

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

**MINUTES OF THE BOARD OF DIRECTORS MEETING
OF February 2, 2024**

A regular meeting of the Board of Directors of ERMA was held on February 2, 2024, at the Napa Valley Marriott Hotel, 3425 Solano Ave, Napa, CA 94558

BOARD MEMBERS PRESENT:

Jason Castleberry, BCJPIA
Beth Lyons, PERMA
Bryan Whitemyer, Vice President, CSJVRMA
Charlene Calica, CCCHA
Drew Felder, (OHA)
Jeremy Wittie, Treasurer, VCJPA
John Gillison, President, CIRA
Kevin Bryant, PLAN
Linda Cox, MPA
Muriel Howarth Terrell, SCORE
Paul Wood, MBASIA
Robert Thompson, CalTIP
Thomas Watson, ERMAC

BOARD MEMBERS ABSENT:

None

ALTERNATE MEMBERS PRESENT:

Amy Conley, CIRA
Becky Padron, CSJVRMA
George Fink, CalTIP
Jamie Scott, VCJPA
Nataline Jindoian, CCCHA
Wendy Howard, SCORE

ALTERNATE MEMBERS ABSENT:

George Rodericks, PLAN
Jon Maginot, BCJPIA
Steve Adams, MBASIA
Sukari Beshears, MPA
Yumi Augustus, PERMA

OTHERS PRESENT:

Chee Xiong, Finance Manager
Conor Boughey, MBASIA
Doug Alliston, Board Counsel
Elizabeth Arce, Liebert Cassidy Whitmore
Eric Dahlen, PLAN
Jaesa Cusimano, BCJPIA
Jared Bryan, Jackson Lewis, P.C.
Jeanette Workman, CSJVRMA
Michael Harrington, Bickmore Acturarial
Michael Kronbetter, PFM Asset Management

Michelle Minnick, Alliant/SCORE
Rob Kramer, Executive Director
Seth Cole, Alliant
Shadi Jalali, Alliant
Shane Larsen, Jackson Lewis, P.C.
Stacey Sullivan, Litigation Manager
Tim Farley, Farley Consulting (Virtual)
Traci Maxey, iLearning Engines (Virtual)
Vlad Tsering, Sedgwick
Will Portello, Sedgwick Litigation Director
Yvette Flama, Board Secretary

1. CALL TO ORDER; INTRODUCTIONS

The February 2, 2024, Board of Directors Meeting was called to order at 8:10 a.m. by President John Gillison.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Jeremy Wittie moved, seconded by Bryan Whitemeyer, to approve the agenda as amended. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR

President Gillison drew attention to the Consent Calendar and asked if there were any questions regarding any specific items listed on the calendar.

Beth Lyons moved, seconded by Jeremy Wittie, to approve the following Consent Calendar items: (A) Minutes of the August 22, 2023, Special Board of Directors Meeting, (B) Minutes of the September 25, 2023, Special Board of Directors Meeting, (C) Minutes of the November 6, 2023, Board of Directors Meeting, (D) Minutes of the December 20, 2023, Special Board of Directors Meeting, (E) General Warrants from October 1, 2023, through December 31, 2023, (F) Claims Payments from October 1, 2023, through December 31, 2023, (G) Treasurer's Reports as of September 30, 2023, and December 31, 2023, (H) Internal Financial Statements for the Quarter Ending December 31, 2023, (I) Target Net Position Benchmarking Ratios as of June 30, 2023, (J) Defense Panel, (K) Investigator Panel, and (L) Board Document Review Schedule . A vote was conducted, and the motion passed unanimously with no nays or abstentions.

