



**EMPLOYMENT RISK MANAGEMENT AUTHORITY
SPECIAL EXECUTIVE COMMITTEE MEETING
AGENDA**

**Friday, February 20, 2026
10:00 a.m.**

Zoom

**Dial-in Number: (669) 444-9171
Meeting ID: 522 947 7796
Passcode: 186583**

All portions of this meeting will be conducted via teleconference in accordance with Government Code Section 54953. The teleconference locations are as follows: *California Intergovernmental Risk Authority, 2330 East Bidwell Suite 150 Folsom CA 95816; 43-420 Trader Place Indio, CA 92201; City of Union City, 34009 Alvarado-Niles Road, Union City, CA 94587; Municipal Pooling Authority, 1911 San Miguel Drive, Walnut Creek, CA 94696; and 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833; WestCat, 601 Walter Avenue, Pinole, CA 94564.*

Each location is accessible to the public, and members of the public may address the Committee from any teleconference location. Alternatively, you may attend the meeting and address the Committee via the Zoom link or dial-in number shown above.

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation to participate in this meeting, please contact Rob Kramer (rob.kramer@sedgwick.com or 916.995.9391) as early as possible, and preferably at least one full business day before the start of the meeting.

Documents and materials relating to an open session agenda item will be provided to the Committee and will be available for public inspection. Please contact Mr. Kramer via phone or email for copies.

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| <u>Page</u> | 1. CALL TO ORDER; ROLL CALL |
| | 2. APPROVAL OF AGENDA AS POSTED (OR AMENDED) |
| | 3. PUBLIC COMMENTS - This time is reserved for members of the public to address the Committee relative to matters of ERMA not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total. |

4. CONSENT CALENDAR

If a Committee member would like to discuss any item listed, it may be pulled from the Consent Calendar.

- *A. Minutes of the November 10, 2025, Executive Committee Meeting

Recommendation: Staff recommends approval of the Consent Calendar.

5. GOVERNANCE AND CAPTIVE FORMATION MATTERS

- A. Consideration of Captive Name

Recommendation: Staff recommends the Committee select a name for the captive.

- B. Consideration of the Size and Composition of the Proposed Captive Board of Directors

Recommendation: Staff recommends the Committee recommend the captive Board of Directors be comprised of the ERMA Executive Committee members and one member from the State of Utah, and they hold the same titles as on the Executive Committee.

- C. Consideration of the Captive Domicile

Recommendation: Staff recommends the State of Utah be selected as the proposed domicile for the Captive and that Staff be Directed to reach out to the Utah Insurance Department, Captive Division in the State of Utah to have an introductory call.

- *D. Consideration of the Draft Articles of Incorporation

Recommendation: Staff recommends the Committee provide direction regarding the draft the Articles of Incorporation, registration for a Federal Tax Identification Number (FEIN) and authorization to prepare incorporation documents.

- *E. Consideration of the Draft Captive Bylaws

Recommendation: Staff recommends the Committee provide direction regarding the draft Bylaws for the proposed captive.

- *F. Consideration of the Draft Captive Conflict of Interest Policy

Recommendation: Staff recommends the Committee provide direction regarding the draft Conflict of Interest Policy for the proposed captive.

- *G. Consideration of the Draft Business Plan and Reinsurance Agreement

Recommendation: Staff recommends the Committee provide direction regarding the draft Business Plan and Reinsurance Agreement for the policy period of July 1, 2026 through June 30, 2027.

6. ADMINISTRATIVE MATTERS

- *A. Consideration of the Captive Service Team

Recommendation: Other than the Captive Manager (for which Sedgwick makes no recommendation), staff recommends the Committee provide

direction regarding the Captive Service Team and direct staff to bring proposed agreements for each service provider to the March 9, 2026, ERMA Board of Directors meeting for formal consideration.

- B. Review of Administrative Insurance Coverage
Recommendation: Staff recommends the Executive Committee direct staff to work with Alliant Insurance Services to get indications for coverage for the proposed captive Board of Directors as appropriate in the industry.
- *C. Draft Resolution 2025-2 Establishing Attorney Panel Rates and Establishing Criteria for Adding and Removing Defense Counsel to the Panel of Approved Attorney Firms
Recommendation: Staff recommends the Executive Committee provide direction to staff related to this issue for formal consideration by the Board of Directors at its March 10, 2026 meeting.

7. FINANCIAL MATTERS

- *A. Consideration of Resolution 2025-3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive
Recommendation: Staff recommends the Committee adopt Resolution 2025-3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive.
- *B. Review and Consideration of the Draft Proposed Captive Investment Policy and Asset Allocation
Recommendation: Staff recommends the Committee provide direction regarding the draft Investment Policy and Asset Allocation.
- *C. Review and Consideration of Proposed Captive Annual Operating Budget for Fiscal Year 2026/27.
Recommendation: Staff recommends the Committee provide direction regarding the Proposed Captive Annual Operating Budget for Fiscal Year 2026/27.
- *D. Review and Consideration of Appeal Regarding Increased Retention for Contra Costa MVCD (VCJPA) Effective July 1, 2026
Recommendation: Staff recommends the Committee approve the appeal from the Contra Costa MVCD to remain at the \$25K Self-insured Retention until the next time the ERMA SIR study is performed.
- E. Review and Consideration of a Request from The City of Mountain House (MPA) Regarding a Decrease of its Self-Insured Retention from \$50K to \$25K
Recommendation: Staff will provide a recommendation at the meeting.

8. CLOSING COMMENTS

This time is reserved for comments by the Executive Committee members and staff and to identify matters for future Executive Committee business.

- A. Executive Committee
- B. Staff

9. ADJOURNMENT**NOTICE:**

The next meetings of the Board of Directors will be held on the following dates:

- Monday, March 9, 2026, at 11:00 a.m. at the Napa Valley Hotel and Spa – Annual Workshop
- Tuesday, March 10, 2026, at 9:00 a.m. at the Napa Valley Hotel and Spa – Board Meeting
- Friday, April 10, 2026, at 10:00 a.m., via Zoom – Executive Committee Meeting
- Friday, June 12, 2026, at 10:00 a.m., via Zoom – Board Meeting

CONSENT CALENDAR

SUBJECT: Consent Calendar
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends approval of the Consent Calendar.*

BACKGROUND AND STATUS:

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and typically require no discussion. Should the Executive Committee wish to discuss any item listed, it may be pulled from the Consent Calendar.

REFERENCE MATERIALS ATTACHED:

- Minutes of the November 10, 2025, Executive Committee Meeting

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

**MINUTES OF THE EXECUTIVE COMMITTEE MEETING
OF NOVEMBER 10, 2025**

A regular meeting of the Executive Committee of ERMA was held on November 10, 2025, virtually via Zoom.

COMMITTEE MEMBERS PRESENT:

Jason Castleberry, BCJPIA
John Gillison, President, CIRA
Linda Cox, MPA
Robert Thompson, CalTIP

COMMITTEE MEMBERS ABSENT:

Jeremy Wittie, Treasurer, VCJPA

OTHERS PRESENT:

Alexandra Avila, CIRA
Amy Conley, CIRA
Art Vela, City of Banning Interim City Manager (left after item 12.A.)
Beth Lyons, PERMA
Brittany Urena, Sedgwick
Carolina Yuen, Alternate for BCJPIA
Chrissy Mack, CalTIP
Doug Alliston, Board Counsel
Elizabeth Arce, Liebert Cassidy Whitmore
Gerry Preciado, 34th Street Consulting (left after item 9.C.)
Jaesa Cusimano, BCJPIA
Jeanette Workman, CSJVRMA
John Jeffs, ERMA Litigation Consultant
John Pinkney, SBEMP; City of Banning (left after item 12.A.)
Kassandra Batista, ERMA Training Coordinator
Kimberly Murdaugh, City of Tracy (left after item 12.B)
Mallory Sampson, PFM Asset Management (left after item 8.B.)
Max Leung, Sampson & Sampson (left after item 11.A.)
Michael Christian, Jackson Lewis
Michael Kenney, Sedgwick
Michael Kronbetter, PFM Asset Management (left after item 8.B.)
Mike Harrington, Bickmore Actuarial (left after item 8.B)
Naomi Zamudio, Alternate for CSJVRMA
Nataline Jindoian, Contra Costa
Paul Wood, Board Member for MBASIA
Phaedra Norton, SBMEP; City of Banning
Rob Kramer, ERMA Executive Director
Sarah Thurston, Sedgwick

Shadi Jalali, Alliant
Stacey Sullivan, ERMA Litigation Manager
Sukari Beshears, Alternate Board Member for MPA
Tim Vincent, Praxis Consulting (left after item 11.A.)
Traci Maxey, iLearning Engines (left after item 7.D.)
Wendy Enns, Sedgwick
Wendy Silva, Board Member for CSJVRMA
Yahaira Velasquez, VCJPA
Yvette Flama, ERMA Board Secretary

1. CALL TO ORDER; INTRODUCTIONS

The November 10, 2025, Executive Committee Meeting was called to order at 10:03 a.m. by President John Gillison.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

President Gillison noted agenda items 8.A., 9. C., 11. A., 12. A., 12. B. would be presented following agenda item 6. A.

Linda Cox moved, seconded by Rob Thompson, 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

Jason Castleberry moved, seconded by Linda Cox, to approve the following Consent Calendar items: (A) Minutes of the November 4, 2024, Executive Committee Meeting; (B) Minutes of the April 4, 2025, Executive Committee Meeting; (C) Minutes of the August 19, 2025, Special Executive Committee Meeting; (D) Minutes of the September 12, 2025, Special Executive Committee Meeting; (E) General Payments from May 1, 2025, through September 30, 2025; (F) Claims Payments from May 1, 2025, through September 30, 2025; (G) Treasurer's Report as of June 30, 2025; (H) Internal Financial Statements as of June 30, 2025; (I) PFM Quarterly Investment Report as of September 30, 2025; (J) EPL Excess Policies & Invoices; (K) Alliston Law Office Request for Rate Increase; (L) ERMA Bylaws Update; (M) Investigator Panel Update, and (N) Defense Panel Update. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

5. PRESENTATION

A. Draft Resolution 2025-1, Expressing Appreciation for the Honorable Service Provided to ERMA by John R. Gillison, City Manager, City of Rancho Cucamonga (CIRA)

Mr. Rob Kramer, Executive Director, announced Mr. John Gillison would be retiring in December after serving as President for approximately six and a half years and being a board member for even longer. Rob expressed gratitude for John's exceptional leadership and contributions to the organization. John shared his appreciation for the Board and Executive Committee and reflected on his positive experiences, including his initial involvement with ERMA and the partnerships with organizations like Liebert Cassidy Whitmore (LCW) and Jackson Lewis (JL). He also expressed enthusiasm about the draft report on the Captive as a promising direction for ERMA's future.

Linda Cox moved, seconded by Jason Castleberry, to approve Resolution 2025-1. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

6. GOVERNING MATTERS

A. Appointment of Executive Committee At-large Member and President for the 2025/26 and 2026/27 Program Years

Mr. Kramer reported the vacancy on the Executive Committee following John's retirement, noting that Amy Conley, Executive Director for the California Intergovernmental Risk Authority (CIRA), expressed interest in filling the open Executive Committee position. Since no other candidates were received, it was suggested that Ms. Conley take on this role. Additionally, Mr. Kramer noted, the Committee needs to decide on new officers, specifically the presidency, as John was the president, with Ms. Linda Cox serving as vice president, Mr. Jeremy Wittie as treasurer, and Mr. Jason Castleberry and Mr. Robert Thompson as at-large members. John Gillison proposed addressing the appointment of the at-large member, followed by the reorganization.

