

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

MINUTES OF THE EXECUTIVE COMMITTEE MEETING OF APRIL 4, 2025

A regular meeting of the Executive Committee of ERMA was held on April 4, 2025, virtually via Zoom.

COMMITTEE MEMBERS PRESENT:

Jason Castleberry, BCJPIA
John Gillison, President, CIRA
Linda Cox, MPA

COMMITTEE MEMBERS ABSENT:

Jeremy Wittie, Treasurer, VCJPA

OTHERS PRESENT:

Amy Conley, CIRA
Doug Alliston, Board Counsel
Elizabeth Arce, Liebert Cassidy Whitmore
John Jeffs, ERMA Litigation Consultant
Kassandra Batista, ERMA Training Coordinator
Nancy Broadhurst, Interim Finance Manager
Rob Kramer, ERMA Executive Director
Seth Cole, Alliant
Stacey Sullivan, ERMA Litigation Manager
Yvette Flama, ERMA Board Secretary

1. CALL TO ORDER; INTRODUCTIONS

The April 4, 2025, Executive Committee Meeting was called to order at 10:10 a.m. by President John Gillison.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Linda Cox moved, seconded by Jason Castleberry, to approve the agenda as posted. A roll 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.

Linda Cox moved, seconded by Jason Castleberry, to approve the following Consent Calendar items: (A) General Warrants from January 1, 2025, through February 28, 2025, (B) Claims Payments from January 1, 2025, through February 28, 2025, (C) Internal Financial Statements as of December 31, 2024, (D) Treasurer's Report as of December 31, 2024, (E) ERMA Defense Panel, (F) ERMA Investigators Panel. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

5. APPOINTMENT OF OFFICERS AND COMMITTEE MEMBERS FOR THE 2025/26 AND 2026/27 PROGRAM YEARS

A. Appointment of Vice President and Ad Hoc Training Committee Member

Mr. Rob Kramer, Executive Director, reported regarding the departure of the previous Vice President, Bryan Whitemyer, there is a need to fill this position for the remainder of the term. Ms. Linda Cox, of the Municipal Pooling Authority (MPA), has volunteered to serve as Vice President. Mr. Kramer noted that Ms. Cox's new position has created a vacancy for an at-large member on the Executive Committee. Additionally, Mr. Kramer informed the Committee that Mr. Rob Thompson of WestCAT has volunteered to serve on the Ad Hoc Training Committee. Mr. John Gillison, ERMA President, thanked Ms. Cox and Mr. Thompson for volunteering to fill the roles.

John Gillison moved, seconded by Jason Castleberry, to approve Linda Cox as Vice President to serve through June 30, 2027, and Rob Thompson to serve as an Ad Hoc Training Committee Member. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

6. FINANCIAL MATTERS

A. Review of Annual Actuarial Study

Mr. Derek Burkhalter, Bickmore Actuarial (Bickmore), was in attendance to present the ERMA actuarial study to the Committee. The actuarial analysis focused on two main components: a review of ultimate liabilities as of June 30, 2025, and a loss forecasting analysis to determine contribution rates for the 2025/26 program year. Mr. Burkhalter noted ERMA's ultimate loss estimates for all open program years increased by \$3.4 million over the course of the last program year. For the 2025/26 funding rates, set at the 80% confidence level with a 2.0% discount factor, the pooling rate was \$0.569, representing a 3.1% increase from the previous study.

The Committee received and filed the actuarial study.

B. Excess Coverage and Marketing Update for the 2025/26 Program Year

During the January 24, 2025, Board of Directors meeting, Mr. Seth Cole of Alliant Insurance Services presented a preliminary overview of renewal expectations, taking into account recent market fluctuations and ERMA claims development. He reviewed the market conditions and discussed potential renewal terms with RSUI and Ascot, which were identified as ERMA's likely excess insurance carriers for the 2025/26 program year. Mr. Cole was present to detail the proposed renewal terms.

