duties as the Board of Directors may prescribe from time to time.

**Vice-President** – The Vice-President, in the absence of the President, shall have all the authority and duties of the President. The Vice-President shall, jointly with the President, Secretary, or the Treasurer, have authority to approve the payments of warrants. The Vice-President shall have such other powers and duties as the Board of Directors may prescribe from time to time.

**Secretary** – The duties of the Secretary shall be to cause minutes to be kept and distributed as specified in the "Agreement," to maintain or cause to be maintained documents pursuant to a record retention policy adopted by the Board of Directors, and to perform such other duties as the Board

may specify. Jointly with the President, Vice-President, or Treasurer, the Secretary shall have authority to approve payments of warrants.

**Treasurer** – The duties of the Treasurer shall be those specified in Sections 6505.5 or 6505.6 of the California Government Code, to maintain or cause to be maintained all accounting and other financial records of the “Authority,” to file all financial reports required of the “Authority” and other duties as specified by the Board. Jointly with the President, Vice-President, or Secretary, the Treasurer shall have the authority to approve payments of warrants.

#### **Section 4 – Other Officers**

The Board of Directors may create, by resolution, any other office of the “Authority,” and delegate such authority, that it deems appropriate, which is not inconsistent with the “Agreement” and other provisions of these Bylaws. The Board may establish a term for such office. If a term of office is not established, the term will continue until such time as the Board, by a majority vote, determines the office is no longer needed or another person is appointed to the office.

### **ARTICLE V** **COMMITTEES**

#### **Section 1 – Executive Committee**

The Executive Committee shall consist of five members, the President, Vice President, Secretary, Treasurer and one member-at-large. The Executive Committee shall have the responsibility and authority to conduct the business of the “Authority” which is necessary and, in the opinion of the President, there is no reason to call a special meeting, or wait until the next regular Board of Directors meeting. The Committee shall have all other authority as specifically granted it by the Board, including, but not limited to the following:

- A. Provide general supervision and direction to the Program Administrator.
- B. Act as Program Administrator in the absence of the Program Administrator.
- C. Review and recommend a budget to the Board no later than fifteen (15) days prior to the June meeting of the Board.
- D. Enter into contracts, within budget limits.
- E. Appoint a nominating committee for each election of officers and members of the Executive Board.

Subject only to such limitations as are expressly stated in the “Agreement,” these Bylaws or a resolution of the Board of Directors, the Executive Committee shall have and be entitled to exercise all powers which may be reasonably implied from powers expressly granted and which are reasonably necessary to conduct, direct and supervise the business of the “Authority.”

Any action taken by the Executive Committee may be appealed to the Board by filing a written request with the Program Administrator within sixty (60) days, based on notice to all Board members of the Executive Committee actions. Upon receipt of such request, the Program Administrator shall place the request for appeal on the agenda of the next regularly scheduled Board meeting. The decision of the Board shall be final.

The President shall be the Chair of the Executive Committee. The President shall call the time and place of the meetings and the matter to be discussed prior to a properly noticed meeting.

### **~~Section 2—Other Committees~~**

~~The Board of Directors may establish a standing or ad hoc committee and delegate authority to such committee to accomplish certain tasks. Members of the committee shall remain members of the committee until such time as the Board appoints new members to the committee, the committee is dissolved by the Board, or the purpose has been completed and there are no more responsibilities assigned to the committee.~~

~~The Board shall appoint a chair of each committee, other than the Executive Committee, who shall call the meetings.~~

~~All committee meetings shall be held as open meetings in accordance with the Ralph M. Brown Act. Notice of committee meetings shall be delivered to all Board members, as well as the members of the committee that are having their meeting. Minutes shall be kept of all committee meetings and distributed to all committee and Board members.~~

### **Section 2 – Finance Committee**

The Finance Committee shall consist of five members including the Treasurer. The Treasurer will act as Chair of the committee. It is desired that one member of the committee shall be a finance or assistant finance officer of a Member Agency. The Committee shall have all other authority as specifically granted it by the Board, including, but not limited to the following:

- A. In accordance with the Investment Policy, discuss strategies with the Investment Advisors and direct overall investment strategy.
- B. On an annual basis the Finance Committee shall review cash management requirements and give direction to the accountant to make adjustments.
- C. Review the independent auditors' proposed audit scope and approach.
- D. Review the performance of the independent auditor(s).
- E. Recommend the appointment to the Board or Executive Committee of the independent auditor(s) and review audit fees.
- F. At the direction of the Board or the Executive Committee, review with counsel any legal matters that could have significant impact on the financial statements.
- G. Review and make recommendations to the Board or the Executive Committee to maintain or change the Investment Policy in accordance with California Government Code.
- H. Advise the Board and the Executive Committee on other financial matters.

All committee meetings shall be held as open meetings in accordance with the Ralph M. Brown Act. Minutes shall be kept of all committee meetings and distributed to all committee and Board members.



### **Section 3 – Other Standing Committees**

The Board of Directors may establish other standing committees and delegate authority to such committees to accomplish certain tasks. Members of the committees shall remain members of the committees until such time as the Board appoints new members to the committees or the committees are dissolved by the Board.

The Board shall appoint a chair of each committee, other than the Executive Committee and Finance Committee, who shall call the meetings.

All committee meetings shall be held as open meetings in accordance with the Ralph M. Brown Act. Minutes shall be kept of all committee meetings and distributed to all committee and Board members.

### **Section 4 – Ad Hoc Committees**

The Board of Directors may establish from time to time, ad hoc committees and delegate limited authority to such committee to accomplish certain tasks. Members of the committee shall remain members of the committee until such time as the Board appoints new members to the committee, or the committee is dissolved by the Board. The Board shall appoint a chair of each committee.

## **ARTICLE VI** **MEMBERS' RESPONSIBILITIES**

Any party to the Joint Powers “Agreement” is a member. Any governmental agency as defined by the Government Code is eligible to become a member.

The Joint Powers “Authority” is a participatory organization with the goal of reducing exposures to losses. To facilitate this goal, each Member agrees to perform the following functions in discharging its responsibilities:

1. Abide by all the rules and obligations imposed upon the member by the “Agreement,” these Bylaws, any Administrative Policies and Procedures adopted, any “Master Plan Documents” and Memoranda of Coverage for any and all “Programs” to which the member participates;
2. Appoint a representative and alternate to the Board;
3. Participate in all “Mandatory Programs”
4. Remit fund contributions and other amounts due within 15 days of the date of invoice or, in the case of the deposit premiums adopted in the budget, within 15 days of the commencement of the fiscal year for which the budget applies;
5. Cooperate fully with the “Authority” in reporting on and in determining the cause of claims and in the settlement of such claims;
6. Adopt by resolution and implement the claims procedures established by the “Authority;” and
7. Upon withdrawal from the “Authority,” the member shall remain responsible for any losses and any other costs which it has incurred while a Member of the “Authority.”

In addition to the above, each member agrees to cooperate fully with parties or persons employed by the “Authority” to provide safety/loss control service, and each of the entities agree to permit such parties or persons access to inspect property and conditions. Each participating Member will endeavor to maintain minimum loss experience through the institution of loss control programs. In the even a participating member fails to comply with safety/loss control recommendations, after having been afforded reasonable opportunity to do so, a two-thirds majority vote of the Member entities may vote to exclude such Member from the “Authority” as of the close of the fiscal year.

Each Member entity agrees to share the cost of safety/loss control services which shall be allocated to each Member as agreed by the Board.

## ARTICLE VII NEW MEMBERS

Any California governmental agency as defined by the Government Code is eligible to be a member of this “Authority.” Such agency shall become a member once they have signed the Joint Powers “Agreement” and the Board of Directors has approved its admission to the “Authority” with a three fourth vote of the entire Board of Directors.

## ARTICLE VIII WITHDRAWAL

Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds’ allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed. This includes funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. Funds available from the Banking Layer to these Members are available for distribution.

If a “Program Year” is not yet closed and the “Participating Member” would otherwise be eligible for a distribution, they- a Member that has withdrawn from the “Authority” may annually, in writing, send a written request for a early release of their funds for consideration by the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

## ARTICLE VIII PROGRAMS

### Section 1- Formation of Programs

The Board of Directors may establish with a two thirds vote, a risk management, self-insurance, or group purchase insurance “Program.” Such “Program” shall be designated as a Mandatory or a “Voluntary Program.” If it is Mandatory, all existing members must participate in the “Program.” The Board of Directors shall establish the rules by which a member shall commit to a new “Program.”

## **Section 2 – Administration of Programs**

For each self-insured risk pooling “Program” or any “Mandatory Program,” the Board of Directors shall adopt a “Master Plan Document” that will describe the “Program’s” purpose, procedures, and administration. Once adopted, the “Master Plan Document” may be amended as described in that document. In addition to the “Master Plan Document,” the “Authority” shall adopt a “Memorandum of Coverage” defining the scope of coverage and the rights and obligations of the participating members.

The Board of Directors may delegate authority for the establishment of policies and operations of a “Program” to a committee consisting of the Board Representative from each of the participating members or, in the case of an absence by a Board Representative, the Alternate for the participating member. Such delegation may be part of the “Master Plan Document” for the “Program,” or where such document does not exist, by resolution of the Board.

Notwithstanding anything to the contrary, the budget, “Cash Assessments,” and retrospective adjustments or dividends for each “Program” shall be approved by the Board of Directors.

## **Section 3 – Liability Program**

The “Authority” shall offer to, and make participation mandatory of, each Member. The purpose and scope of the “Program” shall be defined in a “Master Plan Document” and the coverage provided defined in a “Memorandum of Coverage.”

# **ARTICLE IX** **ADMINISTRATION**

The general administration of the “Authority” shall be performed by those designated by the Board of Directors. The administration may be performed by an employee of the “Authority,” an employee of a member of the “Authority,” a consultant, or a corporation or other legal entity.

The Treasurer shall be responsible for maintaining the books in accordance with the General Accepted Accounting Principles (GAAP) and the standards established by the Government Accounting Standards Board (GASB).

The Treasurer shall also be responsible for causing the State Controllers Annual Report of Financial Transactions to be filed along with the audited financial reports. The Treasurer shall be responsible for causing the quarterly financial statements to be prepared and distributed to the members.

The Board of Directors shall adopt a Conflict of Interest Code, an Investment Policy and a Records Retention Policy. The Board shall review the Conflict of Interest Code every even year. The Board shall review the Investment Policy every year.

## **ARTICLE X** **BUDGET**

An annual budget shall be presented to the Board of Directors no later than thirty (30) days prior to the beginning of each fiscal year and shall be adopted no later than June 30 of each year.

The budget shall separately show the following:

- A. General and administrative costs;
- B. The actuarially projected claims and allocated claims adjustment costs, and
- C. The cash contributions allocated among the members.

## **ARTICLE XI** **ASSESSMENTS**

Upon a two thirds vote of the entire Board, the Board shall have the authority to levy a “Cash Assessment” for any pooled coverage “Program.” There must be a finding by the Board that there are insufficient funds available to the “Program” or the “Authority” as a whole to meet its legal obligations. Insufficient funds shall be calculated by applying against the assets of the “Program,” any and all liabilities, including claims reserves, reserves for expected losses not yet recognized in the claim reserves, plus a contingency for adverse claims development.

A “Cash Assessment” shall be directed only to those members or former members that participated in the pooled coverage “Program” during the “Program” year in which the covered loss, causing the assessment, was incurred.

Any costs, including attorney fees incurred by the “Authority” in collecting any “Cash Assessment,” shall be reimbursed fully by the member against whom such collection action has been taken.

## **ARTICLE XII** **RECEIPT AND DISBURSEMENT OF FUNDS**

Revenues of the “Authority” shall be received at its principal executive office. The Treasurer or other designee of the Board shall safeguard and invest funds in accordance with the “Authority’s” current Investment Policy.

Jointly with the President, Vice-President, or Secretary, the Treasurer shall have authority to approve payment of warrants. All disbursements, except disbursement from the Claims Trust Accounts, must have approval of signature of two individuals holding the above referenced offices.

Jointly with the President, Vice-President, or Secretary, the Treasurer shall be authorized to make all expenditures for good or services to the extent such funds have been included in the general and administrative costs budgeted and approved by adoption of such budget, or as subsequently approved by the Board.

A register of all checks issued since the last Board meeting shall be provided as part of the Treasurer's report at the subsequent Board meeting and reviewed by the Board.

### **ARTICLE XIII** **FINANCIAL AUDITS**

Prior to June 30 of each fiscal year, the Board of Directors shall appoint a Certified Public Accountant familiar with accounting standards practices of governmental agencies, including GAAP and GASB accounting standards, to audit the financial accounts of the "Authority." The minimum requirements of the audit shall be those prescribed by law.

The audit report shall be made available to the members and filed with the State of California within six months of the end of the fiscal year being examined. It shall also be filed with the County in which the executive office is located.

The costs of the audit shall be charged against the administrative funds of the "Authority."

### **ARTICLE XIV** **EXECUTION OF CONTRACTS**

The Board of Directors may authorize any officer, employee or agent to enter into any contract or execute any instrument in the name and on behalf of the "Authority," and such authorization may be general or specific to a certain contract or instrument.

### **ARTICLE XV** **NOTICES**

Notices to the "Authority," other than notices of claims under a pooled coverage "Program," shall be in writing and delivered to the address of the executive office is stated in Article II above. Notices of claims under a Pooled Coverage "Program" shall be made in accordance with the "Master Plan Document" and/or "Memorandum of Coverage" document for the "Program" under which the claim is being noticed.

Notice from the "Authority" to the members shall be in writing and delivered to the appointed Representative or mailed to the address of record.

### **ARTICLE XVI** **EFFECTIVE DATE**

The effective date of these amended Bylaws shall be ~~August 24, 2007~~ when adopted by the Board unless specifically identified as another date. The adoption of these amended Bylaws shall supersede any prior Bylaws or amended Bylaws. These Bylaws shall supersede any resolution or any other

document, other than the “Agreement” form this “Authority,” to the extent that such resolution or document is inconsistent with the Bylaws or the “Agreement.”

**ARTICLE XVII**  
**AMENDMENTS**

These Bylaws may be amended by a two thirds vote of the entire Board provided that any amendment is compatible with the purposes of SCORE, is not in conflict with the “Agreement” forming this “Authority,” and has been submitted to the Board at least thirty (30) days in advance.

Any such amendment shall be effective immediately, unless otherwise designated.

**APPENDIX A**

**PRINCIPAL EXECUTIVE OFFICE**

The principal address of the Small Cities Organized Risk Effort Joint Powers Authority for the transaction of business and receipt of all notices shall be:

1792 Tribute Road, Ste. 450  
Sacramento, CA 95815-4320

**Agenda Item F.4**

**Score Liability Master Plan Documents Amendment**

**Action Item**

**ISSUE:** Board should review amendments to the Liability Master Plan Documents for approval.

**RECOMMENDATION:** Staff recommends approval of MPD amendment.

**FISCAL IMPACT:** Potentially strengthens the JPA as members leaving the program must leave their funds with the JPA until Program Years are closed.

**BACKGROUND:** SCORE had one member leave the JPA in 2010 and has received notice of intent to withdraw from two other members. As a result, discussion developed at the January Board meeting and an ad hoc committee was created to vet issues that result from members leaving the JPA.

The ad hoc committee recommended the Bylaws be changed as follows:

**“Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed”.**

The proposed Master Plan documents have been amended to include the recommendations of the Ad Hoc committee.

**ATTACHMENTS:** Red Line strikout of the Liability Master Plan Documents



**SMALL CITIES ORGANIZED RISK EFFORT  
MASTER PLAN DOCUMENT  
FOR THE  
LIABILITY PROGRAM  
(ALSO KNOWN AS THE PROGRAM BYLAWS)**

**EFFECTIVE JUNE 16, 2006  
AS AMENDED JUNE 25, 2010  
AS AMENDED MARCH 25, 2011**

**ARTICLE I – GENERAL**

**1. PURPOSE**

- A. One of the primary purposes in forming the Small Cities Organized Risk Effort Joint Powers Authority, hereinafter SCORE, was to create a method for providing coverage for legal damages incurred by the member agencies and SCORE because of General Liability, Automobile Liability, Public Officials Errors and Omissions and other public liabilities. The Joint Exercise of Powers Agreement and the Bylaws have been created and duly approved to provide the "Member Entities" with this coverage. This Liability Master Plan Document, hereinafter the LMPD sets forth the manner in which these services shall be delivered to the membership. The Program shall use the concepts and techniques of pooled sharing of operating costs and losses above the banking layer. The Liability Program may purchase excess coverage or participate in other risk sharing pools above those limits provided by the Liability Program pools as authorized by the Board of Directors of SCORE. SCORE may also purchase reinsurance above a set retention per occurrence and/or in the aggregate as authorized by the Board of Directors of SCORE.
- B. The Board of Directors has the right to alter the terms and conditions of the pooled underlying coverage in response to the needs and abilities of the Liability Program, the "Member Entities", and the availability of coverage from outside sources.

**2. SEPARATE PROGRAM YEARS**

**A. PROGRAM YEARS**

- 1) "Program Years" shall be defined as the losses incurred during the period from July 1st of each year to June 30th of the following year. The income and expenses of each "Program Year" shall be accounted separately from any other "Program Years" income or expenses. The Liability Program shall charge "deposit premiums" to each "Participating Member" at inception of the year to fund the cost of losses and expenses anticipated for the life of the "Program Years". "Retrospective Adjustments" may be made annually, subject to criteria set forth in this LMPD.

- 2) The life of the "Program Year" may be many years, as it cannot be completed until all claims incurred during the "Program Year" are closed, and it is very improbable that new claims for that "Program Year" will arise. The "Program Year" shall remain open until the Board of Directors authorizes closure, being convinced that known claims for the year are closed, and no further claims will be discovered.

#### B. ACTUARIALLY SOUND PROGRAM YEARS

- 1) To assure each "Program Year" is "actuarially sound" as a separate unit, the Liability Program shall charge each "Participating Member" a "deposit premium" based on an actuarial projection of losses for the year and the exposure of loss presented by each "Participating Member".
- 2) To maintain actuarial soundness, the Liability Program shall have actuarial studies done annually and take appropriate action if the "Program Year" should be deficient actuarially. For such actions, please see Article III – Premiums, Rates and Assessments.

### 3. FINANCING THE PROGRAM

#### A. DEPOSIT PREMIUMS

The Administrator, in conjunction with an actuary, shall prepare rates and "deposit premiums" adequate to fund the actuarially determined losses in the shared risk and banking layers of the Liability Program, including attorney fees and other claims related costs, the cost of excess coverage, and the projected administrative costs of the Liability Program. These rates and "deposit premiums" shall be approved by the Board as part of SCORE's annual budget.

#### B. RETROSPECTIVE ADJUSTMENTS

"Dividends" for a "Program Year" may be made provided that a reserve surplus exists which exceeds a reserve requirement established by the 8570th percentile confidence level, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the distribution. The Liability program will also maintain a MINIMUM EQUITY threshold of \$2,500,000 (5 times the anticipated retailed limit of \$500,000). Dividends may not be declared from the shared risk layer prior to the fifth anniversary of the Program Year. Article III Section 2(B) sets forth the procedures to be followed in the determination of amounts to be refunded to the individual "Member Entities".

Effective July 1, 2011, it is understood that funds of a "Participating Member" that withdraws from SCORE's Workers' Compensation Plan will remain with SCORE until such time as the "Program Year" is closed. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors.

This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

~~C.~~

~~D.~~

~~E.C.~~ ASSESSMENTS

Assessments shall be made when the Liability Program, as a whole, is found to be actuarially under-funded. The Liability Program is under-funded when an actuarial study has determined that the available reserves are less than an amount of expected outstanding claims liabilities, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the assessment.

#### 4. AMENDMENTS TO THIS PLAN

The provisions of this document may be amended by a two-thirds vote of the Directors, provided prior written notice has been given to the “Participating Members”. An Item on an Agenda for a Board of Directors meeting constitutes prior written notice of such proposed amendments.

## ARTICLE II - COVERAGE

### 1. GENERAL DESCRIPTION

#### A. COVERAGE PROVIDED

- 1) The Board of Directors shall approve this document which shall provide the means for the members of SCORE to pool their resources to ~~coverpay for~~ General Liability, Automobile Liability, Public Officials Errors and Omissions claims and other public liability claims as deemed appropriate and for which coverage is extended to the “Participants” of this Liability Program. An account shall be established from which losses and expenses of the Liability Program shall be paid.
- 2) SCORE shall provide another document, separate and apart from this document, which shall be entitled the Liability Memorandum of Coverage (LMOC). This Memorandum of Coverage shall provide for the indemnification of the covered parties for liability because of General Liability, Automobile Liability, Public Officials Errors and Omissions and other public liabilities as the Board of Directors deems appropriate, subject to any exclusions of coverage stated in the LMOC. The LMOC may provide coverage by incorporation of other documents with or without amendments. Those express provisions in the LMOC shall supersede any provision of a document that has been incorporated into the LMOC that is inconsistent with those express provisions.

- 3) The LMOC shall be adopted by the majority of the directors at a SCORE Board of Directors meeting. The Board of Directors may amend the LMOC at any time in the same manner and restrictions as imposed upon the adoption of the LMOC.

## B. LIMITS OF COVERAGE

- 1) This Liability Program shall provide a self-funded banking and shared risk layer, where economically practical, with total "limits of coverage" of at least \$500,000 per occurrence.
- 2) The Banking Layer shall consist of that amount of all claims arising out of one occurrence or wrongful act[SAI] up to \$25,000.
- 3) The Shared Risk Layer shall consist of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking Layer to the extent the claims are retained by SCORE.
- 4) The Liability Program may obtain for its "Participating Members" and SCORE limits in excess of the self-funded coverage through the purchase of excess insurance, reinsurance, or participation in a joint powers agreement or other self-insurance plans.

## C. POLICY TERM, RENEWAL, AND CANCELLATION

- 1) The period of the coverage shall be the same period of time covered by the "Program Year". The coverage shall commence at 12:01 a.m. local time, on July 1st at the location of the SCORE office. The coverage shall expire at 12:01 a.m. local time on the July 1st following commencement of coverage. Renewal periods shall follow the same dates. Cancellation by withdrawal of a "Participating Member" shall only be permitted at the end of a "Program Year". Cancellation by expulsion of the "Member Entity" shall be as determined by the Board of Directors.

## 2. AUTHORITY TO ALTER COVERAGE AND CONTRACT FOR EXCESS COVERAGE

- A. The Board of Directors may, from time to time, alter the coverage provided in the Memorandum of Coverage based on the needs of the "Participating Members", costs, the funds available, insurance available and other factors.
- B. Only the Board of Directors may purchase excess insurance, reinsurance, and participate in other pooling arrangements as authorized by the Government Code Section 6500 et seq or other self-insurance plan.

## 3. DISTRIBUTION

A copy of this document and the Memorandum of Coverage shall be provided to each "Participating Member". All endorsements or other changes to the Liability Program shall be

distributed, as occurring, to the "Participating Members". All documents shall be deemed provided if the designated representative for the "Participating Member" receives a copy of such document in person or if the document has been duly mailed in the U.S. Postal system or any other delivery system with tracking and verification of delivery to the address of the representative on file with SCORE.

## ARTICLE III – PREMIUMS, RATES, AND ASSESSMENTS

### 1. DEPOSIT PREMIUM CALCULATIONS

- A. The annual "deposit premium" for each "Participating Member" shall be calculated utilizing:
- 1) a deposit for the "Banking Layer" using an actuarially determined expected loss rate at an 8570 percent confidence level,
  - 2) a deposit for the "Shared Risk Layer" using an actuarially determined expected loss rate at an 8570 percent confidence level,
  - 3) a charge for excess coverage and
  - 4) A charge for the "Administrative Expenses" of the Liability Program as adopted by the Board of Directors.
  - 5) The above-mentioned deposits may be determined at a confidence level greater or less than 8570 percent only by a two-thirds vote of the Directors.
- B. The deposit for the "Banking Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by the rate determined by the actuary.
- C. The deposit for the "Shared Risk Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by an experience modification factor times the rate determined by the actuary.
- 1) The Experience Modification Factor for the member shall be determined by:
    - i. Dividing the member's losses for the five (5) years immediately preceding the one for which the deposit is being calculated not to exceed \$50,000 any one occurrence by the payroll for the same period. This calculates the member's Loss Rate.
    - ii. Then dividing the member's loss rate by the loss rate for SCORE as a whole during the same period using the total losses and payroll for all the members, calculating a Relative Loss Rate for the member.

- iii. This Relative Loss Rate will be multiplied by a Credibility Factor to which one minus the Relative Loss Rate will be added. This sum will be the Experience Modification Factor.
  - iv. A Credibility Factor will be calculated by dividing the member's payroll by the member's payroll plus a constant (i.e. member's payroll/ (member's payroll + constant)). The constant will be one times the largest member's payroll.
- D. The cost of excess coverage shall be charged to each "Participating Member" in the same proportion as the projected payroll is to the total payroll.
- E. The "Administrative Expenses" charged to each "Participating Member" is calculated by:
- 1) Multiplying fifty (50) percent of the "Administrative Expenses" by a factor derived by dividing the "Participating Member's" projected payroll for the "Program Year" by the total projected payroll of all "Participating Members"; plus
  - 2) A share of the remaining "Administrative Expenses" that is equal among all the members.
- F. Notwithstanding the super-majority vote under 1.A. of this Article, the Board of Directors may impose a minimum and/or a maximum deposit. Should that be the case, the portion of the deposit premium that is for the banking layer shall be adjusted accordingly.

## 2. ADJUSTMENTS TO ACCOUNT BALANCES

### A. ASSESSMENTS

If the Liability Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

- 1) Each "Participating Member" of the earliest "Program Year" with a deficit balance shall be assessed to the extent that the "Participating Member" has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustment Section below. However, such calculation shall use funding at an actuarially expected loss level.
- 2) If the funds collected from assessing the year under A1, above, are insufficient to fund the Program above a deficit balance, the next earliest "Program Year" with a deficit will be assessed in the same fashion as the first year, per A1 above.

3) A.2 above will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.

- 4) “Participating Members” that have withdrawn from the Workers; Compensation Plan are still responsible for assessments as detailed in Article V. – Participation, Section 2.b. of this document.

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## B. RETROSPECTIVE ADJUSTMENT

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the Retrospective Adjustment or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

Effective July 1, 2011, “Participants” that withdraw from SCORE’s Workers’ Compensation plan, agree that any available funds’ allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed. This includes funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. If a “Program Year” is not closed and the “Participating Member” would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

### 1) TIMING

- a. Shared Risk Layer – five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.
- b. Banking Layer – a "Retrospective Adjustment" shall be calculated at the end of the “Program Year” for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning 25 percent of the positive balances.
- c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Liability Program funded below the 85.70 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or together.
- d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the “Retrospective Adjustment” calculates.

## 2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

- a. Each "Participating Member" will be credited for their "deposit premiums" paid to the Shared Risk Layer and any assessments paid for the "Program Year". Allocated interest for the year will be added to the amount determined above. This amount will constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".
- b. From the amount calculated in 2a, above, the cost of claims shall be subtracted.
  - i. If the "Program Year" adjusted is the Program Year 2002-2003, then the total claims and IBNR in the shared risk layer for the shared risk layer shall be allocated based on an Adjusted Exposure Base calculated by:
    - o Dividing five (5) consecutive years of losses for each member limited to \$50,000 any one occurrence starting with the "Program Year" for which the adjustment is being calculated by the total deposits to the Liability Program of the member for those corresponding four (4) years. This calculates the member's loss rate for the period.
    - o Dividing the above loss ratio by the loss ratio for SCORE as a whole during the same period. This comparison of the loss rate of each member to the loss rate of SCORE for the same four (4) year period calculates a Relative Loss Rate or the member's deviation from the norm as a ratio.
    - o Multiply the Relative Loss Rate by the Credibility Factor and then add one minus the credibility factor. This produces the Experience Modification Factor.
      - The credibility factor is determined by dividing the member's four (4) year total deposits by the sum of the member's total deposit plus the smallest of the total deposit of any of the members. Thus, the smallest member will have a credibility factor of 50 percent and all other members will have a credibility factor of 50 percent or greater.
    - o The Adjusted Exposure Base is calculated by multiplying the four (4) years of deposits calculated earlier by the Experience Modification Factor.
  - ii. If the "Program Year" is the Program Year 2003-2004 or later, then the Adjusted Exposure Base is the Share Risk deposit for the "Program Year" divided by the total of all members' Shared Risk deposit for the year.
- c. The total amount of incurred claims within the share risk layer plus the IBNR at the 8570 percent confidence level, plus any amounts reserved for shock losses as determined by the Board of Directors is distributed to the members in proportion to their Adjusted Exposure Base is to the total Adjusted Exposure Base for SCORE as a whole. This amount will be the Total Claims Costs for the member.
- d. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.



- e. The Account Balance for the member in any “Program Year” is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the Board and only if the “Program Year” is at least five (5) years old and the Program as a whole will not be under an 8570 percent confidence level after the return or dividend.

### 3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

- a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the “Program Year”. Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".
- b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the “Participating Members” in the same proportion as the member’s Banking Layer deposit is to the total deposits of all “Participating Members”.
- c. From the amount calculated in 3a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted. This amount shall include any payments made for the member from the Funds for Legal Assistance.
- d. In addition, an amount shall be deducted for IBNR at an 8570 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion of the amount to be charged to the “Program Year” as is the member’s Banking Layer deposit to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.
- e. Any excess funds charged, or shortage of funds, for “administrative expenses” at the beginning of the “Program Year” for the Liability Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such “administrative expenses” half by payroll for the period and half equally among the members.
- f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.
- g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Liability Program, or the “Program Year”, below an 8570 percent confidence level.

#### 4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". Participants with a negative balance may apply monies from its other program that have a positive balance as payment against the negative balance. "Participants" with positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one "Program Year" shall not exceed the actuarially determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Liability Program as a whole less any refunds granted from prior "Program Year's".

#### C. CLOSING OF PROGRAM YEARS

1) The Board of Directors may close a "Program Year" as described in Article I Section 2A.

~~1)~~ Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Section 3g above, and the account balances shall be returned if positive, or surcharged if negative, to the "Participating Member" and to Participating Members that have withdrawn from the Plan

~~2)~~

~~3)~~

~~4)2)~~ The Board of Directors retains the right to assess any and all "Member Entities" including Member Entities that have withdrawn from the Plan participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

### ARTICLE IV - ADMINISTRATION

#### 1. ORGANIZATION AND RESPONSIBILITIES

##### A. RELATION TO SCORE STRUCTURE

- 1) This document shall be considered to be an integral part of the Bylaws of SCORE. From time to time, resolutions of SCORE Board of Directors may be adopted which may take precedence over this document for a limited period of time; however, it is intended that any change thus enacted by resolution that is intended to be permanent shall be incorporated into an amendment to this document.
- 2) SCORE Administrator shall administer the Liability Program and report to the Board of Directors.

##### B. BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors shall:

- 1) Adopt this document and make changes to it as seen appropriate,
- 2) Adopt a Memorandum of Coverage and Declarations Page where appropriate,
- 3) Review applications to participate in the Liability Program from other agencies and determine their acceptability to the Program,
- 4) Approve budgets, rates, assessments, dividends and surcharges, and closures of "Program Years".
- 5) Approve all contracts for services for one (1) year or more. However, contracts for the Board of Directors need not approve legal representation provided to a covered party under the Memorandum of Coverage.
- 6) Meet at least annually to review the developments and performance of this program. This duty is fulfilled by discussion of developments and performance of this program as a part of a general or special Board of Directors meeting.

#### C. ADMINISTRATORS DUTIES AND RESPONSIBILITIES

The Program Administrator shall:

- 1) Use his best efforts to administer the Liability Program such as to achieve the objectives and goals of the Program and SCORE.
- 2) Shall administer the Liability Program in a manner that will provide claim and cost accountability for each "Program Year", separate and apart from all other "Program Years", and from other programs of SCORE.
- 3) Act as an arbitrator where disputes arise between an "Participant" and the Claims Adjustor;
- 4) Provide the members with ongoing review of coverages provided by this Liability Program including any excess coverage; and
- 5) Maintain and distribute to the members the documents of this Program;
- 6) Assist in the selection of a Claims Adjusting company, including evaluation of service in both the claims handling and reporting services;
- 7) Oversee performance of the Claims Adjustor with special emphasis on the handling of "open claims";
- 8) Present claims audits to the Board of Directors, with recommendations of changes in claims procedures where appropriate.

- 9) Prepare a budget for each "Program Year" for approval by the Board of Directors before the "Program Year";
- 10) Ensure that Retrospective Adjustments for previous "Program Years", and rates and "deposit premiums" for each new "Program Year" are calculated in the manner described in Article II;
- 11) Present the findings of the actuarial studies to the Board of Directors and recommend actions where "Program Years" are, or are likely to be, in the near future actuarially unsound;
- 12) Ensure that all "Participating Members" are invoiced for "deposit premiums" and other amounts due; and
- 13) Ensure that timely quarterly and annual financial statements describing the financial condition of the Liability Program is presented to the Board of Directors.

#### D. RISK ANALYST

The Risk Analyst shall:

- 1) Visit each "Participant" at least once a year,
  - a. The Board of Directors may list specific areas on which these inspections should place special emphasis.
  - b. A written safety report shall be sent to the "Participating Member" within thirty (30) days after the visit summarizing areas for improvement. Each "Participating Member" shall respond to the report within forty-five (45) days after receipt.
- 2) Provide consultation and advice as respects issues of safety and loss control as requested.

## 2. ELIGIBILITY AND APPLICATION

#### A. WHO MAY PARTICIPATE IN THE LIABILITY PROGRAM

- 1) All "Entities" which are members of SCORE may participate in the Liability Program after review and a vote by two-thirds of the Board of Directors.
- 2) New agencies applying for membership in this Liability Program shall submit an application for participation. A history of liability claims for at least five (5) years must be presented for review.

#### B. DATE OF MEMBERSHIP

It is desirable that new agencies enter the Liability Program at the commencement of a new "Program Year". If the new applicant enters at any other time, the "deposit premium" may be prorated for the remainder of the "Program Year", and covered losses of the new applicant which occur on or after the date of membership will be paid; however, the new applicant shall be required to share losses for the pool for the entire year, just as if it had begun its membership in the pool at the beginning of the "Program Year".