John Gillison moved, seconded by Robert Thompson, to approve Amy Conley (CIRA) as the at-large member for the Executive Committee. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

Mr. Gillison asked the Committee if anyone was interested in filling the role of President. Mr. Castleberry raised a question about time commitment. Mr. Gillison noted the time commitment could be anywhere from three to seven hours a month. Ms. Conley expressed her interest in filling the role as Board President.

Amy Conley moved, seconded by Jason Castleberry, to approve Amy Conley (CIRA) as the President for the 2025/26 and 2026/27 program years. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

(Please note, at this time, items 8. A., 11. A., 12. A., 12. B., and 9. C., were considered)

8. FINANCIAL MATTERS

A. Draft Audited Financial Statements for the Fiscal Year Ending June 30, 2025

Mr. Max Leung of Sampson & Sampson provided an overview of the financial audit for ERMA for the year ending June 30, 2025. Mr. Leung reported an unmodified opinion on the financial statements, highlighting a total asset increase to \$43.6 million, primarily due to investment income and advance contributions, while total liabilities rose to \$25 million primarily due to claims liabilities. ERMA experienced an operating loss of approximately \$2 million, despite earning \$2.6 million in investment income. Mr. Leung addressed questions from the Executive Committee and emphasized the importance of annual audits for maintaining financial integrity.

Linda Cox moved, seconded by Jason Castleberry, to receive and file the audited financial statements for the fiscal year ending June 30, 2025. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

11. LITIGATION MANAGEMENT

A. Review of the 2024/25 Independent Claims Audit

Mr. Tim Vincent of Praxis Consulting, Inc., reported the claims audit was conducted remotely and he reviewed fifty claim files as part of the process. The audit evaluated compliance with internal guidelines and industry best practices relevant to risk pools and public entities, revealing four key areas for improvement. Recommendations included enhancing documentation practices to ensure claim files are updated every sixty to ninety days, expediting damage evaluations from defense counsel after discovery, and reinforcing communication between claims staff and defense counsel as outlined in Board resolution 2020-3. Mr. Kramer reported the benefits of having a new team in place, which now includes Ms. Stacey Sullivan, Mr. John Jeffs, Ms. Wendy Enns, and Ms. Brittany Urena. He highlighted the challenges faced during the transition from the previous claims system and emphasized the need for ongoing improvements. Ms. Stacey Sullivan, Litigation Manager, thanked Mr. Vincent for his helpful audit recommendations and discussed the difficult transition from Origami to Juris, which involved numerous technical meetings to resolve issues with data transfer and documentation. Ms. Sullivan noted that most bugs have been addressed, leading to a more streamlined process ahead.

Linda Cox moved, seconded by Robert Thompson, to receive and file the independent claims audit for the year ending June 30, 2025. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

12. COVERAGE MATTERS

A. Discussion Regarding City of Banning (PERMA)

Mr. Kramer reported ERMA staff met with Ms. Beth Lyons, ERMA Executive Director of Public

Entity Risk Management Authority (PERMA), to address concerns regarding cases in the City of Banning over the past six months. He further reported a letter was sent to the City of Banning to request their participation in the meeting. The discussion included potential actions for members who needed improvement, such as performance improvement plans or increases in self-insured retention, although termination was not being recommended at this stage. The meeting aimed to establish clear expectations between ERMA and the City of Banning moving forward. Ms. Sullivan reported the City of Banning's significant lawsuits are being filed by claimants represented by a skilled plaintiff's attorney who has built a close relationship with certain factions within the city. After a thorough review, Mrs. Sullivan submitted a staff report detailing the City's recent claims.

Mr. John Pinkney, the new City Attorney for the City of Banning and managing partner at SBEMP, reported that the firm's expertise lies in helping public agencies overcome unique challenges, citing their successful work with the City of Beaumont following a series of arrests and significant financial issues. SBEMP recently began assisting the City with its own challenges, which include an unusual claims culture. To support this effort, they assembled a new team, including the four new elected city council members and an interim City Manager. Mr. Pinkney highlighted the addition of experienced professionals, such as Bob Dice and Michael Bush, to facilitate improvements in the City.

Mr. Art Vela, the Interim City Attorney for the City of Banning, reported on recent discussions regarding changes in city management and the police department. He highlighted the smooth transition into his role, the establishment of a new executive team, and the new chief of police's commitment to cultural reform within the department. Plans for conducting an organizational assessment of the police department were also mentioned, as well as the separation of the finance and human resources functions to enhance claims management. Mr. Pinkney highlighted that his firm has evaluated the ongoing cultural changes within the organization. He emphasized the progress achieved with new leadership, including a city manager and council members. He stressed the importance of consistency and proactive measures in addressing challenges early, rather than waiting for crises, such as lawsuits, to arise.

During the meeting, Mr. Kramer informed Mr. Pinkey and Mr. Vela pursuant to a prior and unrelated action by the ERMA Board of Directors, several ERMA underlying members (including the City of Banning) had already been asked to raise their self-insured retention (SIR) from 25,000 to 50,000. effective July 1, 2026. This recommendation is separate from the current discussion.

The Committee took no formal action.

B. City of Tracy (CSJVRMA) Appeal of Denial of Coverage

Ms. Sullivan reported on a complaint filed with the Civil Rights Division by the former Assistant City Planner after her resignation in February 2025. The City reported this complaint to ERMA in June 2025. Due to the existence of the complaint, Mrs. Sullivan was unable to accept the late claim in her role as the litigation manager. She emphasized that if

the Civil Rights Division complaint had not been filed, she would have accepted the claim, as she saw no prejudice to ERMA in doing so. The city has engaged Liebert Cassidy Whitmore (LCW) to address the complaint, and Ms. Sullivan expressed confidence in their ability to provide a strong response. She then turned the discussion over to Ms. Kimberly Murdaugh, Human Resources Director for the City of Tracy for further comments.

Ms. Murdaugh reported that an employee raised concerns about workplace aggressions, which Human Resources addressed quickly after the supervisor's notification. The employee voluntarily resigned, and a complaint was filed with the Civil Rights Division (CRD) within two weeks. Ms. Murdaugh stressed the city's commitment to timely responses and noted the employee's requests for emotional intelligence training and role clarification. She asked the Committee to consider the appeal and overturn the denial, emphasizing ongoing efforts to resolve these issues and communicate with the CRD.

Mr. Gillison confirmed with Ms. Sullivan there was no prejudice to ERMA regarding a late claim and expressed that such incidents should not bear consequences. Ms. Sullivan noted no prior late claims from the city, indicating the occurrence was hopefully and aberration. Mr. Kramer mentioned accepting the claim would incur a penalty, pursuant to the ERMA governing documents. Considering the unusual nature of the claim and the lack of prejudice to ERMA, Mr. Gillison expressed a willingness to accept coverage.

Jason Castleberry moved, seconded by John Gillison, to accept coverage for the City of Tracy. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

9. TRAINING AND LOSS PREVENTION MATTERS

C. Review of 'Leading Effectively in the Public Sector' Leadership Training Project Plan

Mr. Kramer reported during the annual workshop, the Board approved plans to implement leadership training during the program year, consisting of eight scheduled sessions. Marketing efforts have already begun, and the dates have been set. The trainings will be organized by JPAs, with some smaller groups combining for certain sessions. Additionally, two open sessions will be available for all participants. Mr. Gerry Preciado of 34th Street Consulting expressed excitement about conducting leadership training. He emphasized that effective leaders are better at managing EPL risks and highlighted the training's role in enhancing participants' capabilities in various roles, such as public works, parks, and recreation. Mr. Preciado noted the importance of the training in achieving ERMA's mission of loss reduction and prevention, and the 34th Street team eagerly anticipates facilitating this initiative. Mr. Kramer reminded the Committee that all events will be held virtually. The dates have been confirmed, and marketing efforts are actively underway, with positive feedback received so far. There is considerable excitement among participants about the upcoming events.

The Committee took no formal action.

(Please note, following this item, the meeting proceeded in the order of the agenda, beginning with item 7. A.)

7. ADMINISTRATIVE MATTERS

A. 2025/26 Goals and Objectives Update

Mr. Kramer reported that significant progress has been made on the strategic goals established during the annual workshop, with plans for further discussions at the upcoming March workshop. He mentioned that seven members have been notified of their increased SIRS as July 1, 2026, based on the SIR analysis and noted that the implementation of Dollar One has gone smoothly. The policy review program has been completed, and training for elected officials is scheduled. Additionally, a meeting for the Investigators Panel is set for April 2026. There will also be changes to de-emphasize the collective risk management team while ensuring that employment protection remains a priority. Finally, staff will continue to focus on enhancing data collection strategies across primary JPAs. Mr. Gillison recognized the staff's hard work and significant progress. He emphasized the remarkable advancements made despite the challenges of a busy year and expressed his sincere appreciation for their dedication and efforts. Mr. Kramer thanked the staff for their hard work and expressed his satisfaction with the team's composition and efforts.

The Committee took no formal action.

B. Review of the 26th Annual Workshop Agenda

Rob Kramer announced that the workshop has been scheduled for March in Napa, aligning with the Executive Committee meeting in April. The format will remain consistent, starting with an update on ERMA, followed by attorney presentations and strategic discussions. He encouraged Committee members to contribute ideas for ERMA's future direction, highlighting the importance of strategic initiatives and objectives from previous workshops.

The Committee took no formal action.

C. Consideration of the Renewal of the Memorandum of Understanding between ERMA and Liebert Cassidy Whitmore and Jackson Lewis, which expires June 30, 2026

Mr. Kramer reported the upcoming contract renewals for the Memorandum of Understanding with Liebert Cassidy Whitmore (LCW) and Jackson Lewis (JL), which is set to expire on June 30, 2026. He highlighted the importance of initiating early discussions about renewal options, including potential renegotiations or Requests for Proposals (RFPs). Both firms have submitted proposals that include requested fee increases, which would be phased in over the next two years. While the current rates likely align with market standards, further review, discussion and analysis is necessary to assess the proposed increases and their impact on the overall panel rates. Mr. Kramer expressed satisfaction with both firms' performance

and urged the committee to proceed with the renewal, emphasizing the need for additional information to make an informed decision on the proposed rates. Mr. Kramer highlighted the need for a termination without cause provision in the new agreement and proposed working with Mr. Doug Alliston of Alliston Law to draft appropriate terms.

Mr. Gillison emphasized the importance of the staff conducting thorough research on the rates before making a recommendation to the Board in March. He expressed his appreciation for the strategic partnership with both firms. The Committee requested that staff provide the historical rate increases from the past two renewals in their report to the Board in March.

The Committee directed staff to conduct research on rates and report back to the Board at the March 2026 meeting.

D. Consideration of the Renewal of the Agreement between ERMA and Alliant Insurance Services, Inc. for the Period of July 1, 2026, through June 30, 2029

Mr. Kramer reported Alliant Insurance Services Inc. (Alliant) has been the broker since ERMA's inception and ERMA has maintained a strong relationship with them. He noted that there are no significant changes in the services being provided, as Alliant will continue to offer the same services. The discussion then focused on whether the Executive Committee would like to negotiate a renewal of the broker's contract. The Committee agreed ERMA should continue working with Alliant, and there is no need to issue a request for proposal.

Linda Cox moved, seconded by John Gillison, to approve the renewal with Alliant Insurance Services, Inc. from July 1, 2026, through June 30, 2029. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

E. Consideration of the Statement of Work between ERMA and AAI Solutions Inc. (formerly iLearning Engines)

Mr. Kramer discussed the ongoing partnership with AAI, formerly known as iLearning Engines. He emphasized the importance of developing a Statement of Work (SOW) for data collection initiatives that have not yet been billed under ERMA. Mr. Kramer acknowledged the standard services AAI provides, which include online training and employee protection line resources. The main objective of the SOW is to ensure AAI receives fair compensation for the additional work they have performed in the data collection area. Mr. Kramer outlined efforts to streamline data collection for ERMA, focusing on payroll information and possibly full-time equivalent employees. He explained since ERMA members are already submitting this information through other pools, ERMA will primarily gather data from non-affiliated members. He further noted ERMA currently does not request underwriting information, but future discussions may address its inclusion, particularly regarding annual renewals from CARMA and LAW CX.