The Committee took no formal action.

C. Review and Consideration of Dollar One Administration of Claims

Mr. Kramer reported during the recent ERMA annual workshop, staff discussed the billing process for the ERMA claims at the underlying member level and highlighted challenges related to managing payments from underlying members and the potential for duplicate payments. It was proposed that ERMA should begin making all claims payments from the first dollar starting July 1, 2025, which would involve additional responsibilities for the accounting team but would streamline the payment process.

Mr. Kramer noted this change could result in an annual increase of approximately \$2,500,000 in claims payments and a loss of about \$115,000 in investment earnings without new procedures in place. Mr. Kramer recommended the Committee present this plan to the Board of Directors at the June 2025 meeting, including adjustments to the current ERMA contract with Sedgwick, and the transfer of \$2,500,000 to a non-equity ERMA SIR Deposit Fund to protect investment income. Additionally, it was decided the ERMA accounting team would invoice members for their SIR once a claim was closed or incrementally at \$25,000 until satisfied. The Committee directed staff to continue their review of the appropriate amount needed to form the new non-equity pool to cover the loss of investment income related to this new initiative.

Linda Cox moved, seconded by Jason Castleberry, to approve the plan to have ERMA begin managing all payments on claims from dollar one beginning July 1, 2025, and a distribution dividend of \$2.5M to form a non-equity pool to minimize the loss of investment income. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

D. Underlying Member SIR Review and Policy for Mandated Increases

Mr. Kramer reported the Board reviewed a study conducted by Bickmore at the January Board of Directors meeting regarding Member Retained Limits (MRLs) within the ERMA program. The purpose of this study was to assess the appropriateness of the members' self-insured retentions (SIRs). The study evaluated these retentions using three approaches: Size, Burn, and Member Equity/Frequency. Mr. Kramer presented the findings to the Committee along with a list of the members whose SIRs will increase. Following the direction of the Committee, Mr. Kramer noted that he will draft letters notifying the members who meet all three criteria that their SIR will increase, effective January 1, 2026, to be presented to the Board at the June meeting. Mr. Kramer also noted staff would send a general notice to any members who exceeded two (2) of the three approaches, for their edification.

Jason Castleberry moved, seconded by Linda Cox, to approve engaging the actuary to complete an MRL/SIR study every three years and to increase the SIRs of all underlying members that meet all three criteria for an increase in the study, effective July 1, 2026. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

E. Review of Preliminary Administrative and Operating Budget for the 2025/26 Program Year

Ms. Nancy Broadhurst, Interim Finance Manager, reported the funding for losses was set at \$11.1 million for the 2025/26 program year, representing a 10.0% increase over the previous year's budget due to a 7.0% rise in payroll and a 3.1% increase in the pooling rate at an 80% confidence level. Additionally, excess insurance premiums were estimated with a conservative 5% increase as negotiations with carriers continued. Loss prevention and training expenses were projected at \$291,000, up 26.0% from the expiring year, but with reductions in certain training line items due to past underutilization. New line items for Elected Officials Training and Regionalized Leadership Training were added, each budgeted for \$50,000. Administrative expenses increased by 20.3%, driven by standard contract increases and anticipated non-contractual costs. The program admin fee rose by 21.4%, driven by the CPI index and staffing changes noted in the budget presentation. Lastly, the budget included a line item for a Captive Feasibility Study as directed by the Board.