## **ARTICLE V - PARTICIPATION**

### **1. ELIGIBILITY AND APPLICATION**

#### **A. ELIGIBILITY**

- 1) To participate in the Liability Program, the "Entity" must be a member of SCORE. Participation in the Liability Program is **mandatory**.
- 2) The "Entity" must initially commit to at least three (3) full "Program Years" of participation in the Liability Program.
- 3) The "Entity" must apply for participation by providing a completed and signed resolution obligating the "Entity" to participate for the required three (3) years and accepting the rules and regulations set forth in this document. The "Entity" requesting to participate in the Liability Program shall submit five (5) years of Liability loss experience, complete an Exposure Analysis Questionnaire, and provide copies of the last four (4) quarterly DE-6 reports.
- 4) The "Entity" should provide the resolution form, the experience information, and the DE-6 reports at least sixty (60) days prior to the inception of the "Program Year" in which they will commence participation, or the date the "Entity" desires coverage to begin.

#### **B. APPROVAL OF APPLICATION**

- 1) The Coverage Committee shall, from a review of the Resolution and other underwriting criteria, determine the acceptability of the exposures presented by the requesting "Entity".
- 2) The Administrator shall advise, in writing, the requesting "Entity" of the decision of the Coverage Committee to accept or reject the request within ten (10) working days after the decision.

### **2. PARTICIPANTS' DUTIES**

#### **A. PROVIDE UNDERWRITING CRITERIA**

- 1) Each participant shall provide copies of the DE-6 report quarterly within fifteen (15) days after filing with the State.
- 2) Each participant shall, upon request, complete an exposure questionnaire.
- 3) Each participant shall cooperate with SCORE in the claim management, loss control, underwriting, and actuarial activities of SCORE.

#### B. PAYMENT OF PREMIUMS AND OTHER CHARGES

- 1) Each year, on or around July 1st, SCORE shall invoice "Participating Members" for a Liability "Deposit Premium" for the next "Program Year". The annual invoice shall be due and payable on July 1, and shall be delinquent if not paid on or before the last working day in July.
- 2) A "Participating Member" may be invoiced an additional amount because of assessments to bring a "Program Year" into a state of actuarial soundness or a surcharge arising out of a "Retrospective Adjustment." This invoicing is due and payable upon receipt and delinquent if not paid on or before thirty (30) calendar days after receipt. The date of receipt shall be determined as the date the billing was presented in person to a representative of the "Entity", or three (3) days after posting the billing in the U.S. Mail.
- 3) "Entities" which have formerly participated in the Liability Program, but have since withdrawn as a participant, shall be required to pay all applicable billings for the "Program Years" in which they participated. Delinquent billings shall be treated in the same manner as set forth above as if the "Entity" were still a "Participant".
- 4) Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the "Participant" from the Liability Program and may result in the expulsion of the "Participant" from SCORE.
- 5) Failure to pay billings, penalties, or accrued interest thereon shall constitute a breach of the agreement between the former "Participating Member" and SCORE. The former "Participating Member" shall be liable for the billings, penalties, accrued interest, and all costs incurred by SCORE in the enforcement of all provisions set forth in this document.

### 3. TERMINATION OF PARTICIPATION

- A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:

- 1) A request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next "Program Year",
- 2) A termination notice from the President advising the Board of Directors that action to expel the "Participating Member" has been sent to the "Participating Member", or
- 3) The "Participant" is no longer a "Member Entity".

B. Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity" participated. These obligations include payment of assessments, "Retrospective Adjustments", or any other amounts due and payable.

C. The Board of Directors may terminate future participation by an "Entity" for the following reasons:

- 1) Declination to cover the "Entity" by the organization providing excess coverage;
- 2) Nonpayment of past billings, assessments, surcharges, or other charges;

3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;

- 4) Failure to provide underwriting information;
- 5) Development of an extraordinarily poor loss history;
- 6) A substantial change in exposures that are not acceptable in this program; and/or

7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.

## ARTICLE VI – CLAIMS ADMINISTRATION

### 1. SELECTION OF ADJUSTOR

A. The Board of Directors shall review proposals for claims adjusting services and may enter into contract based on the qualifications and experience of the proposer. The adjusting company shall have the capacity, and shall report claims activities in such a manner that the segregated accounting requirement of the Liability Program can be easily administered.

### 2. CLAIMS ADJUSTING SERVICE

The claims adjusting company shall:

- A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;
- B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;
- C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,
- D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;
- E. Report claims activity monthly to the Administrator and each "Participant"

### **3. CLAIMS PROCEDURES MANUAL**

- A. A Liability Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".
- B. The Board of Directors may adopt amendments to the Liability Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".
- C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

### **4. DUTY TO REPORT CLAIM**

- A. Timely reporting of claims is essential to efficient claims management. Thus, any claim shall be reported to the Claims Adjustor immediately, as set forth in the Claims Procedures Manual.
- B. The Liability Claims Procedures Manual shall include forms and detailed procedures for claims reporting. It is the responsibility of each "Participating Member" to ensure that the persons handling claims at the "Participant's" place of business knows the claims procedures set forth in the Manual.

### **5. CLAIMS AUDIT**

- A. At least once every two (2) years, the adequacy of claims adjusting shall be examined by an independent auditor who specializes in claims auditing.
- B. The Board of Directors shall direct the Administrator to obtain the services of a claims auditor chosen by the Board and present the finding of the audit to the Board of Director.



- C. The claims audit report shall address the issues of adequacy of claims procedures, the implementation of the litigation management procedures and the accuracy of claims data.

## **6. SETTLEMENT AUTHORITY**

- A. Each "Participating Member" shall have settlement authority for its claims within the banking layer.
- B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.
- C. The Claims Adjuster shall have authority up to \$5,000 in excess of that which has already been paid or authorized to settle claims.
- D. The Board of Directors retains unto itself the authority to approve settlement of all other claims.
- E. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement, but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.

## **7. DISPUTES REGARDING MANAGEMENT OF A CLAIM**

- A. Any matter in dispute between a "Participating Member" and the Claims Adjuster shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.
- B. The decision of the Board of Directors or Executive Committee shall be final and not appealable to a higher authority.

## **ARTICLE VII - DEFINITIONS**

1. **"Actuarially sound"** means that the "Program Year" has sufficient funds to pay the expected cost of claims as determined by a certified actuary and the "Administrative Expenses" for the "Program Year".
2. **"Administrative Expenses"** means those expenses incurred by the Liability Program that are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of previously unknown claims.

“Administrative Expenses” shall include expenses of the Authority that are allocated to the Liability Program.

3. **“Banking Layer”** shall be that amount of all claims arising out of one occurrence where 100 percent of the claims will be charged against the “Participant’s” account.
4. **“Claim”** means, if not otherwise defined within the context, to be all demands for compensation by third party claimants against a covered party arising out of one occurrence.
5. **“Entity”** means a governmental body, including any commissions, agencies, districts, authorities, boards, or other similar government body under the direct control of the governmental body which is eligible to participate in a Joint Powers Authority. A “Member Entity” is one who has been accepted into SCORE.
6. **“Limits of Coverage”** means the maximum amount of financial protection afforded any “Member Entity” or “entities”.
7. **“Obligated Reserves”** means reserves for expected claims expenses, determined by an actuarial study, not attributable to any known claim. This is sometimes called IBNR.
8. **“Participant”** or **“Participating Member”** is a “Member Entity” that participates in the Liability Program.
9. **“Program Year”** means the period of coverage from July 1st of any one year to July 1st of the next year as provided by the Memorandum of Coverage.
10. **“Share Risk Layer”** means the amount of all claims from one occurrence exceeding the “Banking Layer” but not more than the total amount retained by SCORE.
11. **“Programs”** means Liability or Workers’ Compensation Programs.

**Agenda Item F.5**

**Score Workers' Compensation Master Plan Documents**

**Action Item**

**ISSUE:** Board should review amendments to the Workers' Compensation Master Plan Documents for approval.

**RECOMMENDATION:** Staff recommends approval of MPD amendment.

**FISCAL IMPACT:** Potentially strengthens the JPA as members leaving the program must leave their funds with the JPA until Program Years are closed.

**BACKGROUND:** SCORE had one member leave the JPA in 2010 and has received notice of intent to withdraw from two other members. As a result, discussion developed at the January Board meeting and an ad hoc committee was created to vet issues that result from members leaving the JPA.

The ad hoc committee recommended the Bylaws be changed as follows:

**“Member Agencies that withdraw from SCORE’s Liability and or Worker’s Compensation plans, agree that any available funds allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed”.**

The proposed Master Plan documents have been amended to include the recommendations of the Ad Hoc committee.

**ATTACHMENTS:** Red Line strikout of the Worker’s Compensation Master Plan Documents

**SMALL CITIES ORGANIZED RISK EFFORT  
MASTER PLAN DOCUMENT  
FOR THE  
WORKERS' COMPENSATION PROGRAM  
(ALSO KNOWN AS THE PROGRAM BYLAWS)**

**EFFECTIVE JUNE 27, 2003  
AS AMENDED JUNE 25, 2010  
AS AMENDED MARCH 25, 2011**

**ARTICLE I - GENERAL**

**1. PURPOSE**

- A. One of the primary purposes in forming the Small Cities Organized Risk Effort Joint Powers Authority, hereinafter SCORE, was to create a method for providing coverage for legal liabilities unexpectedly incurred by the member agencies. In response to the members' liabilities arising out of the California Workers' Compensation Act and other liabilities for bodily injury to employees, SCORE established the Workers' Compensation Program. This Workers' Compensation Master Plan Document, hereinafter the WCMPD sets forth the manner in which these services shall be delivered to the membership. The Program shall use the concepts and techniques of pooled sharing of operating costs and losses above the banking layer. The Workers' Compensation Program may purchase excess coverage or participate in other risk sharing pools above those limits provided by the Workers' Compensation Program shared risk layer as authorized by the Board of Directors of SCORE. SCORE may also purchase reinsurance above a set retention per occurrence and/or in the aggregate as authorized by the Board of Directors of SCORE.
- B. The Board of Directors has the right to alter the terms and conditions of the underlying coverage in response to the needs and abilities of the Workers' Compensation Program, the "Member Entities", and the availability of coverage from outside sources.

**2. SEPARATE PROGRAM YEARS**

A. PROGRAM YEARS

"Program Years" shall be defined as the losses incurred during the period from July 1st of each year to June 30th of the following year. The income and expenses of each "Program Year" shall be accounted separately from any other "Program Year's" income or expenses. The Workers' Compensation Program shall charge "deposit premiums" to each participating member at inception of the year to fund the cost of losses and expenses anticipated for the

life of the "Program Year". "Retrospective Adjustments" may be made annually, subject to criteria set forth in this WCMPD.

The life of the "Program Year" may be many years, as it cannot be completed until all claims incurred during the "Program Year" are closed, and it is very improbable that new claims for that "Program Year" will arise. The "Program Year" shall remain open until the Board of Directors authorizes closure, being convinced that known claims for the year are closed, and no further claims will be discovered.

#### B. ACTUARIALLY SOUND PROGRAM YEARS

To assure each "Program Year" is "actuarially sound" as a separate unit, the Workers' Compensation Program shall charge each participating member a "deposit premium" based on an actuarial projection of losses for the year and the exposure of loss presented by each participating member.

To maintain actuarial soundness, the Workers' Compensation Program shall have actuarial studies done annually and take appropriate action if the "Program Year" should be deficient actuarially. For such actions, please see Article III - Premiums, Rates and Assessments.

### 3. FINANCING THE PROGRAM

#### A. DEPOSIT PREMIUMS

The Administrator, in conjunction with an actuary, shall prepare rates and "deposit premiums" adequate to fund the actuarially determined losses in the shared risk and banking layers of the Workers' Compensation Program, including attorney fees and other claims related costs, the cost of excess coverage, and the projected administrative costs of the Workers' Compensation Program. These rates and "deposit premiums" shall be approved by the Board as part of SCORE's annual budget.

#### B. RETROSPECTIVE ADJUSTMENTS

"Dividends" for a "Program Year" may be made provided that a reserve surplus exists which exceeds a reserve requirement established by the 85<sup>th</sup> percentile confidence level, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the distribution. The Workers' Compensation program will also maintain a MINIMUM EQUITY threshold of \$1,250,000 (5 times the anticipated retained limit of \$250,000). Dividends may not be declared from the shared risk layer prior to the fifth anniversary of the Program Year. ARTICLE III Section 3 sets forth the procedures to be followed in the determination of amounts to be refunded to the individual "Member Entities".

Effective July 1, 2011, it is understood that funds of a "Participating Member" that withdraws from SCORE's Workers' Compensation Plan will remain with SCORE until such time as the "Program Year" is closed. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may

annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

#### C. ASSESSMENTS

Assessments shall be made when the Workers' Compensation Program, as a whole, is found to be actuarially under-funded. The Workers' Compensation Program is under-funded when an actuarial study has determined that the available reserves are less than an amount of expected outstanding claims liabilities, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the assessment.

#### 4. AMENDMENTS TO THIS PLAN

The provisions of this document may be amended by a two-thirds vote of the Directors, provided prior written notice has been given to the "Participating Members". An Item on an Agenda for a Board of Directors meeting constitutes prior written notice of such proposed amendments.

### ARTICLE II - COVERAGE

#### 1. GENERAL DESCRIPTION

##### A. COVERAGE PROVIDED

- 1) The Board of Directors shall approve this document which shall provide the means for the members of SCORE to pool their resources to ~~cover~~ coverpay for workers' compensation and employer's liability claims and for which coverage is extended to the "Participants" of this Workers' Compensation Program. An account shall be established from which losses and expenses of the Workers' Compensation Program shall be paid.
- 2) SCORE shall provide another document, separate and apart from this document, which shall be entitled the Workers' Compensation Memorandum of Coverage (WCMOC). This Memorandum of Coverage shall provide for the indemnification of the covered parties for liability because of bodily injury to employees, as the Board of Directors deems appropriate, subject to any exclusions of coverage stated in the WCMOC. The WCMOC may provide coverage by incorporation of other documents with or without amendments. Those express provisions in the WCMOC shall supersede any provision of a document that has been incorporated, whether such document is the Labor Code or otherwise, into the WCMOC that is inconsistent with those express provisions.
- 3) The WCMOC shall be adopted by the majority of the directors at a SCORE Board of Directors meeting. The Board of Directors may amend the WCMOC at any time in the same manner and restrictions as imposed upon the adoption of the WCMOC.

## B. LIMITS OF COVERAGE

- 1) This Workers' Compensation Program shall provide a self-funded banking and shared risk layer, where economically practical, with total "limits of coverage" of at least \$150,000 per occurrence.
- 2) The Banking Layer shall consist of that amount of all claims arising out of one occurrence up to \$25,000.
- 3) The Shared Risk Layer shall consist of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking Layer to the extent the claims are retained by SCORE.
- 4) The Workers' Compensation Program may obtain for its participating members and SCORE limits in excess of the self-funded coverage through the purchase of excess insurance, reinsurance, or participation in a joint powers agreement or other self-insurance plans.

## C. POLICY TERM, RENEWAL, AND CANCELLATION

- 1) The period of the coverage shall be the same period of time covered by the "Program Year". The coverage shall commence at 12:01 a.m. local time, on July 1st at the location of the SCORE office. The coverage shall expire at 12:01 a.m. local time on the July 1st following commencement of coverage. Renewal periods shall follow the same dates. Cancellation by withdrawal of a "Participating Member" shall only be permitted at the end of a "Program Year". Cancellation by expulsion of the "Member Entity" shall be as determined by the Board of Directors.

## 2. AUTHORITY TO ALTER COVERAGE AND CONTRACT FOR EXCESS COVERAGE

- A. The Board of Directors may, from time to time, alter the coverage provided in the Memorandum of Coverage based on the needs of the "Participating Members", costs, the funds available, insurance available and other factors.
- B. Only the Board of Directors may purchase excess insurance, purchase reinsurance, participate in other pooling arrangements as authorized by the Government Code Section 6500 et seq or other self-insurance plan.

## 3. DISTRIBUTION

A copy of this document and the Memorandum of Coverage shall be provided to each "Participating Member". All endorsements or other changes to the Workers' Compensation Program shall be distributed, as occurring, to the "Participating Members". All documents shall be deemed provided if the designated representative for the "Participating Member" receives a copy of such document in person or if the document has been duly mailed in the U.S. Postal

system or any other delivery system with tracking and verification of delivery to the address of the representative on file with SCORE.

## **ARTICLE III – PREMIUMS, RATES AND ASSESSMENTS**

### **1. MINI-CITIES POOL**

A “Mini-Cities” pool shall constitute those “Participating Members” who have elected, in writing, to participate in it and for which the Board of Directors has agreed by a vote of two-thirds of the Directors. For purposes of this Article, such “Mini-Cities” pool shall be treated as if it were a single “Participating Member”.

- A. “Deposit Premiums” for the “Mini-Cities” pool, as calculated in Section 2 below, shall be distributed to its members in the proportion the member’s payroll is to the total payroll of all the members of the “Mini-Cities” pool.
- B. Assessments, Dividends, or Surcharges for the “Mini-Cities” pool, as calculated under Section 3 below, shall be distributed to its members in the proportion the member’s deposit premium for the appropriate “Program Year” was to the deposit premium for the “Mini-Cities” pool as a whole.
- C. The Board of Directors will establish rules for admission to the Mini-Cities Pool.

### **2. DEPOSIT PREMIUM CALCULATIONS**

- A. The annual "deposit premium" for each "Participating Member" shall be calculated utilizing:
  - 1) a deposit for the “Banking Layer” using an actuarially determined expected loss rate at an 8570 percent confidence level,
  - 2) a deposit for the “Shared Risk Layer” using an actuarially determined expected loss rate at an 8570 percent confidence level,
  - 3) a charge for excess coverage and
  - 4) a charge for the "Administrative Expenses" of the Workers’ Compensation Program as adopted by the Board of Directors.

The above-mentioned deposits may be determined at a confidence level greater or less than 8570 percent only by a two-thirds vote of the Directors.

- B. The deposit for the “Banking Layer” shall be determined by multiplying the “Participating Member’s” projected payroll for the “Program Year” by the rate determined by the actuary.



- C. The deposit for the “Shared Risk Layer” shall be determined by multiplying the “Participating Member’s” projected payroll for the “Program Year” by experience modification factor times the rate determined by the actuary.
- 1) The Experience Modification Factor for the member shall be determined by:
    - i. Dividing the member’s losses for the four (4) years immediately preceding the one for which the deposit is being calculated not to exceed \$50,000 any one occurrence by the payroll for the same period. This calculates the member’s Loss Rate.
    - ii. Then dividing the member’s loss rate by the loss rate for SCORE as a whole during the same period using the total losses and payroll for all the members, calculating a Relative Loss Rate for the member.
    - iii. This Relative Loss Rate will be multiplied by a Credibility Factor to which one minus the Relative Loss Rate will be added. This sum will be the Experience Modification Factor.
    - iv. A Credibility Factor will be calculated by dividing the member’s payroll by the members’ payroll plus a constant, i.e. member’s payroll (member’s payroll + constant). The constant will be one times the largest member’s payroll.
- D. The cost of excess coverage shall be charged to each “Participating Member” in the same proportion as the projected payroll is to the total payroll.
- E. The "Administrative Expenses" charged to each "Participating Member" is calculated by:
- 1) multiplying 50 percent of the “Administrative Expenses” by a factor derived by dividing the “Participating Member’s” projected payroll for the Program Year by the total projected payroll of all “Participating Members”; plus
  - 2) A share of the remaining “Administrative Expenses” that is equal among all the members.
- F. Notwithstanding the super-majority vote under 2.A of this Article, the Board of Directors may impose a minimum and/or a maximum deposit. Should that be the case, the portion of the deposit premium that is for the banking layer shall be adjusted accordingly.

### **3. ADJUSTMENTS TO ACCOUNT BALANCES**

#### **A. ASSESSMENTS**

If the Workers’ Compensation Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially

unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

- 1) Each “Participating Member” of the earliest “Program Year” with a deficit balance shall be assessed to the extent that the participating Member has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustments Section below. However, such calculation shall use funding at an actuarially expected loss level.
- 2) If the funds collected from assessing the year under a. above is insufficient to fund the Program above a deficit balance, the next earliest “Program Year:” with a deficit will be assessed in the same fashion as the first year per A.1 above.
- 3) A.2 above will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.

4) “Participating Members” that have withdrawn from the Workers; Compensation Plan are still responsible for assessments as detailed in Article V. – Participation, Section 2.b. of this document.

3)

## B. RETROSPECTIVE ADJUSTMENTS

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

Effective July 1, 2011, “Participants” that withdraw from SCORE’s Workers’ Compensation plan, agree that any available funds’ allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed. This includes funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. If a “Program Year” is not closed and the “Participating Member” would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

## 1) TIMING

- a. Shared Risk Layer – five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.
- b. Banking Layer – a "Retrospective Adjustment" shall be calculated at the end of the "Program Year" for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning 25 percent of the positive balances of those open years.
- c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Workers' Compensation Program funded below the 8570 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or both.
- d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the "Retrospective Adjustment" calculates.

## 2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

- a. Each "Participating Member" will be credited for their "deposit premiums" paid to the Shared Risk Layer and any assessments paid for the program year. Allocated interest for the year will be added to the amount determined above. This amount will constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".
- b. From the amount calculated in 2a, above, the cost of claims shall be subtracted.
  - i. The cost of claims constitutes the total of incurred claims within the share risk layer plus the IBNR at the 8570 percent confidence level, plus any amounts reserved for shock losses as determined by the Board of Directors.
  - ii. The costs of claims are allocated to the members in the same proportion as their Shared Risk Deposit is to the total Shared Risk Deposit for the Participating Members as a whole.
- c. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.
- d. The Account Balance for the member in any "Program Year" is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the Board and only if the "Program Year" is at least five (5) years old and the Program as a whole will not be under an 85 percent confidence level after the return or dividend.

### 3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

- a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the "Program Year." Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".
- b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the "Participating Members" in the same proportion as the member's Banking Layer deposit is to the total deposits of all "Participating Members".
- c. From the amount calculated in 3a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted.
- d. In addition, an amount shall be deducted for IBNR at an 8570 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion as the member's Banking Layer deposit is to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.
- e. Any excess funds charged, or shortage of funds, for administrative expenses at the beginning of the "Program Year" for the Workers' Compensation Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such administrative expenses half by payroll for the period and half equally among the members.
- f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.
- g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Workers' Compensation Program, or the "Program Year", below an 8570 percent confidence level.

### 4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". Participants with a negative balance may apply monies from its other program that have a positive balance as payment against the negative balance. "Participants" with positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one "Program Year" shall not exceed the actuarially

determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Workers' Compensation Program as a whole less any refunds granted from prior Program Years.

#### C. CLOSING OF PROGRAM YEARS

- 1) The Board of Directors may close a "Program Year" as described in Article I Section 2.A.
- 2) Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Article 3 Section B above, and the account balances shall be returned, if positive, or surcharged if negative, to the "Participating Member" and to Participating Members that have withdrawn from the Plan-
- 3) The Board of Directors retains the right to assess any and all "Member Entities" including Member Entities that have withdrawn from the Plan-participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

### ARTICLE IV - ADMINISTRATION

#### 1. ORGANIZATION AND RESPONSIBILITIES

##### A. RELATION TO SCORE STRUCTURE

- 1) This document shall be considered to be an integral part of the Bylaws of SCORE. From time to time, resolutions of the SCORE Board of Directors may be adopted which may take precedence over this document for a limited period of time; however, it is intended that any change thus enacted by resolution that is intended to be permanent shall be incorporated into an amendment to this document.
- 2) SCORE Administrator shall administer the Workers' Compensation Program and report to the Board of Directors.

##### B. BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors shall:

- 1) Adopt this document and make changes to it as seen appropriate,
- 2) Adopt a Memorandum of Coverage and Declarations page where appropriate,
- 3) Review applications to participate in the Workers' Compensation Program from other agencies and determine their acceptability to the Program,
- 4) Approve budgets, rates, assessments, dividends and surcharges, and closures of "Program Years".

- 5) Approve all contracts for services for one (1) year or more. However, contracts for the Board of Directors need not approve legal representation provided to a covered party under the Memorandum of Coverage.
- 6) Meet at least annually to review the developments and performance of this program. This duty is fulfilled by discussion of developments and performance of this program as a part of a general or special Board of Directors meeting.

### C. ADMINISTRATORS DUTIES AND RESPONSIBILITIES

The Program Administrator shall:

- 1) Use their best efforts to administer the Workers' Compensation Program such as to achieve the objectives and goals of the Program and SCORE.
- 2) Shall administer the Workers' Compensation Program in a manner that will provide claim and cost accountability for each "Program Year", separate apart from all other "Program Years", and from other programs of SCORE.
- 3) Act as an arbitrator where disputes arise between an "Participant" and the Claims Adjuster;
- 4) Provide the members with ongoing review of coverage's provided by this Workers' Compensation Program including any excess coverage; and
- 5) Maintain and distribute to the members the documents of this Program;
- 6) Assist in the selection of a Claims Adjusting company, including evaluation of quality and price of service in both the claims handling and reporting services;
- 7) Oversee performance of the Claims Adjuster with special emphasis on the handling of "open claims";
- 8) Present claims audits to the Board of Directors, with recommendations of changes in claims procedures where appropriate.
- 9) Prepare a budget for each "Program Year" for approval by the Board of Directors before the "Program Year";
- 10) Ensure that "Retrospective Adjustments" for previous "Program Years", and rates and "deposit premiums" for each new "Program Year" are calculated in the manner described in Article II;

- 11) Present the findings of the actuarial studies to the Board of Directors and recommend actions where "Program Years" are, or are likely to be, in the near future actuarially unsound;
- 12) Ensure that all "Participating Members" are invoiced for "deposit premiums" and other amounts due; and
- 13) Ensure that timely quarterly and annual financial statements describing the financial condition of the Workers' Compensation Program is presented to the Board of Directors.

#### D. SAFETY ANALYST

The Safety Analyst shall:

- 1) Visit each "Participant" at least once a year,
  - a. The Board of Directors may enumerate areas on which these inspections should place special emphasis.
  - b. A written safety report shall be sent to the "Participating Member" within 30 days after the visit summarizing areas for improvement. Each "Participating Member" shall respond to the report within 45 days after receipt.
- 2) Provide consultation and advice as respects issues of safety and loss control as requested.

## 2. ELIGIBILITY AND APPLICATION

### A. WHO MAY PARTICIPATE IN THE WORKERS' COMPENSATION PROGRAM

- 1) All "Entities" which are members of SCORE may participate in the Workers' Compensation Program after review and a vote by two-thirds of the Board.
- 2) New agencies applying for membership in this Workers' Compensation Program shall submit an application for participation. A history of liability claims for at least five (5) years must be presented for review.

### B. DATE OF MEMBERSHIP

It is desirable that new agencies enter the Workers' Compensation Program at the commencement of a new "Program Year". If the new applicant enters at any other time, the "deposit premium" may be prorated for the remainder of the "Program Year", and covered losses of the new applicant which occur on or after the date of membership will be paid; however, the new applicant shall be required to share losses for the pool for the entire year, just as if it had begun its membership in the pool at the beginning of the "Program Year".

## **ARTICLE V - PARTICIPATION**

### **1. ELIGIBILITY AND APPLICATION**

#### **A. ELIGIBILITY**

- 1) To participate in the Workers' Compensation Program, the "Entity" must be a member of SCORE. Participation in the Workers' Compensation Program is voluntary.
- 2) The "Entity" must initially commit to at least three (3) full "Program Years" of participation in the Workers' Compensation Program.
- 3) The "Entity" must apply for participation by providing a completed and signed resolution obligating the "Entity" to participate for the required three (3) years and accepting the rules and regulations set forth in this document. The "Entity" requesting to participate in the Workers' Compensation Program shall submit five (5) years of workers' compensation loss experience, complete an Exposure Analysis Questionnaire and/or payroll by classification codes, and provide copies of the last four (4) quarterly DE-6 reports.
- 4) The "Entity" should provide the resolution form, the experience information, and the DE-6 reports at least sixty (60) days prior to the inception of the "Program Year" in which they will commence participation, or the date the "Entity" desires coverage to begin.

#### **B. APPROVAL OF APPLICATION**

- 1) The Coverage Committee shall, from a review of the Resolution and other underwriting criteria, determine the acceptability of the exposures presented by the requesting "Entity".
- 2) The Administrator shall advise, in writing, the requesting "Entity" of the decision of the Board of Directors to accept or reject the request within ten (10) working days after the decision.

### **2. PARTICIPANTS' DUTIES**

#### **A. PROVIDE UNDERWRITING CRITERIA**

- 1) Each participant shall provide copies of the DE-6 report quarterly within fifteen (15) days after filing with the State.
- 2) Each participant shall, upon request, complete an exposure questionnaire.



- 3) Each participant shall cooperate with SCORE in the claim management, loss control, underwriting, and actuarial activities of SCORE.

#### B. PAYMENT OF PREMIUMS AND OTHER CHARGES

- 1) Each year, on or around July 1st, SCORE shall invoice "Participating Members" for a Workers' Compensation "Deposit Premium" for the next "Program Year". The deposit invoice shall be due and payable on the first day of each quarter, and shall be delinquent if not paid on or before the 30th day after the due date.
- 2) A "Participating Member" may be invoiced an additional amount because of assessments to bring a "Program Year" into a state of actuarial soundness or a surcharge arising out of a "Retrospective Adjustment". This invoicing is due and payable upon receipt and delinquent if not paid on or before thirty (30) calendar days after receipt. The date of receipt shall be determined as the date the billing was presented in person to a representative of the "Entity", or three (3) days after posting the billing in the U.S. Mail.
- 3) "Entities" which have formerly participated in the Workers' Compensation Program, but have since withdrawn as a participant, shall be required to pay all applicable billings for the "Program Years" in which they participated. Delinquent billings shall be treated in the same manner as set forth above as if the "Entity" were still a "Participant".
- 4) Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the "Participant" from the Workers Compensation Program and may result in the expulsion of the "Participant" from SCORE.
- 5) Failure to pay billings, penalties, or accrued interest thereon shall constitute a breach of the agreement between the former "Member Entity" and SCORE. The former "Member Entity" shall be liable for the billings, penalties, accrued interest, and all costs incurred by SCORE in the enforcement of all provisions set forth in this document.

### 3. TERMINATION OF PARTICIPATION

- A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:
  - 1) a request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next "Program Year",
  - 2) a termination notice from the President advising of the Board of Directors that action to expel the "Participating Member" has been sent to the "Participating Member", or
  - 3) The "Participant" is no longer a "Member Entity".

**B.** Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity" participated. These obligations include payment of assessments, "Equity Allocation Adjustments", or any other amounts due and payable.

~~4)~~

~~5)~~

**C.** **The Board of Directors may terminate future participation by an "Entity" for the following reasons:**

- 1) **Declination** to cover the "Entity" by the organization providing excess coverage;
- 2) Nonpayment of past billings, assessments, surcharges, or other charges;
- 3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;
- 4) Failure to provide underwriting information;
- 5) Development of an extraordinarily poor loss history;
- 6) A substantial change in exposures that are not acceptable in this program; and/or
- 7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.

## **ARTICLE VI – CLAIMS ADMINISTRATION**

### **1. SELECTION OF ADJUSTOR**

A. The Board of Directors shall review proposals for claims adjusting services and may enter into contract with the based on the qualifications and experience of the proposer. The adjusting company shall have the capacity, and shall report claims activities in such a manner that the segregated accounting requirement of the Workers' Compensation Program can be easily administered.

### **2. CLAIMS ADJUSTING SERVICE**

The claims adjusting company shall:

- A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;
- B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;

- C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,
- D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;
- E. Report claims activity monthly to the Administrator and each "Participant".

### **3. CLAIMS PROCEDURES MANUAL**

- A. A Workers' Compensation Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".
- B. The Board of Directors may adopt amendments to the Workers' Compensation Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".
- C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

### **4. DUTY TO REPORT CLAIM**

- A. Timely reporting of claims is essential to efficient claims management. Thus, any claim shall be reported to the Claims Adjustor immediately, as set forth in the Claims Procedures Manual.
- B. The Workers' Compensation Claims Procedures Manual shall include forms and detailed procedures for claims reporting. It is the responsibility of each "Participating Member" to ensure that the persons handling claims at the "Participant's" place of business knows the claims procedures set forth in the Manual.

### **5. CLAIMS AUDIT**

- A. At least once every two (2) years, the adequacy of claims adjusting shall be examined by an independent auditor who specializes in claims auditing.
- B. The Board of Directors shall direct the Administrator to obtain the services of a claims auditor chosen by the Board and present the finding of the audit to the Board of Director.
- C. The claims audit report shall address the issues of adequacy of claims procedures, the implementation of the litigation management procedures and the accuracy of claims data.

### **6. SETTLEMENT AUTHORITY**

- A. Each "Participating Member" shall have settlement authority for its claims within the banking layer.
- B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.
- C. The Board of Directors retains unto itself the authority to approve settlement of all other claims.
- D. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.
- E. For the purposes of this section, settlement shall include "stipulations to a permanent disability rating" as well as "compromise and releases "

## 7. DISPUTES REGARDING MANAGEMENT OF A CLAIM

- A. Any matter in dispute between a "Participating Member" and the Claims Adjustor shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.
- B. The decision of the Board of Directors or Executive Committee shall be final and not appealable to a higher authority.

## ARTICLE VII - DEFINITIONS

- 1) **"Actuarially sound"** means that the "Program Year" has sufficient funds to pay the expected cost of claims as determined by a certified actuary and the Administrative Expenses for the "Program Year".
- 2) **"Administrative Expenses"** means those expenses incurred by the Workers' Compensation Program that are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of previously unknown claims. Administrative Expenses shall include expenses of the "Authority" that are allocated to the Workers' Compensation Program.

- 3) **“Banking Layer”** shall be that amount of all claims arising out of one occurrence where 100 percent of the claims will be charged against the “Participant’s” account.
- 4) **“Claim”** means, if not otherwise defined within the context, to be all demands for compensation by employees for bodily injury caused while in the course of his or her employment.
- 5) **“Entity”** means a governmental body, including any commissions, agencies, districts, authorities, boards, or other similar government body under the direct control of the governmental body which is eligible to participate in a Joint Powers Authority. A “Member Entity” is one who has been accepted into SCORE.
- 6) **“Limits of Coverage”** means the maximum amount of financial protection afforded any “member entity” or “entities”.
- 7) **“Obligated Reserves”** means reserves for expected claims expenses, determined by an actuarial study, not attributable to any known claim. This is sometimes called IBNR.
- 8) **“Participant”** or **“Participating Member”** is a “Member Entity” that participates in the Workers’ Compensation Program.
- 9) **“Program Year”** means the period of coverage from July 1st of any one year to July 1st of the next year as provided by the Memorandum of Coverage.
- 10) **“Share Risk Layer”** means the amount of all claims from one occurrence exceeding the “Banking Layer” but not more than the total amount retained by SCORE.
- 11) **“Programs”** means Liability or Workers’ Compensation Programs.