Ms. Traci Maxey of AAI Solutions Inc. expressed her gratitude to ERMA for its support during

a challenging year, noting that assistance from clients like ERMA was essential to their progress. She conveyed optimism about the future and mentioned the company's eagerness to assist ERMA with the collection of renewal data as outlined in the current SOW.

John Gillison moved, seconded by Linda Cox, to approve the Statement of Work as presented. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

F. Update on Staffing for Finance and Litigation Management Services

Mr. Kramer discussed the approval of increased staffing for litigation management and claims, highlighting a focus on a more client-centric/consultative approach and improved communication as they handle employment claims. He introduced the new team members, including Ms. Sarah Thurston, the new finance manager, and shared updates on administrative staff changes, including Ms. Yvette Flama's upcoming maternity leave. Ms. Sullivan provided details about adding Ms. Wendy Enns to the litigation team, praising her experience coordinating logistics and multitasking. She went on to report Ms. Enns will work closely with Mr. John Jeffs, enhancing the administrative support for the litigation management team.

Mr. Gillison expressed appreciation for the strategic structure implemented to address current needs and support future growth. He highlighted collaboration among team members, including Stacy, John, Brittany, and others, noting that the newly configured teams and approach bode well for ERMA over the next three to five years.

The Committee took no formal action.

8. FINANCIAL MATTERS

B. ERMA Captive Feasibility Study

Mr. Kramer reported Bickmore Actuarial and PFM Asset Management (PFMAM) has completed a comprehensive feasibility study related to the review of whether or not a captive makes sense for the ERMA program. It was noted, a PowerPoint presentation will cover the findings and answer questions. Staff noted they would be requesting the Committee's guidance on whether to proceed with the requested initiative.

Mr. Mike Harrington of Bickmore Actuarial presented the formation of captive insurance companies, noting that a significant number of relatively new captives associated with California JPAs have been established in Utah. He highlighted that Utah possesses a specialized department focused on the regulation and formation of these companies, maintaining a consistent and expert presence in the field.

Mr. Harrington shared specific financial data regarding the performance of captive insurance companies in Utah. He reported that the total assets of these captives have increased to approximately \$1.2 billion over the past year, reflecting a 15% growth rate. Furthermore, he

noted that the average return on investment for these captives over the last number of years has been near eight percent, demonstrating strong financial performance and stability. This data highlights the strategic advantages of forming captive insurance companies in Utah, solidifying its reputation as a favorable jurisdiction for these operations.

Mr. Harrington outlined two options for transferring funds related to the state's capital requirements. The first option involved funding the captive on a "go-forward" basis with only new contributions moving to the captive. The second option involved sending not only new program year contributions, but also prior year funds in a Loss Portfolio Transfer (LPT).

Regarding the second option, Mr. Harrington presented the projected LPT premium of \$25 million, which matches the expected loss for those years. He indicated that an additional \$10.5 million is necessary to achieve a 90% confidence level, along with a surplus of approximately \$9.9 million to reach a 75% confidence level for the upcoming year. Mr. Harrington further noted an average investment of \$43 million could generate an additional \$426,000 with just a 1% increase in returns. He noted that a 3% margin from the "go forward" option would cover the entire cost while reducing the reserves needed for claims, allowing for lower premium collections from members over time.

Ms. Mallory Sampson of PFMAM highlighted the benefits of a captive investment structure, which allows for an expanded investment universe as opposed to the current California government code restrictions. She explained that portfolios typically combine third-party managers with publicly traded stocks and bonds to meet long-term goals. While alternative investments are approached cautiously, she assured that hedge funds would not dominate the portfolio, which will primarily consist of publicly traded assets through ETFs and mutual funds. She further noted the long-term growth and volatility of asset allocations, highlighting the moderate 60-40 portfolio. PFMAM anticipates a moderate portfolio return of about 6.6%. Ms. Sampson stressed the need to establish a comfortable risk tolerance and required rate of return for the investment policy statement, with the investment committee ready to adjust allocations as market conditions change. Regular reviews at annual meetings will help ensure alignment on risk and return goals.

Ms. Sampson went on to note the importance of keeping investment portfolios within predefined ranges set by the Investment Policy Statement. She emphasized maintaining a cash buffer to avoid asset liquidation during payouts, noting the portfolios' daily liquidity through mutual funds and ETFs. Mr. Harrington mentioned that regular cash influx from premium payments allows for flexible cash management without liquidating assets. They also discussed capital market assumptions, which help in forming an efficient asset allocation strategy.

Mr. Harrington provided an overview of the Joint Powers Authority (JPA), explaining that member contributions cover operational costs, excess insurance, and claim administration, with remaining funds going into the JPA Investment Bucket to ultimately pay for claims. He discussed the transition to a captive insurance model, where pooled claims funding would shift to the captive while maintaining the current loss payment framework.

Mr. Harrington outlined the steps for implementation, which include filing an incorporation application, selecting a name for the captive, forming a board of directors, and determining the investment strategy, all of which can be achieved in a few months. He also emphasized the importance of collaborating with regulators and finalizing vendor selections for a smooth transition.

Mr. Kramer outlined the necessary preparations for the upcoming board meeting in March, emphasizing the work and costs involved. He proposed holding an additional Executive Committee meeting before the Board meeting to address key questions regarding captives, including names, governing documents, applications, filings and the selection of service providers, as indicated in Mr. Harrington's list. The goal is to ensure that by March, all details are finalized, allowing the Board to make a go/no-go decision on the captive's implementation by July 1, 2026.

The Committee instructed staff to initiate planning and implementation, with a comprehensive report scheduled for presentation to the Board in March 2026.

(Please note, at 12:30 p.m., the Executive Committee meeting convened for lunch and reconvened at 1:05 p.m.)

C. Update Regarding New Dollar One Initiative

Ms. Thurston provided an update on the progress of the Dollar One initiative, which shifts the management of all claims to ERMA from the \$1 threshold prior to even the Self-Insured Retention (SIR) of each member being met. The goal of this initiative is to reduce confusion, eliminate duplicate payments, and streamline billing and payment tracking while enhancing consistency across member agencies. Key milestones since the transition include establishing a non-equity fund to preserve investment income, holding successful weekly implementation meetings involving various teams, and distributing informational materials and FAQs. The new process ensures that ERMA receives, vets, and pays all invoices directly, with member billing occurring quarterly for amounts up to and within their respective SIRs. Thurston expressed gratitude for the collaborative efforts of all teams involved in the transition, which improved operational efficiency and clarity.

Mr. Kramer expressed staff's satisfaction while noting that some processes are continuing to be improved. He highlighted the collaborative effort involving the internal team, the staff at the various primary JPAs, the underling members themselves and the ERMA finance and litigation management teams. Mr. Kramer conveyed optimism about moving forward and expressed gratitude for the team's hard work.

The Committee took no formal action.

9. TRAINING AND LOSS PREVENTION MATTERS

A. 2025/26 Training Update

During the training update, Ms. Yvette Flama, Board Secretary, reported on training compliance, noting improvements in survey responses after collaborating with JPA administrators. Reminders were sent on September 10, 2025, to thirty-one members; nineteen responded regarding their compliance status, prompting assistance. A second round of emails was sent on September 18, 2025, to thirty-five members, resulting in twenty updates regarding compliance. For the 2024/25 program year, \$114,000 was reimbursed to members, with \$7,000 reported for the current 2025/26 year. A total of nineteen live training sessions were conducted, with 68% focusing on harassment. Members completed 5,854 online training sessions via the Learning Management System, AAI. For the elected official training, five sessions were held, and due to higher registration for online formats, the recommendation is to conduct future trainings virtually, with eight virtual sessions scheduled for the 2025/26 program year beginning in January.

The Committee took no formal action.

B. Update Regarding ERMA Contacts Update Project

Mr. Kramer reported the ongoing need for updated contact information for members, highlighting the challenges in collecting this data. Although there is a system on the website for members to update their contact details, additional information was recently required for finance and the employee protection line. A questionnaire was distributed to all Joint Powers Authorities (JPAs), but varying preferences on how to manage the outreach created confusion. Some JPAs handled outreach themselves, while others relied on ERMA, resulting in uneven response rates. Mr. Kramer suggested that this topic should be further addressed at the upcoming annual workshop to establish a consistent approach moving forward. Despite some progress, he acknowledged that the process has been more complex than anticipated, and not all necessary contacts have been gathered yet.

The Committee took no formal action.

D. Final Report for Employment Practices Policy (EPP) Review Project

Ms. Elizabeth Arce of Liebert Cassidy Whitmore reported the survey process for ERMA members has been lengthy but is nearing completion. A total of 137 agencies completed the surveys, with 122 responses submitted at the time of the last memo. Since then, two additional recommendation memos have been issued, with about six remaining to be sent out before the year ends. While a final outreach effort in September helped engage several agencies, seven agencies either did not respond or declined to participate. Overall, the team is on track to finalize the outstanding memos soon.

Mr. Kramer noted positive feedback from members regarding the updates outlined in the recent memo. He noted that members are effectively utilizing the grant fund and associated resources, leading to necessary policy updates. While the response this time was less vigorous than in previous years, it may be attributed to many members having thoroughly addressed their policies five years ago. Ms. Arce added that most agencies that opted out of

participation had conducted some form of review within the last five years, with a few even completing reviews as recently as the previous year.

The Committee took no formal action.

E. 2024/25 Target Risk Appraisal Update

Ms. Sullivan provided an update on the claims status for the City of Watsonville and the City of Escalon. Watsonville has seven claims, six related to law enforcement. She highlighted the cooperation of City Attorney Natalie Manning and Mike Christian from Jackson Lewis in seeking a global settlement to address liability, particularly concerning harassment allegations against a female officer. Fortunately, there have been no new claims in months, and efforts are underway to enhance training for law enforcement. In Escalon, there is only one claim being managed by Sally Nguyen, related to a retaliation complaint against the chief of police. Despite initial concerns about patterns in claims, no new cases have emerged in Escalon.

Mr. Kramer stated that the risk appraisal for Hesperia RPD was not conducted last year due to unmet participation requirements, including the need for a new HR director. As a result, Hesperia RPD should be assessed this year.

The Committee took no formal action.

F. 2025/26 Target Risk Appraisal Recommendations

Ms. Sullivan presented her recommendations for the 2025/26 target risk appraisal, focusing on the City of Eastvale and the City of Livingston. She expressed concerns about Eastvale due to past claims involving the city manager, despite recent low activity. In Livingston, there are concerns about high-value settlements and the city council's effort to rehire a problematic former city manager for \$400,000, which poses significant risks. Ms. Sullivan noted that ERMA may need to address potential coverage issues. Both cities will be monitored closely for updates.

Mr. Kramer provided an overview of the statistical grid, which evaluates the frequency, severity, and loss ratio of members' claims. He noted that red indicators indicate problematic members across all three metrics and highlighted that only three members can be prioritized each year. Currently, Hesperia RPD, Eastville, and Livingston are on the list, while Antioch and Banning were discussed but not selected for the official recommendation. Ms. Sullivan reported that Antioch has shown improvement since they were addressed two years ago, with a significant reduction in the severity of claims, attributing the changes to a decrease in political turmoil within the city. Overall, there's optimism regarding the ongoing progress in Antioch's situation.