During the meeting, the selection of the discount rate was discussed, noting that the funding rates were discounted to net present value, reflecting anticipated investment income. In January 2024, staff and the ERMA investment advisor reviewed the investment earnings rate and recommended increasing the discount rate from 1.5% to 2.0% for the 2024/25 operating budget, a rate that was also incorporated into the 2025/26 budget. Additionally, the experience modification factors (ex-mods) for member contributions were addressed, based on incurred losses from program years 2020/21 through 2023/24, and payroll data from 2019 to 2022. ERMA's two-tiered ex-mod calculation was highlighted, which includes JPA ex-mods and underlying member ex-mods with specific limits on annual changes. It was noted that some loss run data for new members remained outstanding, which could lead to adjustments to the budget. Furthermore, the actual payroll data for 4Q 2023 to 3Q 2024 was utilized for the 2025/26 budget, indicating a 7.0% increase from the previous year. Lastly, membership changes were recorded, including the withdrawal of Santa Maria from ERMAC effective 7/1/2024, the dissolution of ERMAC, reclassifying Hayward to Individual Member status, and the addition of Hesperia RP&D to PERMA and Parlier to CSJVRMA, effective 7/1/2024 and 1/1/25, respectively.

John Gillison moved, seconded by Linda Cox, to approve the budget to be presented to the Board of Directors. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

7. ADMINISTRATIVE MATTERS

A. Discuss and Review the Strategic Goals and Initiatives for the 2025/26 Program Year

Mr. Kramer reported following the direction of the Board of Directors at the Annual Workshop in January, staff prepared a matrix of the strategic goals and initiatives the Board agreed upon at the meeting. Mr. Kramer reviewed each item with the Committee. Mr. Gillison acknowledged staff have made significant progress since January and will complete the goals before the next annual workshop.

The Committee took no formal action.

B. Review and Discussion of Draft ERMA By-Laws and Master Program Document

Mr. Kramer reported following the dollar one, member SIR study, and earlier discussions at the annual workshop, staff, along with Mr. Doug Alliston, Alliston Law Office, reviewed the governing documents and prepared draft amended sections pertaining to individual ERMA members potentially electing one representative to represent that class on the Board of Directors, the creation of a non-equity fund, a captive, managing claims from dollar one, and using an end date of September 30th for payroll so staff can obtain actuarial studies and prepare budgets in a timely manner moving forward. Mr. Kramer advised the Committee that staff will send a 30-day notice to all members informing them of changes to the governing documents. Mr. Kramer recommended the Committee approve the changes and present them to the Board of Directors at the June meeting.

Linda Cox moved, seconded by Jason Castleberry, to approve the amendments to the ByLaws and Master Program Document as presented. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

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

Mr. Jon Paulsen, Senior Vice President of Self-Insurance Pooling, Sedgwick, presented an updated proposal following direction from the Board of Directors at the January Board meeting. Mr. Paulsen reported the current contract pricing for the program year 2024/25 was \$1,179,947, reflecting a 3.5% increase over the previous year. It was reported that all claim metrics had increased dramatically since the renewal of the 2023/24 contract, with open cases rising by over 100% and new claims increasing by more than 30%. Sedgwick outlined its proposed staffing plan for Claims and Litigation Management (CLM), including a dedicated litigation manager, consultant, and analyst for the following program year, noting this model would support up to 500 open cases in total. The proposed contract pricing for 2025/26 was \$1,215,345, with an additional requested increase of 14.4% due to significant claims volume, bringing the total fee to approximately \$1,390,345. The Committee agreed with the proposal. Mr. Kramer noted Sedgwick would draft the contract, and Mr. Alliston would review it before its presentation to the Board.

John Gillison moved, seconded by Linda Cox, to approve the presentation of the draft agreement to the Board. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

D. Review and Consideration of Financial Audit Services

Mr. Kramer reported the current three-year agreement with Sampson & Sampson, LLP (Sampson) to provide financial audit services will expire with the conclusion of the June 30, 2024, audit. Mr. Kramer noted staff solicited a new proposal from Sampson, which he reviewed with the Committee. Mr. Gillison stated there are no reasons thus far not to continue the agreement with Sampson for financial audit services.

Linda Cox moved, seconded by Jason Castleberry, to approve the proposal for financial audit services. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

E. Review and Consideration of Actuarial Services

Mr. Kramer reported the current three-year agreement with Bickmore to provide actuarial services will expire on June 30, 2025. Staff solicited a new proposal from Bickmore, which Mr. Kramer reviewed with the Committee. Mr. Gillison stated there are no reasons thus far not to continue the agreement with Bickmore for actuarial services.