## Agenda Item F.6

### Dividend Allocation Program for Loss Mitigation Policy and Procedure

#### Action Item

**ISSUE:** At the January 28, 2011 meeting, the Board requested that the Ad Hoc committee appointed, examine various ways to manage the release of Dividend Funds from SCORE to assure SCORE continues as a viable, long-term solution to Members' self insurance needs. The Committee has now met twice; once to develop the proposed By-Law changes, and second to develop a possible new tool for SCORE Members' use; the Dividend Allocation Program for Loss Mitigation (DAPLM).

At the Ad Hoc Committee Meeting, they discussed several options and concluded that the a good use of these funds would be to create a program whereby Members come hold money within SCORE for use that reduces exposures that lead to losses, and that Members could then request use of these funds for certain expenditures (by reimbursement to the Member) after review by an appointed Loss Control Committee.

Members would actually be *encouraged to participate* in DAPLM so that all benefit from reducing risks. A draft of the Policy and Procedure is attached for review and discussion.

**RECOMMENDATION:** The committee recommends the Board review the attached Policy and Procedure and take action to approve or give direction for future consideration.

**FINANCIAL IMPACT:** This is a Member's money, but held by SCORE for specific services. It can always be released to the Member when future Dividends are declared.

**BACKGROUND:** During the Long Range Planning Session the Board discussed possible options to use the \$100,000 of Safety Funds. The Ad Hoc Committee was given the responsibility of creating a recommendation to the Board to use the Safety Funds. The following is a summary of the highlights of the proposed policy and procedure for the Grant Program:

- Members must send a written request for the use of their funds to the Loss Control Committee via the Program Administrator
- The request will include a statement of the funds and how they will lead to the reduction of frequency or severity or will mitigate liability risks at the Member.
- These funds can be used for equipment, materials, training programs, travel to meetings or any other services that will lead to these results. (Examples include; 1) need new carpet in City Hall to reduce tripping hazards, 2) new gym equipment for the Police Department, or 3) bringing training to town for numerous individuals to attend.
- The Loss Control Committee members will either deny or approve the request within 72 hours; a three quarters ( $\frac{3}{4}$ ) majority is required for approval
- Members may apply for funds on a reimbursement basis.

## **ADMINISTRATIVE POLICY AND PROCEDURE**

### **SUBJECT: DIVIDEND ALLOCATION PROGRAM FOR LOSS MITIGATION**

#### Policy Statement:

Each Year SCORE may declare Dividends from the Liability and Workers' Compensation programs. Although Members may request that these funds be 1) released to them immediately when made payable, or 2) request that these funds be held by the Authority to cover future years' anticipated deficits, this Policy and Procedure address the *Third* option now available that allows for 50% of average Dividend funds to be managed by SCORE for payment of Members' Loss mitigation needs.

The new Dividend Allocation Program for Loss Mitigation (DAPLM) permits funds for individual Members' use to be held by SCORE for future reimbursement as permitted by the P&P as approved by the Board. Members are encouraged to participate in this program.

At the time Dividends are declared by the Board, Members must notify the Program Administrators and Treasure requesting a *Holdback*. (Up to 50% of the *prior three year average* may be held for DADLM purposes at any time.

To obtain release, a Member representative must send a written request for the use of their funds to member of an Ad Hoc Loss Control Committee. The request will include a statement which will justify how the use of these funds will reduce the frequency or severity of WC losses or will mitigate liability risks at the Member. These funds can be used for equipment, materials, training programs, travel to meetings or any other services that will lead to these results. The Committee will either deny or approve the request; a three quarters (¾) majority affirmation is required for approval. Members may apply for funds on a reimbursement basis.

#### Procedure:

A Member may apply for DAPLM by following the following procedure:

1. A Member will write a request to the Program Administrators requesting the use of DAPLM funds for city expenditure. The request will include a statement of the funds and how they will lead to the reduction of frequency or severity or will mitigate liability risks at the Member Agency. *(The request must be submitted by the SCORE Representative or Alternate and will contain approval of either the City Manager/Administrator or Finance Director of the Member.)*
2. The Program Administrators will forward the request to the appointed representatives of the Ad Hoc Loss Control Committee who will individually review the request and affirm approval or deny the request within 72 hours. A three quarters majority is required to approve a request.
3. If approved, the Member will purchase the service or item they requested and submit a receipt for reimbursement to the Program Administrator.
4. The Program Administrator will submit the reimbursement request and appropriate documentation to SCORE's accountant.

5. SCORE's accountant will reimburse the Member up to the maximum allowable amount and apply the reimbursement expense to the Member's account for tracking purposes.
  - a. If a request exceeds the budgeted funds available to a member, only the amount available for reimbursement will be paid.



## **ADMINISTRATIVE POLICY AND PROCEDURE**

### **SUBJECT: DIVIDEND ALLOCATION PROGRAM FOR LOSS MITIGATION**

#### Policy Statement:

Each Year SCORE may declare Dividends from the Liability and Workers' Compensation programs. Although Members may request that these funds be 1) released to them immediately when made payable, or 2) request that these funds be held by the Authority to cover future years' anticipated deficits, this Policy and Procedure address the *Third* option now available that allows for 50% of average Dividend funds to be managed by SCORE for payment of Members' Loss mitigation needs.

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At the time Dividends are declared by the Board, Members must notify the Program Administrators and Treasure requesting a *Holdback*. (Up to 50% of the *prior three year average* may be held for DADLM purposes at any time.

To obtain release, a Member representative must send a written request for the use of their funds to member of an Ad Hoc Loss Control Committee. The request will include a statement which will justify how the use of these funds will reduce the frequency or severity of WC losses or will mitigate liability risks at the Member. These funds can be used for equipment, materials, training programs, travel to meetings or any other services that will lead to these results. The Committee will either deny or approve the request; a three quarters (¾) majority affirmation is required for approval. Members may apply for funds on a reimbursement basis.

#### Procedure:

A Member may apply for DAPLM by following the following procedure:

1. A Member will write a request to the Program Administrators requesting the use of DAPLM funds for city expenditure. The request will include a statement of the funds and how they will lead to the reduction of frequency or severity or will mitigate liability risks at the Member Agency. *(The request must be submitted by the SCORE Representative or Alternate and will contain approval of either the City Manager/Administrator or Finance Director of the Member.)*
2. The Program Administrators will forward the request to the appointed representatives of the Ad Hoc Loss Control Committee who will individually review the request and affirm approval or deny the request within 72 hours. A three quarters majority is required to approve a request.
3. If approved, the Member will purchase the service or item they requested and submit a receipt for reimbursement to the Program Administrator.

4. The Program Administrator will submit the reimbursement request and appropriate documentation to SCORE's accountant.
5. SCORE's accountant will reimburse the Member up to the maximum allowable amount and apply the reimbursement expense to the Member's account for tracking purposes.
  - a. If a request exceeds the budgeted funds available to a member, only the amount available for reimbursement will be paid.

**Agenda Item F.7**

**SCORE Vendors Service and Performance Discussion**

**Information Item**

**ISSUE:** The Board will openly discuss the current JPA administration, claims administration and risk management services provided to the SCORE members to evaluate if the Board should consider other vendors to provide these services.

**RECOMMENDATION:** None

**FISCAL IMPACT:** None

**BACKGROUND:** President Carroll requested that this be included in the agenda. He would like an open and frank discussion among the Board members regarding the JPA administration, claims administration and risk management services currently being provided to SCORE.

**ATTACHMENTS:** None

**Agenda Item F.8**

**October Training Day and Board Meeting Venue Discussion**

**Information Item**

**ISSUE:** Determine topics for Training Day which will be held on October 27, 2011 with the Board meeting following on October 28<sup>th</sup>. Staff is also requesting suggestions for a venue location

**RECOMMENDATION:** None

**FISCAL IMPACT:** \$10,000

**BACKGROUND:** Annually the Board meets one day prior to the June Board meeting to have a Training Day to educate the Board on matters that affect SCORE members. At the June 2010 Board meeting it was decided to move Training Day to coincide with the October Board meeting as this time of year is better for the Board members due to the fiscal year ending June 30<sup>th</sup>.

**ATTACHMENTS:** None

**Agenda Item G.1**

**General Liability Actuarial Review**

**Information Item**

**ISSUE:** The annual actuarial review, based on 12/31/10 loss information, has been completed. The attached draft summary reflects the estimated ultimate cost of claims and expenses for the banking layer and the pooling layer for the 2011-2012 program year. This review also reflects the anticipated outstanding liabilities including ALAE for the banking and pooling layers for the 2011-2012 program year.

The 2011-2012 estimated liability for outstanding loss at the 70% confidence level is \$1,467,000 which is \$106,000 less than the projected liabilities as of June 30, 2010.

The draft report also provides estimated funding at various levels of confidence for the program years 2011/2012 and 2012/2013. The projected combined funding level rate per \$100 payroll at the 70% confidence level for 2011/2012 is \$3.42 which is 6% lower than the \$3.63 rate that was projected for the 2010/2011 program year. The projected funding is reflected in the budget proposed later in this agenda.

	<u>2011/2012</u> <u>@ 70% Confidence Level</u>	<u>2010/2011</u> <u>@ 85% Confidence Level</u>	
Banking Layer	\$1.40	\$1.92	-27.08%
Pooling Layer	\$2.03	\$2.90	-30.00%
Combined Layer	\$3.42	\$4.83	-29.20%
Outstanding Loss Liability	\$1,467,000	\$1,949,000	-24.73%

**RECOMMENDATION:** None

**FISCAL IMPACT:** \$472,000 less in funding for 2011/2012 coverage period.

**BACKGROUND:** SCORE has Actuarial Studies done annually for accreditation and budget purposes. By having these studies done, SCORE is able to project their funding for the upcoming year and see how the rates affect their budgets.

**ATTACHMENTS:** General Liability Actuarial Review as of March 11, 2011

DRAFT



Bickmore Risk Services & Consulting

Friday, March 11, 2011

Ms. Susan Adams  
JPA Administrator  
Small Cities Organized Risk Effort  
C/o Alliant Insurance Services, Inc. - Driver Specialty Group  
1792 Tribute Road, Suite 450  
Sacramento, CA 95815

Re: Actuarial Review of the Self-Insured Liability Program

Dear Ms. Adams:

As you requested, we have completed our review of the Small Cities Organized Risk Effort's (SCORE) self-insured liability program. Assuming an SIR of \$500,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2011-12 program year to be \$302,000 for the banking layer and \$435,000 for the pooling layer for a total of \$737,000. For claims incurred during the 2012-13 program year, we estimate the ultimate cost of claims and expenses to be \$303,000 for the banking layer and \$445,000 for the pooling layer for a total of \$748,000. These amounts include allocated loss adjustment expenses (ALAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). The discount for investment income is calculated based on the likely payout pattern of SCORE's claims, assuming a 3% return on investments per year. For budgeting purposes, the expected cost of 2011-12 claims translates to rates of \$1.16, \$1.67 and \$2.83 per \$100 payroll for the banking layer, shared layer and in total respectively. For the 2012-13 claims, the expected cost translates to rates of \$1.16, \$1.71 and \$2.87 per \$100 payroll for the banking layer, shared layer and in total respectively.

In addition, we estimate the program's liability for outstanding claims including ALAE and discounted for anticipated investment income as of June 30, 2011 to be \$290,000 for the banking layer and \$970,000 for the pooling layer for a total of \$1,260,000. As of June 30, 2012, we estimate the program's liability for outstanding claims to be \$324,000 for the banking layer and \$1,028,000 for the pooling layer for a total of \$1,352,000, again including ALAE and discounted for anticipated investment income.

The \$970,000 and \$1,028,000 estimates are the minimum liability to be booked by SCORE at June 30, 2011 and June 30, 2012, respectively for the Small Cities Organized Risk Effort's pooled liability program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires SCORE to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

www.BRSrisk.com  
800.541.4591  
f. 916.244.1199

**CORPORATE**

1750 Creekside Oaks Drive  
Suite 200  
Sacramento, CA 95833  
d. 916.244.1100

3780 Kilroy Airport Way  
Suite 470  
Long Beach, CA 90806  
d. 562.508.4400

5320 SW MacAdam Avenue  
Suite 100  
Portland, OR 97239  
d. 503.419.0450

**DRAFT**

Our conclusions regarding SCORE's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2011, are summarized in the table below.

Small Cities Organized Risk Effort  
Self-Insured Liability Program  
Estimated Liability for Unpaid Loss and ALAE  
at June 30, 2011

Banking Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$300,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$290,000	\$345,000	\$370,000	\$399,000	\$436,000	\$485,000
Pooling Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,023,000					
Investment Income Offset	(53,000)					
Discounted Loss and ALAE	\$970,000	\$1,122,000	\$1,196,000	\$1,284,000	\$1,394,000	\$1,539,000
Combined						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,251,000					
Investment Income Offset	(63,000)					
Discounted Loss and ALAE	\$1,260,000	\$1,467,000	\$1,566,000	\$1,683,000	\$1,830,000	\$2,024,000

**DRAFT**

Our conclusions regarding SCORE’s liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2012, are summarized in the table below.

Small Cities Organized Risk Effort  
Self-Insured Liability Program  
Estimated Liability for Unpaid Loss and ALAE  
at June 30, 2012

Banking Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$335,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$324,000	\$385,000	\$413,000	\$446,000	\$487,000	\$542,000
Pooling Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,085,000					
Investment Income Offset	(57,000)					
Discounted Loss and ALAE	\$1,028,000	\$1,189,000	\$1,268,000	\$1,360,000	\$1,476,000	\$1,629,000
Combined						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,420,000					
Investment Income Offset	(68,000)					
Discounted Loss and ALAE	\$1,352,000	\$1,574,000	\$1,681,000	\$1,806,000	\$1,963,000	\$2,171,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on SCORE’s financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.



**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2011-12 fiscal year, assuming the current SIR of \$500,000

Small Cities Organized Risk Effort (SIR = \$500,000)  
Self-Insured Liability Program  
Loss and ALAE Funding Guidelines for 2011-12  
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$312,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$302,000	\$365,000	\$396,000	\$433,000	\$479,000	\$540,000
Rate per \$100 of 2011-12 Payroll	\$1.16	\$1.40	\$1.52	\$1.66	\$1.84	\$2.07

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$468,000					
Investment Income Offset	(33,000)					
Discounted Loss and ALAE	\$435,000	\$528,000	\$581,000	\$644,000	\$724,000	\$832,000
Rate per \$100 of 2011-12 Payroll	\$1.67	\$2.03	\$2.23	\$2.47	\$2.78	\$3.19

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$780,000					
Investment Income Offset	(43,000)					
Discounted Loss and ALAE	\$737,000	\$893,000	\$977,000	\$1,077,000	\$1,203,000	\$1,372,000
Rate per \$100 of 2011-12 Payroll	\$2.83	\$3.42	\$3.75	\$4.13	\$4.61	\$5.26

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and allocated loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming the current SIR of \$500,000.

Small Cities Organized Risk Effort (SIR = \$500,000)  
Self-Insured Liability Program  
Loss and ALAE Funding Guidelines for 2012-13  
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$313,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$303,000	\$366,000	\$397,000	\$434,000	\$480,000	\$542,000
Rate per \$100 of 2012-13 Payroll	\$1.16	\$1.40	\$1.52	\$1.66	\$1.84	\$2.08

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$479,000					
Investment Income Offset	(34,000)					
Discounted Loss and ALAE	\$445,000	\$541,000	\$595,000	\$659,000	\$741,000	\$850,000
Rate per \$100 of 2012-13 Payroll	\$1.71	\$2.07	\$2.28	\$2.53	\$2.84	\$3.26

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$792,000					
Investment Income Offset	(44,000)					
Discounted Loss and ALAE	\$748,000	\$907,000	\$992,000	\$1,093,000	\$1,221,000	\$1,392,000
Rate per \$100 of 2012-13 Payroll	\$2.87	\$3.48	\$3.80	\$4.19	\$4.68	\$5.34

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2011-12 fiscal year, assuming an SIR of \$750,000

Small Cities Organized Risk Effort (SIR = \$750,000)  
Self-Insured Liability Program  
Loss and ALAE Funding Guidelines for 2011-12  
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$312,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$302,000	\$365,000	\$396,000	\$433,000	\$479,000	\$540,000
Rate per \$100 of 2011-12 Payroll	\$1.16	\$1.40	\$1.52	\$1.66	\$1.84	\$2.07

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$520,000					
Investment Income Offset	(38,000)					
Discounted Loss and ALAE	\$482,000	\$584,000	\$651,000	\$730,000	\$830,000	\$966,000
Rate per \$100 of 2011-12 Payroll	\$1.85	\$2.24	\$2.50	\$2.80	\$3.18	\$3.70

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$832,000					
Investment Income Offset	(48,000)					
Discounted Loss and ALAE	\$784,000	\$949,000	\$1,047,000	\$1,163,000	\$1,309,000	\$1,506,000
Rate per \$100 of 2011-12 Payroll	\$3.01	\$3.64	\$4.02	\$4.46	\$5.02	\$5.78

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and allocated loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of \$750,000.

**Small Cities Organized Risk Effort (SIR = \$750,000)  
Self-Insured Liability Program  
Loss and ALAE Funding Guidelines for 2012-13  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$313,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$303,000	\$366,000	\$397,000	\$434,000	\$480,000	\$542,000
Rate per \$100 of 2012-13 Payroll	\$1.16	\$1.40	\$1.52	\$1.66	\$1.84	\$2.08

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$533,000					
Investment Income Offset	(39,000)					
Discounted Loss and ALAE	\$494,000	\$598,000	\$667,000	\$748,000	\$851,000	\$989,000
Rate per \$100 of 2012-13 Payroll	\$1.89	\$2.29	\$2.56	\$2.87	\$3.26	\$3.79

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$846,000					
Investment Income Offset	(49,000)					
Discounted Loss and ALAE	\$797,000	\$964,000	\$1,064,000	\$1,182,000	\$1,331,000	\$1,531,000
Rate per \$100 of 2012-13 Payroll	\$3.06	\$3.70	\$4.08	\$4.53	\$5.10	\$5.87

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2011-12 fiscal year, assuming an SIR of \$1,000,000

Small Cities Organized Risk Effort (SIR = \$1,000,000)  
Self-Insured Liability Program  
Loss and ALAE Funding Guidelines for 2011-12  
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$312,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$302,000	\$365,000	\$396,000	\$433,000	\$479,000	\$540,000
Rate per \$100 of 2011-12 Payroll	\$1.16	\$1.40	\$1.52	\$1.66	\$1.84	\$2.07

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$550,000					
Investment Income Offset	(40,000)					
Discounted Loss and ALAE	\$510,000	\$608,000	\$686,000	\$779,000	\$897,000	\$1,056,000
Rate per \$100 of 2011-12 Payroll	\$1.96	\$2.33	\$2.63	\$2.99	\$3.44	\$4.05

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$862,000					
Investment Income Offset	(50,000)					
Discounted Loss and ALAE	\$812,000	\$973,000	\$1,082,000	\$1,212,000	\$1,376,000	\$1,596,000
Rate per \$100 of 2011-12 Payroll	\$3.11	\$3.73	\$4.15	\$4.65	\$5.28	\$6.12

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and allocated loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of \$1,000,000.

Small Cities Organized Risk Effort (SIR = \$1,000,000)  
Self-Insured Liability Program  
Loss and ALAE Funding Guidelines for 2012-13  
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$313,000					
Investment Income Offset	(10,000)					
Discounted Loss and ALAE	\$303,000	\$366,000	\$397,000	\$434,000	\$480,000	\$542,000
Rate per \$100 of 2012-13 Payroll	\$1.16	\$1.40	\$1.52	\$1.66	\$1.84	\$2.08

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$566,000					
Investment Income Offset	(41,000)					
Discounted Loss and ALAE	\$525,000	\$626,000	\$707,000	\$802,000	\$923,000	\$1,086,000
Rate per \$100 of 2012-13 Payroll	\$2.01	\$2.40	\$2.71	\$3.08	\$3.54	\$4.17

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$879,000					
Investment Income Offset	(51,000)					
Discounted Loss and ALAE	\$828,000	\$992,000	\$1,104,000	\$1,236,000	\$1,403,000	\$1,628,000
Rate per \$100 of 2012-13 Payroll	\$3.18	\$3.80	\$4.23	\$4.74	\$5.38	\$6.24

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits, and appendices. Our report has been developed for SCORE's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to the Small Cities Organized Risk Effort in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or Nina Gau at (916) 244-1193 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services

**DRAFT**

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Mike Harrington, FCAS, MAAA  
Director, Property and Casualty Actuarial Services, BRS  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries

**DRAFT**

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Nina Gau, FCAS, MAAA  
Manager, Property and Casualty Actuarial Services, BRS  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries

**Agenda Item G.3**

**Employment Risk Management Authority (ERMA) Update**

**Information Item**

**ISSUE:** Mr. Jim Murphy will address the Board on ERMA matters.

**RECOMMENDATION:** None

**FISCAL IMPACT:** Unknown

**BACKGROUND:** This time is reserved for Mr. Murphy to report to the Board on ERMA matters.

**ATTACHMENTS:** ERMA Report



# MEMORANDUM

**Date:** March 8, 2011  
**To:** SCORE Board of Directors  
**From:** SCORE's ERMA Representative, Jim Murphy  
**Subject:** ERMA Report

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Attached, you will find material on matters of possible interest to SCORE members from the February ERMA 11<sup>th</sup> Annual Workshop/Retreat February 17 & 18, 2011 in Napa, CA.

- ERMA Overview – ERMA staff report on accomplishments/review of goals and objectives for FY 2010-2011
- Claims Overview - ERMA staff report with a number of graphs showing ERMA claim management for the year
- Financial Overview – ERMA financial report showing financial condition
- Membership – ERMA staff report on membership status and membership outreach
- Member Relations – ERMA staff report and checklist for members to perform risk assessment self audits
- Defense Panel – ERMA staff report with reviews of the performance of the nine law firms on ERMA's approved defense panel. **Note:** *The ERMA Board voted to have placed on the next meeting agenda for consideration and discussion the removal of the Law Firm Myers Nave et al. (offices statewide) from the approved list of ERMA defense panel*

**ERMA OVERVIEW**

**SUBJECT: ERMA's Accomplishments/Review of Goals & Objectives**

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**BACKGROUND AND STATUS:**

At the 2010 Annual Workshop, the Board adopted several goals and objectives and the status of these items is included on the attached document. In addition to the goals and objectives, in 2010 the ERMA Board took the following actions:

- Adopted the MOC, changing the definition of occurrence from last act to first act and requiring ERMA members to be in substantial compliance with AB 1825 for each claim relating to AB 1825 that falls within the ERMA coverage layer. Substantial compliance is defined as having 90% of all managers and supervisors trained in compliance with Government Code Section 12950.1. If a member is not in compliance, their retention for that claim is doubled. The Board also voted to include non-compliance of AB 1825 as a factor in the risk assessment process.
- Approved purchasing excess coverage for the members that did not already have excess coverage. The policy provides for limits of \$1 million per claim per member, \$1 million per member aggregate with a \$10 million policy aggregate.
- Approved a total of 37 trainings with 20 BRS/ERMA contract trainings on AB 1825, 11 additional paid trainings, and 6 ERMA law firm trainings with the law firm trainings devoted to topical subjects. The trainings have been provided on both an individual and regional basis, with the majority being regional.
- Approved a contract with in2vate (a rebrand of The AGOS Group) to provide online training on AB 1825 and AB 1234 for all members as well as provide services for the Employee Protection Hotline. The previous contract with TargetSafety was allowed to expire.
- Adopted Underwriting Guidelines for new members and approved a revised application for membership.

**REFERENCE MATERIALS:**

ERMA Goals and Objectives from 2010 Annual Workshop – Status as of February 2011

**Agenda Item 2.A.**

ERMA Goals and Objectives From 2010 Annual Workshop  
*Status as of February 2011*

Task	Responsible Party	Status			Comments
		Done	On Target	Revised	
<b>Claims:</b>					
Revise Severity Claims Graph to show categories by department to assist members in determining where to focus training.	Staff		X		To be presented at February 2011 Annual Workshop.
Perform a compare/contrast on Defense Counsel Average Indemnity/Average Expenses to years prior to the tightening up of Litigation Management.	Staff		X		To be presented at February 2011 Annual Workshop.
Analyze length of time a case is open versus its cost.	Staff		X		To be presented at February 2011 Annual Workshop.
Analyze prior members identified for Target Performance Assessments to determine their loss performance after the Assessment Period; bring to the Board for analysis of the current Target Performance process as outlined in Resolution 2007-2.	Staff		X		To be presented at February 2011 Annual Workshop & Board Meeting.
Offer "Prospective" audits for members utilizing unused funds from the budget for Target Assessments, if no members are identified during a program year as exceeding the performance standards outlined in Resolution 2007-2.	Staff	X			Analyzed February – May 2010 and there were no other members needing assessments; monies were returned to net equity.
Develop checklist for members to use to perform "self-audits." Use material from onsite assessments to provide checklist of important areas.	Staff	X			To be presented at February 2011 Annual Workshop.

Task	Responsible Party	Status			Comments
		Done	On Target	Revised	
Reduce # of litigated claims from 50% to 33% or less of claims out of total claims.	Staff				To be discussed at February 2011 Annual Workshop.
<b>Training:</b>					
Send on-going reminders to members to schedule live training workshops and cc: the JPA administrator to assist with follow-up.	Staff	X		X	Training program was revised for 2010/11 and seems to be working well; A combination of regional and individual trainings are being held in addition to the on-line training available to all members through in2vate.
Incorporate importance of early intervention for claims into the live training curriculum.	Staff/Trainers	X			This has been incorporated into the curriculum.
Include "the anatomy of a claim" in live training curriculum.	Staff/Trainers	X			This has been incorporated into the curriculum.
Provide Public Safety specific training.	Staff/Attorney Firm Partners	X			AB1825 training specific to police officers is being provided during the 2010/11 program year.
Provide Performance Management Training – Attorney Firms	Staff/Attorney Firm Partners		X		These are being scheduled for the last half of the 2010/11 program year.
Allow JPAs to modify which members receive training based on the number of trainings allocated to the members within the JPA. JPAs to notify ERMA where and when trainings took place.	ERMA/Staff	X		X	Training is now provided on both a regional and individual basis.

Task	Responsible Party	Status			Comments
		Done	On Target	Revised	
Provide a sample staff report on best practices for education on record keeping, for JPAs to take back to their members.	Staff	X			Members can now maintain all training records on in2vate's website; regulations for maintaining training records is listed on ERMA website.
Provide an update on scheduled live training for the April Board meeting.	Staff	X			This was completed at the April 2010 Board meeting.
<b>Other:</b>					
Appoint Committee to review the impact of going to a straight individual experience modification factor (ex-mod), eliminating the JPA ex-mod.	Underwriting Committee	X			The Committee held a meeting and their recommendations are being presented at the February 2011 Board Meeting.
Coverage Committee to meet and review ERMA Bylaws and MPD to address language change for Alternates serving as Officers. Recommended language to be brought to the Board for review and approval.	Coverage Committee	X			This item has been addressed and the Bylaws amended. If an alternate is to serve as an officer, the alternate acts as the primary Board member and the primary Board member acts as the alternate Board member during the term of office.

**ERMA OVERVIEW**

**SUBJECT: Current Status of ERMA Program – Claims Overview**

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**BACKGROUND AND STATUS:**

Ms. Ruth Graf-Urasaki, Litigation Manager, and Rebecca Ventura, Assistant Litigation Manager, will present an overview of the ERMA claims status.

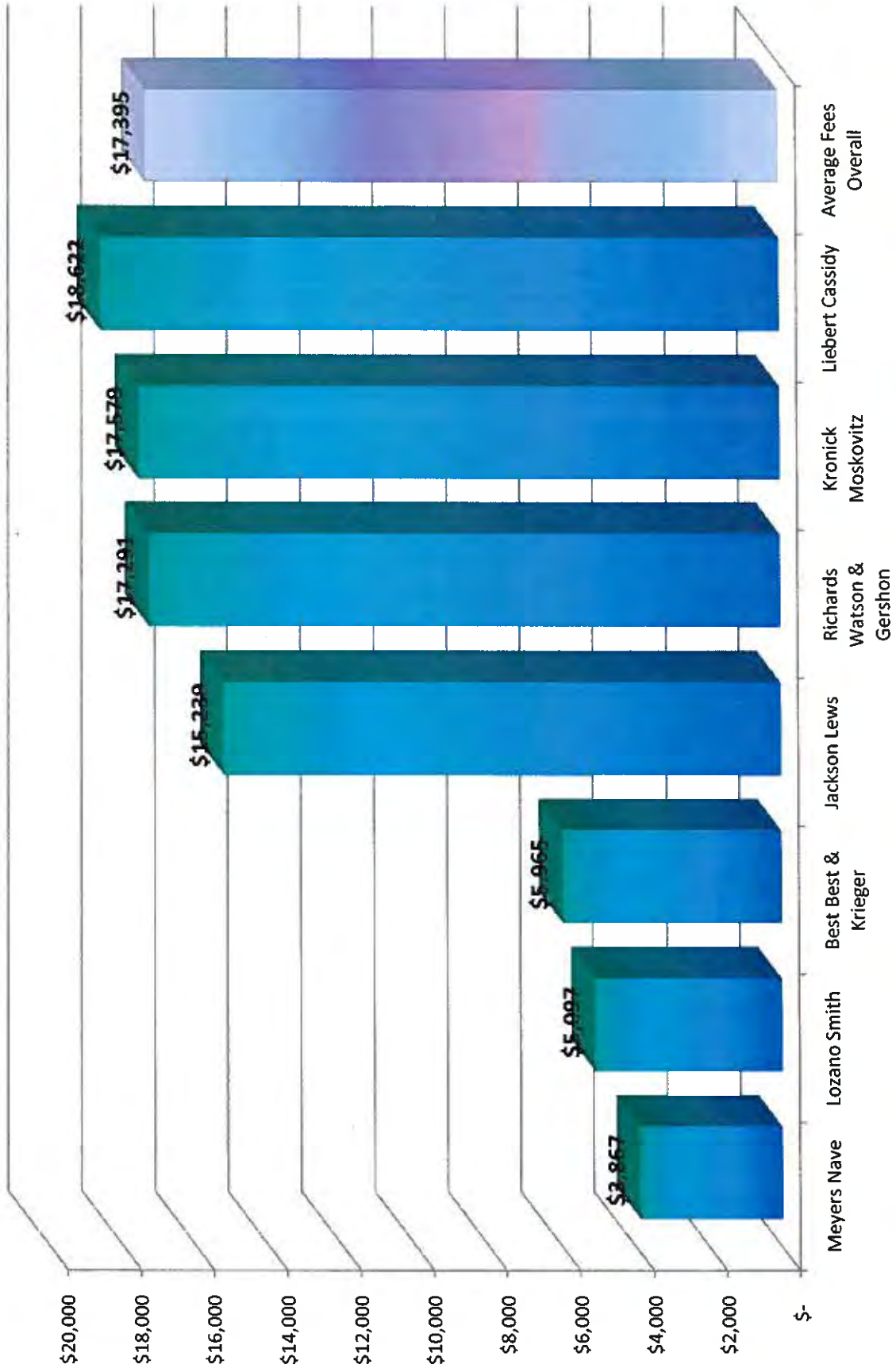
**REFERENCE MATERIALS:**

- Defense Counsel Average Expenses – Non-Litigated
- Defense Counsel Average Expenses – Litigated
- Defense Counsel Average Expenses and Indemnity – Non-Litigated and Litigated
- Percentage of Matters Assigned
- Average Expense per Claim for Claims Closing as of 12/31 Each Year
- Average Indemnity per Claim for Claims Closing as of 12/31 Each Year
- Percentage of Claims Litigated for Claims Closing as of 12/31
- Average Cost per Claim by Time Open
- Frequency of Claims by Type
- Severity of Claims by Type
- Frequency of Claims by Department
- Severity of Claims by Department
- Average Incurred by Claim Type
- Cumulative Totals of Open Claims as of December 31<sup>st</sup> Each Year

**Agenda Item 2.B.1.**

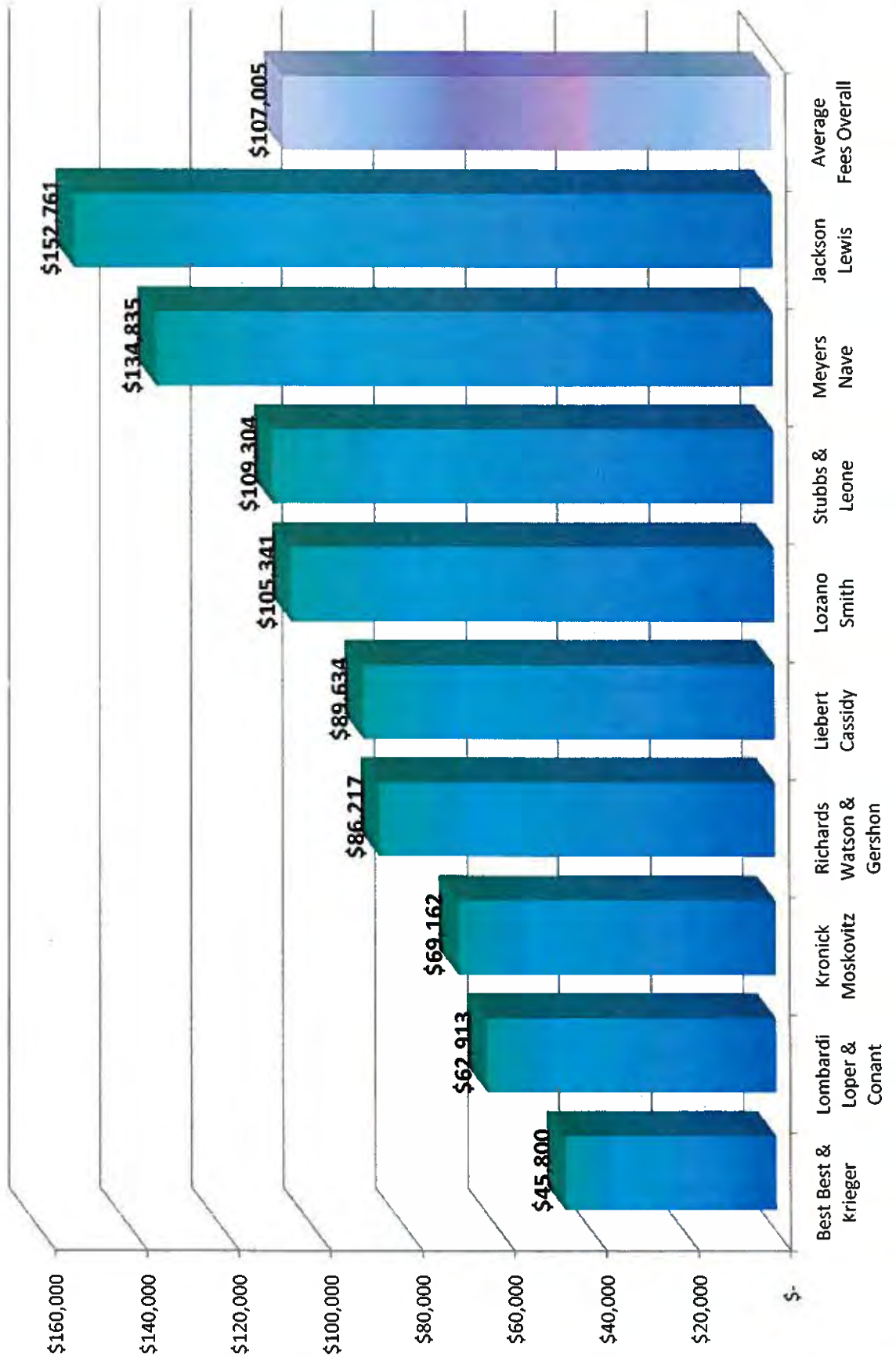
# AVERAGE EXPENSES NON-LITIGATED CLAIMS

(Claims Open as of February 2005 to Present)