John Gillison moved, seconded by Linda Cox, to approve staff recommendation for the 2025/26 risk appraisal, subject to Hesperia RPD appraisal being completed. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

10. MEMBERSHIP MATTERS

A. Update Regarding Members with Participation Conditions

Mr. Kramer reported on Hesperia RPD, a member of the Public Entity Risk Management Authority (PERMA), noting they have not yet met the required conditions due by June 30, 2025. Although the new GM has been responsive and progress is being made, the HR director position remains unfilled, and an HR plan is still needed. Hesperia RPD has requested an extension to complete their participation conditions until March 31, 2026. Mr. Kramer recommended the Committee grant this extension while conducting a mandated risk assessment.

Linda Cox moved, seconded by John Gillison, to grant an extension to Hesperia RPD until March 30, 2026. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review of Prospective Member Application, City of Halfmoon Bay (PLAN JPA)

Mr. Kramer reported an application was received from the City of Halfmoon Bay, an underlying member of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), for participation in ERMA at a \$50,000 self-insured retention (SIR), effective January 1, 2026. Mr. Kramer went on to note the city has experienced no losses during the reviewed period and has completed all requirements in a timely manner. However, he said that their personnel policies and procedures have not been reviewed recently and should be evaluated. He recommended their admission into ERMA with an SIR of \$50,000, aligning with their payroll, contingent upon the review of personnel policies within the next twelve months.

Jason Castleberry moved, seconded by Linda Cox, to conditionally approve the City of Halfmoon Bay at a \$50,000 SIR, effective January 1, 2026, with the condition that personnel policies and procedures be written and reviewed by legal counsel with expertise in public sector employment law within twelve months of joining ERMA. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

(Please note, at this time, Item 14, Closing Comments, were addressed prior to Closed Session.)

14. CLOSING COMMENTS

A. Executive Committee

None.

B. Staff

Mr. Kramer inquired as to the feeling from the committee members related to the lengthy agenda materials, noting that the number of pages may make it difficult for members to read thoroughly. He recommended excluding certain items, on the consent calendar and back-up within specific reports, only when necessary for board meetings. For instance, he suggested providing the extensive PFM report and the litigation manager's report less frequently, perhaps twice a year. Kramer highlighted the need for informed decision-making, noting that current documentation levels seem excessive. Mr. Kramer confirmed that the adjustments would apply specifically to the Executive Committee agendas. Ms. Linda Cox, Vice President, expressed support for the changes noting the amount of work that goes into the Litigation Managers report. Mr. Gillison concluded that ensuring the documents are provided to the full Board, would address any concerns from members who may want to review the documents.

Mr. Kramer requested approval from the committee for the City of Capitola, a member of the Monterey Bay Area Self Insurance Authority (MBASIA), to use funds outside the standard grant program due to a project to promote unity via an executive leadership retreat following some recent turnover and turmoil. This situation has led to claims being filed and withdrawn, creating a need for leadership bonding training. While this leadership retreat does not strictly follow current policies, Mr. Kramer highlighted its potential benefits for the city and sought an exception to allow the use of funds for this purpose. The Committee unanimously agreed, with Mr. Gillison noting policy amendments may be needed if more of these requests are made.

13. 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 1:46 p.m. to discuss the following claims:

- Benavides v. City of Farmersville (CSJVRMA)
- Fisher v. City of Banning (PERMA)
- Sandhu v. City of Banning (PERMA)
- Deusenberry v. City of Banning (PERMA)
- Jauregui-Munoz v. City of Banning (PERMA)
- Poulter v. City of Banning (PERMA)
- Schulze v. City of Banning (PERMA)
- Wallace v. City of Banning (PERMA)
- Miller v. City of Banning (PERMA)
- Pratt v. City of Banning (PERMA)
- Rodriguez v. City of Banning (PERMA)
- Roebuck v. City of Banning (PERMA)
- Bouslog v. City of Banning (PERMA)

The Committee reconvened to Open Session at 1:58 p.m. Doug Alliston, Board Counsel, advised no reportable action was taken in Closed Session.

Following the Open Session, Mr. Kramer requested formalization of item 12. A. regarding the City of Banning, which involves acting on staff's recommendation. Mr. Alliston suggested that, instead of immediate action, the Committee should direct staff to draft a letter recommending consideration of higher SIRs. Mr. Gillison inquired whether a motion was needed or if a consensus would suffice, and it was agreed that the consensus would serve as effective direction to staff. The committee aimed to ensure that all necessary actions were officially documented.

10. ADJOURNMENT

The November 10, 2025, ERMA Executive Committee Meeting adjourned at 2:02 p.m. by general consent.



Yvette Flama, Board Secretary

Agenda Item 5. A.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of Captive Name
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Committee select a name for the captive.*

BACKGROUND AND STATUS:

The following are some potential names for the proposed ERMA captive:

ERMA Captive – Would not use the full acronym as two other pools are using ERMAC
ERMA Captive Insurer - ERMACI
ERMA Captive Insurance Provider - ERMA CIP
ERMA Liability Captive - ERMALC
ERMA Trust – ERMAT

The simplest would be to call it ERMA Captive. However, as noted above, there are two other known public entity risk-sharing groups using the acronym ERMAC, so we likely would not want to use the acronym.

The Executive Committee may have other suggestions.

REFERENCE MATERIALS ATTACHED:

- None.

Agenda Item 5. B.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of the Size and Composition of the Proposed Captive Board of Directors

Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Committee recommend the captive Board of Directors be comprised of the ERMA Executive Committee members and one member from the State of Utah, and they hold the same titles as on the Executive Committee.*

BACKGROUND AND STATUS:

With the captive Boards we have seen to date, the Boards have remained relatively small (5-9 members) so that business can be transacted efficiently and costs moderated. Most captives travel to the State in which they are domiciled once per year to hold their annual meeting and there is a cost to that exercise.

REFERENCE MATERIALS ATTACHED:

- None.

Agenda Item 5. C.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of the Captive Domicile
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the State of Utah be selected as the proposed domicile for the Captive and that Staff be Directed to reach out to the Utah Insurance Department, Captive Division in the State of Utah to have an introductory call.*

BACKGROUND AND STATUS:

As analyzed in the implementation plan provided by Bickmore Actuarial, the State of Utah is being recommended as the domicile for the proposed ERMA Captive. Not only does staff have existing relationships with the Utah Insurance Department, Captive Division, but the costs for being domiciled in that State are very low compared to other domiciles, and are based on a flat fee as opposed to the relative size of the captive. This would be important as the captive begins to grow.

[About the Captive Division | Utah Insurance Department](#)

REFERENCE MATERIALS ATTACHED:

- None.

Agenda Item 5. D.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of the Draft Articles of Incorporation
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Committee provide direction regarding the draft Articles of Incorporation, registration for a Federal Tax Identification Number (FEIN) and authorization to prepare incorporation documents.*

BACKGROUND AND STATUS:

In order to form a captive, ERMA will be required to establish a new legal entity. This entity will require a Federal Tax Identification Number (FEIN), incorporation documents and Articles of Incorporation.

Typically, this is done in collaboration with whomever ERMA might select as Board counsel/the Board member on the captive located in the State of Utah. This decision is to be considered in a later staff report. Staff is requesting general direction from the Committee to work with whomever is selected as Board Counsel for the Captive on the above items.

REFERENCE MATERIALS ATTACHED:

- Draft Articles of Incorporation

**ARTICLES OF INCORPORATION
OF
EMPLOYMENT RISK MANAGEMENT
AUTHORITY CAPTIVE**

THE UNDERSIGNED, acting as the incorporators of a nonprofit corporation under the Utah Revised Nonprofit Corporation Act, Chapter 6a of Title 16 of the Utah Code of 1953, as amended (hereinafter called the “Act”), hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE I - NAME

The name of this corporation is: Employment Risk Management Authority Captive.

ARTICLE II - DURATION

The period of this corporation’s duration is perpetual.

ARTICLE III - PURPOSES AND POWERS

This corporation is organized to be a pure or sponsored captive insurance company under the Captive Insurance Companies Act, Chapter 37 of Title 31A of the Utah Code of 1953, as amended. The corporation shall have and exercise all powers necessary or convenient for the carrying out of any or all of the purposes for which it is organized.

The purpose of the corporation is to provide those benefits and services, including insurance and or reinsurance, for its member, Employment Risk Management Authority (ERMA), a California joint powers authority, which is itself a governmental entity formed and existing pursuant to California Government Code Sections 6500, et seq., and which constitutes a political subdivision under Section 115(1) of the Internal Revenue Code of 1986, as amended (or corresponding provisions of any future United States internal revenue law) (the “Code”), and any potential future member who may qualify under Section 115(1), whether or not formed and existing as a joint powers authority. By so doing the corporation provides an essential governmental function within the meaning of Section 115(1) of the Code, and the corporation is intended to qualify as an entity covered by this statute.

Furthermore, the corporation is formed exclusively for purposes for which a corporation may be formed under the Utah Revised Nonprofit Corporation Act, and not for pecuniary profit or financial gain. The net earnings of the corporation may accrue only to a Member or, if said organization ceases to exist or to qualify as an entity that may exclude its income from gross income under Section 115 of the Code, to one or more state or local governments, political subdivisions thereof, or entities which may otherwise exclude their income from gross income under Section 115 of the Code.

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons or organizations, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered, and goods purchased, and to make payments and distributions in furtherance of the purposes set forth in this Article III and/or as may be allowed by law.

ARTICLE IV – MEMBERS AND STOCK

4.1 Number of Shares. The aggregate number of shares of capital stock which this corporation shall be authorized to issue is one thousand (1000) with zero (\$0) par value.

4.2 Classification; Rights and Preferences. All shares of capital stock of this corporation shall be of the same class, voting common, and shall have the same rights and preferences.

4.3 Stock Not Assessable. Fully paid shares of capital stock of this corporation shall not be liable to any call and shall be nonassessable.

4.4 Members. The stockholders shall be the voting members of the corporation, and membership shall be maintained only through the acquisition and holding of stock in the corporation.

ARTICLE V - REGISTERED AGENT AND REGISTERED OFFICE

The name of the corporation's Registered Agent is Corporate Agent Services, LLC. The street address of the Registered Agent of the corporation is 36 South State Street, Suite 1900, Salt Lake City, Utah 84111.

If, at any time the corporation's registered agent has resigned, the agent's authority has been revoked, or the agent cannot be found or served with the exercise of reasonable diligence, then the Commissioner of the Utah Department of Insurance will be appointed as the agent of the corporation for service of process.

ARTICLE VI - DIRECTORS

The corporation may have not less than three (3) or more than nine (9) members of the board of directors, with the exact number to be determined in accordance with the corporation's Bylaws. The number of directors constituting the initial board of directors of this corporation shall be six (6). The names and addresses of the members of the initial board of directors, who are to serve as directors until their successors are elected and qualified, are as follows:

Amy Conley	XXXXXX
Linda Cox	XXXXXX
Jeremy Wittie	XXXXXX
Jason Castleberry	XXXXXX
Rob Thompson	XXXXXX
Brent A. Andrewsen	Holland & Hart XXXXXX

ARTICLE VII - LIMITATION OF DIRECTORS' LIABILITY

7.1 Limitation of Directors' Liability. To the fullest extent permitted by the Act, as the same now exists or may hereafter be amended, no director of this corporation shall be personally liable to this corporation, its shareholder(s), or any other person or entity for monetary damages for any action taken, or any failure to take any action, as a director, except liability for: (i) the amount of a financial benefit received by a director to which he is not entitled; (ii) an intentional infliction of harm on the corporation, the shareholders, or such third parties; or (iii) an intentional violation of criminal misdemeanor or felony, the punishment for which would include imprisonment in a state penitentiary or a county jail for more than 12 months.

7.2 Amendment or Repeal of Limitation. Any amendment or repeal of this Article VII or the adoption of any other provision of the Articles of Incorporation which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or failure to act, by a director of this corporation prior to such amendment, repeal, or other provision becoming effective.

