

CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

FINANCE OFFICERS COMMITTEE

MINUTES

March 11, 2010

12:00 p.m.

CALL TO ORDER: Chairman Gomez called to order the regular meeting of the Finance Officers Committee of the California Joint Powers Insurance Authority at 12:10 p.m. in the El Capitan Room at the California Joint Powers Insurance Authority.

ATTENDANCE:

PRESENT: Chairman Jose Gomez, Santa Fe Springs
Keith Neves, La Palma
Ernestine Jones, Laguna Woods
Diane Perkin, Lakewood
Chuck Bauman, Lomita
Karina Lam, Paramount
George Edes, Pismo Beach
Chris Londo, Walnut

STAFF: Jonathan Shull, Chief Executive Officer
Norm Lefmann, Assistant Executive Officer
Beth Lyons, Assistant Executive Officer
Jim Gross, Senior Risk Consultant
Stephanie Hondrogiannis, Administrative Assistant
Carl Sandstrom, Senior Management Analyst
Catherine Sloan, Senior Training Specialist
Alex Smith, Finance Director

COMMENTS FROM AUDIENCE There were no requests to address the Committee.

CONSENT CALENDAR

Chairman Gomez presented the items appearing on the Consent Calendar.

The Consent Calendar included:

- Minutes for the meeting of February 8, 2010
- Treasurer's Compliance Report for January 2010
- Restated Quarterly Financial Statements as of September 30, 2009
- Quarterly Financial Statements as of December 31, 2009
- Training Opportunities

It was moved by Perkin, Lakewood, that the Consent Calendar items be approved in one action, which was seconded by Lam, Paramount, with no members present opposed.

REPORTS AND RECOMMENDATIONS

RECEIVE AND FILE
Recommended Revisions
to the Unclaimed Check
Policy and Status Update
report

Chief Executive Officer Shull presented the Recommended Revisions to the Unclaimed Check Policy and Status Update report.

Assistant Executive Officer Lyons briefed the Committee on the report contents, including:

- Authority adopted the Unclaimed Check Policy in 2006, in accordance with California Government Code Sections 50050-50055
- The proposed revisions to the Policy include updated titles, clarifying language, text updates for policy consistencies, and language revisions regarding the court of jurisdiction to mirror that of the code
- In addition to publishing notice, Authority staff contacts and sends listings to members of unclaimed checks, beyond what is legally required, resulting in \$105,000 reverting back to the Authority since its inception

It was moved by Lam, Paramount, seconded by Jones, Laguna Woods, with no objection received, to receive and file the Recommended Revisions to the Unclaimed Check Policy and Status Update report.

RECEIVE AND FILE
October 2009
Retrospective
Computations

Chief Executive Officer Shull presented the October 2009 Retrospective Computations.

Shull informed the Committee that the retrospective computation is an annual reconciliation of the liability and workers' compensation programs for amounts owed.

Shull announced that at its February 24 meeting, the Executive Committee approved retrospective computations while postponing action on the 2010-2011 Annual Contribution Contributions until members had sufficient time to review the Ad Hoc Committee's recommended formulary changes. Also approved on February 24, the method of computing refunds was changed to an aggregate balance, one-fourth of which would be paid on July 1, 2010.

Shull announced a series of information meetings, including one held earlier in the morning, to provide members with an in depth explanation of how the proposed formula works, with four more meetings to follow at various locations.

Chairman Gomez informed the Committee that he, Shull, Lam, and Perkin, are on the Ad Hoc Committee, along with other members and Authority consultants. The consultants, he noted, have excellent skills and both national and international pooling knowledge.

An emphasis was placed on member ownership in the Authority and the need to ensure its sound financial structure. Committee members were encouraged to attend the informational meetings or to participate via webcast, as previously outlined in an email message to all member agencies.

Chairman Gomez confirmed that the Ad Hoc Committee recommendations will be on the March 24 agenda for Executive Committee action; pending approval, notice should be sent to member agencies within a week.

Edes, Pismo Beach, touched base on the highlights of the Ad Hoc Committee recommendations, including:

- The formulary changes are financially driven due to unusually high claims and reduced investment earnings
- Importance of appropriate measurements in calculating risk of large versus small agencies, utilizing either experience or exposure on a sliding scale
- The importance of responsible risk management and its impact on members' annual contributions

October 2009
Retrospective
Computations

Shull noted that the proposed formulary changes are intended to provide sufficient funding at the 75% confidence level as projected by the annual actuarial study. The primary deposit is currently underfunded due to caps on year-to-year volatility. He also shared that currently exposure (payroll) and experience (claims history) are weighted 50/50 in calculating primary deposits. The proposed change would increase the weighting factor for smaller agencies in the exposure realm and experience will weigh heavier on larger agencies.

Another formulary change, Shull noted, is the inclusion of claims penetrating the second layer of coverage (\$30,000 - \$750,000) in calculating experience, as this is reflective of the biggest growth area in losses of the Authority's members.

Shull explained that during the transition period, the retrospective calculations will continue; however, payments will be suspended until the 75% confidence level is met through the annual contributions.

Chairman Gomez stated that the proposed formulary changes align with the Authority's guiding principles and industry standards. He also stated that a cap of 0-35% will be placed on annual contributions, subject to annual review.

There being no objections, Chairman Gomez received and filed the October 2009 Retrospective Computations report.

ADJOURNMENT

The meeting adjourned at 12:40 p.m. to a meeting on Thursday, April 8, 2010, at 12:00 p.m. in the El Capitan Room at the California JPIA.

Respectfully submitted,

Jose Gomez, Chairman