

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

MINUTES OF THE BOARD OF DIRECTORS MEETING OF FEBRUARY 3, 2023

A regular meeting of the Board of Directors of ERMA was held on February 3, 2023, at the Napa Valley Marriott, 3425 Solano Ave, Napa, CA.

BOARD MEMBERS PRESENT:

John Gillison, President, CIRA
Bryan Whitemyer, Vice President, CSJVRMA
Brett Miller, Treasurer, MBASIA
Heather Rowden, BCJPIA
Melissa Guerrero, ERMAC
Linda Cox, MPA
Kevin Bryant, PLAN
Roger Carroll, SCORE
Jeremy Wittie, VCJPA
Charlene Calica, CCCHA
Drew Felder, OHA

BOARD MEMBERS ABSENT:

Rob Thompson, CalTIP
Beth Lyons, PERMA

ALTERNATE MEMBERS PRESENT:

Kin Ong, CIRA
Becky Ramirez, CSJVRMA
Jon Maginot, BCJPIA
George Fink, CalTIP
Yumi Augustus, PERMA
Jamie Scott, VCJPA
Nataline Jindoian, CCCHA

ALTERNATE MEMBERS ABSENT:

Steve Adams, MBASIA
Reina Schwartz, MPA
George Rodericks, PLAN
Wendy Howard, SCORE

OTHERS PRESENT:

Jennifer Jobe, Executive Director
Danielle Davis, Board Secretary
Stacey Sullivan, Litigation Manager
Chee Xiong, Finance Manager
Doug Alliston, Board Counsel
Will Portello, Sedgwick
Jaesa Cusimano, BCJPIA
Amy Northam, CIRA
Chrissy Mack, CalTIP/VCJPA
Jeanette Workman, CSJVRMA
Michelle Minnick, SCORE
Elizabeth Arce, Liebert Cassidy Whitmore
Shane Larsen, Jackson Lewis, P.C.

Conor Dale, Jackson Lewis, P.C.
Lesley Murphy, PFM Asset Management LLC
Wale Kajopaiye, PFM Asset Management LLC
Seth Cole, Alliant Insurance Services, Inc.
Shadi Jalali, Alliant Insurance Services, Inc.

1. CALL TO ORDER/INTRODUCTIONS

The February 3, 2023, Board of Directors Meeting was called to order at 8:00 a.m. by President John Gillison.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Linda Cox moved, seconded by Brett Miller, to approve the agenda as posted. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

3. PUBLIC COMMENTS

None.

4. CONSENT CALENDAR

Brett Miller moved, seconded by Linda Cox, to approve the following Consent Calendar items: A) Minutes of the November 7, 2022, Board of Directors Meeting; B) General Warrants from October 1, 2022, through December 31, 2022; C) Claims Payments from October 1, 2022, through December 31, 2022; D) Treasurer's Reports as of September 30, 2022, and December 31, 2022; E) Internal Financial Statements for the Quarter Ended December 31, 2022; F) Benchmarking Ratio Results as of June 30, 2022; G) Letter of Engagement for Actuarial Services (2022-2025), Bickmore Actuarial; H) Draft 2023/24 Investment Policy & Memo prepared by Olawale Kajopaiye, PFM Asset Management LLC; I) Defense Panel – Updated; and J) Board Document Review Schedule. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

5. ELECTION OF OFFICERS FOR 2022/23 PROGRAM YEAR

A. Nomination and Election of Vice President

Mr. Gillison stated the departure of Stuart Schillinger from the Board of Directors effective January 1, 2023, left a vacancy in the office of Vice President. After opening the floor for nominations, Mr. Gillison nominated Bryan Whitemyer, CSJVRMA, to serve as Vice President through June 30, 2023. No other nominations were received.

John Gillison moved, seconded by Brett Miller, to nominate and elect Bryan Whitemyer to serve as Vice President through June 30, 2023. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

6. MEMBERSHIP MATTERS

A. Review of Prospective Member Applications, Foresthill Fire Protection District and Wheatland Fire Authority (CIRA)

Jennifer Jobe, Executive Director, reported applications for participation were received from the Foresthill Fire Protection District and Wheatland Fire Authority, which were approved for participation in the California Intergovernmental Risk Authority (CIRA) effective November 1, 2022. Ms. Jobe summarized the applications as follows:

Foresthill Fire Protection District

- The district reports payroll of \$1.2M for the 2021 calendar year and has 12 full-time employees and six part-time employees.
- The district has written personnel policies and procedures in place that were reviewed and approved by the district's Board in 2016 but are not regularly reviewed by legal counsel.
- The district is compliant with AB 1825 and SB 1343 training requirements and utilizes Vector Solutions, a third-party provider, to conduct online training.
- The district provided an attestation of no known losses in the most recent seven completed fiscal years.