ARTICLE VIII – DISTRIBUTION ON DISSOLUTION

Upon the dissolution of the corporation, the board of directors shall, after paying or making provision for the payment of all liabilities of the corporation, dispose of the assets of the corporation to the member(s), in an amount equal to their ownership percentage, or if said organization(s) cease to exist or to qualify as an entity which may exclude its income from gross income under Section 115 of the Internal Revenue Code, to a state or local government, political subdivision thereof, or entity which may exclude its income from gross income under Section 115 of the Code, exclusively for the purposes of the corporation, as the board of directors shall determine.

Any asset not so disposed of shall be disposed of by the District Court of Utah, in the county in which the registered office of the corporation is then located, for the benefit of one or more state or local government agencies, or political subdivisions thereof, which qualify under Section 115 of the Internal Revenue Code, as said Court shall determine to best accomplish the exempt purposes of the corporation.

ARTICLE IX - INDEMNIFICATION

The corporation shall, to the fullest extent allowed by law, defend, indemnify, and hold harmless its directors, officers, employees and agents.

ARTICLE X - INCORPORATORS

The name and address of the incorporators of this corporation are as follows:

Brent A. Andrewsen

XXXXX

XXXXX

[SIGNATURE PAGE FOLLOWS]

DATED this _____ day of May, 2026.

Brent A. Andrewsen, Incorporator

XXXXX, Incorporator

XXXXX, Incorporator

Agenda Item 5. E.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of the Draft Captive Bylaws
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Committee provide direction regarding the draft Bylaws for the proposed captive.*

BACKGROUND AND STATUS:

As with ERMA, the proposed captive will require a set of Bylaws that govern its operation. A draft set of Bylaws have been prepared as an example for the Committee. This is another project that is typically finalized and collaborated on with whomever is selected as Board Counsel for the Captive.

REFERENCE MATERIALS ATTACHED:

- Draft Bylaws

BYLAWS
OF
EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE
(ERMA CAPTIVE)

These Bylaws adopted effective June 12, 2026

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Bylaws of Employment Risk Management Authority Captive (ERMA Captive)

ARTICLE I – PURPOSES

Section 1.01 Name and Organizational Structure. Employment Risk Management Authority Captive (ERMA Captive) (hereinafter, the “Corporation”) is a nonprofit corporation organized and existing under the Utah Revised Nonprofit Corporation Act, Chapter 6a of Title 16 of the Utah Code of 1953, as amended (the “Utah Code”).

Section 1.02 Tax Status and Purpose. In accordance with the status of the Corporation, as an entity which may exclude its income from gross income under Section 115 of the Internal Revenue Code of 1986, as amended (or corresponding provisions of any future United States internal revenue law) (the “Code”), the Corporation is organized and shall be operated in keeping with the purposes set forth in the Corporation’s Articles of Incorporation, Section III. Further, the Corporation is organized and shall operate as a pure and/or sponsored captive insurance company under the Captive Insurance Companies Act, Chapter 37 of Title 31A of the Utah Code.

ARTICLE II – OFFICES

Section 2.01 Offices. The principal office of the Corporation may be located at any place within the State of Utah, as designated in the corporation’s most current Annual Report filed with the Utah Division of Corporations and Commercial Code. The Corporation may have such other offices, either in or outside the State of Utah, as the Board of Directors may designate or as the business of the Corporation may require from time to time. The Corporation shall maintain at its principal office a copy of certain records, as specified in Section 16-6a-1601 of the Utah Revised Nonprofit Corporation Act.

Section 2.02 Registered Office. The registered office of the Corporation, required by Section 16-17-101, et seq., of the Model Registered Agents Act, shall be located in the State of Utah and may be, but need not be, identical with the Corporation’s principal office (if located in the State of Utah). The address of the registered office may be changed from time to time.

ARTICLE III – MEMBERS

Section 3.01 Annual Meeting. The Corporation shall hold an annual meeting of members at such time, date, and place as the Board of Directors shall determine, or in the event there is a sole member, as the sole member shall determine, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting.

Section 3.02 Special Meeting. The Corporation shall hold a special meeting of the members at such time, date, and place as the Board of Directors, or in the event there is a sole shareholder, as the sole shareholder shall determine:

(a) on call of the chairman of the Board of Directors or the President; or

(b) if the holders of shares representing at least twenty-five percent (25%) of all the votes entitled to be cast on any issue that is proposed to be considered at a special meeting sign, date and deliver to the Corporation's Secretary one or more written demands for the meeting, stating the purpose or purposes for which it is to be held.

Section 3.03 Action Without a Meeting.

(a) **Action By Written Consent.** Any action required or permitted to be taken at a meeting of the members may be taken without a meeting, and without prior notice, if one or more members vote in writing, to the action identified to be taken, and are signed by the holders of outstanding shares having not less than the minimum number of voting rights that would be necessary to authorize or take the action at a duly constituted meeting, which action shall be jointly shared with all members at the same time.

(b) **Notice of Action.** Unless a unanimous written vote from all the members/the member has been obtained, notice of approval of action through the written vote process shall be given to all members at least ten days before the taking of action authorized by the vote.

If notice is required, the notice must contain or be accompanied by the same material that, under the Utah Revised Nonprofit Corporation Act and these Bylaws, would have been required to be sent in a notice of meeting at which the proposed action would have been submitted to the members for action.

(c) Election of Directors. Notwithstanding subsection (a), Directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of Directors.

Section 3.04 Notice of Meeting.

(a) Notice Required. The Corporation shall give notice to members of the date, time and place of each annual and special members' meeting no fewer than ten (10), nor more than sixty (60), days before the meeting date. Notice shall be deemed effective at the earlier of (i) when deposited in the United States mail, addressed to the member at his or her address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid; (ii) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; (iii) when received; or (iv) 5 days after deposit in the United States mail, if mailed postpaid and correctly addressed to an address other than that shown in the Corporation's current record of members.

(b) Contents of Notice.

(i) The notice of every members' meeting must state the place, day and time of the meeting.

(ii) Notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called, except for those matters specified by law or these Bylaws for which specific notice must be given.

(iii) Notice of a special meeting must include a description of the purpose or purposes for which the meeting is called.

Section 3.05 Waiver of Notice.

(a) Written Waiver. A member may waive notice of any meeting before or after the date and time of the meeting stated in the notice. Except as provided in subsection (b), below, the waiver must be in writing and signed by the member entitled to notice. The waiver shall be delivered to the Corporation for filing with the corporate records, but delivery and filing are not conditions to its effectiveness.

(b) Waiver by Attendance. The attendance of a member at or participation in a meeting waives any required notice to the member of the meeting unless the member at the beginning of the meeting, or promptly upon the member's arrival, objects to the holding of the meeting or the transacting of business at the meeting because of lack of notice or defective notice, and does not thereafter vote for or assent to action taken at the meeting.

Section 3.06 Record Date for Meetings and other Actions.

(a) Fixing of Record Date. The Board of Directors by resolution may fix a record date in order to determine the members entitled to receive notice of a members' meeting, and to determine the members who are entitled to take action without a meeting, to demand a special meeting, to vote, or to take any other action. Such record date may not be more than seventy (70) days before the meeting or action requiring the determination of members.

(b) Default Record Date. If the Board of Directors does not fix a record date, the record date for determining members entitled to notice of and to vote at an annual or special members' meeting is the close of business on the date before the first notice is delivered to members.

Section 3.07 Vote Required to take Action for Other than Election of Directors. If a quorum exists, action on a matter, other than the election of Directors, is approved if the votes cast favoring the action exceed the votes cast opposing the action, except where a greater number of affirmative votes is otherwise required by law.

Section 3.08 Quorum. A majority of the shares issued and outstanding constitutes a quorum for the transaction of business at any meeting of the members.

Section 3.09 Conduct of Meetings. The Board of Directors may adopt by resolution such rules and regulations for the conduct of meetings of members as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations adopted by the Board of Directors, the chair of any meeting of members shall have the right and authority to prescribe such rules, regulations and procedures and to all such acts as, in the judgment of the chair, are appropriate for the conduct of the meeting. Such rules, regulations and procedures, whether adopted by the Board of Directors or prescribed by the chair, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting, (b) rules

and procedures for maintaining order at the meeting and the safety of those present, (c) limitations on attendance at or participation in the meeting to members of record, their duly authorized and constituted proxies or such other persons as the chair of the meeting shall determine, (d) restrictions on entry to the meeting after the time fixed for commencement thereof, and (e) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chair of the meeting, meetings of members shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE IV – BOARD OF DIRECTORS

Section 4.01 General Powers. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 4.02 Number. The initial Board of Directors comprises six (6) Directors. The number of Directors of the Corporation shall be not less than three (3) nor more than nine (9), with the exact number of Directors within such parameters to be set by resolution of the Board of Directors from time to time; provided that no decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. One of such Directors shall be a resident of the State of Utah.

Section 4.03 Election. Each Director designated in the Corporation's Articles of Incorporation shall be deemed to be elected as such as of the time of filing such Articles of Incorporation to serve until his or her replacement is duly elected and qualified. The Directors shall be elected at each annual meeting of the members. If the Directors are not elected at an annual meeting, or if an annual meeting is not held, then the Directors may be elected at any special meeting of the members held for that purpose.

Section 4.04 Term. The terms of the initial Directors of the Corporation expire at the first members' meeting at which Directors are elected. The terms of all other Directors expire at the next annual members' meeting following their election. Despite the expiration of a Director's term, the Director shall continue to serve until the election and qualification of a successor or until there is a decrease in the number of Directors, or until such Director's earlier death, resignation, or removal from office.

Section 4.05 Qualifications. At all times the Corporation shall have at least one (1) Director that is a resident of the State of Utah; the remaining Directors need not be residents of the State of Utah and none of the Directors need be members of the Corporation. Each Director shall be a natural person who is eighteen (18) years of age or older.

Section 4.06 Resignation. Any Director of the Corporation may resign at any time by giving written notice to the Corporation. A resignation is effective when the notice is received by the Corporation unless the notice specifies a later effective date.

Section 4.07 Annual Meetings. An annual meeting of the Board of Directors shall be held without other notice than this bylaw immediately after, and at the same place within the State of Utah as, the annual meeting of members. By resolution, the Board of Directors may determine the time and place, either within or without the State of Utah, for the holding of additional regular meetings without other notice than such resolution.

Section 4.08 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the chairman of the board, the President or any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Utah, as the place for holding any special meeting of the Board of Directors called by them.

Section 4.09 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Directors. Such consent has the same force and effect as a unanimous vote of the Directors. Action taken under this provision is effective at the time the last Director signs a writing describing the action taken, unless, prior to that time, any Director has revoked a consent by a writing signed by the Director and received by the Secretary or any other person authorized by the Bylaws or the Board of Directors to receive the revocation, or unless the consent specifies a different effective time.

Section 4.10 Notice of Special Meetings. Notice of any special meeting shall be given at least three (3) days prior to the date of the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Notice may be communicated in person, by any form of electronic communication, or by mail or private carrier. The notice need not describe the purpose of the special meeting, unless otherwise required by law or these Bylaws. Notice shall be effective at the earliest of the following:

- (i) when received;
- (ii) five (5) days after it is mailed;
- (iii) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

Section 4.11 Waiver of Notice.

(a) **Written Waiver.** Any Director may waive notice of any meeting before or after the date and time of the meeting stated in the notice. Except as provided in subsection (b), below, the waiver must be in writing and signed by the Director entitled to notice. The waiver shall be delivered to the Corporation for filing with the corporate records, but delivery and filing are not conditions to its effectiveness.

(b) **Waiver by Attendance.** The attendance of a Director at or participation in a meeting waives any required notice to the Director of the meeting unless the Director at the beginning of the meeting, or promptly upon the Director's arrival, objects to the holding of the meeting or the transacting of business at the meeting because of lack of notice or defective notice, and does not thereafter vote for or assent to action taken at the meeting.