# AVERAGE EXPENSES LITIGATED CLAIMS

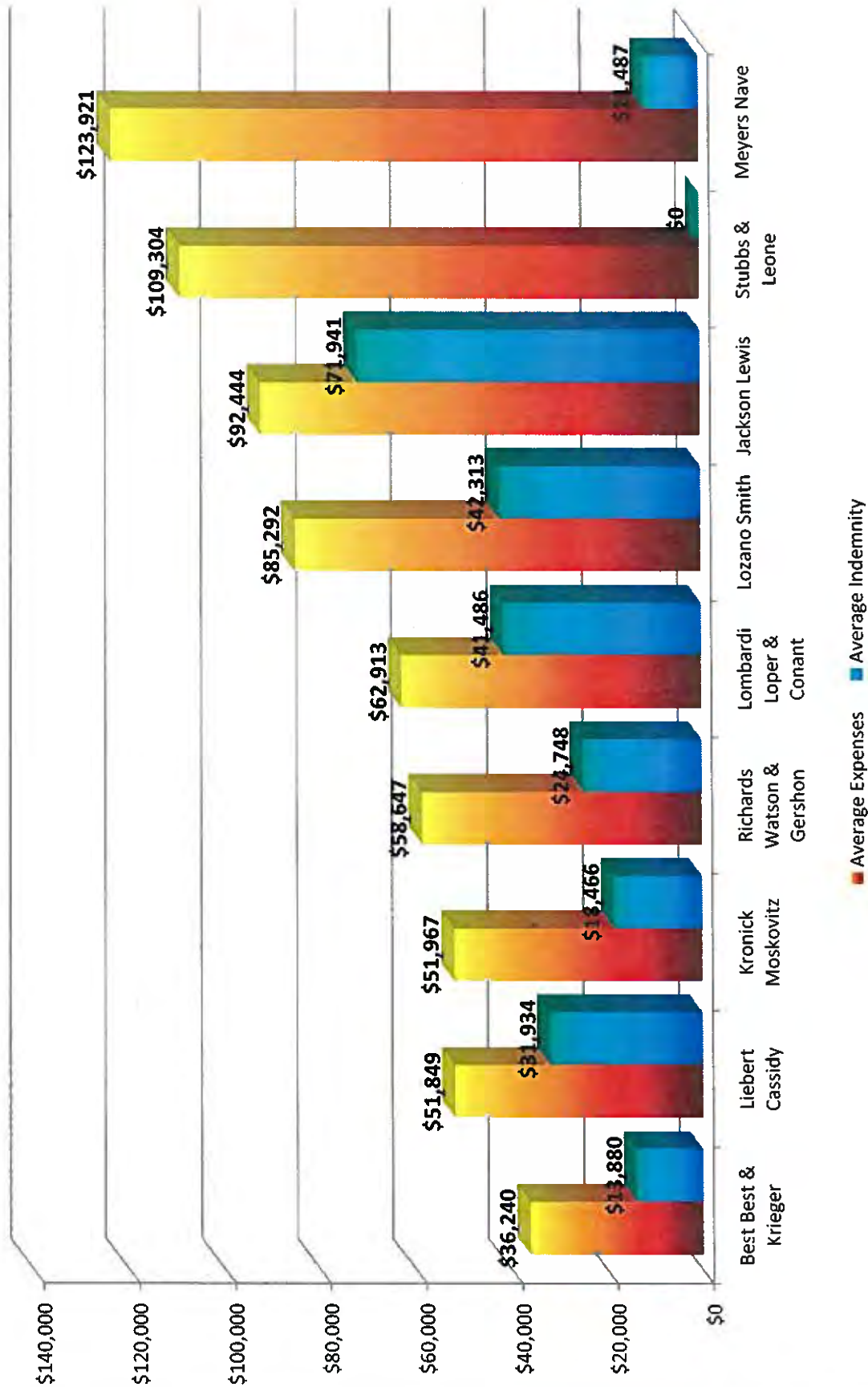
(Claims Open as of February 2005 to Present)



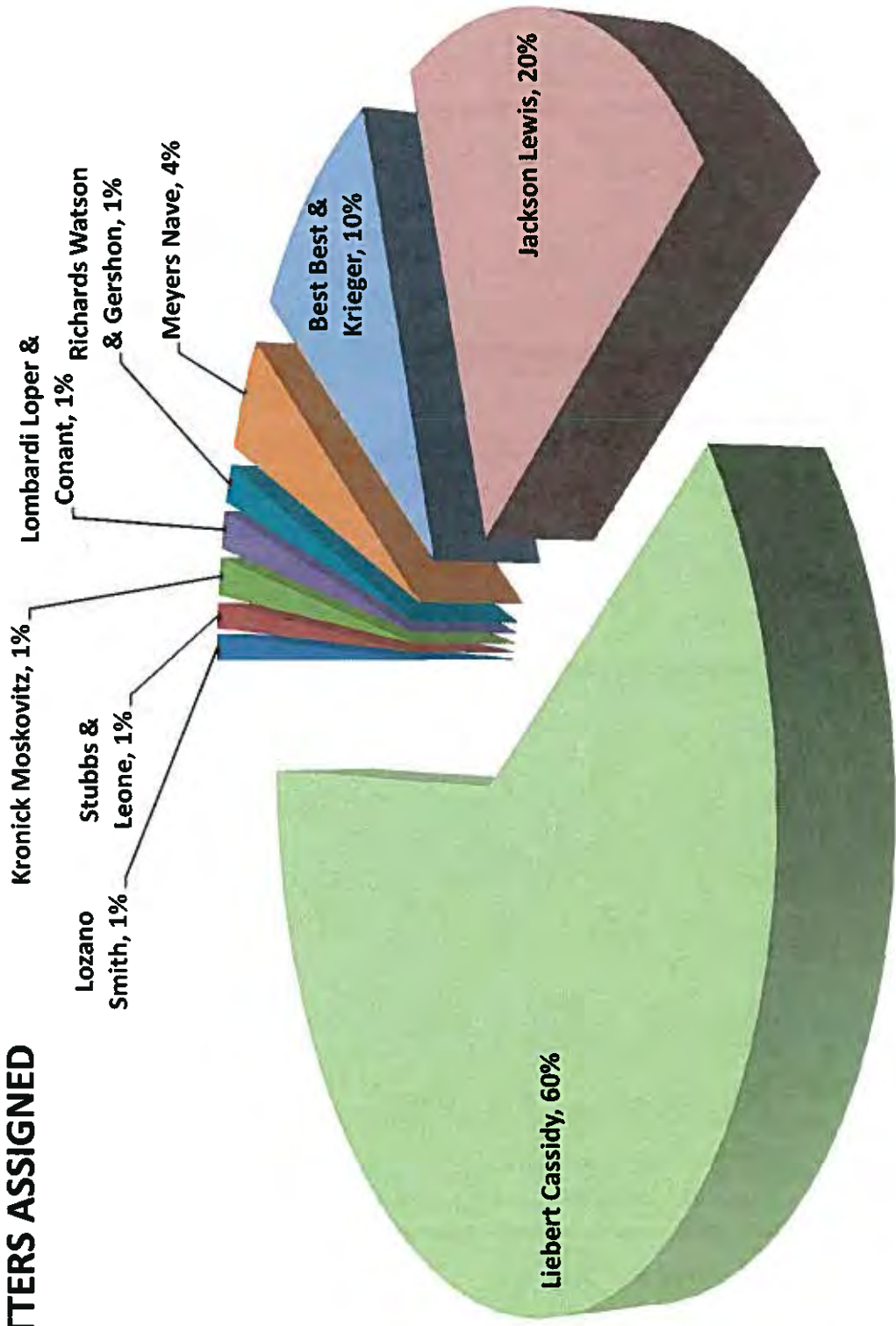


# AVERAGE EXPENSE AND INDEMNITY NON-LITIGATED & LITIGATED

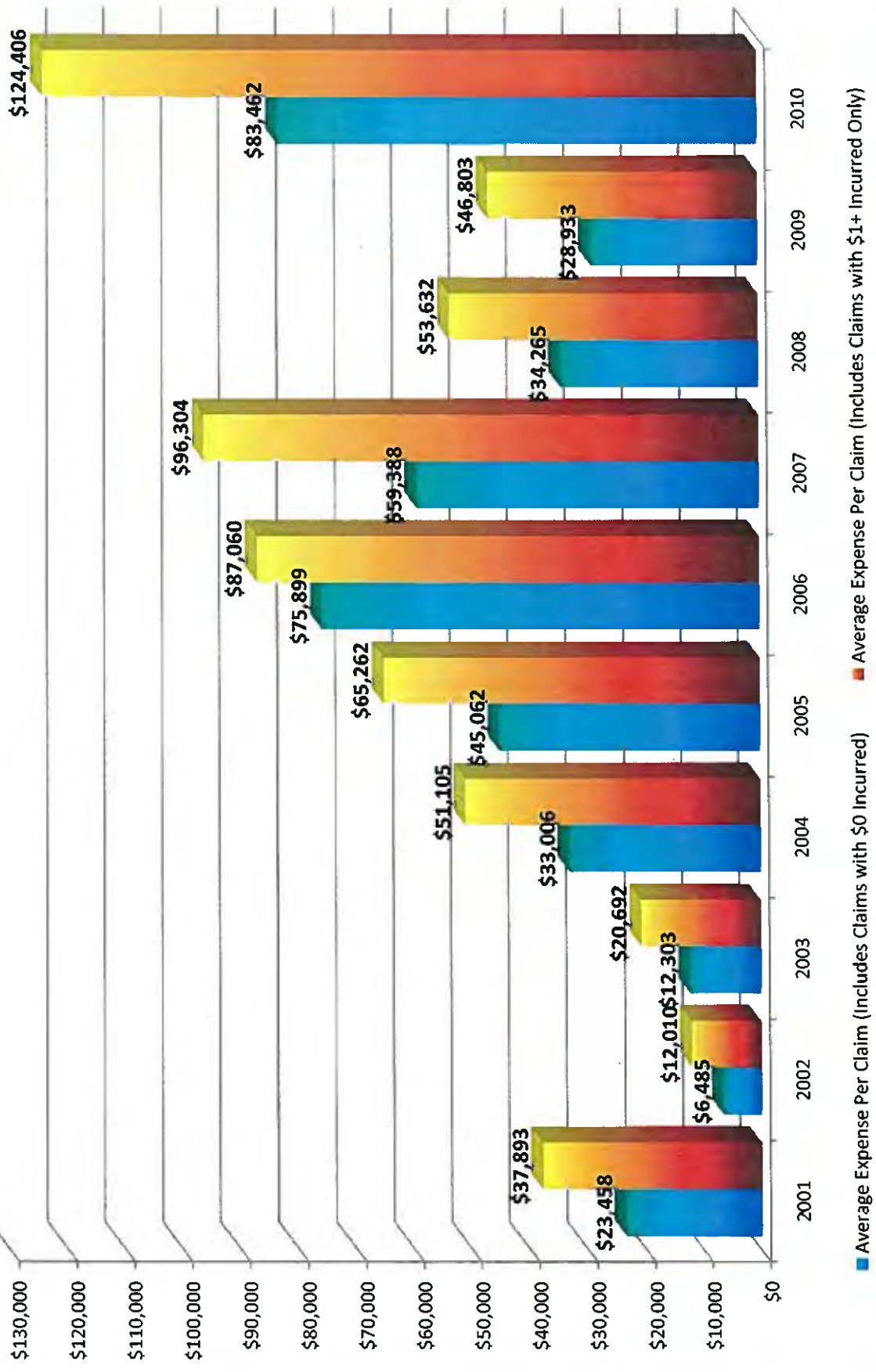
(Claims Open as of February 2005 to Present)