Wheatland Fire Authority

- The authority reports payroll of \$600k for the 2021 calendar year and has three full-time employees and 18 part-time (volunteer) employees.
- The authority has written personnel policies and procedures in place that are regularly reviewed by legal counsel. The policies were last revised in August 2018 and adopted by the authority's Board.
- The authority is compliant with AB 1825 and SB 1343 training requirements and utilizes Vector Solutions, a third-party provider, to conduct online training.
- The authority has provided an attestation of no known losses in the most recent seven completed fiscal years.

Ms. Jobe noted the Underwriting Committee convened to review the applications on December 6, 2022, and recommended approval of both agencies' participation in ERMA at a \$250k self-insured retention (SIR), with the condition the agencies' personnel policies and procedures are reviewed by legal counsel with public sector employment law expertise, updated, and formally approved by the agencies' governing bodies no later than July 1, 2024. She also stated the Committee recommended a retroactive coverage effective date of November 1st for both agencies to correspond with the commencement of their participation in CIRA.

Brett Miller moved, seconded by Linda Cox, to retroactively approve the Foresthill Fire Protection District (CIRA) and Wheatland Fire Authority (CIRA) at a \$250,000 SIR each, effective November 1, 2022, with the condition the agencies' personnel policies and

procedures are updated, reviewed by legal counsel with expertise in public sector employment law, and approved by the respective governing bodies no later than July 1, 2024. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review of Prospective Member Application, Mosquito Fire Protection District (CIRA)

Ms. Jobe explained an application of participation was received from the Mosquito Fire Protection District, an underlying member agency of CIRA also seeking participation at a \$250k SIR. She summarized the following details from the application:

- The district reports payroll of \$334k for the 2021 calendar year and has two full-time employees and one part-time employee.
- The district has written personnel policies and procedures in place that are regularly reviewed by legal counsel. The policies were last revised in September 2022 and have been adopted by the district's Board.
- The district is compliant with AB 1825 and SB 1343 training requirements and utilizes Vector Solutions, a third-party provider, to conduct online training.

Ms. Jobe stated although the district was also accepted for participation in CIRA effective November 1st, initial delays in receiving loss information and other application materials resulted in a deferred recommended effective date of January 1, 2023.

Jeremy Wittie moved, seconded by Brett Miller, to retroactively approve the Mosquito Fire Protection District (CIRA) at a \$250,000 SIR, effective January 1, 2023. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

7. ADMINISTRATIVE MATTERS

A. Appointment of Finance Manager

Ms. Jobe reminded the Board that following the retirement of Nancy Broadhurst as ERMA's Finance Manager in 2021, Jim Elledge has since been serving in an interim capacity alongside Chee Xiong, who transitioned from serving as ERMA's Senior Accountant to Finance Manager in recent months. She noted Ms. Xiong has assisted ERMA's finance and accounting team extensively, having served on the account for over ten years. Ms. Jobe conveyed staff's recommendation the Board formally appoint Ms. Xiong as ERMA's Finance Manager, effective immediately.

Brett Miller moved, seconded by John Gillison, to appoint Chee Xiong as Finance Manager, effective February 3, 2023. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review and Approval of Goals and Objectives Established at the 23rd Annual Workshop

Ms. Jobe reviewed the following goals and objectives for the 2023/24 Program Year, as presented at the February 2nd Annual Workshop:

- Goal 1: Internal Marketing Initiative
 - Continue internal marketing initiative targeting non-participatory underlying members of primary programs
- Goal 2: Personnel Policies and Procedures Updates
 - Develop a program to evaluate and update member agency personnel policies and procedures
 - Phase 1: Survey membership to identify agencies with outdated or incomplete policies
 - Phase 2: In collaboration with HR Consultants and attorney firms, identify areas of policy deficiencies and/or in need of improvement
 - Phase 3: Facilitate agency collaboration with attorney firms to aid in policy updates for formal adoption and approval by agencies' governing bodies
 - Update ERMA-recommended policies/rules and develop policy library following the completion of Phase 3 above
- Goal 3: Review of ERMA Financial Position
 - Engage Bickmore Actuarial to conduct capital adequacy study
- Goal 4: Continue to offer targeted Police Department training program to emphasize prevention of harassment, discrimination, and retaliation training and complaint and claims handling procedures training
 - Conduct proactive outreach to member agencies to provide important information about ERMA resources and claims handling, with particular focus on agencies with high turnover and/or new Human Resource personnel

Linda Cox moved, seconded by Brett Miller, to adopt the goals and objectives established at the February 2, 2023, Annual Workshop. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

C. Resolution No. 2022-6, Authorizing Investment of Monies in the Local Agency Investment Fund

Ms. Jobe stated that due to changes in key officer and staff positions, it was necessary to authorize new individuals to conduct business with the Local Agency Investment Fund (LAIF) for managing the deposit and withdrawal of ERMA investment funds. She noted Resolution No. 2022-6 permits the ERMA President, Vice President, Treasurer, Executive Director, and Finance Manager to conduct LAIF Business, and due to action taken by the Board at the

present meeting, will therein name Mr. Whitemyer and Ms. Xiong and as Vice President and Finance Manager, respectively.