5. ADMINISTRATIVE MATTERS

A. Consideration of Goals and Objectives Established at the 24th Annual Workshop

Rob Kramer, Executive Director, brought attention to the items indicated by the Board at the Annual Workshop the previous day, on February 1, 2024. Mr. Kramer suggested the Board determine which goals or objectives were appropriate and prioritize them using a scale of one to three with one being the highest and three being the lowest. Mr. Kramer first chose to focus on **mandatory sexual harassment training for elected officials**. Mr. Kramer drew attention to Thomas O'Connell's (Buchalter) presentation and Stace Sullivan's explanation about the cost of elected official claims. Mr. Kramer presented the idea of creating a comprehensive training program that goes beyond the normal sexual harassment training specifically designed for elected officials. All Board members present agreed the goal was one they would like to focus on. Moving on, Mr. Kramer asked the Board if they would like to **add an additional Human Resources support component for members after completion of the 2023/24 Personnel Policies and Procedure survey**, subject to review by Council. The Board agreed to work on the Human Resource component and provide a model policy for smaller members.

Mr. Kramer then moved on to discuss the topic of offering live and online **diversity training** to members. The Board pointed out they would like more information on the diversity training that would be offered, and they would like to see how many members in their respective JPA's were taking advantage of the training. Mr. Kramer began the discussion of **iLearning Engines can aid ERMA in benchmarking claims** data. The Board would like to have the data combined and broken down by JPA. The Board agreed this would be a long-term goal, but they wanted to work on it. Mr. Kramer then focused on doing a **refresh on what the iLearning Engines platform offers** members and what the Employee Protection Line (EPL) service is. The Board agreed it would be beneficial to focus on that for members at this time since ERMA has gained many new members in recent years. Mr. Kramer then drew attention to the Board's request to evaluate the **Investigator Panel**; identifying start investigators the Board can utilize when more complicated investigations need to be performed. The Board agreed this would be a goal they would like to prioritize in the coming program year. Mr. Kramer then drew attention to the formation of a **Claims Committee**. Mr. Kramer noted the ERMA Board is growing and members are experiencing more complex claims. Mr. Kramer pointed out the committee would be granted a certain amount of authority above what Stacey Sullivan currently has. This would require ERMA staff to call fewer Special Board meetings throughout the program year. The Board then recommended forming an Executive Committee that would have the power to make decisions on a broader range of matters. The Board recommended it was time to review and increase the authority that has been granted to Stacey Sullivan. Mr. Kramer then focused on the new California SB 553 Workplace Violence Bill and the Board's desire to have a refresher training for members on the Employment Protection Line and iLearning Engines. The discussion was brief, and it was

decided those two items would be focused on more in the later portion of the program year. Mr. Kramer confirmed the ERMA staff will put all of the items the Board designated as items they want to focus on in the 2024/25 program year present it to the Board at the April 23, 2024 Board of Directors meeting.

There was no formal action taken on the matter.

B. Review and Consideration of Non-Claims Dispute Resolution Policy for ERMA

As part of the accreditation process through the California Association of Joint Powers Authorities (CAJPA), there is a new requirement that ERMA have in place a policy for resolution of non-claims disputes. Mr. Kramer informed the Board Staff worked with Board Counsel to develop Resolution 2023_1 establishing a policy for resolution of non-claims disputes and will review the proposed draft resolution with the Board.

Jason Castleberry moved, seconded by Kevin Bryant, to approve the Non-Claims Dispute Resolution Policy. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

C. Discussion of Enterprise Risk Management (ERM) Strategies for ERMA

As part of the accreditation process through the California Association of Joint Powers Authorities (CAJPA), ERMA members that wish to be Accredited with Excellence should periodically review enterprise risk management goals and objectives and establish a process for identifying major overall risk areas for the JPA and a plan to reduce these risks, if possible.

Mr. Kramer informed the Board that the next step is for Staff to develop a plan in accordance with what CAJPA recommended.

The Board received and reviewed this item and provided feedback to Staff to continue working on the requirement.

D. Consideration of Updates to the ERMA Underwriting Guidelines

As part of the CAJPA accreditation process, CAJPA is recommending these guidelines not only explain the underwriting process for prospective new members to the ERMA program, but also outline the annual underwriting process for existing members. Mr. Kramer informed the Board that the currently, we only underwrite when a member wants to join ERMA. CAJPA wants to see that the Board is reviewing both prospective and existing members. The Board agreed that once every five or seven years would be a good time to review all members. Additionally, the Board agreed this topic should go on ERMA's strategic goals and initiatives and is a long-term goal.