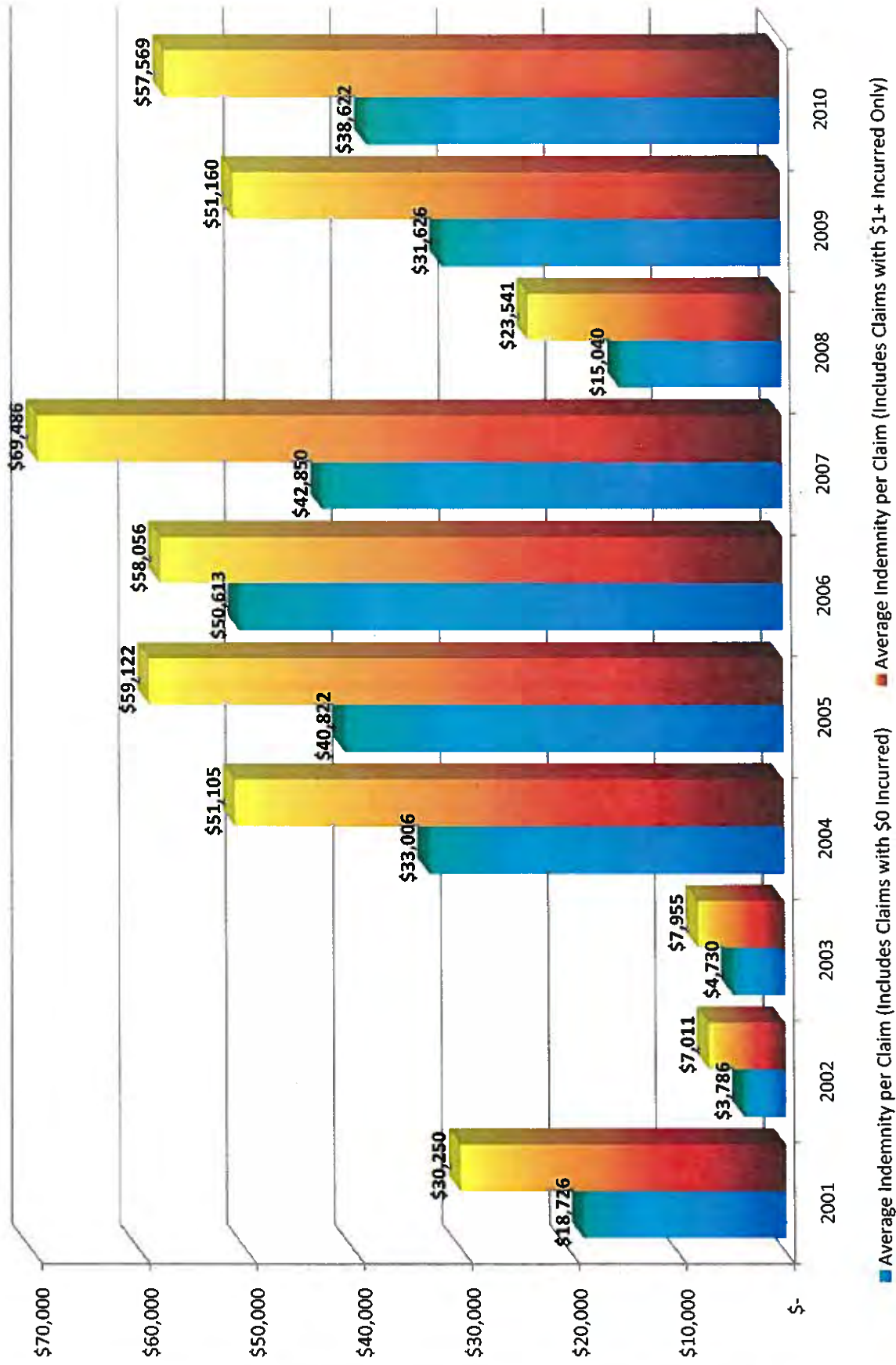
# PERCENTAGE OF MATTERS ASSIGNED



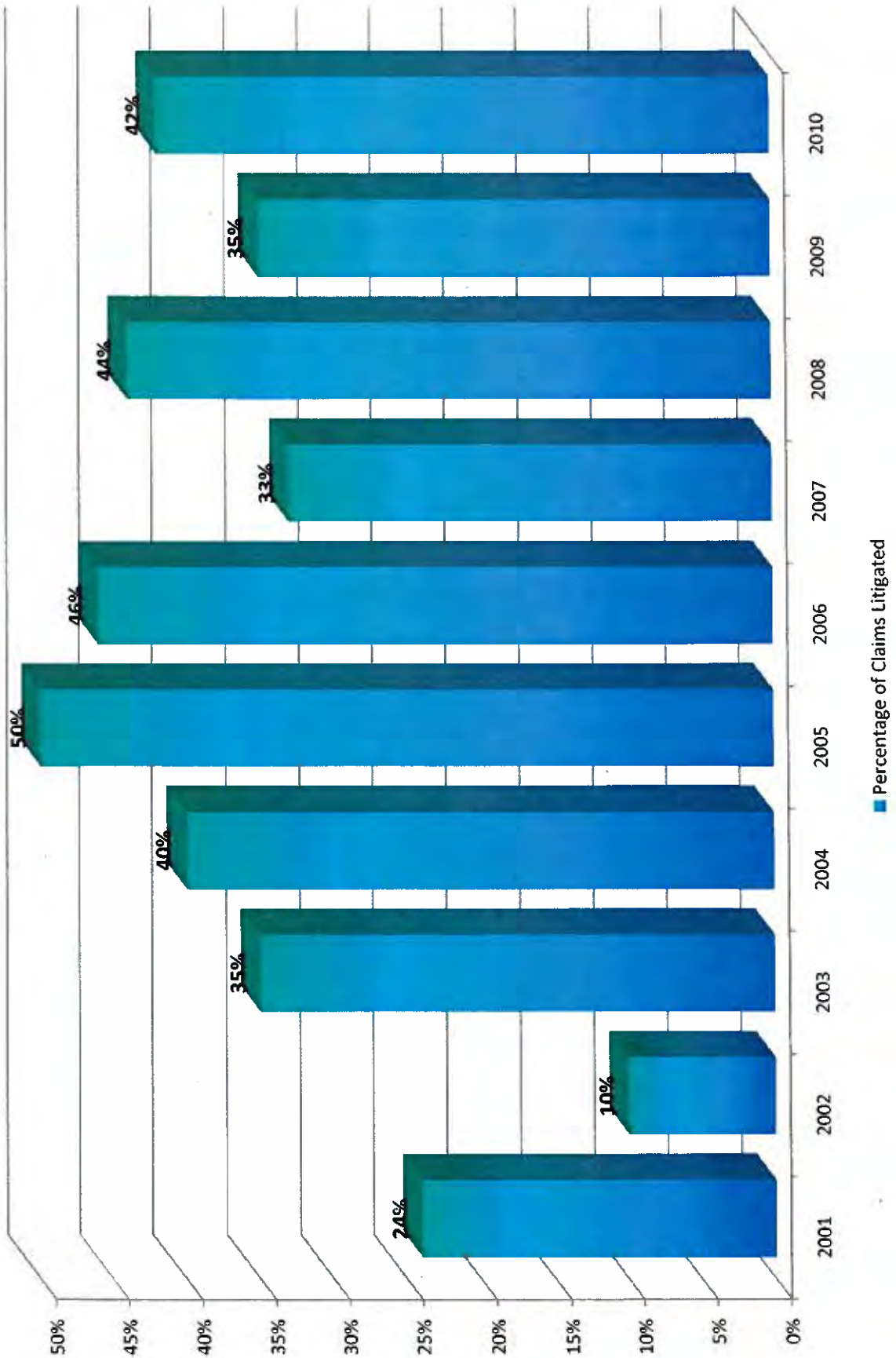
## AVERAGE EXPENSE PER CLAIM FOR CLAIMS CLOSING AS OF 12/31 OF EACH YEAR



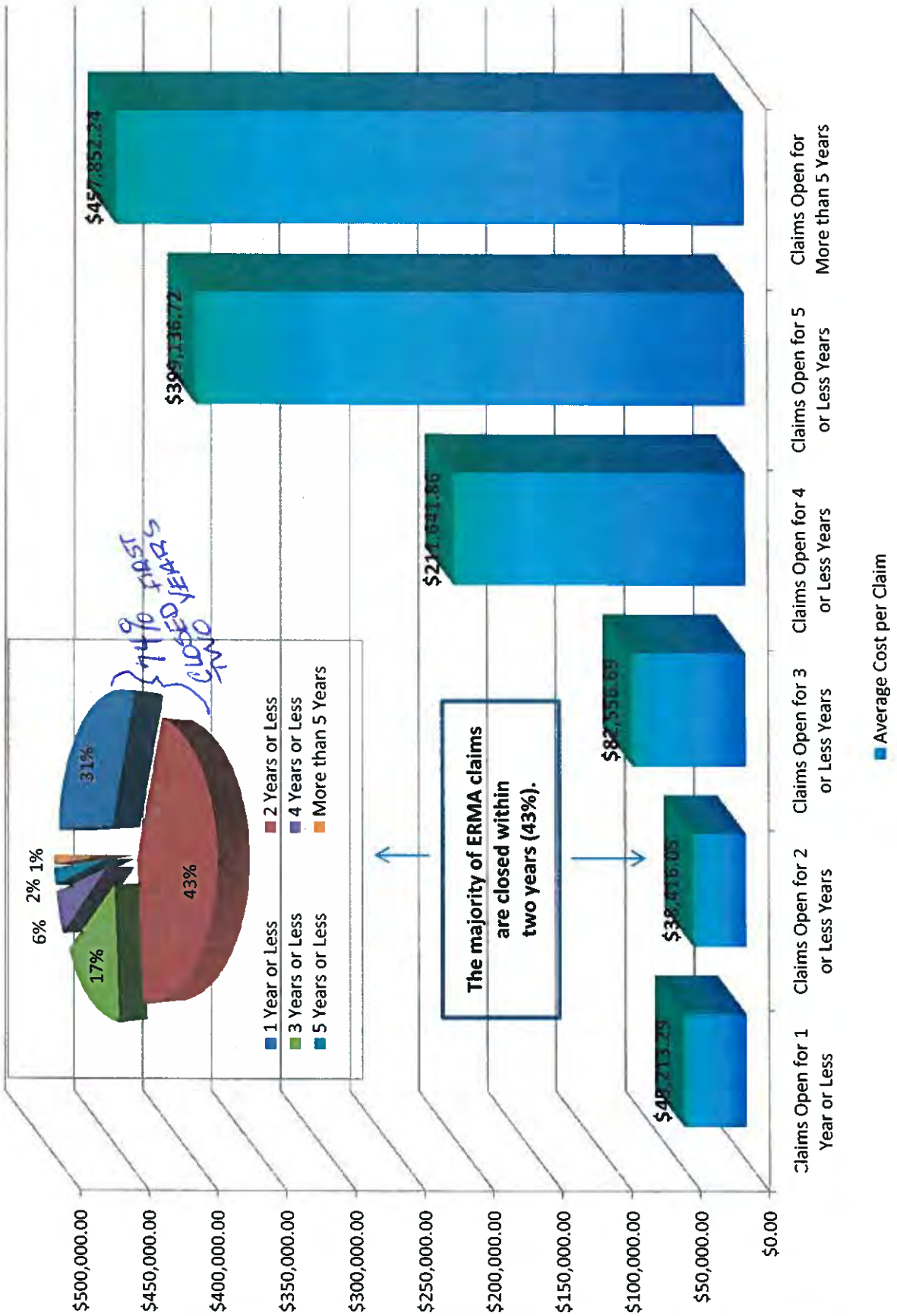
## AVERAGE INDEMNITY PER CLAIM FOR CLAIMS CLOSING AS OF 12/31 OF EACH YEAR



# PERCENTAGE OF CLAIMS LITIGATED FOR CLAIMS CLOSING AS OF 12/31 OF EACH YEAR

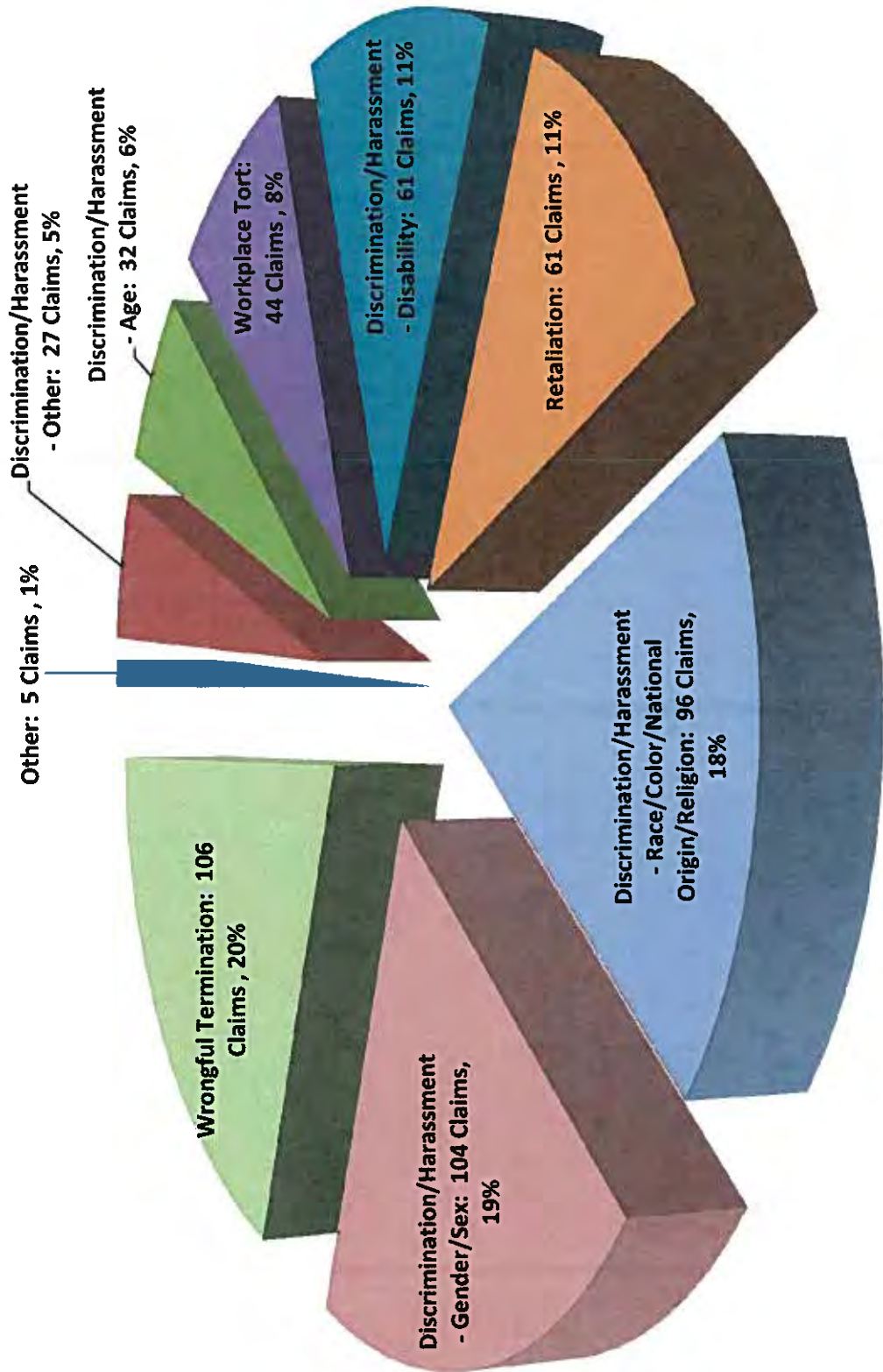


# AVERAGE COST PER CLAIM COMPARED TO LENGTH OF TIME OPEN

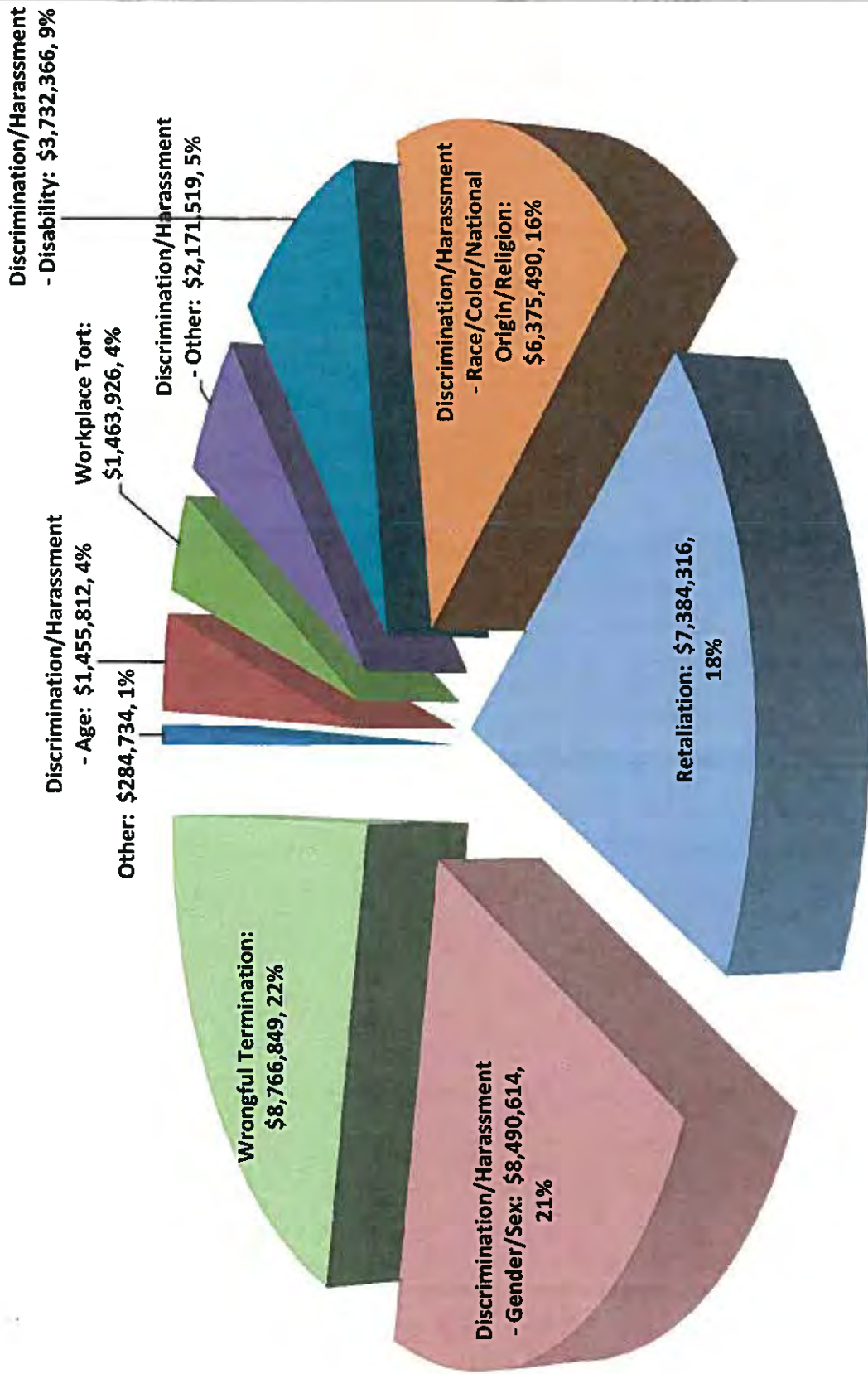


# FREQUENCY OF CLAIMS BY TYPE

ALL PROGRAM YEARS

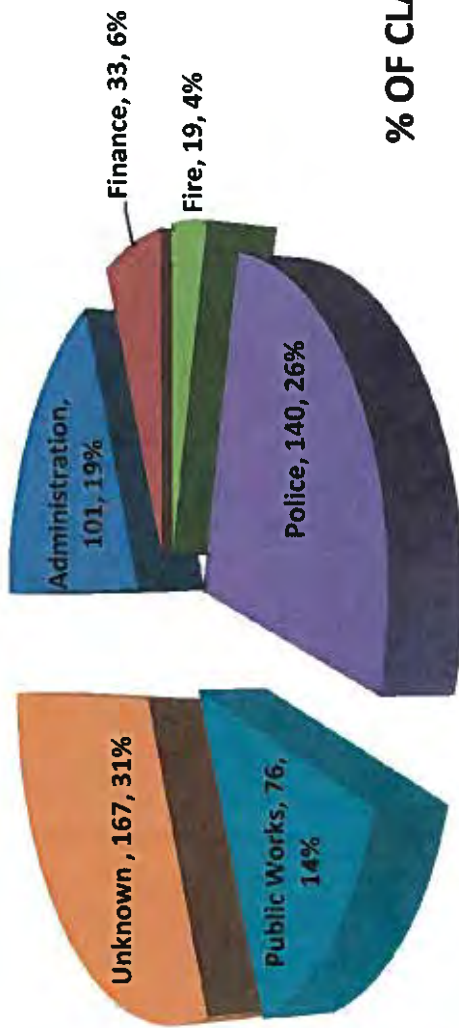


# SEVERITY OF CLAIMS BY TYPE ALL PROGRAM YEARS (TOTAL INCURRED)

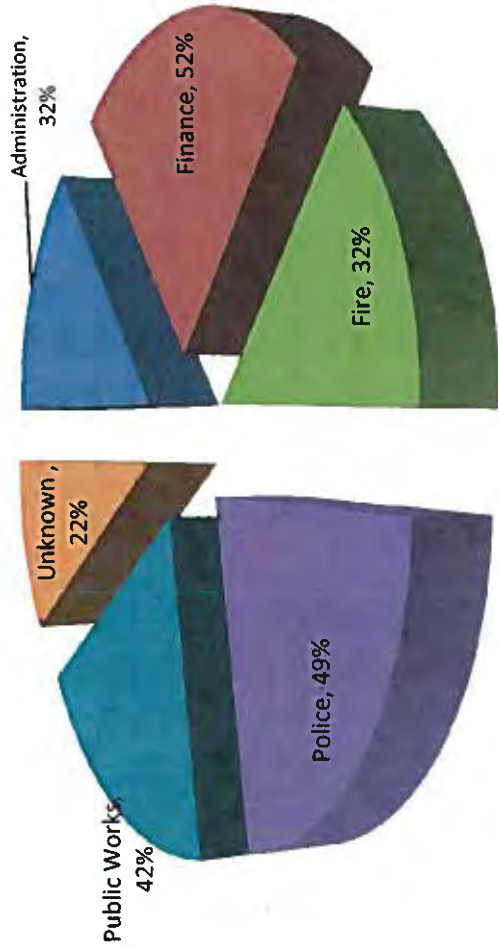




## FREQUENCY OF CLAIMS BY DEPARTMENT ALL PROGRAM YEARS

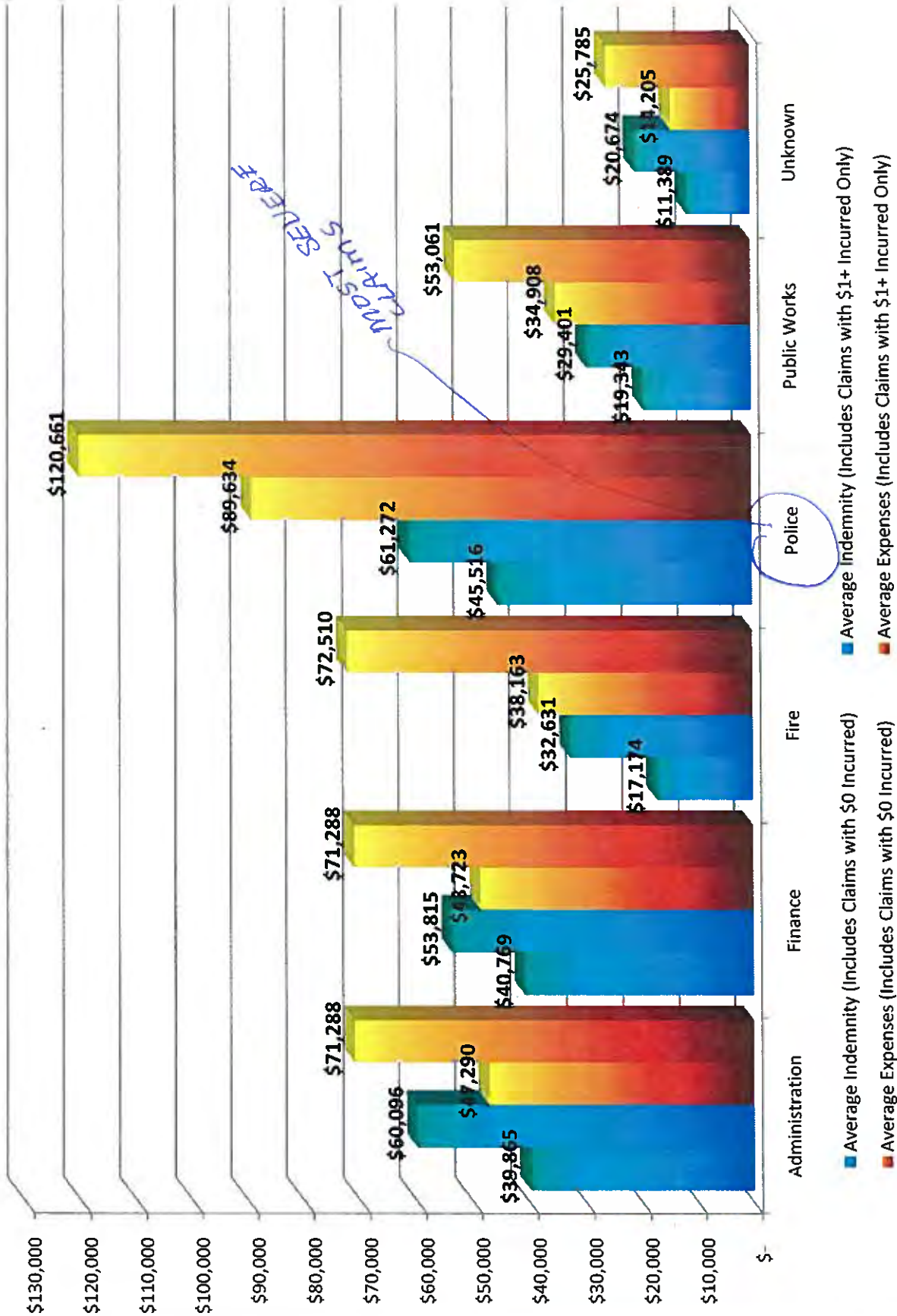


## % OF CLAIMS LITIGATED BY DEPARTMENT ALL PROGRAM YEARS

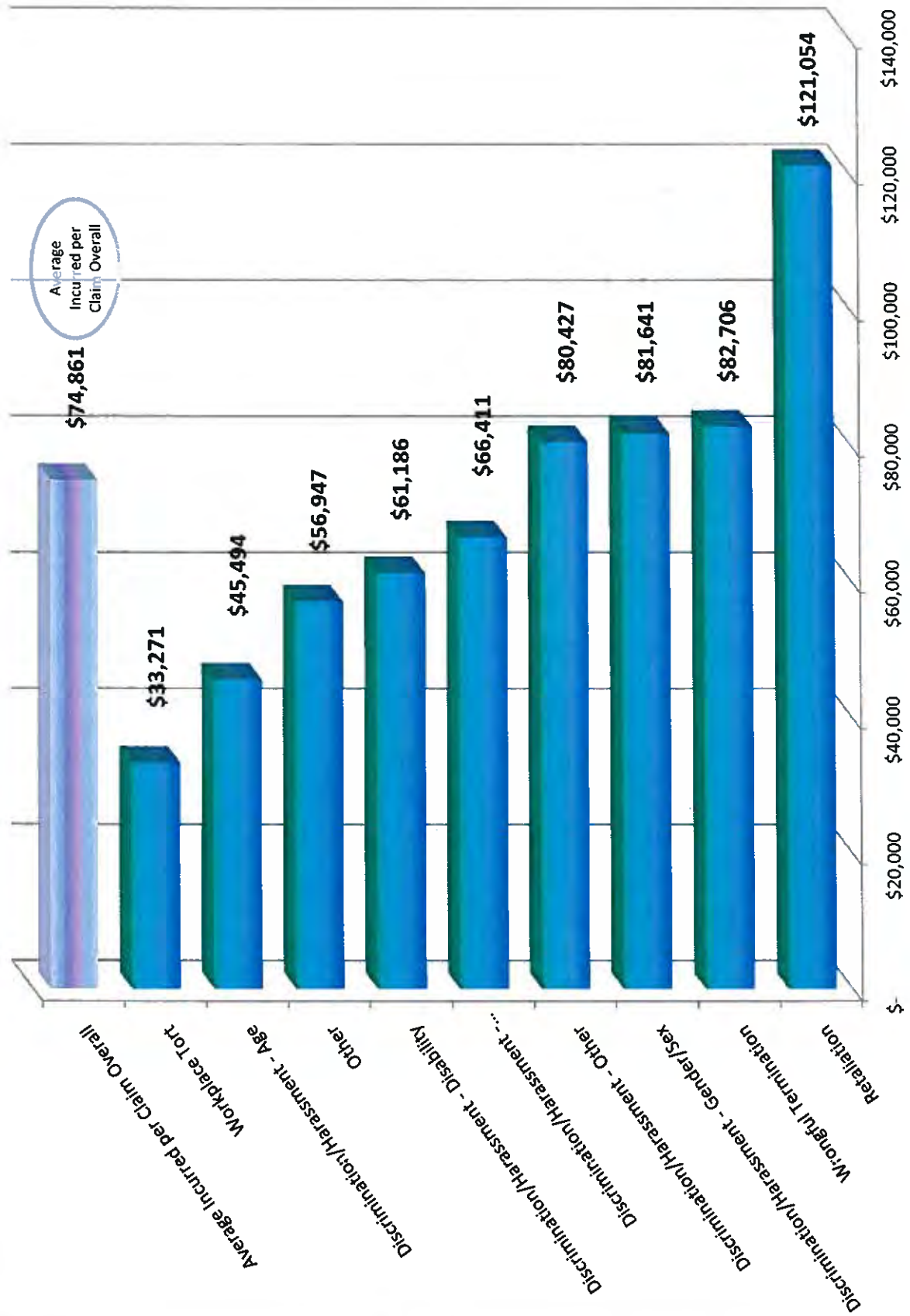


**Note:** Unknown Claims are claims where Department could not be determined; a survey will be sent to ERMA members asking them to verify/identify the Department in which each claimant was employed in order to update ERMA's information.

# SEVERITY BY DEPARTMENT

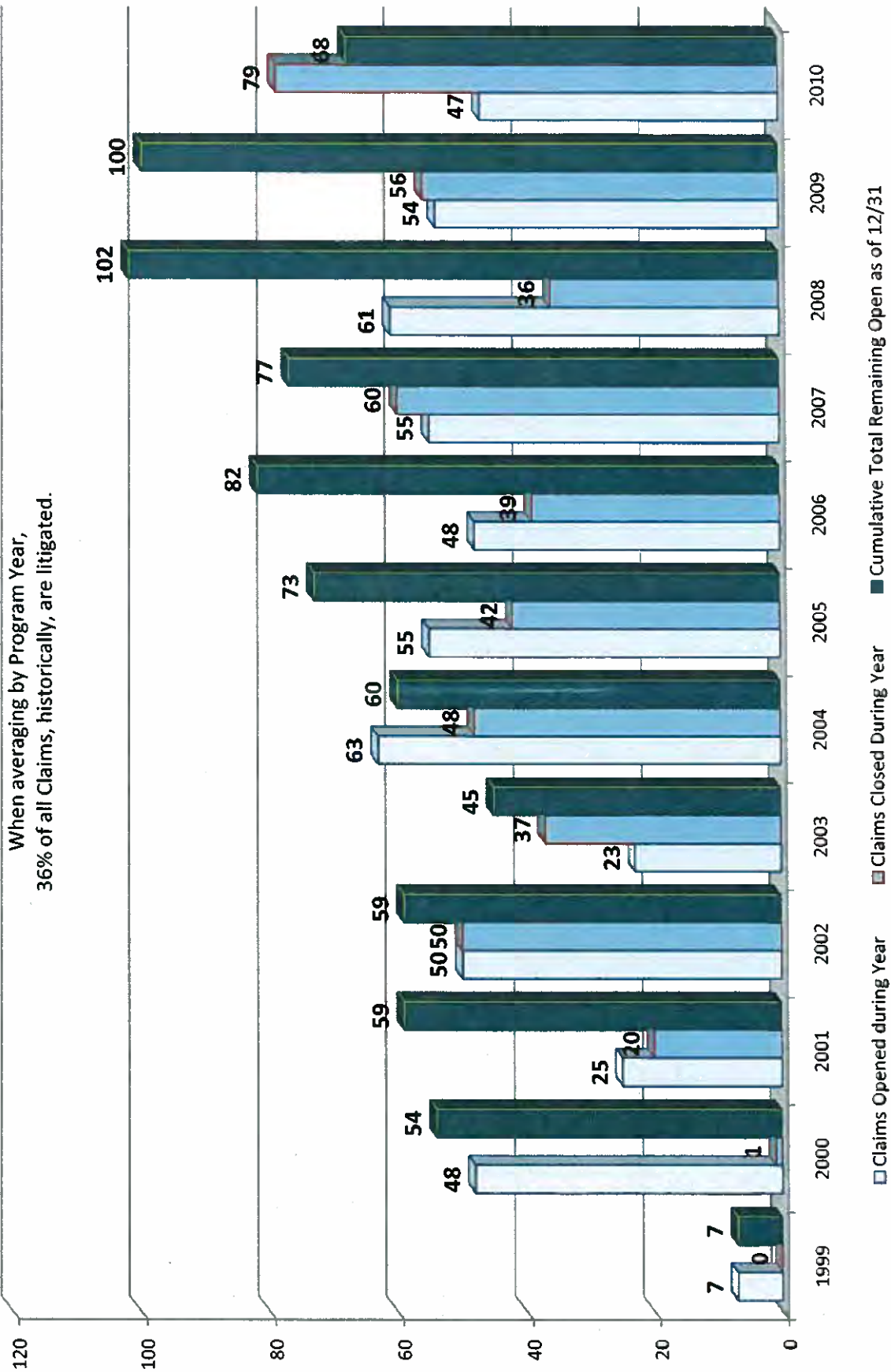


# AVERAGE INCURRED PER CLAIM BY CLAIM TYPE



## CUMULATIVE TOTALS (AS OF 12/31 EACH YEAR)

When averaging by Program Year,  
36% of all Claims, historically, are litigated.



**ERMA OVERVIEW**

**SUBJECT: Current Status of ERMA Program – Financial Overview**

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**BACKGROUND AND STATUS:**

Ms. Nancy Broadhurst, Finance Manager, will present an overview of ERMA's current financial status.

**REFERENCE MATERIALS:**

- Financials as of 12/31/2010
- JPA Performance Report as of 12/31/2010
- Experience Modifying Ratios
- Experience Modifying Ratios – Four-Year Comparison
- Historical Administrative Costs
- Original Loss Funding Premium v. Current Ultimate Loss
- Comparison of Incurred Loss & Premiums/Assessments by Program Year
- Retained Earnings by Program Year
- Retained Earnings as Compared to Cash Balance

# EMPLOYMENT RISK MANAGEMENT AUTHORITY

## ~ BALANCE SHEET ~

as of December 31, 2010

(Unaudited)

### ASSETS

#### CURRENT ASSETS

Cash in Bank	\$	11,002	
Local Agency Investment Fund		11,913,552	
Market Valuation - LAIF		17,410	
Investments - Managed Portfolio		3,430,281	
Market Valuation - Investments		10,204	
Accounts Receivable - Members		107,109	
Accounts Receivable - Miscellaneous		0	
Interest Receivable		42,484	
Prepaid Expense		123,823	
Prepaid Insurance		100,132	
<b>TOTAL CASH &amp; INVESTMENTS</b>			<b>15,755,997</b>

#### NONCURRENT ASSETS

Investments - Managed Portfolio		10,032,960	
Market Valuation - Investments		28,914	
<b>TOTAL NONCURRENT ASSETS</b>			<b>10,061,874</b>
<b>TOTAL ASSETS</b>	<b>\$</b>		<b><u>25,817,870</u></b>

### LIABILITIES AND EQUITY

#### CURRENT LIABILITIES

Accounts Payable	\$	17,312	
Deferred Revenue		3,744,454	
Reserve - Claims		3,498,165	
Reserve - IBNR & ULAE		1,803,813	
<b>TOTAL CURRENT LIABILITIES</b>			<b>9,063,744</b>

#### NONCURRENT LIABILITIES

Reserve - IBNR & ULAE		13,778,101	
<b>TOTAL NONCURRENT LIABILITIES</b>			<b>13,778,101</b>
<b>TOTAL LIABILITIES</b>			<b><u>22,841,845</u></b>

#### EQUITY

Retained Earnings - Prior Years		2,196,235	
Retained Earnings - Current Year		779,791	
<b>TOTAL EQUITY</b>			<b><u>2,976,026</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$</b>		<b><u>25,817,870</u></b>

**EMPLOYMENT RISK MANAGEMENT AUTHORITY**  
**~ INCOME STATEMENT ~**  
**For the Two Quarters Ended December 31, 2010**  
**(Unaudited)**

	<u>Actual</u>	<u>Budget</u>	<u>% Used</u>	<u>\$ Variance</u>
<b>INCOME</b>				
Deposit Premium	\$ 3,655,160	\$ 7,297,351	50%	\$ (3,642,192)
Reinsurance Premium	96,013	191,557	50%	(95,545)
Interest Income	108,958	0		108,958
Misc Income	28	0		28
<b>TOTAL INCOME</b>	<u>3,860,158</u>	<u>7,488,908</u>	<u>52%</u>	<u>(3,628,750)</u>
<b>EXPENSES</b>				
<b>Direct Expenses</b>				
Claims Paid	684,127 **	6,565,858 *	41%	(3,886,186)
Incr/(Decr) in Reserves	1,995,545 **			
Reinsurance	97,998	191,557	51%	(93,560)
<b>Subtotal Claims Expense</b>	<u>2,777,670</u>	<u>6,757,415</u>	<u>41%</u>	<u>(3,979,745)</u>
<b>Loss Prevention &amp; Training</b>				
Employee Reporting	1,905	7,500	25%	(5,595)
Web-based Training	8,000	18,000	44%	(10,000)
Additional Web-based Training (Bulletins)	0	14,500	0%	(14,500)
Hotline Services & Misc	1,025	8,000	13%	(6,975)
Attorney Workshops	1,800	10,800	17%	(9,000)
MAXIMizing the Workplace Workshops	1,800	19,800	9%	(18,000)
<b>Subtotal Loss Prevention &amp; Training</b>	<u>14,530</u>	<u>78,600</u>	<u>18%</u>	<u>(64,070)</u>
<b>Subtotal Direct Expenses</b>	<u>2,792,200</u>	<u>6,836,015</u>	<u>41%</u>	<u>(4,043,815)</u>
<b>General &amp; Administrative Expenses</b>				
Program Management	237,646	475,292	50%	(237,646)
Risk Assessments	0	30,000	0%	(30,000)
Board Meetings & Retreat	604	25,000	2%	(24,396)
Memberships & Conferences	325	1,500	22%	(1,175)
Actuarial Study	0	10,500	0%	(10,500)
Marketing Costs	0	5,000	0%	(5,000)
Legal Services	29,027	45,000	65%	(15,973)
Financial Audit	7,800	7,800	100%	0
Reinsurance Broker Fees	0	25,000	0%	(25,000)
Claims Audit	0	6,200	0%	(6,200)
Accreditation	1,334	1,500	89%	(167)
Fidelity Bond	495	1,000	50%	(505)
SLIP Insurance	1,094	2,500	44%	(1,406)
Investment Management Services	7,783	9,000	86%	(1,217)
Claims System	1,730	4,000	43%	(2,270)
Website	300	600	50%	(300)
Miscellaneous	30	3,000	1%	(2,970)
<b>Subtotal General &amp; Admin Expenses</b>	<u>288,168</u>	<u>652,892</u>	<u>44%</u>	<u>(364,724)</u>
<b>TOTAL EXPENSES</b>	<u>3,080,367</u>	<u>7,488,907</u>	<u>41%</u>	<u>(4,408,540)</u>
<b>NET INCOME/(LOSS)</b>	<u>\$ 779,791</u>			

\* Amount budgeted for claims expense is for the current program year only, to be paid in current and future years.

\*\* Amount paid for claims is for all program years paid in the current year, as well as changes in reserves for prior years.

# Employment Risk Management Authority

## Program Retained Earnings by Member

### At the Expected Confidence Level

As of December 31, 2010

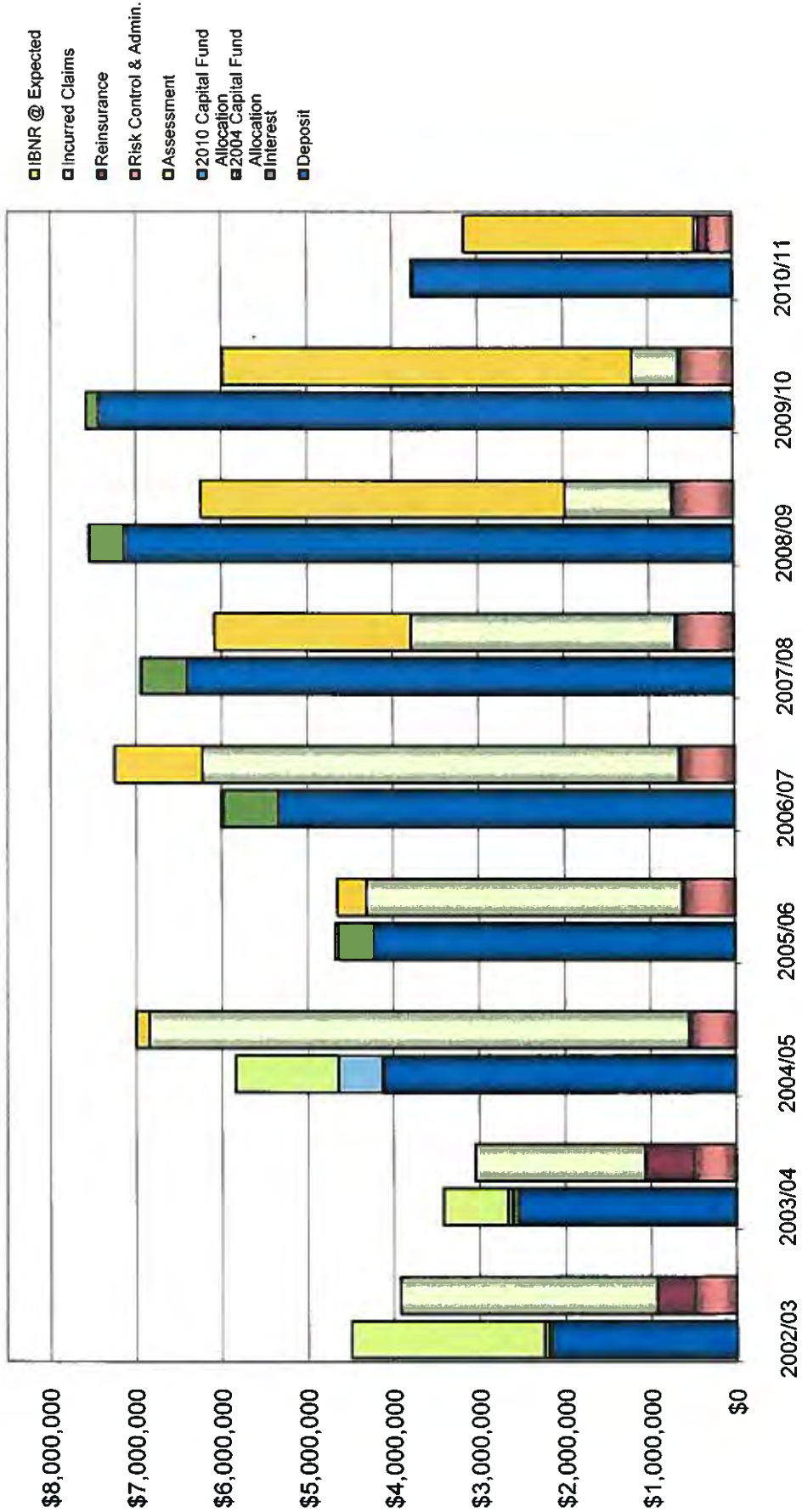
Member	2002/03 Program Year	2003/04 Program Year	2004/05 Program Year	2005/06 Program Year	2006/07 Program Year	2007/08 Program Year	2008/09 Program Year	2009/10 Program Year	2010/11 Program Year	Total
BCJPIA	\$ 90,607	\$ 56,841	\$ (135,491)	\$ 3,933	\$ (144,714)	\$ 122,487	\$ 202,538	\$ 284,768	\$ 109,693	\$ 590,663
CHARMA	34,375	22,236	(57,966)	8,003	(60,208)	17,923	27,805	42,972	0	35,139
CSJVRMA	87,362	63,929	(153,264)	8,129	(195,849)	118,300	203,483	288,692	108,192	528,973
MPA	159,943	92,286	(337,640)	7,993	(390,224)	241,629	368,576	343,439	104,209	590,211
PARSAC	97,362	64,357	(225,697)	38,647	(237,791)	181,573	215,235	248,496	120,820	503,002
PERMA	49,737	37,801	(153,659)	(43,288)	(158,966)	126,025	211,522	285,320	129,472	483,965
SCORE	6,754	4,497	(22,639)	(1,968)	(16,805)	9,760	17,529	31,103	14,040	42,270
VC-JPA	21,106	13,298	(41,621)	5,680	(33,497)	28,895	43,030	54,854	16,962	108,707
City of Vacaville	27,002	0	(27,993)	0	0	0	0	0	0	17,217
Oakland HA	0	0	0	0	0	17,399	23,168	24,288	8,618	73,472
Contra Costa County HA	0	0	0	0	0	0	0	0	2,408	2,408
<b>Total</b>	<b>\$ 574,248</b>	<b>\$ 373,452</b>	<b>\$ (1,155,971)</b>	<b>\$ 27,128</b>	<b>\$ (1,238,054)</b>	<b>\$ 863,991</b>	<b>\$ 1,312,886</b>	<b>\$ 1,603,932</b>	<b>\$ 614,415</b>	<b>\$ 2,976,026</b>

Note: ERMA's first three program years, 1999/2000 - 2001/2002 are closed, and as such are no longer reflected on this Retained Earnings report.

<b>Additional Information:</b>										
IBNR as of 12/31/10:	\$ -	\$ -	\$ 157,304	\$ 342,836	\$ 1,022,971	\$ 2,300,159	\$ 4,257,585	\$ 4,792,068	\$ 2,708,991	\$ 15,581,914
Retained Earnings @ 80% CL:	\$ 574,248	\$ 373,452	\$ (1,216,815)	\$ (79,622)	\$ (1,574,336)	\$ 58,867	\$ 109,381	\$ 280,398	\$ (584,643)	\$ (2,059,070)
Net Assessments	\$ 2,250,000	\$ 754,505	\$ 1,200,000							\$ 5,366,630
* Includes closed program years not on this report										
Confidence Level Funding:	Expected	60%	60%	65%	70%	70%	70%	75%	75%	



# Employment Risk Management Authority Review of Financial Condition As of December 31, 2010



**EMPLOYMENT RISK MANAGEMENT AUTHORITY**  
**JPA PERFORMANCE REPORT**  
 (Open Program Years Only)  
 as of December 31, 2010

**Purpose:**  
 Maintain effective and efficient operation of the JPA;  
 Provide concise information needed to accurately illustrate the JPA's financial position as a result of operations;  
 Serve as an early warning tool to identify unfavorable events or trends;  
 Encourage member entity awareness and participation.

STARTED MEETING  
 IN FEBRUARY  
 BOKTROLL

A. Balance Sheet		(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	Dec 31, 2010
1	<b>Assets:</b>									
2	Cash	\$ 2,149,886	\$ 2,234,765	\$ 3,637,760	\$ 5,803,473	\$ 7,336,972	\$ 12,166,339	\$ 10,852,812	\$ 5,262,317	\$ 11,941,964
3	Investments							5,214,365	13,422,533	13,502,359
4	Receivables	240,166	154,142	1,262,955	1,140,176	1,495,370	1,320,556	198,401	662,563	149,593
5	Prepays	53,942	721	764	2,335	101,943	111,893	116,724	4,235	223,955
6	<b>Total Assets</b>	<b>2,443,993</b>	<b>2,389,628</b>	<b>4,901,479</b>	<b>6,945,984</b>	<b>8,934,285</b>	<b>13,598,788</b>	<b>16,382,303</b>	<b>19,351,648</b>	<b>25,817,870</b>
7										
8	<b>Liabilities:</b>									
9	Payables	55,496	214,810	59,775	228,971	33,340	47,708	140,281	70,879	17,312
10	Deferred Revenue	0	0	0	0	0	0	0	0	3,744,454
11	Reserve for Known Claims	840,361	699,820	965,285	4,084,943	3,207,627	3,451,691	3,306,780	3,305,382	3,498,165
12	IBNR & ULAE	2,313,965	7,740,752	8,186,201	7,570,415	9,735,842	11,840,721	12,415,639	13,779,152	15,581,914
13	<b>Total Liabilities</b>	<b>3,209,822</b>	<b>8,655,382</b>	<b>9,211,261</b>	<b>11,884,329</b>	<b>12,976,809</b>	<b>15,340,120</b>	<b>15,863,170</b>	<b>17,155,413</b>	<b>22,841,645</b>
14	Retained Earnings	(765,830)	(6,265,754)	(4,309,781)	(4,938,342)	(4,042,524)	(1,741,332)	(519,133)	(2,196,235)	(2,976,026)
15	<b>Total Liabilities &amp; Retained Earnings</b>	<b>2,443,993</b>	<b>2,389,628</b>	<b>4,901,479</b>	<b>6,945,984</b>	<b>8,934,285</b>	<b>13,598,788</b>	<b>16,382,303</b>	<b>19,351,648</b>	<b>25,817,870</b>
16										
17										
18										
19										
20	<b>B. Statement of Operations</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>
21	Deposit Premiums	\$ 2,427,211	\$ 2,787,866	\$ 4,201,377	\$ 4,355,814	\$ 5,551,619	\$ 6,441,839	\$ 7,157,712	\$ 7,451,583	\$ 3,751,173
22	1999/2000 Net Assessment			820,468		(223,358)				
23	2000-2001 Net Assessment			1,110,838		(276,943)				
24	2001-2002 Net Assessment				1,000,000					
25	2002-2003 Assessment					1,250,000				
26	2003-2004 Assessment									
27	2004-2005 Assessment									
28	Investment Income	59,555	39,633	103,692	263,674	500,241	754,504	578,652	291,384	108,986
29	Claims Expense	(2,504,918)	(7,253,794)	(3,730,840)	(5,626,433)	(5,193,608)	(5,193,608)	(4,744,129)	(5,419,209)	(2,679,672)
30	Excess Insurance	(439,956)	(576,507)	(38,835)	(25,000)	(25,000)	(25,000)	(25,000)	(97,998)	(237,646)
31	General Management	(192,523)	(216,777)	(242,162)	(315,492)	(348,689)	(410,450)	(431,876)	(453,469)	(65,052)
32	Other Expenses	(297,079)	(280,346)	(268,568)	(281,124)	(277,348)	(255,173)	(274,893)	(168,187)	(65,052)
33	<b>Net Income (Loss)</b>	<b>(947,711)</b>	<b>(5,499,224)</b>	<b>1,955,923</b>	<b>(628,561)</b>	<b>895,818</b>	<b>2,301,192</b>	<b>2,260,465</b>	<b>1,677,102</b>	<b>779,791</b>
34										
35										
36	<b>C. Actual Expense v. Budget</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>
37	General Management Expense:									
38	Budget	\$ 192,525	\$ 216,777	\$ 242,162	\$ 303,046	\$ 334,335	\$ 412,329	\$ 431,876	\$ 453,668	\$ 475,292
39	Percentage of Budget Used	100%	100%	100%	104%*	104%	100%	100%	100%	50%
40										
41										
42	<b>Other Expenses:</b>									
43	Budget	\$ 332,907	\$ 340,638	\$ 366,573	\$ 347,634	\$ 334,875	\$ 336,529	\$ 310,856	\$ 332,700	\$ 256,200
44	Percentage of Budget Used	89%	82%	73%	81%	83%	76%	88%	51%	25%
45										
46										
47	<b>D. Member Entities</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>
48	Number of Joint Powers Authorities	8	8	8	8	8	8	8	8	7
49	Number of Individual Cities/Special Districts	1	1	2	1	1	1	1	1	2
50	<b>Total Member Entities</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
51										
52										
53	<b>Total Underlying Member Entities</b>	<b>158</b>	<b>164</b>	<b>164</b>	<b>164</b>	<b>168</b>	<b>170</b>	<b>172</b>	<b>171</b>	<b>166</b>
54										
55										
56	<b>E. Member Payroll</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>
57	Budgeted Payroll	\$ 822,299,465	\$ 873,776,435	\$ 939,624,684	\$ 937,354,622	\$ 1,019,108,017	\$ 1,106,139,423	\$ 1,176,252,283	\$ 1,190,283,798	\$ 1,157,222,105
58	Budgeted Payroll (Reinsurance)									\$ 541,035,693
59										
60										
61										
62										