Section 4.12 Quorum. A majority of the number of Directors fixed by Section 4.02 of these Bylaws constitutes a quorum for the transaction of business at any meeting of the Board of Directors.

Section 4.13 Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present is the act of the Board of Directors. Voting by proxy is not permitted.

Section 4.14 Meetings by Telecommunication. The Board of Directors may permit any or all Directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all Directors participating may hear each other during the meeting. A Director participating in a meeting by this means is considered present in person at the meeting.

ARTICLE V – OFFICERS

Section 5.01 Number. The Officers of the Corporation shall consist of a President, a Secretary, a Treasurer, and such other Officers as the Directors may from time to time designate. The Board of Directors may delegate to any Officer of the Corporation or any committee of the Board of Directors the power to appoint, remove and prescribe the duties of such other officers, assistant officers, agents and employees. Any two (2) or more offices may be held by the same person, provided that there shall always be at least two (2) natural persons serving as Officers.

Section 5.02 Appointment and Term of Office. The President and Vice President of the Corporation shall be appointed annually by the Board of Directors. The Treasurer and Secretary of the Corporation shall be appointed annually by the President of the Corporation. Each Officer shall hold Office until such Officer's successor has been appointed or until such Officer's death or until such Officer shall resign or shall have been removed in the manner provided below. The appointment of an Officer shall not itself create any contract rights with the Corporation.

Section 5.03 Removal. Any officer, assistant, agent or employee may be removed, with or without cause, at any time by the Board of Directors, or by any officer to whom or committee of the Board of Directors to which such power of removal has been delegated, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5.04 Resignation. An Officer may resign at any time by giving written notice of resignation to the Corporation. A resignation of an Officer is effective when it is received by the Corporation, unless the notice specifies a later effective date. An Officer's resignation does not affect the Corporation's contract rights, if any, with the Officer.

Section 5.05 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors.

Section 5.06 Compensation. The compensation of the Officers shall be fixed from time to time by the Board of Directors and no Officer shall be prevented from receiving such compensation by reason of the fact that he or she is also a Director of the Corporation.

Section 5.07 The President. The President, unless otherwise specified by the Board of Directors, shall be the Chief Executive Officer of the Corporation and, under the direction of the Board of Directors, shall in general supervise and control all the business and affairs of the Corporation. The President shall, when present, preside at all meetings of the members and, in the absence of the chair of the board, at meetings of the Board of Directors. The President may hire, prescribe the duties of, and fire employees. The President may sign, with the Secretary or any other proper Officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, and any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.08 The Vice President. In the absence of the President, or in the event of the President's death, inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties the Board of Directors may assign.

Section 5.09 The Secretary. The Secretary, or the Secretary's designee shall (a) keep the minutes of the members' and of the Board of Directors' meetings; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation and affix such seal to documents when authorized; (d) keep a register of the address of each member which shall be furnished to the Secretary by such member; (e) have general charge of the stock transfer books of the Corporation; (f) maintain the records required under Section 16-6a-1601 of the Utah Revised Nonprofit Corporation Act, and (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. In the absence of a Secretary and any assistant secretaries, the President shall perform these duties.

Section 5.10 The Treasurer. The Treasurer, or the Treasurer's designee, shall, without bond, (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for moneys due and payable to the Corporation

from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. In the absence of a Treasurer, the Secretary shall perform such duties.

ARTICLE VI – CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 6.01 Certificates for Shares. Every holder of shares of stock of the Corporation shall be a voting member and be entitled to have a physical or electronic certificate or certificates, in a form approved by the Board of Directors, certifying the number and of shares of the stock of the Corporation owned by such member. Such certificates shall be consecutively numbered in the order in which they are issued. Membership shall be maintained only through the acquisition and holding of stock in the Corporation.

ARTICLE VII – INDEMNIFICATION

Section 7.01 Indemnification. The Corporation shall indemnify each person who is or was a director, officer, employee or agent of the Corporation or an individual who, while serving the indicated relationship to the Corporation, is or was serving at the Corporation's request as a director, officer, partner, trustee, employee fiduciary, or agent of another Corporation or other person or of an employee benefit plan, to the fullest extent required or permitted by the Utah Revised Nonprofit Corporation Act.

Section 7.02 Authorization of Indemnification. The Corporation shall be deemed to have authorized such indemnification whenever a determination has been made under Section 16-6a-906 of the Utah Revised Nonprofit Corporation Act that indemnification of an individual is permissible in the circumstances because the person has met the applicable standard of conduct.

Section 7.03 Advance of Expenses. The Corporation shall accept the undertaking required by Subsection 16-6a-904(1)(b) of the Utah Revised Nonprofit Corporation Act without reference to financial ability to make repayment.

Section 7.04 Insurance. The Corporation may purchase and maintain liability insurance on behalf of a person who is or was a director, officer, employee, fiduciary, or agent

of the Corporation, or who, while serving as a director, officer, employee, fiduciary, or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, fiduciary, or agent of another foreign or domestic Corporation or other person, or of an employee benefit plan, against liability asserted against or incurred by him or her in that capacity or arising from his or her status as a director, officer, employee, fiduciary, or agent, whether or not the Corporation would have power to indemnify him or her against the same liability.

Section 7.05 Savings Clause. If this Article or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Officer and Director as to expenses, including attorneys' fees, judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether internal or external, including without limitation a grand jury proceeding and an action or suit brought by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated, or by any other applicable law.

ARTICLE VIII – MISCELLANEOUS

Section 8.01 Amendments. Unless otherwise provided in the Corporation's Articles of Incorporation or these Bylaws, these Bylaws, or any of them, may be altered, amended or repealed, and new Bylaws may be made at a meeting called for that purpose by the affirmative vote of two-thirds (2/3) of the whole number of Directors; provided, however, that any such amendments shall be consistent with the Corporation's status as an entity which may exclude its income from gross income under Section 115 of the Code. The company shall provide notice to the Commissioner of the Utah Insurance Department of any changes to these Bylaws in accordance with R590-238-18 of the Utah Administrative Code, as such may be amended from time to time.

Section 8.02 Affect Upon Prior Bylaws. These Bylaws supersede in their entirety any prior Bylaws of the Corporation and all amendments thereto.

Secretary's Certificate

I, THE UNDERSIGNED, being the Secretary of Employment Risk Management Authority Captive (ERMA Captive), do hereby certify the foregoing to be the Bylaws of such corporation, as adopted by written consent of its Board of Directors effective June 12, 2026.

Brent A. Andrewsen, Secretary

Agenda Item 5. F.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of the Draft Captive Conflict of Interest Policy
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Committee provide direction regarding the draft Conflict of Interest Policy for the proposed captive.*

BACKGROUND AND STATUS:

Similar to ERMA, the proposed captive will require a Conflict of Interest Policy. A draft of the policy has been provided as an example for the Committee. This too is something that Board Counsel for the Captive would review.

REFERENCE MATERIALS ATTACHED:

- Draft Conflict of Interest Policy

**CONFLICT OF INTEREST POLICY
OF
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES CAPTIVE**

ARTICLE I

Purpose

The purpose of the conflict of interest policy is to protect California Affiliated Risk Management Authorities Captive (CARMAC) (the “Corporation”) interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

ARTICLE II

Definitions

Section 2.1. Interested Person. Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

Section 2.2. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

A. An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;

B. A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or

C. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 3.2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

ARTICLE III

Procedures

Section 3.1. Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

Section 3.2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

Section 3.3. Procedures for Addressing the Conflict of Interest.

A. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

B. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

C. After exercising due diligence, the governing board or committee shall determine whether the Corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

D. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

Section 3.4. Violations of the Conflicts of Interest Policy.

A. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

B. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the

member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV

Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

A. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

B. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

ARTICLE V

Compensation

A voting member of the governing board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VI

Annual Statements

Each director, principal officer, and member of a committee with governing board delegated powers shall annually sign a statement substantially in the form of the attached Exhibit A which affirms that such person:

- A. Has received a copy of the conflicts of interest policy,
- B. Has read and understands the policy, and
- C. Has agreed to comply with the policy.

ARTICLE VII

Periodic Reviews

To ensure the Corporation operates in a manner consistent with captive insurance purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- A. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- B. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further the Corporation's purposes and do not result in inurement, impermissible private benefits.

ARTICLE VIII

Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

EXHIBIT A
CONFLICT OF INTEREST STATEMENT

CONFLICT OF INTEREST STATEMENT

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES CAPTIVE

I, the undersigned, associated with the above captioned nonprofit insurance company (hereinafter, the “Insurance Company”) in a capacity of director, officer, or key management employee, represent that as of the end of the calendar year specified below, my principal employment is as listed below.

I further represent that I have no interest that would cause an actual or apparent conflict of interest with the Insurance Company except as noted below. I do further specifically represent that I have no outside commitments, personal or otherwise, that would divert me from my duty to further the interests of the Insurance Company. All information that might be deemed relevant to any apparent conflict of interest is listed below.

I have not and shall not, except on behalf of the Insurance Company, accept or be the beneficiary, of any fee, brokerage, gift or other emolument because of any investment, loan, deposit, purchase, sale, payment or exchange made by or for the Insurance Company, except as otherwise permitted herein. I understand, however, that I may receive reasonable compensation for necessary services rendered to the Insurance Company in my usual private, professional, or business capacity.

I declare that I will inform the Board of Directors or the Insurance Company, in writing, of any material change in my above-noted status during my continued board service to the Insurance Company.

I acknowledge having received a copy of the Conflict of Interest Policy (the “Policy”) for the Corporation, and that I have read, understand, and agree to comply with the Policy.

I understand that the Corporation is a charitable organization and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

I declare that I will inform the Board of Directors or the Insurance Company, in writing, of any material change in my above-noted status during my continued board service to the Insurance Company.

This conflict of interest statement is submitted for fiscal year ending _____.

My current principal employment is as follows:

<u>Name of Employer</u>	<u>Address</u>	<u>Position or Duties</u>
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I presently have a conflict of interest to disclose: **YES** / **NO**. (If YES, I have listed each conflict below, along with the information that the Board may deem relevant in reviewing this statement.)

The foregoing information is correct and complete.

Signed: _____

Name: _____

Dated: _____

Agenda Item 5. G.

GOVERNANCE AND CAPTIVE FORMATION MATTERS

SUBJECT: Consideration of the Draft Business Plan and Reinsurance Agreement
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Committee provide direction regarding the draft Business Plan and Reinsurance Agreement for the policy period of July 1, 2026 through June 30, 2027.*

BACKGROUND AND STATUS:

Bickmore Actuarial and its captive implementation plan would be tasked with generating the formal Business Plan for the captive. Staff is seeking direction to work collaboratively with them to complete the plan.

Separately, the proposed ERMA captive will require an annual Reinsurance Agreement be approved. The purpose of the agreement is to outline the liabilities and risks the captive will annually be taking on. A draft of the reinsurance agreement as an example for the Committee has been included and this item would also be reviewed by Board Counsel for the proposed captive.