Linda Cox moved, seconded by Jason Castleberry, to approve the proposal for actuarial services. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

F. 26th Annual Workshop – Napa Valley Marriott Proposal

Ms. Yvette Flama, Board Secretary, reported the two-year agreement with the Napa Valley Marriott Hotel and Spa will conclude with the annual workshop scheduled for January 2025. She requested feedback from the Committee on their preference for continuing to host the workshop in Napa, CA, or for exploring other locations within the state. The staff submitted a new Marriott proposal, which was reviewed by the Committee. Ultimately, the Committee agreed that Napa, CA, is a suitable location to continue hosting the annual workshop.

John Gillison moved, seconded by Jason Castleberry, to approve the proposal for the 2026 and 2027 annual workshop in Napa, CA, at the Napa Valley Marriott Hotel and Spa. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

8. MEMBERSHIP MATTERS

A. Update of Member Participation Conditions for the Town of Los Altos Hills (PLAN), the City of Burlingame (PLAN JPA), and Hesperia RPD (PERMA)

Mr. Kramer reported staff sent a memorandum to the three members outlining the

participation conditions. All three members responded to the staff, notifying them that they were working towards meeting the July 1, 2025, deadline.

John Gillison moved, seconded by Linda Cox, approved the an extension for Town of Los Altos Hills (PLAN JPA), City of Burlingame (PLAN JPA), and Hesperia RPD (PERMA) till June 2, 2025. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

9. TRAINING & LOSS PREVENTION MATTERS

A. Update Regarding Employment Practices Policies & Procedures Survey

Mr. Kramer reported that 114 of 237 members had completed the survey, 48% of the membership. ERMA vendor partner, Liebert Cassidy Whitmore (LCW), reported to staff that they reviewed 50 of the 114 submissions. Mr. Kramer went on to report staff continues to update the JPA administrators to encourage further participation.

The Committee took no formal action.

B. Update Regarding Elected Officials Training

Mr. Kramer reported at the annual workshop in January; staff presented their plan to execute 16 regional trainings. Staff collaborated with LCW, Jackson Lewis (JL), and various member locations to schedule these trainings. Mr. Kramer reported staff has successfully scheduled four training sessions. He noted staff were facing some challenges with responses from members in remote locations and therefore suggested introducing a virtual component. The Committee agreed that a virtual component would be beneficial.

The Committee directed staff to add a virtual component to the trainings.

C. Update Regarding iLearning Engines

Mr. Kramer reported at the annual workshop in January that iLE had entered bankruptcy. Since then, CF Webtools has acquired the daily operations of the services provided to ERMA. Mr. Kramer noted that there has not been any noticeable decline in service thus far.

The Committee took no formal action.

10. LITIGATION MANAGEMENT

A. Update Regarding Investigators Forum

Mr. Kramer reported the first annual Investigators Forum took place in Burlingame, CA, on March 18, 2025. He provided an overview of the presentations given at the forum and shared the noteworthy feedback received from attendees. Many expressed a desire for the forum to be held annually. Mr. Kramer suggested staff continue to host the forum each year, as it

is an effective way to align vendor partners with ERMA's goals and objectives.

The Committee took no formal action.

11. 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 Committee recessed to Closed Session at 12:15 p.m. to discuss the following claims:

- Smith v. City of Oakley (MPA)

The Committee reconvened to Open Session at 12:35 p.m. by Mr. Alliston advised no reportable action was taken in Closed Session.

12. CLOSING COMMENTS

A. Executive Committee

None.

B. Staff

None.

13. ADJOURNMENT

The April 4, 2025, ERMA Executive Committee Meeting adjourned at 12:38 p.m. by general consent.



Yvette Flama, Board Secretary