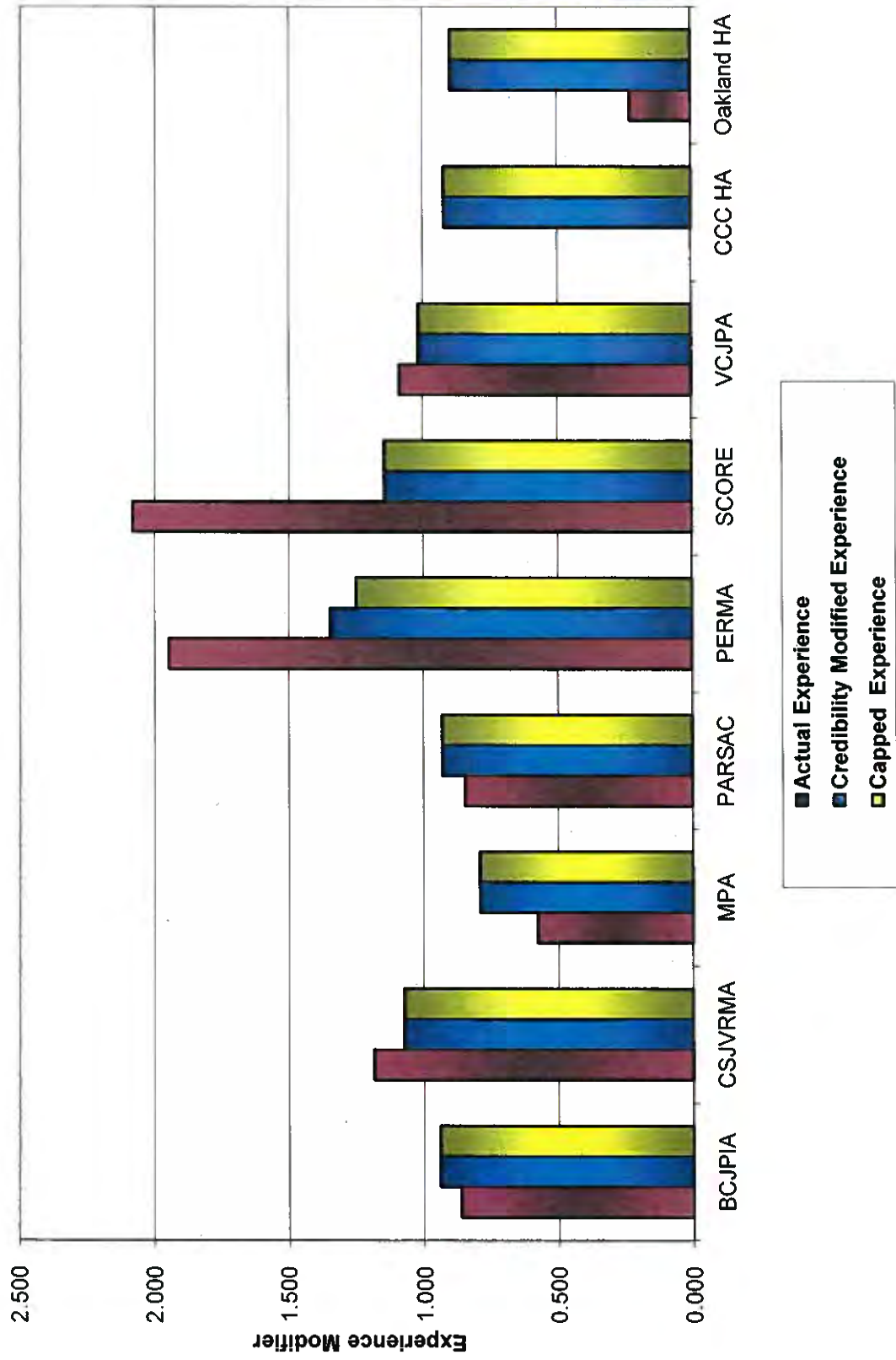
**EMPLOYMENT RISK MANAGEMENT AUTHORITY**  
**JPA PERFORMANCE REPORT**  
*(Open Program Years Only)*  
as of December 31, 2010

	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008 +	2008/2009	2009/2010	2010/2011
<b>F. Rates per \$100 Payroll</b>									
Funding Rate per \$100 Payroll	0.18	0.18	0.38	0.39	0.47	0.52	0.54	0.56	0.57
Reinsurance Rate per \$100 Payroll	0.06	0.08							0.04
Budgeted Admin. Rate per \$100 Payroll	0.064	0.064	0.069	0.073	0.068	0.070	0.065	0.066	0.063
<b>G. Layers of Coverage</b>									
Retention to \$1,000,000 Layer	100% ERMA	100% ERMA	100% ERMA	100% ERMA	100% ERMA	100% ERMA	100% ERMA	100% ERMA	100% ERMA
Coverage above \$1,000,000	\$1M - \$4M Commercial Coverage	\$1M - \$4M Commercial Coverage	None	None	None	None	None	None	\$1M - \$2M Commercial Coverage (Optional)
<b>H. Confidence Levels (funding):</b>									
Per Bickmore Risk Services	Expected	60%	60%	65%	70%	70%	70%	75%	75%
<b>I. Change in Claims Liabilities</b>									
Paid-to-Date	\$ 2,992,963	\$ 1,973,198	\$ 6,294,352	\$ 3,534,439	\$ 4,311,045	\$ 2,242,071	\$ 609,673	\$ 10,263	\$ 45,574
Reserve for Known Claims (Discounted)	0	0	0	157,294	1,265,337	850,069	645,140	534,750	45,574
<b>Total Incurred</b>	<b>2,992,963</b>	<b>1,973,198</b>	<b>6,294,352</b>	<b>3,691,733</b>	<b>5,576,382</b>	<b>3,092,140</b>	<b>1,254,813</b>	<b>545,013</b>	<b>45,574</b>
<b>IBNR and ULAE</b>									
Discounted, expected confidence level	0	0	157,304	342,836	1,022,971	2,300,159	4,257,585	4,792,068	2,708,991
<b>Total Projected Claims Expense</b>	<b>\$ 2,992,963</b>	<b>\$ 1,973,198</b>	<b>\$ 6,451,656</b>	<b>\$ 4,034,569</b>	<b>\$ 6,599,353</b>	<b>\$ 5,392,299</b>	<b>\$ 5,512,398</b>	<b>\$ 5,337,081</b>	<b>\$ 2,754,565</b>
<b>J. Adverse Experience Indicators</b>									
Loss Ratio (Total Incurred/Deposits-Admin)	1.03	0.60	1.34	0.75	0.90	0.44	0.16	0.07	0.01
Total Incurred & IBNR/Deposit Premiums	1.23	0.71	1.54	0.93	1.19	0.84	0.77	0.72	0.73
Total Incurred per \$100 of Payroll	0.36	0.23	0.67	0.39	0.55	0.28	0.11	0.05	0.00
Total Incurred & IBNR per \$100 of Payroll	0.36	0.23	0.69	0.43	0.65	0.49	0.47	0.45	0.24
<b>K. Claims Activity</b>									
All Claims:									
Number of Open Claims	0	0	0	1	6	10	12	38	4
Number of Closed Claims	42	36	48	43	49	51	33	9	0
<b>Total Reported Claims</b>	<b>42</b>	<b>36</b>	<b>48</b>	<b>44</b>	<b>55</b>	<b>61</b>	<b>45</b>	<b>47</b>	<b>4</b>
Note: Number of Litigated Claims	24	15	20	19	25	24	11	8	0
Claims - Incurred over Member Retention:									
Number of Open Claims	0	0	0	1	5	6	5	11	1
Number of Closed Claims	20	14	20	17	18	17	8	2	0
<b>Total Reported Claims</b>	<b>20</b>	<b>14</b>	<b>20</b>	<b>18</b>	<b>23</b>	<b>23</b>	<b>13</b>	<b>13</b>	<b>1</b>

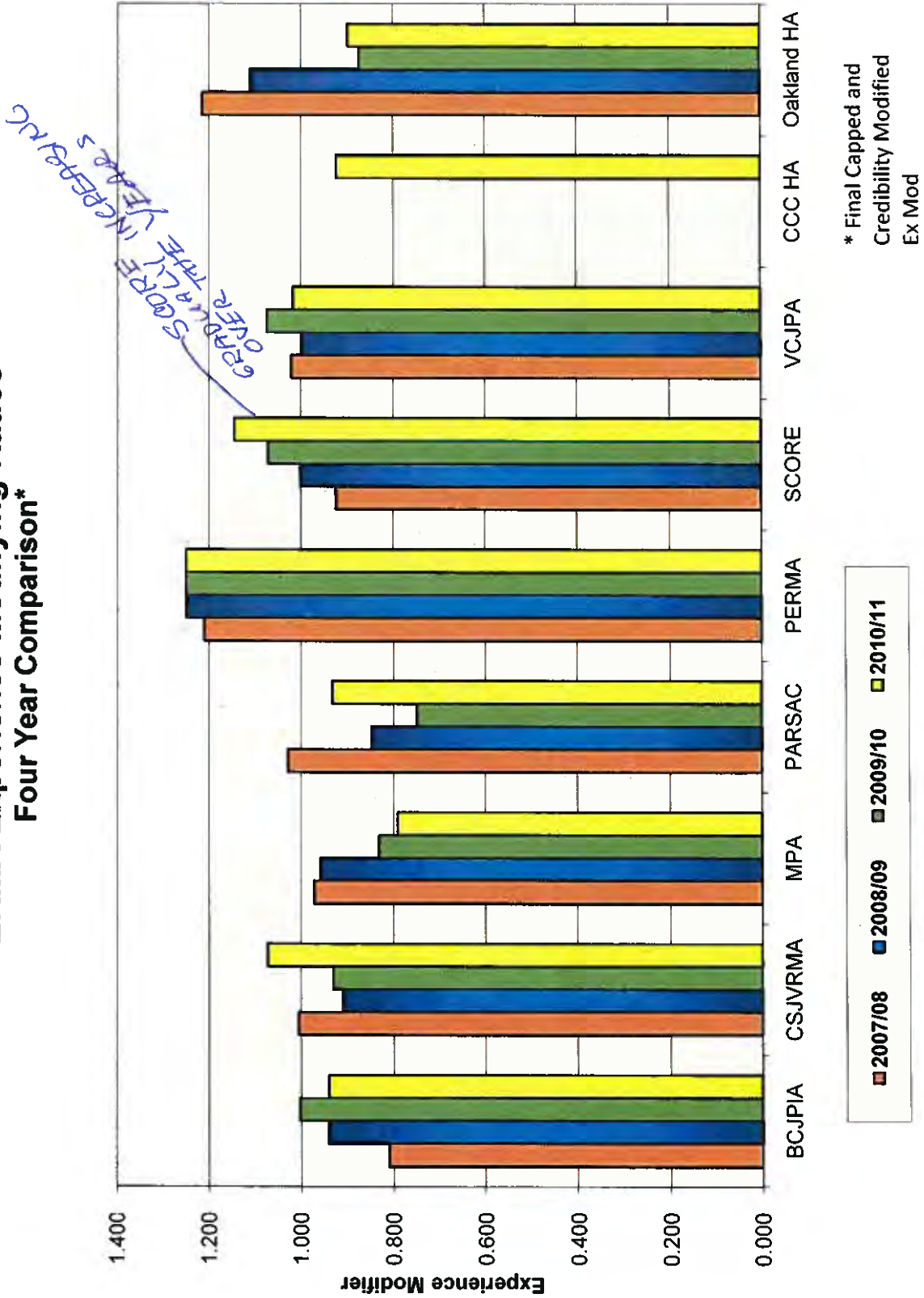
NOT TO BE USED FOR RATIOS

HIGHER CONFIDENCE LEVEL

# ERMA Experience Modifying Ratios 2010/ 2011 Program Year



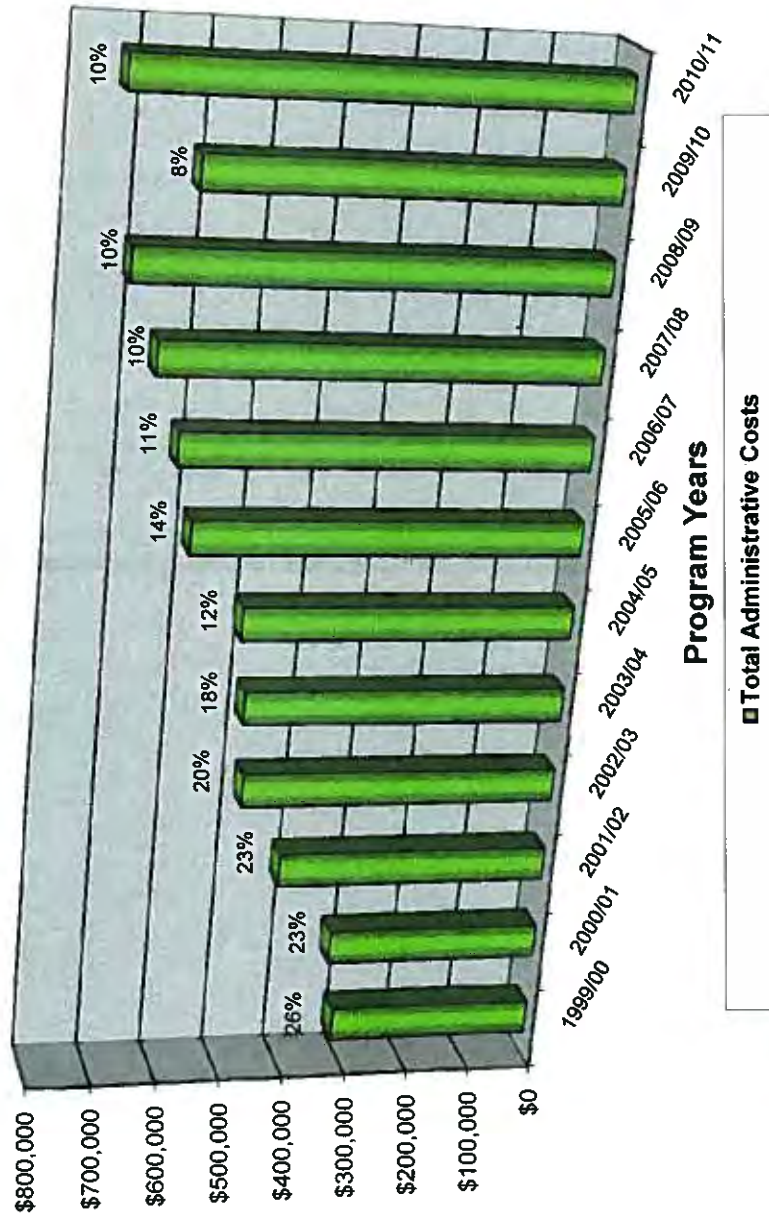
# ERMA Experience Modifying Ratios Four Year Comparison\*



\* Final Capped and  
Credibility Modified  
Ex Mod

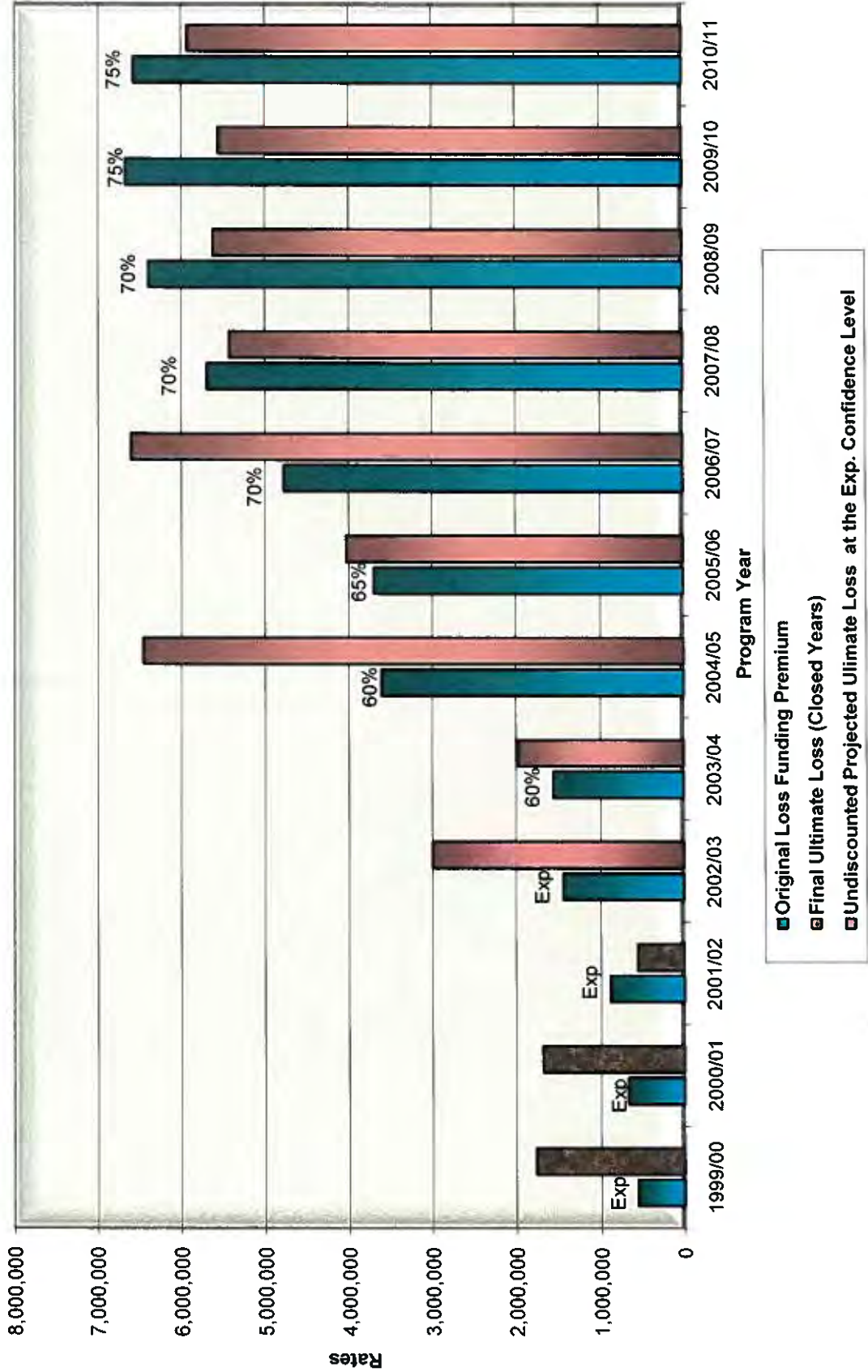


## ERMA Historical Administrative Costs

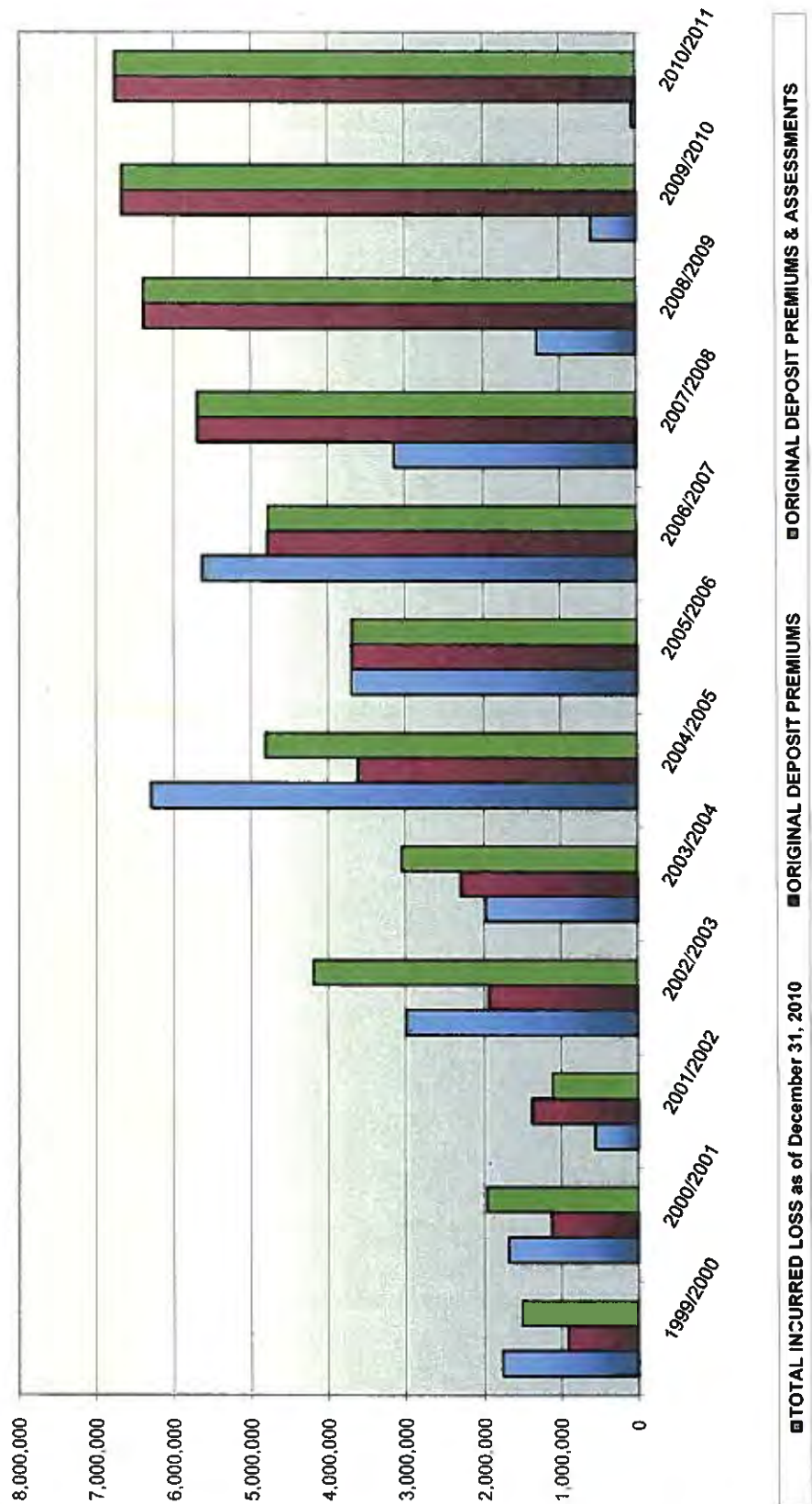


Percentages indicate the Administration portion of deposit premium

**ERMA  
Original Loss Funding Premium v. Current Ultimate Loss**



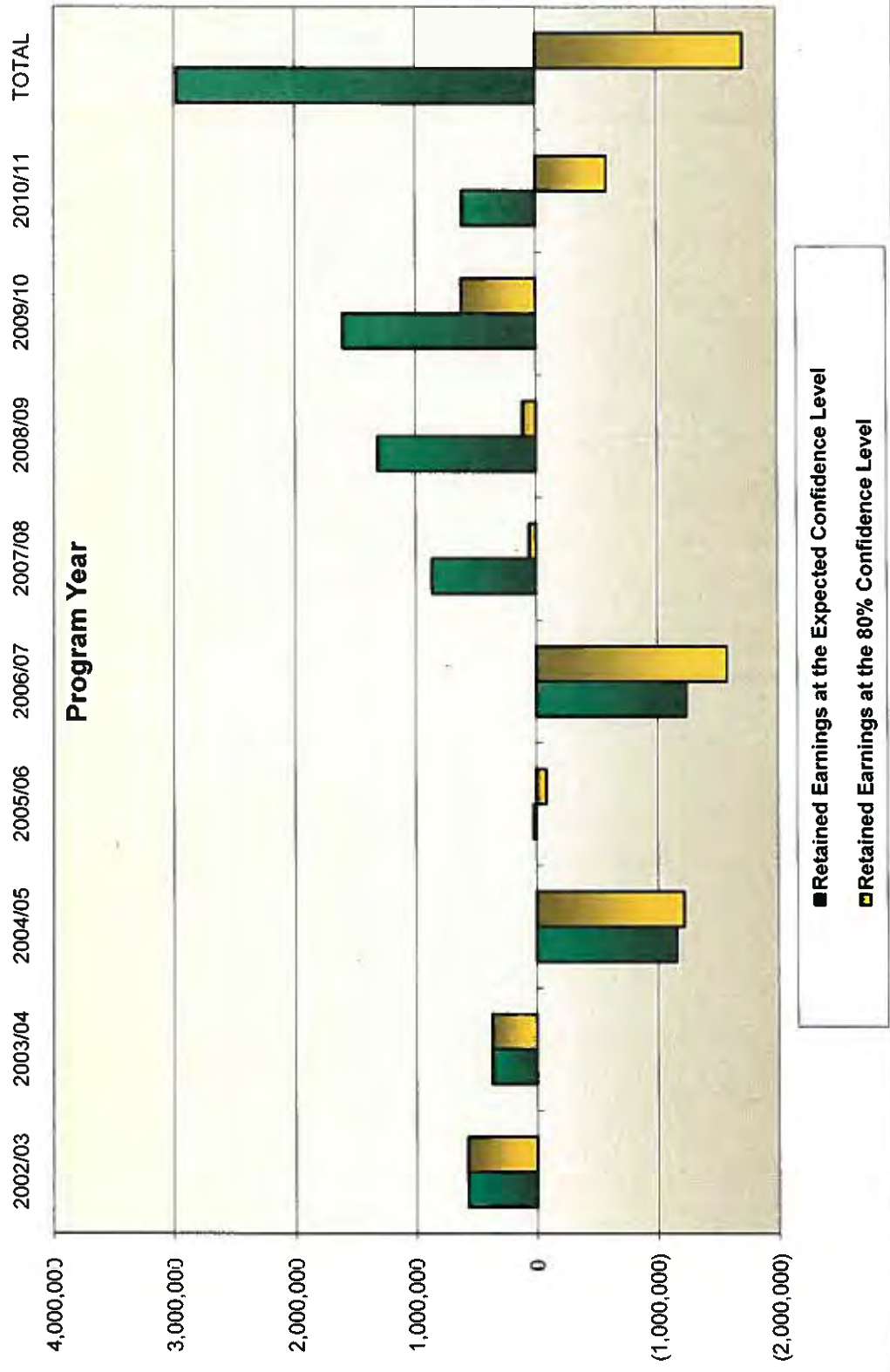
## ERMA Comparison of Incurred Loss and Premium/Assessments Paid by Program Year



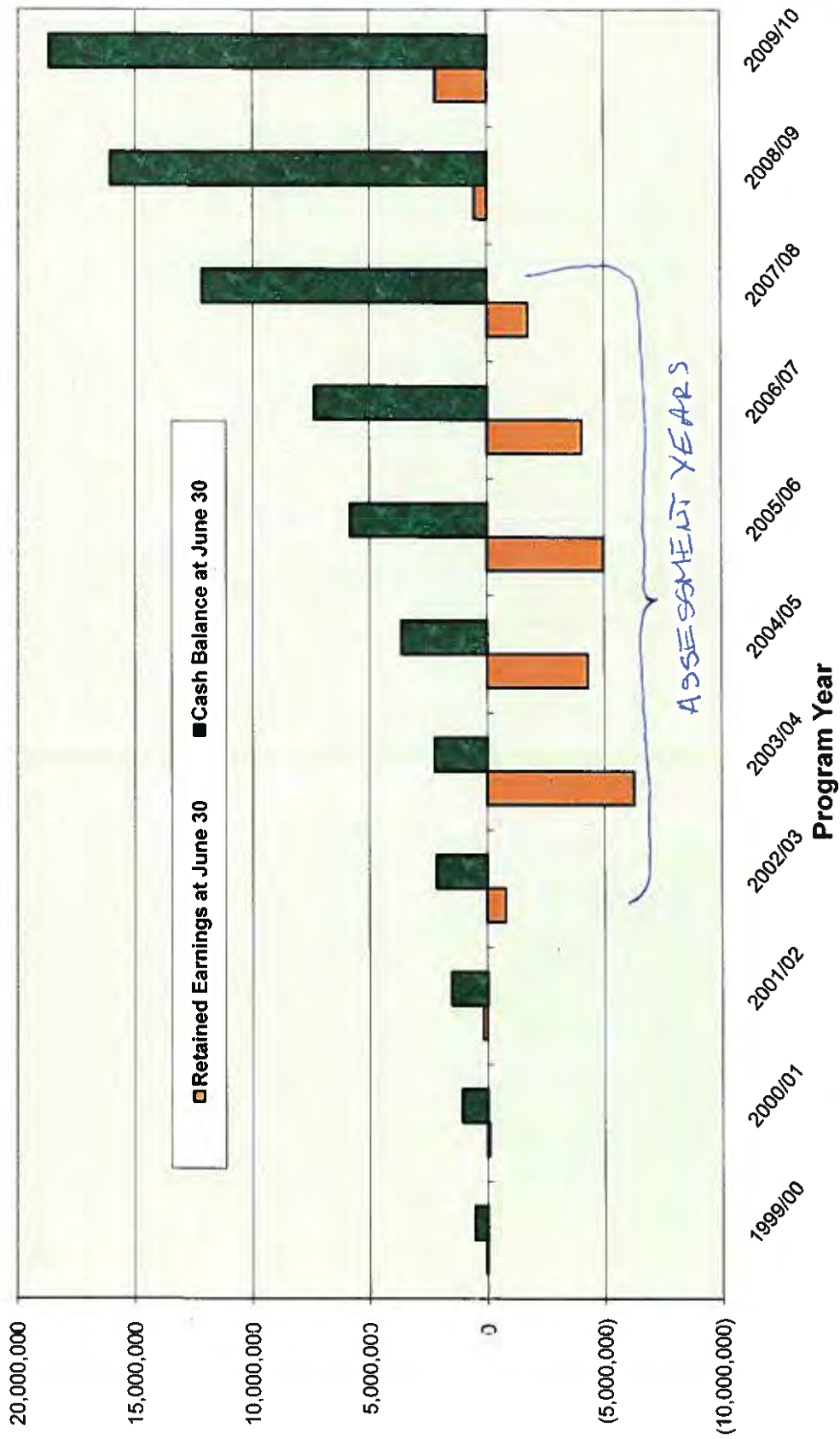


# ERMA Retained Earnings By Program Year

As of December 31, 2010



# ERMA Retained Earnings and Cash Balance As of Year End For All Program Years Combined



**MEMBER RELATIONS**

**SUBJECT: Membership Status and Member Outreach**

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**BACKGROUND AND STATUS:**

**Membership Status:**

As of December 1, 2010, ERMA has nine direct members comprised of two individual members, one of which joined July 1, 2010, seven represent JPAs with 162 underlying members. During 2009/10 and continuing in 2010/11, ERMA staff's has marketed ERMA at the underlying member JPA level with positive results. Two new underlying members joined ERMA in 2010/11, City of Huron (CSJVRMA) on July 1, 2010, and City of Dos Palos (CSJVRMA) on December 1, 2010.

As of December 31, 2010, the deadline for submitting a notice of withdrawal to ERMA, only one withdrawal notice was received. The notice was from Crescent City, an underlying member through SCORE. The City is currently reviewing their coverage options for July 1, 2011, and may request that their withdrawal notice be rescinded by the Board. If the City requests their withdrawal notice to be rescinded, it will be placed on the June 20, 2011, Board of Directors' agenda for consideration.

There are currently four potential new members that may join ERMA through their respective JPAs.

**Member Outreach:**

Staff continues to participate at members' Board of Directors' meetings to provide the current status and programs that ERMA has to offer. Much of the discussion is an overview, but because one significant loss can have a long-term impact on premiums, staff will be enhancing the presentation to include the cost of risks and best practices.

ERMA's claims data will be utilized to present information regarding losses, the financial impact to the JPA and the underlying member or the independent member, and how long a claim impacts the experience modification factors. In addition, information will include what could have been done, if anything, to lessen or prevent losses that have occurred. A more detailed analysis of the JPA's performance may help members understand the impact and performance objectives.

**REFERENCE MATERIALS:**

None

**Agenda Item 4.A.**

**MEMBER RELATIONS**

**SUBJECT: ERMA Training – Overview and Status of 2010/11 Training Program and Discussion Regarding 2011/12**

---

**BACKGROUND AND STATUS:**

Workshops:

In 2009/10, ERMA adopted an individualized training program comprised of 54 trainings. Of those, 20 trainings were to be conducted by BRS per the pool administration contract, 22 additional paid trainings were to be conducted by BRS or other vendors, and 12 trainings were to be conducted by the two contract law firms.

In 2010/11, based on need, member response, and budget considerations, the ERMA Board elected to change the training program, reducing the total number of trainings to 37 and conducting training on both a regional and individual basis. Of the 37, 20 trainings will be conducted by BRS per the pool administration contract, 11 additional paid trainings are scheduled or pending, and 6 trainings will be conducted by the two contract law firms. This streamlined and flexible training program appears to be more consistent with member training needs for both regional and individual training. The topics and current status of the trainings are listed below:

- BRS:  
A total of 20 harassment/discrimination workshops will be conducted. Fourteen were completed in 2010, and six are scheduled for 2011; twelve on a regional basis and eight on an individual basis. One regional workshop scheduled for January 2011 was cancelled due to a lack of attendees.
- Vendor Trainings:  
Trainings are allocated based on member requests and need as identified by the Litigation Manager. Four individual and four regional harassment/discrimination workshops have been held/scheduled, and one regional workshop focused on law enforcement is scheduled (see details under the next heading). As in the 2009/10 Program Year, members may choose any qualified vendor. The remaining two trainings will be allocated as above.
- Liebert Cassidy Whitmore and Jackson Lewis:  
The topics for the law firm trainings were chosen to provide specialized training that enhances ERMA's loss prevention goals and is in line with members' needs. To this end, in order to focus on issues unique to law enforcement, Liebert Cassidy worked with

**ERMA**  
**11th ANNUAL WORKSHOP**  
**FEBRUARY 17, 2011**

---

ERMA to develop a training entitled “Mitigating Risks for Law Enforcement Agencies.” To help members train their managers and supervisors in the key areas of performance management (discipline, performance management and other key supervisory skills), Jackson Lewis developed a workshop on Performance Management and Leadership. Liebert Cassidy conducted one of the Law Enforcement workshops in November 2011, and three additional workshops are scheduled (one of which has been allocated to the regional trainings as noted above). Three workshops on Performance Management and Leadership to be conducted by Jackson Lewis are scheduled during the remainder of the Program Year.

Based on feedback from the Board at the Workshop, staff will work with ERMA’s contract law firms to develop other topical workshops that may be of interest for the 2011/12 Program Year. Some suggestions include legal issues relating to social networking and social media sites, and trainings on conducting internal investigations of employee complaints.

Staff believes the 2010/11 training program has been working well, the workshops (with the exception noted above) have been well attended, and the requests for individual trainings have been fulfilled. Therefore, staff recommends that the Board continue the current program for 2011/12. Based on feedback from the Board at the Workshop, staff will present a more comprehensive plan at the April 18, 2011, meeting for Board adoption.

Online Training and Weekly Bulletins:

In addition to the workshops, ERMA entered into a contract with in2vate effective September 1, 2010, to provide online training for AB 1825 and AB 1234. The usage from September 1, 2010, through January 31, 2010, as reported from in2vate is:

<b>TRAINING</b>	<b># ASSIGNED</b>	<b># COMPLETED</b>
AB 1825 (Harassment)	122	78
AB 1234 (Ethics)	66	9

In addition to online training for AB 1825 and AB 1234, in2vate has a wide-range of online training modules available (catalog enclosed). The cost for each additional training module is \$5,000 per year per module for unlimited use. However, if ERMA were to purchase more than two additional modules, in2vate would apply a volume discount on the pricing dependent upon the total number purchased. ERMA could either: 1) select specific modules to be made available to members, or 2) allow members to select from the catalog of available modules. The Board should discuss whether there is any interest in adding additional training modules. If there is interest, this item will be placed on the April Board of Directors’ meeting agenda.

ERMA also expended \$6,000 for in2vate to reinstitute the weekly bulletins for those members interested in receiving them. The bulletins cover a range of subjects, including discrimination, disability accommodation, and workplace violence. The Board should discuss whether the bulletins are of value.

