

**SHARP Joint Powers Authority  
Metro Center – 101 8<sup>th</sup> Street  
Oakland, CA 94607-4707  
(510) 464-7969**

**BOARD OF DIRECTORS MEETING  
Conference Room B  
May 15, 2014 @10:00 AM**

**Sharp Members in Attendance:**

Monica LaBossiere – Saratoga  
Brian Kirking – ABAG  
Rob Braulik – Town of Ross  
Laci Kolc – American Canyon

**ABAG Staff in attendance:**

Herbert Pike – ABAG CFO  
James Hill – ABAG PLAN Risk Management Officer  
Moti Kumar – ABAG Accountant  
Kim Chase – ABAG PLAN Assistant

**Others in Attendance:**

Michael Harrington – Bickmore  
Kelli Vitali – York

**Teleconferenced in:**

Ben Burg – York  
Deborah Demuynck – York

**1. Call to Order – Opening Remarks:**

The meeting was called to order at 10:20am by Jim Hill in absence of Chairman Richard Lee - Los Altos.

**2. Introduction of Board Members/Roll Call**

**3. Adoption of Agenda**

M/Kolc/S/Kumar/C/Unanimous

**4. Approval of Minutes; Board of Directors Meeting May 2, 2013**

M/Kumar/S/ LaBossiere/C/Unanimous

**5. Election of New Officers – Nominations/Roll Call**

Staff is seeking nominations for the Chairman and Vice Chair. Richard Lee is the prior Chairman from Los Altos Hills. Jim nominated Monica LaBossiere (Saratoga) as the Chairman for the upcoming term, nomination was accepted and the Board voted unanimously in favor. Jim asked if there were any nominations for Vice Chairman. Rob Braulik (Ross) nominated Yulia Carter (Los Altos Hills) for Vice Chair, nomination was accepted and the Board voted unanimously in favor. Staff introduced and acknowledged all other Board members, starting with Brian Kirking (ABAG); Laci Kolc (American Canyon) who was attending on behalf of Sue Casey. Jim noted he would be continuing as the SHARP Secretary, Herb Pike would continue to be the Treasurer, and Moti Kumar is the alternate to Brian Kirking from ABAG.

Jim asked for a motion to approve the slate of officers, **M/Kolc/S/LaBossiere/C/Unanimous.**

**6. Review and Approval of Claims Audit for Fiscal Year 2013/2014**

Staff requested the review and approval of the Workers Compensation Claims Audit which was performed by North Bay Associates. The report was presented by Kelli Vitali of York. Staff asked the Board to be mindful of the low frequency of

claims. Kelli discussed the 8 files reviewed and noted there were a few areas of further development. She informed the board that Deborah Demuynck began as a Claims Examiner for York about a year ago and there has been significant improvement. The overall score was 87.3% with areas listed for improvement as investigation, termination, medical mileage, late notices and files. York staff / Deborah have a good understanding of standards and will ensure that contacts and investigations are timely. The target audit/best practice is 90-95%. Staff asked if there were any questions. No questions raised by the Board.

**Item #7 was discussed in closed session pursuant to the requirements of the Ralph M. Brown Act 54956.9  
All actions taken will be announced in open session prior to the adjournment of the meeting.**

**Adjourned to closed session at 10:31am by Jim Hill**

**7. Semi-Annual Claims Review – York Insurance Services**

**Open session announced at 11:05am by Jim Hill  
No reportable action was taken during closed session**

**8. Review of Financial and Investment Reports**

**9. Approval of FY12/13 Financial Audit and MOIC**

Herb Pike, CFO for ABAG provided the following reports for discussion; SHARP balance sheet; income statement and SHARP Admin Fund; the income statement for SHARP Trust Fund (claims expense); the SHARP Investment Portfolio and recommended changes to the current SHARP Investment Policy. He began with the Balance Sheet calculated as of the end of March 2014, stating that it is a snapshot of the SHARP funds at a specific point in time. Total assets are \$4.27 million, up \$300 thousand from June 30, 2013. Net Assets (Total Assets less Liabilities) are \$3.49 million, up \$311 thousand from June 30, 2013. Current year surplus is approximately \$213,000 year to date. He then discussed the Income Statement/Administrative Fund. The Administrative fund actual expenses are just over 63 percent. Herb mentioned a new employee was recruited and the pace of staff costs should not accelerate much, if at all during the remaining three months of the fiscal year. He then presented the Income Statement/Trust Fund (Claims Expense). He explained the primary controllable expense item is the “Claims below Deductible”, the layer covered by SHARP before the LAWCX excess coverage kicks in. The “Excess Workers’ Comp Insurance” represents the annual premium assessed by LAWCX and is a one-time expense. Thus, the only significant expense for the balance of the year will be the “Claims below Deductible”.

Herb then discussed the Investment portfolio stating that as of March 31, 2014, par value of investments was \$3.80 million compared to a current market value of \$3.71 million. Since we endeavor to hold all investments to maturity or call, this variance does not equal a loss because the bonds will be redeemed at full value upon maturity, but it indicates that a higher interest yield over the remaining term of the bond could probably have been achieved by a bond whose market value equaled the same par value. The portfolio is comprised of \$500 thousand (13 percent of the total portfolio) in the Local Agency Investment Fund. These funds, in addition to the checking account, are the funds that are kept liquid to meet the day-to-day operating and claims costs. There is \$2.50 million (66 percent of the portfolio) invested in federal agency bonds. Finally, there is \$795,000 (21 percent of the portfolio) invested in bank certificates of deposit; each of the certificates is within the federal-insured cap of \$250 thousand. Total investment yield is projected to end the year at about the current yield rate of 1.47 percent.