Brett Miller moved, seconded by Linda Cox, to approve Resolution No. 2022-6, Authorizing Investment of Monies in the Local Agency Investment Fund, effective February 3, 2023, as presented. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

D. Resolution No. 2022-7, Establishing a Claim Administration Conflict of Interest Policy

Ms. Jobe informed the Board that in response to recent increases in the frequency and severity of claims, staff has been conducting reviews of existing ERMA governing policies to proactively address any gaps or areas of concern related to claims handling procedures. She noted ERMA has not yet formalized a policy that addresses procedures for identifying and addressing real or perceived conflicts of interest involving those charged with the administration, management, handling, and/or resolution of claims. As such, staff has proposed Resolution No. 2022-7, Establishing a Claim Administration Conflict of Interest Policy, to formalize this process and address any such situations should they arise in the future. Ms. Jobe advised the resolution was also reviewed by Doug Alliston, Board Counsel.

Linda Cox moved, seconded by Brett Miller, to approve Resolution No. 2022-7, Establishing a Claim Administration Conflict of Interest Policy, effective February 3, 2023, as presented. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

8. COVERAGE MATTERS

A. Excess Coverage and Marketing Strategy for the 2023/24 Program Year

Seth Cole, Alliant Insurance Services, Inc., provided a brief update regarding the Excess Coverage Market for the upcoming program year.

Mr. Cole reminded the Board that ERMA participates in optional excess coverage of \$2M X \$1M through RSUI, with a \$4M aggregate per member and an overall policy aggregate of \$10M. The Board also approved the purchase of an additional \$1M x \$3M layer through Ascot for the 2022/23 program year, with a \$1M aggregate per member and total \$5M policy aggregate. Mr. Cole then conveyed expectations for predominantly flat-rate renewals assuming favorable loss development, but noted minor inflationary increases are possible. He concluded his discussion by advising another update regarding the status of renewals would be provided to the Board at the upcoming April meeting.

B. ERMA 2022/23 Memorandum of Coverage

Ms. Jobe explained with the approval of the Foresthill Fire Protection District, Wheatland Fire Authority, and Mosquito Fire Protection District as underlying members of CIRA, the agencies must also be named as insureds in ERMA's Memorandum of Coverage (MOC). She

directed the Board to the attached proposed MOC in redline/strikeout, with the new participating agencies listed under Endorsement #1.

Linda Cox moved, seconded by Brett Miller, to approve the 2022/23 ERMA Memorandum of Coverage effective February 3, 2023, as presented. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

9. FINANCIAL MATTERS

A. Investment Performance Review

Lesley Murphy, Director, PFM Asset Management LLC (PFM), expressed appreciation to the Board for having the opportunity to serve as ERMA's Investment Advisor for the previous six years. Ms. Murphy introduced Olawale Kajopaiye, Senior Managing Consultant at PFM, and advised Mr. Kajopaiye will serve in this capacity moving forward.

Mr. Kajopaiye then provided an update on ERMA's investment portfolio as well as an overview as to the current state of the market, noting high inflation in the previous 12 to 18 months as a primary source of volatility in the fixed income markets. However, Mr. Kajopaiye also commented on a continued strong labor market, with the unemployment rate recently dropping to approximately 3.4%. He also noted that while Federal Reserve rate increases are expected to continue, the pace of increases are inversely anticipated to begin slowing, as illustrated by a gradual flattening of the U.S. Treasury Yield Curve.

Mr. Kajopaiye summarized ERMA's investment portfolio, explaining PFM continues to utilize a diversified management strategy. He advised for the quarter ended December 31, 2022, the total market value of the portfolio was \$24.9M. Relative to the benchmark effective duration of 1.97 years, the portfolio's current effective duration of 1.93 years reflects a high percentage of newer investments with increased volatility, which is expected to diminish as the assets begin to mature.

Mr. Kajopaiye concluded his presentation by reiterating ERMA's investments were maintained in broad diversification across permitted investment sectors, with positive portfolio performance overall and net positive returns outperforming benchmarks. Additionally, ERMA's portfolio is in compliance with the California Government Code and ERMA's Investment Policy, as noted in his memorandum to the Board included in the Consent Calendar, item 4.H.

10. CLAIMS MATTERS

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

Pursuant to Government Code Section 54956.95(a), the Board recessed to Closed Session at 8:30 a.m. to discuss the following claims:

- Roulston v. City of Porterville (appeal of coverage denial)
- Saenz v. Town of Windsor (appeal of coverage denial)
- Protho v. Barstow

B. Report from Closed Session

The Board reconvened to Open Session at 9:14 a.m. Mr. Alliston advised no reportable action was taken in Closed Session.

11. CLOSING COMMENTS

A. Board of Directors

None.

B. Staff

None.

12. ADJOURNMENT

The February 3, 2023, ERMA Board of Directors Meeting adjourned at 9:15 a.m. by general consent.



Danielle Davis, Board Secretary