**REFERENCE MATERIALS:**

- Overview of Trainings for 2010/11
- in2vate catalog of training modules

OVERVIEW of BRS CONTRACT/VENDOR PAID/ATTORNEY FIRM TRAININGS

MAXIMIZING THE WORKPLACE (AB1825)

MITIGATING RISKS FOR LAW ENFORCEMENT (Liebert Cassidy)

LOCATION	DIRECT MEMBER	DATE HELD/ SCHEDULED	INDIVIDUAL/ REGIONAL
Selma	CSJVRMA	7/27/2010	Individual
Manteca	MPA	8/3/2010	Individual
San Ramon	MPA	9/2/2010	Regional
Angels Camp	CSJVRMA	9/22/2010	Individual
Murrieta	PERMA	9/23/2010	Regional
Piedmont	BCJPIA	10/7/2010	Regional
Calistoga	PARSAC	10/14/2010	Individual
Corcoran	CSJVRMA	10/20/2010	Individual
Madera	CSJVRMA	10/27/2010	Regional
S. Lake Tahoe	VCJPA	11/3/2010	Individual
Marin-Sonoma MVCD	VCJPA	11/9/2010	Individual
Victorville	PERMA	11/16/2010	Regional
Coalinga	PARSAC	11/23/2010	Individual
Greater LA Co. VCD	VCJPA	12/2/2010	Regional
Pleasant Hill	MPA	2/23/2011	Regional
Orange County VCD	VCJPA	2/24/2011	Individual
Rialto	PARSAC	3/1/2011	Regional
Mill Valley	BCJPIA	3/22/2011	Regional
Yucaipa	PARSAC Pending-Mar		Regional
Butte Co. MVCD	VCJPA	4/7/2011	Regional
Banning	PERMA	4/26/2011	Regional
Escalon	CSJVRMA	5/5/2011	Regional
Rancho Santa Margarita	PARSAC	5/19/2011	Regional
Martinez	MPA	6/2/2011	Regional
Brisbane	BCJPIA	6/14/2011	Individual
Redding	SCORE	6/21/2011	Regional (Jackson Lewis)
Gustine	CSJVRMA	Pending	Individual
Martinez	MPA	Pending	Individual

Total: 4

PERFORMANCE MANAGEMENT TRAINING (Jackson Lewis)

LOCATION	DIRECT MEMBER	DATE HELD/ SCHEDULED	INDIVIDUAL/ REGIONAL
Madera	CSJVRMA	Pending	Regional
Hesperia	PERMA	Pending	Regional
Redding	SCORE	6/21/2011	Regional

Total: 3

KEY

ATTORNEY FIRM TRAINING
VENDOR PAID TRAINING
BRS CONTRACT TRAINING

Total: 28

## in2vate Online Training Topics

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### **Employment Practices Liability**

**TRAC (Teamwork · Respect · Awareness · Communication)**

**TARGET AUDIENCE:** All Employees

TRAC is a multi-purpose workplace risk management module for all employees. TRAC reinforces your efforts to prevent workplace wrongdoing and makes employees aware of issues important to your institution, such as tolerance, harassment, theft, workers' compensation fraud and retaliation, diversity, safety, violence, and conflict resolution. With TRAC, employees can receive basic workplace training and orientation in just a few minutes. TRAC can also be customized by integrating your specific policies and procedures into the training, helping generate greater impact and personal value for your employees.

### **Leave-Related Laws**

**DISABILITIES (ADA)**

**TARGET AUDIENCE:** Managers/Supervisors

This training communicates key components of the Americans with Disabilities Act (ADA) – components such as who is protected, when is a disability not a disability, how a nondisabled employee can sue and win, the pitfalls of the hiring process, reasonable accommodations vs. undue hardships, how well-meaning conduct can be interpreted as discriminatory, the personal and economic impacts of disability discrimination, the duties of managers and supervisors, how to spot and prevent potential disability harassment and discrimination, how to defend your institution with effective reporting systems, the importance of investigations, and more.

**FMLA**

**TARGET AUDIENCE:** Managers/Supervisors

The Family Medical Leave Act (FMLA) may be the most misunderstood aspect of leave-related laws for many employers. This misunderstanding makes employers and their institution ripe for ever increasing liability. This module clarifies the regulations, what is "family" leave, what is a "serious health condition," notice requirements, how to manage administrative nightmares, managers' duties, and more.

**WORKERS' COMPENSATION (FRAUD AND RETALIATION)**

**TARGET AUDIENCE:** Managers/Supervisors

Although only a small percentage of workers' compensation claims contain an element of fraud, many people fear that almost every claim is suspect. Managing workers' compensation claims from that fear can increase your liability exposure to retaliation claims. This course explores the prevention of fraudulent claims, understanding co-worker dynamics, the relationship of the ADA and the FMLA to workers' compensation laws, employer duties, and more.

**ALSO AVAILABLE:**

- **ADA/FMLA/WORKERS' COMPENSATION (COMBINED VERSION)**  
**TARGET AUDIENCE:** Managers/Supervisors



- **ADA/FMLA/WORKERS' COMPENSATION (HIGHER EDUCATION COMBINED VERSION)**  
TARGET AUDIENCE: Managers/Supervisors

### **Workplace Risk Management**

#### **COLLECTIVE RISK MANAGEMENT TEAM\***

TARGET AUDIENCE: Relevant Employees

Collective Risk Management is a process in which a team of employees manages workplace risk and wrongdoing when discovered. This training will guide you and your fellow team members through the wrongdoing report management process and will teach you how to develop an effective team.

#### **FIVE CORE PRINCIPLES OF SMART RISK MANAGEMENT**

TARGET AUDIENCE: Managers/Supervisors

Managers and supervisors often serve as the frontline defense for mitigating risks and loss as a result of workplace wrongdoing. Therefore, each manager and supervisor must be a Smart Risk Manager, and that can best be accomplished by understanding the best practices for managing people. The first step to becoming a Smart Risk Manager is to apply the five core principles: No Tolerance, Observation, Communication, Empathy, and Fairness.

#### **VIOLENCE**

TARGET AUDIENCE: Managers/Supervisors

A growing concern for employers is workplace violence. Learn what forms violence can take, how to spot the potential for violence, prevention techniques, suggested procedures and practices in the event of violence, and more.

#### **THEFT**

TARGET AUDIENCE: Managers/Supervisors

Internal theft accounts for billions of dollars of lost revenue for U.S. employers each year. This training explains the reasons for internal theft, preventative steps, appropriate surveillance techniques, and managerial duties.

#### **UNSAFE ACTS**

TARGET AUDIENCE: Managers/Supervisors

Employees often cite safety as their primary job concern. This module discusses methods of preventing and managing unsafe acts such as safety violations, as well as substance use and abuse, how to spot potential safety violations and how to manage those that happen, and types of employer liability if risks are not properly managed.

#### **ALSO AVAILABLE:**

- **VIOLENCE/THEFT/UNSAFE ACTS (COMBINED VERSION)**  
TARGET AUDIENCE: Managers/Supervisors
- **VIOLENCE/THEFT/UNSAFE ACTS (HIGHER EDUCATION COMBINED VERSION)**  
TARGET AUDIENCE: Managers/Supervisors

## **Safe Environment**

### **BULLYING/VIOLENCE PREVENTION**

TARGET AUDIENCE: Adults

Bullying/Violence Prevention provides schools, daycare providers, religious education programs, and other youth-oriented organizations with information, resources, and training to help prevent bullying and other violent behaviors. Bullying/Violence Prevention addresses (1) the warning signs that someone is a bully, (2) the warning signs that someone is a target, and (3) the appropriate responses by caring adults.

### **SEXUAL ABUSE PREVENTION**

TARGET AUDIENCE: Adults

Sexual Abuse Prevention creates adult awareness on sexual abuse and teaches adults how to prevent such abuse. With a target audience of employees, volunteers, and other caring adults, Sexual Abuse Prevention overviews (1) what is sexual abuse, (2) the damage caused by sexual abuse, (3) the warning signs of sexual abuse and of abusers, (4) how to respond appropriately, and (5) what caring adults can do about sexual abuse on their campuses and in their communities.

### **SEXUAL ABUSE PREVENTION REFRESHER**

TARGET AUDIENCE: Adults

Everyone plays a role in preventing sexual abuse and everyone must respond appropriately and in a timely manner. Taking a "wait and see" approach puts lives at risk. The earlier we identify the wrongdoing, the better our chances are to save a life from sexual abuse. Review the warning signs of child sexual abuse and how to prevent it.

### **SUBSTANCE ABUSE PREVENTION**

TARGET AUDIENCE: Adults

This program highlights the risk factors that are often involved in substance abuse among youth and students. This program was designed with adults (faculty, staff, employees, volunteers, and other adults) in mind to (1) create awareness of the circumstances and influences that lead to a young person's involvement in substance abuse, (2) overview actions adults can take to help young people avoid substance abuse, and (3) outline how to become involved with a young person believed to be abusing substances.

### **TECHNOLOGY SAFETY & SECURITY**

TARGET AUDIENCE: Managers/Supervisors

Technology Safety & Security outlines safety and security issues and teaches adults how to protect young people in the world of electronic communication. This program covers (1) technology exposures, (2) the warnings signs of potential technology-related abuse or misuse, (3) proactive strategies for protection, and (4) appropriate responses to technology-related abuse or misuse.

## **H.R. (Functions and Processes)**

### **HIRING**

TARGET AUDIENCE: Managers/Supervisors

Many problems associated with employment practices can be avoided upfront with proper screening and selection practices. This module breaks down the hiring process and explains the necessity of "hiring right" to avoid risks and improve the workplace. This module is a must for any manager who participates in the screening and selection process.

### **JOB APPLICATIONS**

TARGET AUDIENCE: Managers/Supervisors

A well-written job application form is essential for a successful hiring process. This module discusses what information is appropriate and inappropriate in a job application form and how that information should be used in an interview. Tips are provided for improving application forms and characteristics that are favored for those who conduct interviews.

### **INTERVIEWING**

TARGET AUDIENCE: Managers/Supervisors

Most problems resulting in employee lawsuits could have been avoided if proper attention had been paid to the hiring process. This module discusses who should conduct interviews, interview preparation, and what information is appropriate and inappropriate to ask during an interview.

### **PERSONNEL FILES**

TARGET AUDIENCE: Managers/Supervisors

Well-kept employee personnel records are perhaps the most important management tools available to an employer. This module discusses the types of documented information typically kept in personnel files, what information should be kept in a separate location, and who should have access to the information.

### **INVESTIGATIONS**

TARGET AUDIENCE: Managers/Supervisors

An effective investigation of a problem or a complaint will allow your organization to monitor itself for compliance with its policies and procedures, as well as with applicable federal, state, and local laws prohibiting discrimination, sexual harassment, theft, violence, unsafe acts, workers' compensation fraud and other workplace wrongdoing. This module discusses the goals of an investigation, who should investigate, and when an investigation should take place. The module addresses how special concern should be given to retaliation, sexual harassment investigations, workers' compensation fraud investigations, and the investigation of violence, theft, unsafe acts, or illegal practices.

### **TERMINATIONS**

TARGET AUDIENCE: Managers/Supervisors

This training guides managers and supervisors through scenarios on topics related to employee terminations. A wide range of issues are covered, including employment-at-will, implied contracts, and wrongful

termination for discriminatory or retaliatory reasons. Each scenario is accompanied by a brief tutorial on the basic employment principles involved and how the situations should best be managed.

## **H.R. (Other Topics)**

### **DIVERSITY**

**TARGET AUDIENCE:** Managers/Supervisors

We interact with people from many different and diverse backgrounds -- different races, colors, national origins, religions, ethnicities, disabilities, genders, ages, cultures, political beliefs, orientations, upbringings, and economic status. This training was designed to create better awareness and enable you to create a productive and positive organizational culture that respects differences and realizes the benefits of each member of your institution.

### **ETHICS**

**TARGET AUDIENCE:** Managers/Supervisors

Employees should strive to act ethically in all business dealings. This module discusses the nature and meaning of ethics, ethics in organizations, and ethical decision-making. The benefits of promoting ethics in the workplace are highlighted as well as the advantages of ethical behavior to an organization. The module also discusses how to respond to a situation that may be unethical.

### **FACTA--Identify Theft "Red Flag" Regulatory Compliance Guidance (General Version)**

**TARGET AUDIENCE:** Relevant Employees

The Federal Trade Commission (FTC), along with other federal agencies, promulgated regulations, effective Nov. 1, 2008, as required by the Fair and Accurate Credit Transactions Act of 2003 (FACTA). The regulations are known as the Red Flag Rules. The Red Flag Rules require covered business entities to develop and implement written identity theft prevention programs. The module provides FACTA compliance guidance.

### **FACTA--Higher ED: Identify Theft "Red Flag" Regulatory Compliance Guidance**

**TARGET AUDIENCE:** Relevant Employees

The Red Flag Rules require covered business entities, including most colleges and universities, to develop and implement written identity theft prevention programs. The module provides FACTA compliance guidance for Higher Education institutions.

### **SENSITIVITY**

**TARGET AUDIENCE:** Managers/Supervisors

Organizations should support their employees in acting sensitively and respectfully in all workplace settings. This module discusses what sensitivity is and what it is not, sensitive values versus sensitive behaviors, respecting others' boundaries, seeing things from another's perspective, avoiding insensitive situations, and how to develop basic sensitivity skills.

## **Workplace Safety Training**

### **ACCIDENT INVESTIGATION TECHNIQUES**

TARGET AUDIENCE: Managers/Supervisors

Designed to enhance the skills of trainees in the techniques of Accident Investigation. Topics include: definition of an accident; the accident chain; the cost of employee accidents; classifying accident causes; unsafe acts and conditions; the employee's role in an accident investigation; and completing the accident investigation report.

### **BACK SAFETY**

TARGET AUDIENCE: Employees

Describes the impact of back injuries, why they occur and the contributing factors that lead to back injuries. Discusses the measures that can be taken to prevent back injuries.

### **BASICS OF DEFENSIVE DRIVING**

TARGET AUDIENCE: Employees

Defensive driving involves being aware of the various hazards found on the road. This course will review how applying defensive driving techniques can promote safe driving and reduce accidents. The objectives of this training are to help drivers understand the definition of defensive driving, recognize unsafe driving practices, create awareness on preventing accidents, and identify safe practices for driving in various weather conditions.

### **BLOODBORNE PATHOGENS**

TARGET AUDIENCE: Employees

Describes the types of bloodborne pathogens (BBP) and explores the ways that they can be transmitted in the workplace. Reviews the requirements for maintaining a formal BBP Exposure Control Plan and provides requirements necessary for adequate personal protective equipment, housekeeping practices and safe work practices. Discusses measures for reducing exposures to bloodborne pathogens.

#### **ALSO AVAILABLE:**

- **Bloodborne Pathogens–Reducing the Risk of Occupations Transmission in the School (IN SPANISH)**  
TARGET AUDIENCE: Managers/Supervisors
- **Bloodborne Pathogens–Reducing the Risk of Occupations Transmission in the School**  
TARGET AUDIENCE: Managers/Supervisors

### **DEFENSIVE DRIVING–REDUCING DEER RELATED ACCIDENTS**

TARGET AUDIENCE: Employees

As many as 150 motorists die each year in deer related accidents. Briefly overview ways to reduce driving distractions and tips for driving during deer season.

## **DETERMINING THE ROOT CAUSE OF ACCIDENTS**

TARGET AUDIENCE: Managers/Supervisors

Enhances the trainees skills in the techniques of accident investigation. Topics include: The Chain of Accident Causation; Accident Investigation Responsibilities; Steps Necessary to Investigating an Accident; Determining Accident Causes; and practice scenarios.

## **DRIVING SAFELY IN SCHOOL ZONES**

TARGET AUDIENCE: Employees

During the school year pedestrian and vehicle traffic is naturally heavier. As a driver it is important to be aware of the increased volume of traffic and pedestrian activity. This program provides tips on driving safely in school zones.

## **ELECTRIC CART SAFETY**

TARGET AUDIENCE: Relevant Employees

Emphasizes important safety information for individuals that use an electric cart as a tool to manage their day-to-day responsibilities. Basic overviews are provided on becoming familiar with your cart, operating the cart, operating responsibilities, and violations. With a little care and responsibility cart operators applying these success keys can get through their day without incident.

## **ELECTRICAL SAFETY**

TARGET AUDIENCE: Employees

Provides participants with information on the basics of electricity; including safe work practices and special environments.

## **EMPLOYEE & FAMILY DISASTER PREPAREDNESS**

TARGET AUDIENCE: Employees

Organizations of all types must be prepared for natural and man-made disasters. It is essential for employees to be prepared at home so they may be available to fulfill their work-related responsibilities, as well as, their personal responsibilities. The intent of this program is to help employees be in a position to help the organization and others by having themselves and their families prepared in the event of a disaster.

## **FIRE EXTINGUISHERS (PORTABLE, 2-PART)**

TARGET AUDIENCE: Employees

Provides a basic overview of the main causes of fire and the types of fire extinguishers that are designed to extinguish and control fires. Demonstrates how to utilize a portable fire extinguisher in accordance with Best Practices; provides a focus on personal safety; describes the sequence of events that must occur before a decision to use a fire extinguisher is made; and explains proper fire extinguisher use.

## **FIRE PREVENTION PRACTICES**

**TARGET AUDIENCE:** Managers/Supervisors

Discusses fire prevention practices and procedures to take in the event of a fire. Topics include creating an Emergency Action Plan; maintaining your workspace in an orderly manner; refraining from the use of candles; proper storage of flammable materials; using electrical equipment responsibly; knowing what to do in the event of a fire; portable fire extinguishers; and fire protection and life safety systems.

## **HAZARD COMMUNICATION**

**TARGET AUDIENCE:** Managers/Supervisors

Defines the responsibilities of employers and employees as they relate to Hazard Communication; reviews and discusses typical hazards associated with chemicals; and provides an overview on how to understand the chemicals employees work with by reviewing Material Safety Data Sheets and container labels.

## **MACHINE GUARDING**

**TARGET AUDIENCE:** Employees

Provides information on the hazards associated with operating moving machinery and guides participants through scenarios to determine if common industrial machinery is properly/improperly guarded. Machinery discussed includes: Grinders, Saws, Power Presses and Conveyor Systems.

## **MEANS OF EGRESS – KEEPING YOUR EXITS CLEAR**

**TARGET AUDIENCE:** Employees

Focuses awareness on the importance of exits within the workplace as a means of escape in the event of a life threatening event. Topics include defining "Means of Egress;" Exit Components; Exit Requirements; Factors Compromising the Means of Egress; and Safety and Compliance.

## **OFFICE WORKSTATION SAFETY**

**TARGET AUDIENCE:** Managers/Supervisor

Provides participants with the correct information on how to work safely at a computer workstation. Topics include: workplace organization; maintaining neutral body positions; avoiding eyestrain; sustaining good physical condition; and exercises to stretch tired muscles.

**ALSO AVAILABLE:**

- **OFFICE WORKSTATION SAFETY**

**TARGET AUDIENCE:** Employees

## **PERSONAL PROTECTIVE EQUIPMENT**

**TARGET AUDIENCE:** Employees

Discusses the importance of utilizing Personal Protective Equipment (PPE); explains OSHA's requirements for access to and utilization of PPE; and explores the functions and use of common articles of PPE including: gloves, eye protection, head protection, hearing protection and respiratory protection.

### **SAFETY PAYS FOR LIFE**

TARGET AUDIENCE: Employees

A brief motivational program that emphasizes how working safely can actually "pay you for life."

### **STRAIN & EXERTION EXPOSURES**

TARGET AUDIENCE: Employees

Explores the contributing factors of strain and exertion injuries; how to identify potential strain and exertion related tasks; and how to implement corrective actions to minimize exertion related injuries. Includes practice scenarios in which participants identify strain and exertion exposures and offer solutions for minimization.

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**MEMBER RELATIONS**

**SUBJECT: Risk Assessment Self-Check Tool**

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**BACKGROUND AND STATUS:**

One of the goals outlined at the 2010 Annual Workshop directed staff to develop a checklist for members to perform risk assessment self-audits. The purpose is to assist members with their best risk management practices; the checklist is for the members' own use to assess EPL-related areas that should be reviewed and analyzed in their own operations to help mitigate losses. The self-check tool was developed by utilizing material from the Litigation Manager's on-site assessments.

**REFERENCE MATERIALS:**

- Sample Self-Assessment Checklist Tool for ERMA Members

## SELF-ASSESSMENT CHECKLIST TOOL FOR ERMA MEMBERS

ERMA has developed a self-assessment tool to help members evaluate their current personnel/employment practices and policies. Use this tool as a guideline for implementing best practices in the areas listed below. **IMPORTANT REMINDER:** *Prior to revising or adopting any personnel policies or procedures, you should always consult with qualified legal counsel.*

	Completed/Notes
<p><b>1. Develop a strong working relationship with legal counsel who specializes in employment law.</b> Employment discrimination is a constantly evolving, regulation-heavy and complex area of the law. An ounce of expert legal advice can be worth a pound of cure in dealing with decisions such as discipline, reductions in force, accommodation of disabilities, harassment complaints and investigations, and other employment-related issues.</p> <p><b>ERMA RESOURCES:</b> List of ERMA approved defense counsel, all of whom specialize in representing public entities in employment matters is on ERMA's website, <a href="http://www.ermajpa.org">www.ermajpa.org</a>.</p>	
<p><b>2. Perform a comprehensive review of all personnel rules, policies, and procedures.</b></p> <ul style="list-style-type: none"> <li>➤ Do rules need to be updated to conform to legal requirements and practice?</li> <li>➤ Do rules include all legally mandated policies: Anti-discrimination/harassment/retaliation, disability accommodation, leaves of absence (FMLA/CFRA/Workers' Compensation, Pregnancy) and all other mandated policies?</li> <li>➤ Do rules contain the policies your city/agency believes are important? (A partial list includes policies relating to probationary and temporary employment; sick and vacation leave; absences; performance evaluations; resignation; disciplinary procedures; use of computers, cell phones and other electronic equipment; workplace violence; dress code; drug and alcohol-free workplace policy; use of city property).</li> <li>➤ Are policies and rules reviewed and, if necessary, updated and revised on annual basis?</li> <li>➤ Does anti-discrimination/harassment/retaliation policy have current procedure for reporting complaints?</li> <li>➤ Do policies include a procedure for employees who are requesting accommodation of disabilities?</li> </ul> <p><b>NOTE: CONSULT WITH LEGAL COUNSEL REGARDING REQUIREMENTS FOR LEGALLY MANDATED POLICIES AND SUGGESTIONS FOR OTHER POLICIES APPLICABLE TO YOUR CITY/AGENCY.</b></p> <p><b>ERMA RESOURCES:</b> For general legal information on this topic, ERMA members have access to one hour per month of free legal advice through the ERMA Attorney Hotline. Please visit the ERMA website (<a href="http://www.ermajpa.org">www.ermajpa.org</a>) for your agency's assigned firm and toll free number. For other referrals and information, call ERMA's Litigation Manager.</p>	

**3. Establish and follow best practices in hiring.**

- Review and update written applications.
- Establish non-discriminatory hiring criteria.
- Follow all legal requirements regarding applicant privacy in relation to questions asked and medical examinations.
- Ensure all inquiries of applicant are job-related and based on business necessity.
- Avoid personal favoritism in hiring decisions.
- Conduct thorough background checks.

**ERMA RESOURCES:** ERMA Attorney Hotline; Litigation Manager

**4. Establish and follow best practices in responding to harassment and discrimination complaints.**

- Consult with legal counsel.
- Review anti-discrimination policies on annual basis and update to conform to legal requirements.
- Develop a comprehensive, user-friendly and consistent complaint procedure.
- Communicate complaint procedure to employees.
- Designate one city department (e.g., Human Resources) to receive, review, and monitor all harassment/discrimination and retaliation complaints, including those within Police and Fire departments.
- Conduct prompt, thorough, and objective investigations of complaints.
- Take appropriate corrective action promptly.
- Remind all involved of no-retaliation policy.
- Communicate with complainant within legal guidelines.

**ERMA RESOURCES:** Attorney Hotline; Litigation Manager; ERMA AB 1825 and other training

**5. Establish and follow best practices in establishing reasonable accommodations for employees with disabilities.**

- Consult with legal counsel.
- Train all key employees in understanding employee rights and employer obligations regarding reasonable accommodations.
- Designate one city department (e.g., Human Resources) to receive, review, and monitor all requests for or need for reasonable accommodation.
- Insure coordination between workers' compensation, disability, and FMLA decision-makers.

**ERMA RESOURCES:** Attorney Hotline; Litigation Manager

**6. Establish and follow best practices for performance management and evaluation and discipline of employees.**

- Determine standards, communicate expectations, and hold all employees accountable.
- Ensure that all managers and supervisors are documenting performance on on-going basis.
- Prepare regular performance evaluations.
- Apply all rules fairly and consistently.
- Discipline poor performance when required after careful consideration and review with legal counsel; follow all applicable rules, MOU's, and due process requirements.
- Acknowledge and recognize good performance.

**ERMA RESOURCES:** Attorney Hotline; Litigation Manager; ERMA Training

**7. Training**

- Stay compliant with AB 1825 (sexual harassment training for managers and supervisors within six months of hire and every two years). *Reminder: Lack of compliance with AB 1825 may negatively impact your city/agency's self-insured retention in a claim involving harassment.*
- Consider training all employees and elected officials regarding harassment and discrimination.
- Train employees who have human resources functions in HR best practices.
- Train on specialized employment-related topics.

**ERMA RESOURCES:** ERMA Regional AB 1825 Training; individual trainings provided to members; ERMA on-line training through in2vate; in2vate Training bulletins.

**8. Develop strong leaders**

- Train managers and supervisors to be leaders who are empathetic to employee concerns, pro-active problem solvers and who always lead by example.

**ERMA RESOURCES:** ERMA Training; Litigation Manager

**9. Encourage Conflict Resolution**

- Recognize that pro-active resolution of conflicts between employees is often the best way to avoid employment claims.
- Utilize professionals who specialize in solving workplace conflict resolutions.

**ERMA RESOURCES:** ERMA trainings; Litigation Manager; referral to conflict resolution professionals

**DEFENSE PANEL**

**SUBJECT: Evaluation of Law Firms on Approved Defense Panel**

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**BACKGROUND AND STATUS:**

Annually, the Board of Directors reviews the performance of the nine law firms on ERMA's approved defense panel. Factors to consider in evaluating the firms include average defense fees per claim, quality of legal work, billing practices, compliance with ERMA guidelines, frequency of communications, and facilitation of the strategic partnership between ERMA, the defense firm and the ERMA member. The purpose of the evaluation is to ensure that panel members provide the highest quality legal defense and consistently comply with ERMA's Guidelines. The Litigation Manager will discuss the performance of the law firms in relation to these factors.

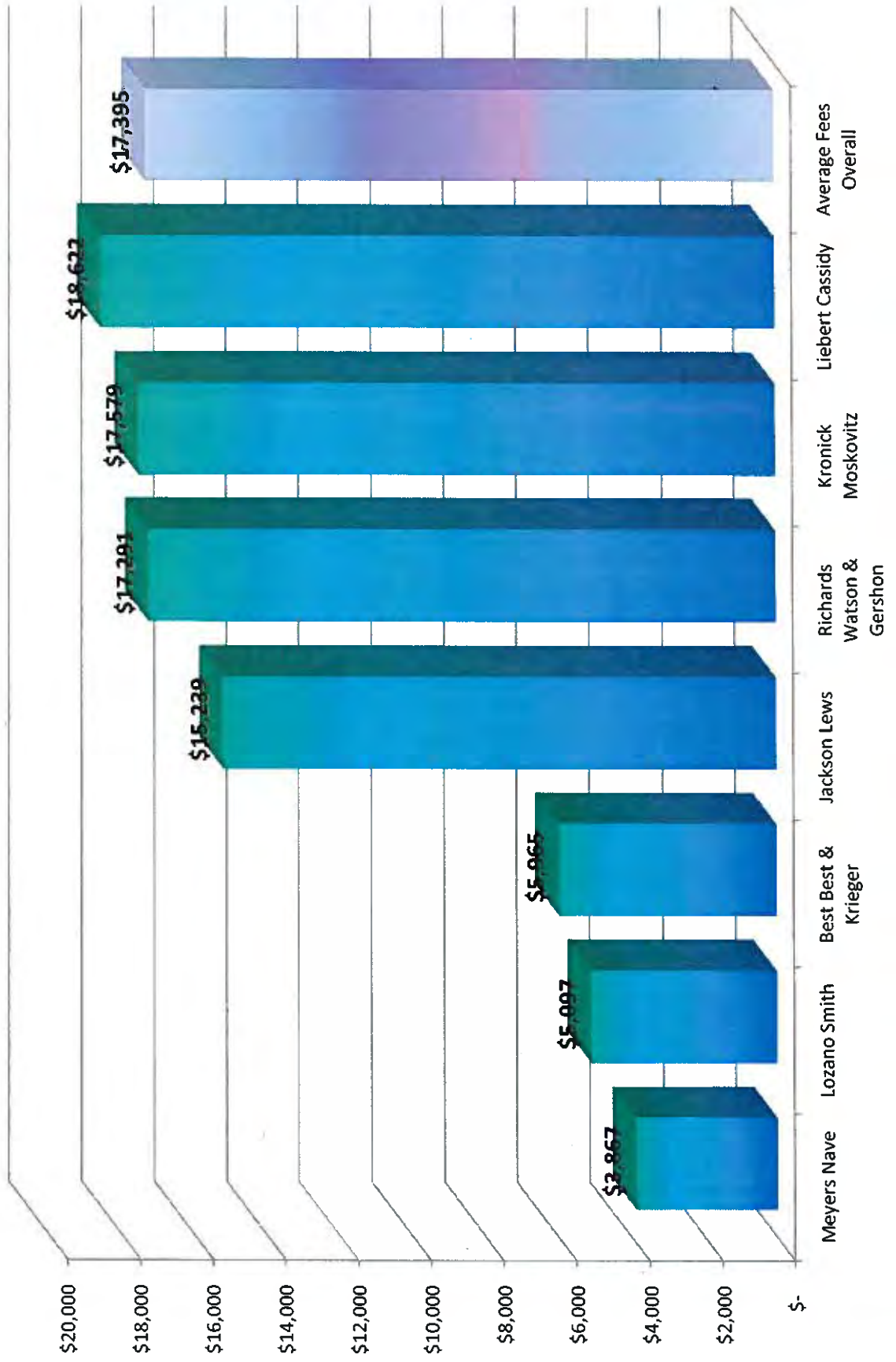
**REFERENCE MATERIALS:**

- Average Expenses, Non-litigated Claims; Average Expenses, Litigated Claims; Average Expenses and Indemnity per claim
- ERMA Panel of Approved Defense Counsel (April 2010)

**Agenda Item 5.A.**

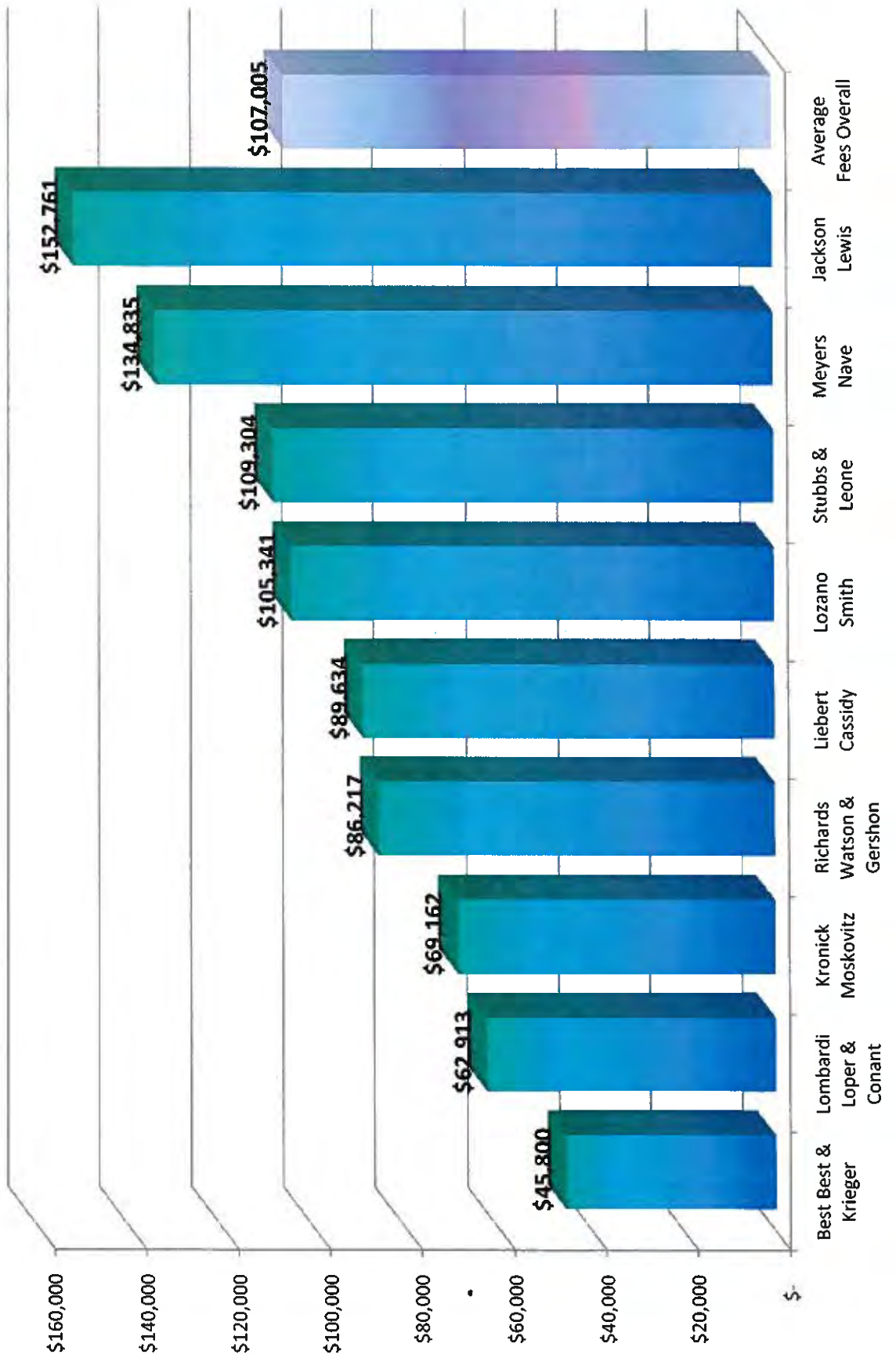
# AVERAGE EXPENSES NON-LITIGATED CLAIMS

(Claims Open as of February 2005 to Present)