Herb sought a motion to approve a change in the investment policy that would increase our insured investments to 25% of the portfolio along with approval of the financial reports. **M/ LaBossiere/S/Kirking/C/Unanimous.**

**10. Review of Loss Prevention Program – Jim began the discussion pointing to the Grant Fund allocation report. He said we continue to encourage members to develop strategies to utilize the grant funding. Right now, including carry over funding, we are only utilizing 24% of grant funds. There is \$94,000 or 75% of grant funds still available. We are doing a lot with our wellness programs, but noted the grant funding extends well beyond health and wellness. Jim reminded members that as part of strategic risk management plans, to consider alternatives. The grant funding report was also included in the packet, in**

addition to the eligibility list. Examples from staff and members were provided such as, ergonomics assessments; Injury and illness programs; Bay Trail Challenges; providing fruit to employees/health awareness and 5k walk/runs. A sample of a grant fund request was provided. Jim reminded the members that \$10,000 is allocated this FY year for each SHARP member.

- 11. Adoption of FY 2014/2015 Administrative Budget** – Jim initiated discussion stating that we are going to be looking to approve the budget as presented. He directed the board members to the budget variances put together by Moti and Herb. He informed the board that staff costs and consulting costs were under budget. There was a bump up in the indirect costs due to the self-insured retention assessment. We are in lock step with our past projections and the current budget projections are relatively flat. The budget projections were provided to the board members for review. Staff noted that the Annual WC assessments are up. Fraud rates went down but Labor and Compliance rates went up. The built in deficit was questioned and Jim and Herb explained the deficit is driven by the grant allocations which are designed to be funded via program surplus. Brian asked about the Claims Audit, and Claims Administration fees which are going down. Jim explained that we only pay for audits every other year and the Claims Admin fees are a function of claims volume which is relatively low. Jim asked for a motion to approve the budget as presented. **M/LaBossiere/S/Kolc/C/Unanimous**
- 12. Estimated Excess Insurance Premium for FY 2014/2015** - Jim reported on the Excess Insurance Premiums. We have an excess insurance indication from LAWCX in the amount of \$191,061. There is a slight variance from Bickmore's number which was about \$192,000. SHARP will continue to look at the cost of Insurance vs Self-Insurance as it impacts the pool and pricing. We will continue to study the situation and be mindful of the LAWCX trends. A copy of the quote was provided to the Board. Herb asked if York manages the claim all the way through. Jim and Kelli answered saying LAWCX is involved when claims reach 50% of the program retention level. Upon piercing that level York reports them directly to LAWCX for claims handling and direction.
- 13. Actuarial Report and Deposit Premiums for FY 2013/2014** – Jim noted that we will need a motion to approve the report as presented and adopt the premiums. Mike Harrington (Bickmore) explained the health of the program being good. We maintain over \$3 Million in surplus in excess of the expected liability. Members are funded well above what would be indicted by the confidence level or by a multiple of the SIR. There are plenty of funds and there are no concerns about solvency.

Rates came down this year and Mike directed the members to his report. He referred to two tables, one for how much is owed for what's already happened and one depicting how much is needed for next year's costs. Mike went through loss and ALAE, which is estimated at \$800,000. We estimate future claims handling costs and estimated liability to be \$44,000, for 8-10 open claims. The discount rate assumption in the report is 3%. At expected the program has about \$3.25 million of surplus, assuming 3% discount rate. Members have \$250,000 dollars retention on each and every claims, which amounts to 13 times our SIR in surplus over and above expected. A benchmark that is often used is 5 times the SIR or \$1,250,000.

Mike referred members to the report showing next years costs, which account for new claims. We expect the annual costs to be \$382,000, last year was \$389,000 and on a rate basis it is down. On a dollar basis it is pretty close due to increases in payroll. The ULAE or Claims Administration is \$24,000. Mike reviewed the calculations at various confidence levels. If we fund the program at a 65% confidence level this year, there will be an extra \$50,000 to cover claims costs. He then discussed non claims related expenses such as staffing and the self-insurance assessment. Excess insurance is \$191,000 and last year it was \$192,000. At expected, the indicated premium is \$667,000 last year was \$668,000. Mike asked if there were any questions. None were asked. He said we are focusing on a 65% confidence level and if we bumped that up to 70%, we would add another \$40,000 in premium contributions. If we dropped down to 60% we would deduct \$40,000.

Ross and American Canyon had a premium increase while every other member had a decrease. He explained why Ross and American Canyon had an increase, which is driven primarily due to higher estimated payrolls. Ross is due to Parks, and American Canyon was higher rated classifications. Ross has an 18% discount on the rate, but largest premium. Herb asked

Mike if he was suggesting a 65% confidence level, Mike was in agreement. Jim asked if any member had any concerns with 65% confidence levels. Rob Braulik said intuitively he thinks it should be higher. Mike discussed the favorable development on both case reserves at adjuster level and the IBNR. Mike asked if there were any further questions. Jim sought a motion to approve the actuarial report as presented. **M/Braulik/S/LaBossiere/C/Unanimous**

**14. Adoption of Deposit Premium and Actuarial Report** – Jim is looking for a motion to approve the deposit premium at the 65% confidence level. **M/ LaBossiere/S/Braulik/C/Unanimous**

**15. Other Business** – Rob asked Kelli what was driving the WC claims costs, asking if the physical condition of an individual is considered in the claims process; for instance, if the size of the person, prior physical and health conditions are measured when processing claims and payouts. Kelli answered saying it is a no fault system. Jim mentioned this is why it is important to have health and wellness events to keep employees healthy. Kelli concluded by saying you pretty much hire employees as is.

**16. Adjourn** –  
Meeting adjourned at 12:20pm by Jim Hill

Respectfully Submitted,



James Hill  
SHARP Secretary