REFERENCE MATERIALS ATTACHED:

- Draft Business Plan and Reinsurance Agreement

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE BUSINESS PLAN

ERMA Introduction

The Employment Risk Management Authority (ERMA) is a statewide joint powers authority designed to provide broad coverage and tailored loss prevention services to reduce the employment practices liability (EPL) exposures of California public entities. ERMA was formed on July 1, 1999 and is the first and only statewide risk sharing pool created exclusively to provide broad EPL coverage. The program now covers more than 200 public entities throughout the State of California from the following organizations:

- Bay Cities Joint Powers Insurance Authority (BCJPIA)
- California Transit Indemnity Pool (CalTIP)
- Central San Joaquin Valley Risk Management Authority (CSJVRMA)
- Exclusive Risk Management Authority of California (ERMAC)
- Housing Authority of Contra Costa County
- Monterey Bay Area Self Insurance Authority (MBASIA)
- Municipal Pooling Authority (MPA)
- Oakland Housing Authority
- Pooled Liability Assurance Network (PLAN)
- Public Agency Risk Sharing Authority of California (PARSAC)
- Public Entity Risk Management Authority (PERMA)
- Small Cities Organized Risk Effort (SCORE)
- Vector Control Joint Powers Agency (VCJPA)

Employment related claims for all these entities are administered by Sedgwick in Sacramento, California. Liability claims administration for these underlying member pools are handled by a variety of self-administered units or outside independent adjusting firms, including the ERMA administrator.

ERMA was created to reduce and stabilize insurance costs and ensure access to the coverage needed for critical local government functions. This is accomplished by directly funding an employment practices liability program for its members. ERMA is committed to maintaining a financially strong and sustainable risk-sharing pool for its members.

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE BUSINESS PLAN

ERMA is a collaborative group of public agencies providing excellent risk financing programs. As an operational priority, ERMA provides cutting edge risk management solutions with a focus on helping members reduce and mitigate the incidence and cost of risk. ERMA supports its mission through conservative fiscal management, proactive claims management, and the implementation of cost-effective loss prevention programs. An excellent loss history, coupled with sound fiscal planning, results in significant savings to members.

ERMA has a deep understanding of public entity risks and collaborates closely with its members to proactively manage risk and reduce both the frequency and severity of losses.

Key initiatives include:

- Developing and maintaining strong relationships with trusted partners — including defense attorneys, subject matter experts, professional service providers, network providers, pharmacy benefit managers, and others — to help control costs for members.
- Implementing comprehensive risk management, loss prevention, and health promotion programs designed to strengthen members' risk profiles.
- Prioritizing long-term partnerships with members over short-term financial gains.
- Facilitating networking opportunities and the sharing of best practices among public entities to strengthen overall public operations.
- Actively participating in professional associations and industry groups to stay informed on emerging issues, understand evolving public sector risks, and collaborate on continuous improvement initiatives.

ERMA's commitment to its members is embodied in its mission statement:

The Employment Risk Management Authority (ERMA) is the premier authority for employment liability coverage protecting California public entities. ERMA reduces employment practices risk through its comprehensive, innovative training and resources.

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE BUSINESS PLAN

Insurance Coverage in the Captive

The following table shows the coverage history of ERMA's employment practices liability program.

Coverage Period	Layer Between Member Retention and \$1,000,000	Coverage Excess of \$1,000,000
7/1/99-6/30/02	Quota Share: 75% ERMA 25% Commercial Coverage	Commercial Coverage \$9,000,000 Excess of \$1,000,000
7/1/02-6/30/04	No Quota Share: 100% ERMA	Commercial Coverage \$4,000,000 Excess of \$1,000,000
7/1/04-6/30/10	No Quota Share: 100% ERMA	No Commercial Coverage
7/1/10-6/30/18	No Quota Share: 100% ERMA	Optional Commercial Coverage \$1,000,000 Excess of \$1,000,000
7/1/18-6/30/22	No Quota Share: 100% ERMA	Optional Commercial Coverage \$2,000,000 Excess of \$1,000,000
7/1/22-Current	No Quota Share: 100% ERMA	Optional Commercial Coverage \$3,000,000 Excess of \$1,000,000

Historically ERMA has offered member retained limits (MRL) of \$25,000, \$50,000, \$75,000, \$100,000, \$250,000 and \$500,000. The layer between the MRL and \$1,000,000 per claim is retained by the pool.

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE BUSINESS PLAN

The results of a recent feasibility study suggest that it would be advantageous for ERMA to create a captive insurance company to reinsure the losses currently within the pool's retained layer. This reinsurance company would assume the liability losses as follows:

- Losses occurring during the annual period from July 1, 2026 to June 30, 2027 and each year going forward
- Losses that occurred on or before June 30, 2026, but which have not yet been paid as of June 30, 2026.

The first bullet above will be referred to as the Go Forward Program and the second bullet as the Loss Portfolio Transfer (LPT).

Projected premiums associated with the ERMA EPL program to be assumed by the ERMA CAPTIVE are outlined below:

PROGRAM	ESTIMATED PREMIUM	REQUIRED SURPLUS	TOTAL CONTRIBUTION
ERMA EPL Go-Forward Only	\$8,683,000	\$2,843,000	\$11,526,000
ERMA EPL Go-Forward and LPT	34,051,000	13,434,000	47,485,000
TOTAL	\$42,734,000	\$16,277,000	\$59,011,000

The estimated premiums above are shown at the 2% discounted expected level. For the loss portfolio transfers (LPT), required surplus is stated at the 90% confidence level. For the go forward programs, required surplus is stated at the 75% confidence level.

ERMA will periodically submit a list of paid claims to the ERMA CAPTIVE and ERMA CAPTIVE will reimburse ERMA the amount requested. The invoicing and payment process will likely be monthly.

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE REINSURANCE POLICIES

Reinsurance Documents

Two reinsurance documents are provided.

The first is the reinsurance agreement, or policy, covering losses for the Go Forward program for the annual period from July 1, 2026 to June 30, 2027. This policy will follow the coverage terms and conditions found in the Memorandum of Liability Coverage issued by ERMA to its members. A similar policy will be issued from ERMA CAPTIVE to ERMA for each annual period beginning on July 1, 2027.

The annual premium for this 2026-2027 policy will be approximately \$8,683,000 which is the 2% discounted expected level of losses for this period. An additional surplus amount of \$2,843,000 will be contributed to ERMA CAPTIVE at the beginning of the policy year to fund the program at a 75% confidence level. The total will be \$11,526,000.

The second document is an endorsement to the above policy for the Loss Portfolio Transfer, which expands the period of coverage for losses occurring on or before June 30, 2026. This endorsement will reinsure all losses from these prior periods which have not been paid as of June 30, 2026 and which are covered by the appropriate Memorandum of Liability Coverage Issued by ERMA to its members. This endorsement will not be reissued at the time of the annual policy renewal.

The one-time premium payment from ERMA to ERMA CAPTIVE for this endorsement will be approximately \$34,051,000 which is the 2% discounted expected loss level for these open prior year losses. In addition to this premium a contribution to surplus will be made in the amount of \$13,434,000 to fund the program at a 90% confidence level. This will bring the total to \$47,485,000.

The total amount of premiums and surplus contributions will be approximately \$59,011,000 for these two reinsurance arrangements.

REINSURANCE AGREEMENT – POLICY # 2026

**EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE
EMPLOYMENT LIABILITY PROGRAM
REINSURANCE AGREEMENT**

This reinsurance agreement is made and entered into by and between the EMPLOYMENT RISK MANAGEMENT AUTHORITY (hereinafter referred to as "ERMA") and its captive reinsurance company, EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE (ERMA CAPTIVE), a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures ERMA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 – BUSINESS COVERED

The Reinsurer agrees to reimburse ERMA for amounts of loss which ERMA may pay as a result of losses occurring under ERMA's Memorandum of Coverage for Liability as provided to ERMA members participating in the ERMA Liability Program.

ARTICLE 2 – POLICY PERIOD

The period covered by this reinsurance agreement is July 1, 2026 through June 30, 2027.

ARTICLE 3 – LIMITS OF COVERAGE

Ultimate Net Loss of \$1,000,000 per occurrence less the *retained limit* up to the *limit of coverage* on behalf of the *covered party* due to a *claim* against the *covered party* because of a **Wrongful Employment Practice** as those terms are defined in ERMA's Memorandum of Coverage for Liability.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the Memorandum of Coverage for Liability adopted by ERMA. Any changes in such Memorandum shall be reported to the Reinsurer and shall be effective in this reinsurance on the same effective date as the Memorandum of Coverage.

ARTICLE 5 – PREMIUM

ERMA shall pay to the Reinsurer a deposit premium of \$ 8,683,000 based on actuarially determined rates and payroll reported by the participating members.

ARTICLE 6 – CLAIM SETTLEMENTS

All claim settlements made by ERMA, under the Memorandum of Coverage for Liability reinsured hereunder, shall be binding upon the Reinsurer. Upon receipt of satisfactory proof of loss, the Reinsurer agrees to reimburse ERMA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

ERMA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the Reinsurer shall make full payment to the ERMA within 30 days of the receipt of the report.

ARTICLE 8 – COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2026, and may be terminated upon the mutual written consent of the ERMA and the Reinsurer. In the event of cancellation by either party, the premium will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this 1st day of July, 2026.

ACCEPTED:

EMPLOYMENT RISK MANAGEMENT AUTHORITY
(ERMA)

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE
(ERMA CAPTIVE and Reinsurer)

REINSURANCE AGREEMENT – POLICY # 2026 – ENDORSEMENT # 1**EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE
EMPLOYMENT LIABILITY PROGRAM
REINSURANCE AGREEMENT****THIS ENDORSEMENT IS ATTACHED TO REINSURANCE
AGREEMENT WITH PLAN FOR THE PERIOD JULY 1, 2026 TO JULY 1,
2027.****ARTICLE 2 – POLICY PERIOD** is revised to include all annual policy periods prior to July 1, 2026 as defined by the respective ERMA Memorandums of Liability Coverage for those annual periods.**ARTICLE 3 – LIMITS OF COVERAGE** is revised to include those limits retained by ERMA in the Memorandum of Liability Coverage in each of the prior annual periods.**ARTICLE 5 – PREMIUM** is revised as follows:ERMA shall pay Reinsurer a one time premium of \$ 34,051,000 for this additional exposure. This premium shall not be subject to adjustment.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this 1st day of July, 2026.

ACCEPTED:

EMPLOYMENT RISK MANAGEMENT AUTHORITY
(ERMA)

EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE
(ERMA CAPTIVE and Reinsurer)

Agenda Item 6. A.

ADMINISTRATIVE MATTERS

SUBJECT: Consideration of the Captive Service Team
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Other than the Captive Manager (for which Sedgwick makes no recommendation), staff recommends the Committee provide direction regarding the Captive Service Team and direct staff to bring proposed agreements for each service provider to the March 9, 2026, ERMA Board of Directors meeting for formal consideration.*

BACKGROUND AND STATUS:

The following service areas will be required to assist in the operation of the proposed captive. Staff is recommending the service partners listed next to each area and is recommending the committee provide direction to seek proposals from each vendor partner for formal consideration at the March 9, 2026, ERMA Board of Directors meeting.

Board Counsel – Brent Andrewsen – Holland & Hart in Salt Lake City, UT
Brokerage – Alliant Insurance Services
Banking – California Bank & Trust
Investment Advisor – PFM Asset Management
Investment Custodian – US Bank
Actuary – Bickmore Actuarial
Financial Auditor – Sampson and Sampson
Captive Manager – TBD
Registered Agent – Corporate Agent Service, LLC

This recommendation does NOT include a recommendation for the Captive Manager as Sedgwick staff is interested in being considered for that role and would have a vested financial interest in the outcome.

Please see the attached Captive Implementation Status report for a list of the required vendor partners and recommendations.