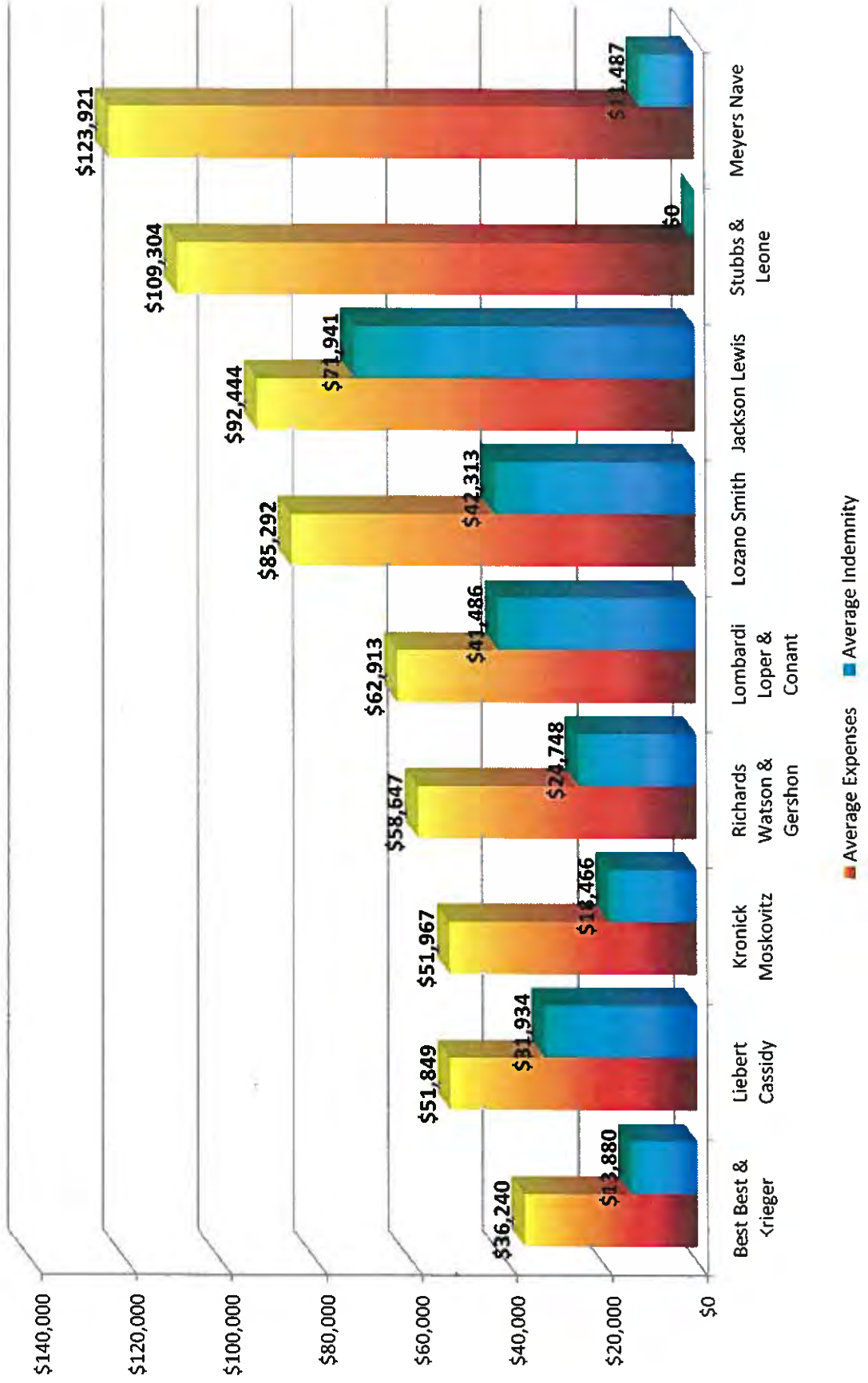


# AVERAGE EXPENSES LITIGATED CLAIMS

(Claims Open as of February 2005 to Present)



# AVERAGE EXPENSE AND INDEMNITY NON-LITIGATED & LITIGATED (Claims Open as of February 2005 to Present)





**ERMA PANEL OF  
APPROVED DEFENSE COUNSEL**

Revised (April 2010)

**Liebert Cassidy Whitmore**

Melanie Poturica  
6033 West Century Boulevard, Suite 601  
Los Angeles, CA 90045  
(310) 337-0837

**Rick Bolanos**

153 Townsend Street, Suite 520  
San Francisco, CA 94107  
(415) 512-3000

**Shelline Bennett**

575 East Locust Avenue, Suite 302  
Fresno, CA 93720  
(559) 256-7800

**Jackson Lewis LLP**

Michael J. Christian  
1215 K Street, Suite 1800  
Sacramento, CA 95814  
(916) 341-0404

**Kathy Maylin**

199 Fremont Street  
San Francisco CA 94105  
(415) 394-9400

**Mindy Novick**

725 South Figueroa Street  
Los Angeles, CA 90017  
(213) 689-0404

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**Best Best & Krieger LLP (Offices statewide)**

Howard Golds  
3750 University Avenue  
P.O. Box 1028  
Riverside, CA 92502-1028  
(909) 686-1450

**Kronick, Moskovitz, Tiedemann & Girard**

(Sacramento and Bakersfield)  
Bruce Scheidt  
400 Capitol Mall, 27th Floor  
Sacramento, CA 95814  
(916) 321-4500

**Lombardi, Loper & Conant (Bay Area)**

Peter Glaessner / GayLynn Kirn Conant  
Lake Merritt Plaza  
999 Harrison Street, Suite 1950  
Oakland, CA 94612  
(510) 433-2600

**Lozano Smith (Offices statewide)**

Greg Wedner / David Wolfe  
7404 North Spalding  
Fresno, CA 93720-3370  
(559) 431-5600

**Meyers Nave et al. (Offices statewide)**

Art Hartinger  
555 12th Street, Suite 1500  
Oakland, CA 94607  
(510) 808-2000

**Richards, Watson & Gershon**

Saskia Asamura  
333 South Hope Street, 33rd Floor  
Los Angeles, CA 90071-1469  
(213) 626-8484

**Stubbs & Leone**

Louis Leone  
2175 N California Boulevard, Suite 900  
Walnut Creek, CA 94596-7386  
(925) 974-8600

**Agenda Item H.1**

**Workers' Compensation Actuarial Review**

**Information Item**

**ISSUE:** The annual actuarial review, based on 12/31/10 loss information, has been completed. The attached “draft” summary reflects the estimated ultimate cost of claims and expenses for the banking layer and the pooling layer for the 2011-2012 program year. This review also reflects the anticipated outstanding liabilities including ALAE for the banking and pooling layers for the 2011-2012 program year.

The 2011-2012 estimated liability for outstanding loss at the 70% confidence level is \$2,967,000 which is \$144,000 higher than the projected liabilities as of June 30, 2010.

The “draft” report also provides estimated funding at various levels of confidence for the program years 2011/2012 and 2012/2013. The projected combined funding level rate per \$100 payroll at the 70% confidence level for 2010/2011 is \$4.59 which is 2% higher than the \$4.69 rate that was projected for the 2009/2010 program year. The projected funding is reflected in the budget proposed later in this agenda.

	<u>2011/2012</u> <u>@ 70% Confidence Level</u>	<u>2010/2011</u> <u>@85% Confidence Level</u>	
Banking Layer	\$1.57	\$2.13	-26.30%
Pooling Layer	\$1.89	\$2.56	-26.17%
Combined Layer	\$3.46	\$4.69	26.23%
Outstanding Loss Liability	\$2,937,000	\$3,260,000	10%

**RECOMMENDATION:** None

**FISCAL IMPACT:** \$124,000 decrease in reserves

**BACKGROUND:** SCORE has Actuarial Studies performed annually for accreditation and budget purposes. By having these studies done, SCORE is able to project their funding for the upcoming year and see how the rates affect their budgets.

**ATTACHMENTS:** Workers' Compensation Actuarial Review as of March 11, 2011.

DRAFT



Friday, March 11, 2011

Bickmore Risk Services & Consulting

Ms. Susan Adams  
JPA Administrator  
Small Cities Organized Risk Effort  
C/o Alliant Insurance Services, Inc. - Driver Specialty Group  
1792 Tribute Road, Suite 450  
Sacramento, CA 95815

Re: Actuarial Review of the Self-Insured Workers' Compensation Program

Dear Ms. Adams:

As you requested, we have completed our review of the Small Cities Organized Risk Effort's (SCORE) self-insured workers' compensation program. Assuming an SIR of \$150,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2011-12 program year to be \$340,000 for the banking layer and \$420,000 for the pooling layer, for a total of \$760,000. For claims incurred during the 2012-13 program year, we estimate the ultimate cost of claims and expenses to be \$350,000 for the banking layer and \$437,000 for the pooling layer, for a total of \$787,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). The discount for investment income is calculated based on the likely payout pattern of SCORE's claims, assuming a 3% return on investments per year. For budgeting purposes, the expected cost of 2011-12 claims translates to a rate of \$1.31, \$1.62 and \$2.93 per \$100 payroll for the banking layer, pooling layer, and in total respectively. For the 2012-13 claims, the expected cost translates to rates of \$1.35, \$1.69 and \$3.04 per \$100 payroll for the banking layer, pooling layer, and in total respectively.

In addition, we estimate the program's liability for outstanding claims including ALAE and discounted for anticipated investment income as of June 30, 2011 to be \$392,000 for the banking layer and \$2,297,000 for the pooling layer, for a total of \$2,689,000. As of June 30, 2012, we estimate the program's liability for outstanding claims to be \$378,000 for the banking layer and \$2,331,000 for the pooling layer, for a total of \$2,709,000, again including ALAE and discounted for anticipated investment income.

The \$2,297,000 and \$2,331,000 estimates are the minimum liability to be booked by SCORE at June 30, 2011 and June 30, 2012, respectively for the Small Cities Organized Risk Effort's pooled workers' compensation program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires SCORE to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

www.BRSrisk.com  
800.541.4591  
f. 916.244.1199

**CORPORATE**

1750 Creekside Oaks Drive  
Suite 200  
Sacramento, CA 95833  
d. 916.244.1100

3780 Kilroy Airport Way  
Suite 470  
Long Beach, CA 90806  
d. 562.508.4400

5320 SW MacAdam Avenue  
Suite 100  
Portland, OR 97239  
d. 503.419.0450

**DRAFT**

Our conclusions regarding SCORE's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2011, are summarized in the table below.

Small Cities Organized Risk Effort  
Self-Insured Workers' Compensation Program  
Estimated Liability for Unpaid Loss and ALAE  
at June 30, 2011

Banking Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$411,000					
Investment Income Offset	(19,000)					
Discounted Loss and ALAE	\$392,000	\$437,000	\$456,000	\$479,000	\$508,000	\$545,000
Pooling Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,766,000					
Investment Income Offset	(469,000)					
Discounted Loss and ALAE	\$2,297,000	\$2,550,000	\$2,661,000	\$2,788,000	\$2,945,000	\$3,150,000
Combined						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$3,177,000					
Investment Income Offset	(488,000)					
Discounted Loss and ALAE	\$2,689,000	\$2,987,000	\$3,117,000	\$3,267,000	\$3,453,000	\$3,695,000

**DRAFT**

Our conclusions regarding SCORE's liability for unpaid loss and allocated loss adjustment expenses (LAE) at June 30, 2012 are summarized in the following tables.

Small Cities Organized Risk Effort  
Self-Insured Workers' Compensation Program  
Estimated Liability for Unpaid Loss and ALAE  
at June 30, 2012

Banking Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$396,000					
Investment Income Offset	(18,000)					
Discounted Loss and ALAE	\$378,000	\$421,000	\$440,000	\$462,000	\$490,000	\$525,000
Pooling Layer						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,805,000					
Investment Income Offset	(474,000)					
Discounted Loss and ALAE	\$2,331,000	\$2,589,000	\$2,700,000	\$2,829,000	\$2,988,000	\$3,197,000
Combined						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$3,201,000					
Investment Income Offset	(492,000)					
Discounted Loss and ALAE	\$2,709,000	\$3,010,000	\$3,140,000	\$3,291,000	\$3,478,000	\$3,722,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on SCORE's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level. We consider funding to the 90% confidence level to be conservative.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2011-12 fiscal year, assuming the current SIR of \$150,000.

**Small Cities Organized Risk Effort (SIR = \$150,000)  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2011-12  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$351,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$340,000	\$406,000	\$438,000	\$476,000	\$523,000	\$587,000
Rate per \$100 of 2011-12 Payroll	\$1.31	\$1.57	\$1.69	\$1.84	\$2.02	\$2.27

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$493,000					
Investment Income Offset	(73,000)					
Discounted Loss and ALAE	\$420,000	\$491,000	\$522,000	\$558,000	\$604,000	\$665,000
Rate per \$100 of 2011-12 Payroll	\$1.62	\$1.89	\$2.01	\$2.15	\$2.33	\$2.57

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$844,000					
Investment Income Offset	(84,000)					
Discounted Loss and ALAE	\$760,000	\$897,000	\$960,000	\$1,034,000	\$1,127,000	\$1,252,000
Rate per \$100 of 2011-12 Payroll	\$2.93	\$3.46	\$3.70	\$3.99	\$4.35	\$4.83

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming the current SIR of \$150,000.

**Small Cities Organized Risk Effort (SIR = \$150,000)  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2012-13  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$361,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$350,000	\$418,000	\$450,000	\$490,000	\$538,000	\$604,000
Rate per \$100 of 2012-13 Payroll	\$1.35	\$1.61	\$1.74	\$1.89	\$2.08	\$2.33

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$513,000					
Investment Income Offset	(76,000)					
Discounted Loss and ALAE	\$437,000	\$511,000	\$544,000	\$581,000	\$629,000	\$693,000
Rate per \$100 of 2012-13 Payroll	\$1.69	\$1.97	\$2.10	\$2.24	\$2.43	\$2.67

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$874,000					
Investment Income Offset	(87,000)					
Discounted Loss and ALAE	\$787,000	\$929,000	\$994,000	\$1,071,000	\$1,167,000	\$1,297,000
Rate per \$100 of 2012-13 Payroll	\$3.04	\$3.59	\$3.84	\$4.13	\$4.50	\$5.01

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2011-12 fiscal year, assuming an SIR of \$250,000.

**Small Cities Organized Risk Effort (SIR = \$250,000)  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2011-12  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$351,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$340,000	\$406,000	\$438,000	\$476,000	\$523,000	\$587,000
Rate per \$100 of 2011-12 Payroll	\$1.31	\$1.57	\$1.69	\$1.84	\$2.02	\$2.27

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$656,000					
Investment Income Offset	(118,000)					
Discounted Loss and ALAE	\$538,000	\$634,000	\$679,000	\$730,000	\$795,000	\$883,000
Rate per \$100 of 2011-12 Payroll	\$2.08	\$2.45	\$2.62	\$2.82	\$3.07	\$3.41

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,007,000					
Investment Income Offset	(129,000)					
Discounted Loss and ALAE	\$878,000	\$1,040,000	\$1,117,000	\$1,206,000	\$1,318,000	\$1,470,000
Rate per \$100 of 2011-12 Payroll	\$3.39	\$4.01	\$4.31	\$4.65	\$5.09	\$5.67

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.



**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of \$250,000.

**Small Cities Organized Risk Effort (SIR = \$250,000)  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2012-13  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$361,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$350,000	\$418,000	\$450,000	\$490,000	\$538,000	\$604,000
Rate per \$100 of 2012-13 Payroll	\$1.35	\$1.61	\$1.74	\$1.89	\$2.08	\$2.33

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$686,000					
Investment Income Offset	(123,000)					
Discounted Loss and ALAE	\$563,000	\$664,000	\$711,000	\$764,000	\$832,000	\$924,000
Rate per \$100 of 2012-13 Payroll	\$2.17	\$2.56	\$2.74	\$2.95	\$3.21	\$3.57

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,047,000					
Investment Income Offset	(134,000)					
Discounted Loss and ALAE	\$913,000	\$1,082,000	\$1,161,000	\$1,254,000	\$1,370,000	\$1,528,000
Rate per \$100 of 2012-13 Payroll	\$3.52	\$4.18	\$4.48	\$4.84	\$5.29	\$5.90

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2011-12 fiscal year, assuming an SIR of \$500,000.

**Small Cities Organized Risk Effort (SIR = \$500,000)  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2011-12  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$351,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$340,000	\$406,000	\$438,000	\$476,000	\$523,000	\$587,000
Rate per \$100 of 2011-12 Payroll	\$1.31	\$1.57	\$1.69	\$1.84	\$2.02	\$2.27

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$863,000					
Investment Income Offset	(174,000)					
Discounted Loss and ALAE	\$689,000	\$820,000	\$883,000	\$958,000	\$1,052,000	\$1,180,000
Rate per \$100 of 2011-12 Payroll	\$2.66	\$3.16	\$3.41	\$3.70	\$4.06	\$4.55

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,214,000					
Investment Income Offset	(185,000)					
Discounted Loss and ALAE	\$1,029,000	\$1,226,000	\$1,321,000	\$1,434,000	\$1,575,000	\$1,767,000
Rate per \$100 of 2011-12 Payroll	\$3.97	\$4.73	\$5.10	\$5.53	\$6.08	\$6.82

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of \$500,000.

**Small Cities Organized Risk Effort (SIR = \$500,000)  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2012-13  
Banking Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$361,000					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$350,000	\$418,000	\$450,000	\$490,000	\$538,000	\$604,000
Rate per \$100 of 2012-13 Payroll	\$1.35	\$1.61	\$1.74	\$1.89	\$2.08	\$2.33

**Pooling Layer**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$911,000					
Investment Income Offset	(183,000)					
Discounted Loss and ALAE	\$728,000	\$866,000	\$934,000	\$1,013,000	\$1,112,000	\$1,247,000
Rate per \$100 of 2012-13 Payroll	\$2.81	\$3.34	\$3.60	\$3.91	\$4.29	\$4.81

**Combined**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,272,000					
Investment Income Offset	(194,000)					
Discounted Loss and ALAE	\$1,078,000	\$1,284,000	\$1,384,000	\$1,503,000	\$1,650,000	\$1,851,000
Rate per \$100 of 2012-13 Payroll	\$4.16	\$4.95	\$5.34	\$5.80	\$6.37	\$7.14

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

## **DRAFT**

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, and recent WCAB court decisions based upon information provided by the WCIRB.

The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for SCORE's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to the Small Cities Organized Risk Effort in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or Nina Gau at (916) 244-1193 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services

## **DRAFT**

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Mike Harrington, FCAS, MAAA  
Director, Property and Casualty Actuarial Services, BRS  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries

## **DRAFT**

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Nina Gau, FCAS, MAAA  
Manager, Property and Casualty Actuarial Services, BRS  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries

**Agenda Item H.2**

**Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) Update**

**Information Item**

**ISSUE:** Staff will update the Board with information regarding the renewal with LAWCX.

**RECOMMENDATION:** None

**FISCAL IMPACT:** Unknown

**BACKGROUND:** LAWCX provides SCORE their Excess Workers' Compensation limits.

Ms. Susan Adams will answer any questions the Board may have at this time.

**ATTACHMENTS:** LAWCX Report

## Agenda Item I.1

### Annual Audited Financial Reports: Years Ending June 30, 2009 and June 30, 2010

#### Action Item

**Issue:** SCORE's financial audits for June 30, 2009 and 2010 should be reviewed and approved.

**Recommendation:** Should the Board agree that the Financial Audits are accurate, the Program Administrator recommends approval of the June 30, 2009 and June 30, 2010 Financial Audits.

**Fiscal Impact:** None

**Background:** At the December 14, 2010 SCORE webinar, the Board approved the JPA's unaudited Financial Statements as of June 30, 2009 and June 30, 2010. The approved unaudited financials were forwarded to MAZE and Associates, SCORE's financial auditor.

MAZE and Associates presented the June 30, 2009 Financial Audit at the January 28, 2011 Board meeting; however, the balance sheet reclassification, the claims Liability data for 2008 and the historical information for the estimated incurred claims and expenses were not included. After Board discussion, it was agreed that the Board not approve the 2009 Audit at the time and that MAZE present the 2009 and 2010 Financial Audit at the next Board meeting.

Ms. Katherine Yuen of MAZE and Associates will be at the meeting to present SCORE's financial audits for years ending June 30, 2009 and 2010 and answer any questions the Board may have.

**Attachments:** To be distributed at the meeting

**Agenda Item I.2**

**2011/2012 Preliminary Budget**

**Information Item**

**ISSUE:** The 2011/2012 Preliminary Budget will be presented by Ms. Susan Adams.

**RECOMMENDATION:** None

**FISCAL IMPACT:** Unknown

**BACKGROUND:** The budget uses estimates of payroll, property values and auto values, where appropriate to calculate premium and expenses for SCORE Board members. The budget also recognizes the calculation of experience modification factors as adopted by the program's Master Plan Documents.

Although the costs are not finalized, it has become the practice in the past for SCORE to review a Preliminary Program Budget at the March Board meeting. This practice was adopted to allow the members to have an indication of costs for their individual budgets. It also allowed the SCORE members to give direction as to where they would like to expend the funds in the following year.

**ATTACHMENTS:** To be distributed under separate cover

**Agenda I.3**

**Approval of Internal Controls and Guidelines for Investments**

**Action Item**

**ISSUE:** The Board reviews and approves SCORE's Internal Controls and Guidelines for Investments.

**RECOMMENDATION:** The Program Administrator recommends approving the SCORE Internal Controls and Guidelines for Investments Policy.

**FISCAL IMPACT:** Unknown

**BACKGROUND:** The JPA's Internal Controls and Guidelines delegates the authority to invest funds of the Authority for a one-year period to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Board should review and approve the Internal Controls and Guidelines for Investment Policy annually.

**ATTACHMENTS:** Internal Controls & Guidelines adopted March 2008



## **SMALL CITIES ORGANIZED RISK EFFORT**

### **Internal Controls and Guidelines**

Amended - March 2008

#### **1. Delegation of Authority**

The Board of Directors hereby delegates its authority to invest funds of the Authority for a one-year period to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer has chosen to delegate with the Board's approval the day-to-day placement of investments to an investment adviser, Chandler Asset Management (hereinafter "Adviser"), via a written agreement between the Authority and the Adviser. The Adviser shall make all investment decisions and transactions in strict accordance with state law and the Authority's Investment Policy.

The Treasurer shall also be responsible for ensuring that all investment transactions comply with the Authority's Investment Policy and for establishing internal controls. The internal controls shall be designed to regulate the Authority's investment activities, including the activities of any subordinate officials and the Adviser acting on behalf of the Authority, and to prevent losses of public funds arising from fraud, error, misrepresentations of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Authority. The most important controls are: control of collusion; separation of duties; separation of transaction authority from accounting and bookkeeping; custodial safekeeping; delegation of authority; limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and annual review of controls by the Treasurer.

#### **2. Separation of Duties**

When broker confirmations and monthly custodian bank statements are received, they shall be reconciled to internal documentation promptly upon receipt. The staff member who performs the reconciliation shall not be the same as the staff member who executes investment transactions.

The Adviser's portfolio management and operation's staff responsible for compliance activities shall review investment transactions on a daily basis for consistency between trading activity and portfolio accounting and compliance with Investment Policy constraints. The Authority's Treasurer will review these transactions on a monthly basis.

### **3. Custodial Safekeeping and Trade Settlement**

#### **Safekeeping**

All securities purchased shall be delivered to the Authority's custodial bank. All securities sold shall be delivered directly from the Authority's custodial bank to the counter party's custodial bank.

#### **Trade Settlement**

All investment transactions will be settled "delivery-vs.-payment" (DVP) in accordance with industry standards. Staff members shall not handle cash or securities in conjunction with the investment of Authority's funds.

The Adviser shall coordinate the settlement of all transactions with the Authority's custodian bank, Union Bank of California, and send all necessary paperwork to:

Andy Jeremi  
Union Bank of California  
350 California Street, 6<sup>th</sup> Floor  
San Francisco, CA 94104  
Direct: (415) 705-5043  
Fax: (415) 705-5052  
andy.jeremi@uboc.com

#### **Transfer Funds or Invest Proceeds**

If the Authority is purchasing a security, it may be necessary to transfer funds from another bank account or a LAIF account. If the Authority is selling a security or a security matures, it may be necessary to invest the proceeds in another security, to transfer funds to another bank account or to a LAIF account. The Authority's Treasurer or the Adviser will initiate necessary transfer of funds for trade settlements.

### **4. Competitive Bid**

- It is preferred that all trades are executed competitively with a minimum of three price quotes to insure best execution of the transaction.
- Competitive quotes, however, are not necessary for new issues when they are offered during the initial (primary) selling period and quoted at the same price (usually par) by all brokers.
- These guidelines recognize that it is not always possible to locate three brokers who offer exactly the same security. This is particularly true in the case of secondary market agency securities, corporate bonds, and some money market securities. In those situations, comparable securities will be used to determine the current value for a security being considered for purchase.

## 5. Trade Documentation

SCORE's Treasurer shall reconcile the monthly investment transaction report of the adviser with the transaction report received from the Custodian.

### **Trade Ticket**

The Adviser will prepare a trade ticket with all of the information pertinent to the purchase or sale of the investment and fax or e-mail it to the Authority's Treasurer and to Alliant Insurance, the Pool Administrator.

### **Broker Confirmation**

A confirmation will be issued by the broker/dealer for each purchase or sale transaction. The information on the confirmation will be checked and reconciled to the trade ticket from the Adviser, and the Authority's copy of the confirmation should be attached to the trade ticket.

### **Monthly Custody Statement**

Union Bank will issue a Monthly Custody Statement for all of the securities purchased and delivered to and held in the Authority's custody account. The information on the Monthly Custody Statement will be checked and reconciled to the Authority's Transaction and Holdings Report from Adviser.

### **Verify the Documentation of the Transaction**

In order to assure internal controls, the documentation of investment transactions must be carefully checked. The transaction and security information on the Adviser's Trade ticket, the broker's Trade Confirmation, and Union Bank's Monthly Custody Statement should be carefully cross checked to be sure that all information reconciles. If any trade document does not reconcile with what is known as the correct information regarding a trade, then the party who issued that document must be contacted to correct the erroneous information.

All trade documentation will be distributed to the following people:

Ms. Linda Romaine  
Treasurer  
Small Cities Organized Risk Effort  
c/o Town of Fort Jones  
11960 East Street, PO Box 40  
Fort Jones, CA 96032  
Direct: (530) 468-2281  
Fax: (530) 468-2598  
ftjones@sisqtel.net

Ms. Susan Adams  
Pool Administrator  
Small Cities Organized Risk Effort  
c/o Alliant Insurance Services, Inc.  
1792 Tribute Road, Suite 450  
Sacramento, CA 95815  
(916) 643-2704  
Fax: (916) 643-2750  
sadams@alliantinsurance.com

## **6. Authorized Financial Dealers and Institutions**

1. The Authority's Treasurer shall determine which financial institutions are authorized to provide investment services to the Authority. Institutions eligible to transact investment business with the Authority include:
  - a. Primary government dealers as designated by the Federal Reserve Bank;
  - b. Non-primary and regional dealers;
  - c. Nationally or state-chartered banks;
  - d. The Federal Reserve Bank; and
  - e. Direct issuers of securities eligible for purchase by the Authority.
2. Selection of financial institutions and broker/dealers authorized to engage in transactions with the Authority shall be at the sole discretion of the Authority.
3. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Authority Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the Authority's Investment Policy and that all securities offered to the Authority shall comply fully and in every instance with all provisions of the Code and with this Investment Policy.
4. Public deposits shall be made only in qualified public depositories within the State of California as established by State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.
5. Selection of broker/dealers used by the Adviser retained by the Authority shall be at the sole discretion of the Advisers.

## **7. Mitigating Credit and Market Risk in the Portfolio**

The Authority will mitigate credit risk in the portfolio by following the guidelines described in the Investment Policy regarding diversification, maximum percentages of any single issuer and procedures for credit rating downgrades. Market risk will be mitigated by following the guidelines also described in the Investment Policy regarding maximum maturity, liquidity and the duration of the portfolio.

**8. Annual Review**

The Treasurer will review these investment procedures and guidelines annually and recommend any necessary revisions to the Board for approval.

Prepared by: \_\_\_\_\_  
Linda Romaine, Treasurer  
Small Cities Organized Risk Effort

Approved by: \_\_\_\_\_  
Roger Carroll, President  
Board of Directors  
Small Cities Organized Risk Effort

Date: \_\_\_\_\_

**Agenda Item K.**

**Closed Session Pursuant to Government Code Section 54956.95**

**Action Item**

**ISSUE:** Pursuant to Government Code Section 54956.95, the Board will hold a Closed Session to discuss the following claims for payment of a tort liability loss or a public liability loss:

\*\*For Authority

- 1. Workers' Compensation**
  - a. 2010101505 City of Crescent City
  - b. 2011112213 City of Portola
  - c. 2006051751 City of Susanville
  - d. 2007058233 City of Weed
  - e. 2007070094 City of Williams

For authority:  
2009088405 City of Crescent City

- 2. Liability**
  - a. 2010107181 v. Crescent City
  - b. 2006047763 v. Dunsmuir
  - c. 2011113228 v. Dunsmuir
  - d. 2008080767 v. Mt. Shasta
  - e. 2009098216 v. Mt. Shasta
  - f. 2010111720 v. Susanville

**RECOMMENDATION:** The Program Administrator cannot make a recommendation at this time, as the subject matter is confidential.

**FISCAL IMPACT:** Unknown

**BACKGROUND:** Confidential

**PROGRAM ADMINISTRATION**  
 Alliant Insurance Services, Inc.  
 1792 Tribute Road, Suite 450  
 Sacramento, CA 95815  
 www.alliantinsurance.com  
 Main: (916) 643-2700 Fax: (916) 643-2750

**CLAIMS ADMINISTRATION / LOSS CONTROL**  
 York Insurance Services Group, Inc.  
 www.yorkisg.com

P.O. Box 491749 P.O. Box 619058  
 Redding, CA 96049-1749 Roseville, CA 95661-9058  
 Main: (530) 223-2574 Fax: (530) 223-2679 Main: (916) 960-0900 Fax: (916) 783-0334

SUBJECT	MAIN CONTACT	SUBJECT	MAIN CONTACT
ADMINISTRATIVE ISSUES - program budget/funding, financial analysis, coordination w/financial auditor/JPA accountant	Susan Adams	ADMINISTRATIVE ISSUES - annual contracts for services	Tom Baber - ALL
SUPERVISORIAL ISSUES - project supervision, program analysis, consultant oversight	Susan Adams Mike Simmons	SUPERVISORIAL ISSUES - claims administration management, oversight of safety & loss control services	Tom Baber - ALL
RISK MANAGEMENT ISSUES - Insurance Requirements in Contracts (IRIC), hold harmless agreements, indemnification clauses, safety program planning, RFPs for JPA services & audits, third party contract review	Susan Adams Jack Kastorff	CLAIMS ISSUES - <i>LIABILITY</i> - Auburn, Dixon, Folsom, Galt, Lincoln, Rocklin - Anderson, Corning, Red Bluff - Colusa, Gridley, Marysville, Oroville, Willows, Yuba City, Paradise - Lone, Jackson - Rio Vista	Craig Wheaton - ALL Craig Wheaton Cameron Dewey Shawn Millar Dan Lamb John Tucker
JPA MANAGEMENT ISSUES - meeting agendas, development/maintenance of governing documents, development/interpretation of policies & procedures, JPA state compliance	Susan Adams	CLAIMS ISSUES - <i>WORKERS' COMPENSATION</i>	Bonnie Markuson - ALL
COVERAGE ISSUES - coverage questions, quotations, new members, development of shared risk program coverage agreements, RFPs for actuarial services, actuary liaison, excess insurance/additional coverage marketing (Crime coverage, etc.), program development	Susan Adams Kim Carter	SAFETY/LOSS PREVENTION - development & implementation of safety programs, on-site assistance, hotline services	Rudy Schroeder Jack Kastorff Chris Shaffer Herb McDuffee
DAY TO DAY SERVICES - certificates of coverage, additions/deletions of coverages, special events liability coverage, automobile identification cards, auto/mobile equipment physical damage programs	Kim Carter Susan Adams	COMPUTER SERVICES TRUST ACCOUNT SERVICES - loss runs, special reports, check registers, bank reconciliations	
Susan Adams (916) 203-1541 sadamss@alliantinsurance.com Mike Simmons (415) 403-1425 msimmons@alliantinsurance.com Kim Carter (916) 643-2717 Kcarter@alliantinsurance.com		Tom Baber (916) 746-8834 Christina Bishop (530) 248-1412 Greg Bragg (916) 960-0909 Ben Burg (916) 960 0946 Lainie Callahan (916) 960-0979 Cameron Dewey (530) 248-1414 Kelly Fahey (916) 960-0963 Jack Kastorff (916) 960-0931 Kara Kennedy (916) 960-0983 Dan Lamb (209) 795-0742 Herb McDuffee (916) 960-0941 Shawn Millar (530) 345-5998 Rudy Schroeder (916) 960-0915 Chris Shaffer (916) 960-0960 Randy Smith (916) 960-0908 John Tucker (209) 320-0804 Teresa Utterback (916) 960-0975 Craig Wheaton (916) 960-0988	tom.baber@yorkisg.com christina.bishop@yorkisg.com gregory.bragg@yorkisg.com ben.burg@yorkisg.com lainie.callahan@yorkisg.com cameron.dewey@yorkisg.com kelly.fahey@yorkisg.com jack.kastorff@yorkisg.com kara.kennedy@yorkisg.com dan.lamb@yorkisg.com herb.mcduffee@yorkisg.com shawn.millar@yorkisg.com rudy.schroeder@yorkisg.com christopher.shaffer@yorkisg.com randall.smith@yorkisg.com john.tucker@yorkisg.com teresa.utterback@yorkisg.com craig.wheaton@yorkisg.com

**ACCOUNTING SERVICES**  
 Gilbert Associates, Inc.  
 2880 Gateway Oaks Drive, Suite 100  
 Sacramento, California 95833  
 Main: (916) 646-6464 Fax: (916) 929-6836  
 www.gilbertcpa.com  
 Kevin Wong - Kswong@gilbertcpa.com

**EMPLOYEE ASSISTANCE PROGRAM**  
 ACI Specialty Benefits Corporation  
 5414 Oberlin Drive, Suite 240  
 San Diego, California 92121  
 Main: (858) 452-1254 Fax: (858) 452-7819  
 www.acieap.com  
 Tori Barr - tbarr@acieap.com