Bryan Whitemyer moved, seconded by Amy Conley, to approve the amendment to the ERMA Underwriting Guidelines. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

E. Biennial Review and Consideration of ERMA Conflict of Interest Code

Mr. Krmer informed the Board The Political Reform Act requires each local government agency to review its Conflict of Interest Code on even-numbered years to determine whether amendments to the Code are necessary. Under the requirement, ERMA Staff and Counsel reviewed the existing Code and determined that changes were warranted to be in line with the Fair Political Practices Commission's (FPPC's) current requirements, including filing original statements electronically with the FPPC as opposed to the Authority. This would alter our policy to all those required to file annually can do so electronically.

Thomas Watson moved, seconded by Kevin Bryant, to approve the amendment of the ERMA Conflict of Interest Code. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

F. Provision of Independent Claims Auditing Services – Review of RFP

Mr. Kramer informed the Board that Farley Consulting had been providing claims auditing services to ERMA since the inception of the organization. His contract is currently up for renewal. At the last Board of Directors meeting, the Board asked Staff to determine if there were any other potential vendors. Staff presented the vendors to the Board. The Board directed Staff to issue the RFP.

Jeremy Wittie moved, seconded by Linda Cox, to issue an RFP for claims auditing services. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

G. Review Withdrawal Notices – City of Sausalito, City of Canyon Lake, and City of Jurupa Valley

Mr. Kramer informed the Board that two members gave notice to their primary pool (PERMA) that they were looking at other options in the market and one member in BCJPIA, where there was an amicable separation. Mr. Kramer informed the Board that ERMA required notice as of December 31st; however, these discussions had been going on before then. Mr. Kramer did confirm the notices were close to the date and if the members leave the primary pool, the Board would need to decide if they are ok with the member withdrawing.

Kevin Bryant moved, seconded by Bryan Whitemyer, to approve the withdrawal of the City of Sausalito and conditionally approve the withdrawal of Canyon Lake and Jurupa Valley pending their formal withdrawal from PERMA. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

H. Consideration of Amendment 1 to the Contract for Administration, Finance, and Litigation Management Services Agreement between ERMA and Sedgwick

Mr. Kramer informed the Board that, as part of the CAJPA re-accreditation study, it was determined that the recent agreement between ERMA and Sedgwick did not include a provision regarding the disclosure of conflicts. Staff worked with Board Counsel and Sedgwick legal to draft the attached Amendment One to the Agreement for Administration, Litigation Management, and Financial Services to rectify this issue. President Gillison informed the Board that when the contract was renewed in the past, they moved to the Sedgwick model, and that could be where the item was removed. President Gillison informed the Board that he was comfortable recommending that it be added back.

Linda Cox moved, seconded by Kevin Bryant, to approve Amendment 1 to the administrative contract with Sedgwick. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

I. Review of CAJPA Accreditation Report

Mr. Kramer informed the Board pools take the time to go through accreditation process because the industry is self-regulated. This process reviews your equity, your governance, your all the different risk factors. The report was prepared by Jim Marta, who is ERMA's consultant from CAJPA. The report was already presented to the accreditation committee and ERMA has been approved for accreditation with excellence. Mr. Marta did have several findings that ERMA staff must complete within six months. Mr. Kramer informed the Board by reviewing the earlier agenda items and providing direction, the Board has met the requirements. Mr. Kramer informed the Board that following the meeting, Staff will report all the action taken to CAJPA and ERMA will be accredited for three years.

The Board received, discussed, and filed the report.

6. LOSS PREVENTION AND MEMBER SERVICES

A. Consideration of Member EPL Policy Review Program

Mr. Kramer informed the Board that they had already discussed these items at the beginning of the meeting, and Staff will add them to the strategic goals and initiatives.

The Board took no formal action.

B. Review of Live & Online Training Topics

Mr. Kramer informed the Board that they had already discussed these items at the beginning of the meeting, and Staff will add them to the strategic goals and initiatives.

The Board took no formal action.

7. COVERAGE MATTERS

A. Excess Coverage and Marketing Strategy for the 2024/25 Program Year

Mr. Seth Cole from Alliant presented the excess coverage and marketing strategy for the 2024/25 program year. ERMA has a total coverage of \$3M. Each claim per member has a \$5M per member aggregate and a \$15,000,000 aggregate for the group. Mr. Cole informed the Board that the renewal process will be smooth and there are no major issues the Board needs to concern with.

B. ERMA 2024/25 Memorandum of Coverage

Mr. Kramer informed the Board that Staff needed to remove a member from the endorsements, the City of Beaumont and add the City of Burlingame. Mr. Kramer informed The Board the City of Beaumont was considered twice and the second time ERMA approved their application. Mr. Kramer informed the Board the City of Beaumont did not think they were members, and Staff is working to remove them.

The Board took no formal action.

8. FINANCIAL MATTERS

A. Investment Performance Report as of December 31, 2023

Michael Kronbetter of PFM Asset Management provided the Board with an update regarding current market conditions and an overview of ERMA's investment portfolio. Mr. Kronbetter touched on the markets response to the federal interest rates to help control inflation. The year has ended with a GDP print of 3.4%. Last week's GDP result for the fourth quarter was expected to be 2.6%, but it turned out to be a blockbuster 3.3%. Mr. Kronbetter suggested to the Board the market may be dovish in 2024, resulting in a decline in interest rates. ERMA is #31 with a market value of approximately \$34,000,500 and a portfolio duration of 2.07 years, compared to a benchmark duration of 2.0.

The Board took no formal action.

B. Review and Consideration of Investment Policy

ERMA's Investment Policy is reviewed on an annual basis. The policy has been reviewed by ERMA staff and Michael Kronbetter, PFM Asset Management LLC (PFMAM). Mr. Kronbetter recommended one change be made to the policy as detailed in his Memorandum to the Board. Mr. Kronbetter recommended the policy align with the new CA SB882.

Linda Cox moved, seconded by Jeremy Wittie, to approve the amended Invest Policy. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

C. Review of Target Surplus Study (Capital Adequacy Study)

Mr. Mike Harrington of Bickmore Actuarial presented the findings off the study to the Board. Mr. Harrington shared ERMA meets all the surplus targets except for the two targets highlighted above, the Surplus: Outstanding Liabilities and Surplus: RBC Requirement. Failing to meet these two targets is less concerning as ERMA maintains sufficient net position to cover the discounted claims liabilities at the expected, confidence level (CL) and at the 90% CL. ERMA is well funded with net position in the upper recommended range, and the net position is projected to increase as of June 30, 2024.

The Board received, discussed, and filed the report.

D. Review of Financial Stability Plan

Chee Xiong, ERMA's Finance Manager, reviewed the plan and suggested the following changes to the Board:

1. Change the terminology from "Equity" to Net Position to match the terminology used on the financial statements as per Governmental Accounting Standards Board (GASB).
2. Change one of the Target Net Position Benchmarking Ratios: Net Position to Self-Insured Retention to 10:1 from 5:1 as recommended from the prior agenda item 8.C.

The Board agreed they would review the actuarial no more than every five years.

Bryan Whitemyer moved, seconded by Linda Cox, to approve the proposed provisions, including the additional language. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

9. 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 10:55 a.m. to discuss the following claims:

- Yoo v. City of San Pablo (MPA)

The Board reconvened to Open Session at 11:03 a.m. by Doug Alliston, Board Counsel, advised no reportable action was taken in Closed Session.

10. CLOSING COMMENTS

A. Board of Directors

None

B. Staff

None.

11. ADJOURNMENT

The February 2, 2024, ERMA Board of Directors Meeting adjourned at 11:04 a.m. by general consent.



Yvette Flama, Board Secretary