REFERENCE MATERIALS ATTACHED:

- Captive Implementation Status Report

<Enter Captive Name>

CAPTIVE IMPLEMENTATION STATUS REPORT

January 27, 2026

SECTION ONE: COMPLETED ACTIVITIES

ITEM	DISCUSSION
Captive Name	<Enter Captive Name>
Utah Legal Counsel	Brent Andrewsen – Holland and Hart
Actuary	Bickmore Actuarial
Investment Consultant	PFM Asset Management
Board of Directors	ERMA Executive Committee Members plus Board Counsel in Utah
Response to Incorporation Memo	Staff provided Brent Andrewsen information necessary to prepare the incorporation documents.
Introductory Meeting with Utah Department of Insurance	Meeting conducted on <Enter Date>
Principal Place of Business in Utah	Holland & Hart LLP 222 South Main Street Salt Lake City, UT
Name of Registered Agent	Corporate Agent Services, LLC (Legal Counsel Registered Agent)
Board Officers	President – Amy Conley Vice President – Linda Cox Treasurer – Jeremy Wittie Secretary – Jason Castleberry
Number of Directors	Six (5 Executive Committee Members plus Brent Andrewsen)
Terms of Office	One-year terms with an annual election held at the annual meeting. No separate classes of directors.
Financial Institution	California Bank & Trust
Asset Allocation Review	Completed by Executive Committee on <Enter Date>
Coverage to be Reinsured by the Captive	Year One - <Enter Data> program year losses Year Two – Consider loss portfolio transfer of some or all prior years
File Incorporation Documents	Submitted to the Secretary of State by Holland & Hart LLP
Obtain Federal Tax Identification Number	Done by Brent Andrewsen – Holland & Hart LLP

SECTION TWO: ITEMS FOR FIRST PRCC BOARD OF DIRECTORS MEETING

ITEM	RECOMMENDATION
Ratify Completed Activities	To be presented to the ERMA Board of Directors.
Captive Manager	TBD
Financial Auditor and Tax Preparer	Sampson & Sampson
Investment Policy Statement	PFM Asset Management
Bylaws	Draft Bylaws to be considered by the <Enter Captive Name> Board of Directors at its first meeting.
Business Plan and Related Reports	Draft Business Plan to be considered by the <Enter Captive Name> Board of Directors at its first meeting.
Captive Reinsurance Agreement	Reinsurance Agreement to be considered by the <Enter Captive Name> Board of Directors at its first meeting.
Captive Application	PRCC application to be considered by the <Enter Captive Name> Board of Directors at its first meeting.
Captive Operating Budget	Operating Budget to be considered by the <Enter Captive Name> Board of Directors at its first meeting.

SECTION THREE: WORK-IN-PROGRESS

ITEM	STATUS
Receive Certification from Utah Secretary of State	Pending SoS review of <Enter Captive Name> Articles of Incorporation.
Opening Bank Accounts	Will be opened after necessary banking resolution passed by the <Enter Captive Name> Board of Directors
Opening Investment Custody Account	Will be opened after selection of custodian and necessary investment resolution is passed by the <Enter Captive Name> Board of Directors
Receive Certificate of Authority from Utah Regulator	Pending submission of the captive application.

SECTION FOUR: FUTURE ACTIVITIES

ITEM	STATUS
Deposit required capital in the captive.	Minimum capital of <enter correct number> will be deposited into <Enter Captive Name> bank account in connection with submission of the captive application.
ERMA pays <update program year> premium to the captive.	Expected to take place during <enter month and year> contributions are paid to <enter name>
Invest funds in accordance with approved investment policy statement.	Expected to take place at various intervals during the <update program year> fiscal year as deemed appropriate by PFM Asset management.

Agenda Item 6. B.

ADMINISTRATIVE MATTERS

SUBJECT: Review of Administrative Insurance Coverage
Presented by Rob Kramer, Executive Director

RECOMMENDATION: *Staff recommends the Executive Committee direct staff to work with Alliant Insurance Services to get indications for coverage for the proposed captive Board of Directors as appropriate in the industry.*

BACKGROUND AND STATUS:

Similar to ERMA, the Board of Directors of the proposed captive will want to have coverage in place that follows industry best practices to protect the Board and the Captive. With other captives, staff has worked with Alliant Insurance services and our current brokerage team to analyze and propose recommended option.

REFERENCE MATERIALS ATTACHED:

- None.

ADMINISTRATIVE MATTERS

SUBJECT: Draft Resolution 2025-2 Establishing Attorney Panel Rates and Establishing Criteria for Adding and Removing Defense Counsel to the Panel of Approved Attorney Firms Presented by Stacey Sullivan, Litigation Manager

RECOMMENDATION: *Staff recommends the Executive Committee provide direction to staff related to this issue for formal consideration by the Board of Directors at its March 10, 2026 meeting.*

BACKGROUND AND STATUS:

An important aspect of ERMA's loss mitigation process is the practice of appointing defense counsel with an established expertise in public employment law. ERMA's Panel of Approved Defense Counsel (Panel) are vetted to make sure they have the required expertise to effectively oversee an outside investigation (if necessary), provide advice and counsel to the member if findings are substantiated, and represent the member should litigation arise. This practice allows the member agency and ERMA to address complaints made by agency employees in the most proactive manner possible.

Because the practice of public employment law within the State of California is a highly specialized area of expertise, there are a limited number of firms and litigators that meet the stringent qualifications necessary to be included on ERMA's Panel.

The current Resolution 2022-2 Establishing Criteria for Adding and Removing Defense Counsel to the Panel of Approved Attorney Firms also includes an exhibit that delineates the maximum billing rates of pre-approved defense panel counsel. These rates have not been adjusted since the 2022/23 program year.

As such, the ERMA Litigation Management and Claims team has investigated the history of attorney panel rates for ERMA as well as the current market rates in California

Attached for the Board's review and consideration is DRAFT Resolution No. 2025-2, Establishing Criteria for Adding and Removing Defense Counsel to the Panel of Approved Attorney Firms, reflecting the proposed modification of criteria.

REFERENCE MATERIALS ATTACHED:

- Draft Resolution No. 2025-2, Establishing Criteria for Adding and Removing Defense Counsel to the Panel of Approved Attorney Firms, in redline/strikeout.
- Historical, Current, and Proposed Panel Attorney Grid (Distributed under separate cover)

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EMPLOYMENT RISK MANAGEMENT AUTHORITY
ESTABLISHING ATTORNEY PANEL RATES AND ESTABLISHING CRITERIA FOR
ADDING AND REMOVING DEFENSE COUNSEL
TO THE PANEL OF APPROVED ATTORNEY FIRMS**

WHEREAS, the Employment Risk Management Authority, hereinafter ERMA, is a Joint Powers Authority organized and existing in accordance with the laws of the State of California, and

WHEREAS, one of the functions of ERMA is to operate a “Pooled Wrongful Employment Practices” “risk sharing” coverage program, and

WHEREAS, it is in the best interest of all members to ensure the professional, competent, and cost effective handling of defense litigation of cases that come within the parameters of this program, and

WHEREAS, the ERMA program is now entering its twenty-sixth year of existence and the Board of Directors previously established a panel of approved attorney firms to handle the employment practices litigation of ERMA and its members, and

WHEREAS, the previously established panel now consists of the two pre-approved attorney firms and ten (10) other approved attorney firms across the State of California, some of which have never handles cases for ERMA and others of which have handled cases for ERMA with varying degrees of success, and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

The ERMA Board continues to pre-approve to handle ERMA litigation. ERMA members are encouraged to utilize as defense counsel the two law firms that are under contract to ERMA to provide training and hotline services under the “Pooled Wrongful Employment Practices” program. Those firms are:

Jackson Lewis, P.C.; and
Liebert Cassidy Whitmore.

A. Criteria to be Included on the Panel of Approved Attorney Firms

Attorney firms requesting to be included on the panel of approved attorney firms must meet and agree to the following provisions before the Board of Directors will consider their inclusion on the panel:

1. The firm must have at least five years of civil litigation practice which includes substantial and significant defense experience in the area of public sector employment practices liability in California. A substantial and significant percentage of the firm’s practice must consist of legal work relating to public sector employment practices liability;
2. The firm must agree to assign ERMA cases to attorneys within their firm with no less than 5 years civil litigation practice which includes substantial and significant defense experience in the area of public sector employment practices liability.

3. The firm shall provide a resume setting forth the experience of the individual attorneys that would handle ERMA cases and their areas of expertise;
4. The firm must agree that the hourly rate charged shall not exceed the currently approved rates for partners and associates as listed in Exhibit A, unless the member entity agrees to pay any difference between the maximum allowed rate and the actual rate charges. ERMA must be notified in writing if the member entity agrees to exceed the maximum allowed rate. The currently approved rates will be contained in each firm's annual contract for legal services with ERMA;
5. The firm must agree to abide by the policies and procedures established by ERMA for the handling of litigation;
6. The firm must complete the "survey of insurance" attached and incorporated herein as though fully set forth, listing applicable information with regard to general liability, automobile liability, workers' compensation, and errors and omissions liability insurance. The firm must carry errors and omissions liability insurance appropriate to the legal profession, and in an amount not less than \$1,000,000 per occurrence; and
7. The firm must not represent employees as plaintiffs in employment practices liability matters against public entities in the State of California.

Nothing in this resolution shall be construed to limit the right of a member entity to retain its own defense counsel to represent the member entity in any litigation. If, however, a member entity retains its own counsel who is not one of the defense panel firms, the member entity shall be solely responsible for that counsel's attorney's fees and costs, and the member entity shall be deemed to have waived any rights to defense and indemnity coverage from ERMA for that particular litigation.

B. Selection of Defense Counsel

Once the approved panel of attorney firms has been reconstituted, an attorney firm on the panel may be assigned cases from any ERMA member. Assignment to defense counsel for each case belonging to a member entity for wrongful employment practices shall be made from the defense panel by the Litigation Manager after consultation with the entity. Authority to assign a defense firm is at the sole discretion of the Litigation Manager.

Regardless of the defense counsel selected, the member entity shall bear the financial responsibility of the defense expenses, including fees, until such time as its retained limit is exhausted.

Counsel selected must be qualified to handle the type of litigation required; i.e., employment or labor law, appellate work, etc. In addition, the defense counsel selected must agree to abide by the policies and procedures established in this resolution and in Resolution 2020-3 – Establishing a Litigation Management Program, or its successor.

C. Evaluation of Attorney Firms

The performance of defense panel firms will be evaluated annually by the Board of Directors. The performance of the particular attorneys from each firm who worked on ERMA cases will also be

reviewed annually. The Board of Directors reserves the right to remove any firm or any attorney from the panel.

D. In-House Counsel

A member entity has the right to utilize its own in-house counsel (i.e. an employee of the member and not a non-employee or contracted city attorney) to represent the member entity in any litigation. However, no in-house counsel's fees or costs shall be applied towards the satisfaction of the member entity's retained limit.

Furthermore, ERMA retains the right to associate in as counsel any of the defense panel firms in any litigation in which the member entity utilizes its own in-house counsel to represent the member entity at the member entity's expense. The associated defense counsel's fees and costs will apply to the member entity's retained limit.

This resolution supersedes and replaces Resolution 2022-2 which replaced Resolution 5-2016 which replaced Resolution 4-2004 which replaced Resolution 2-2003 which replaced Resolution 3-2000 which replaced Resolution 3-1999, Establishing Criteria for Adding Defense Counsel to the Panel of Approved Attorney Firms for ERMA. This resolution was adopted by the Board of Directors at a regular meeting of the Board held on March 10, 2026, by the following vote:

AYES _____
 NOES _____
 ABSTAIN _____
 ABSENT _____

 PRESIDENT

ATTEST:

 BOARD SECRETARY

ERMA DEFENSE PANEL SURVEY OF INSURANCE

Please complete and return this form at your earliest convenience.

Firm Name _____ **Completed By** _____

1. **Errors and Omissions Liability** Yes ___ No ___ Amount _____

Deductible or S.I.R. _____ Claims made/occurrence basis _____

Carrier or Provider _____

Aggregate (if applicable) _____

2. **General Liability** Yes ___ No ___ Amount _____

Deductible or S.I.R. _____ Claims made/occurrence basis _____

Carrier or Provider _____

Aggregate (if applicable) _____

Would you be willing to extend coverage to the pool? Yes ___ No ___

By way of _____ certificate _____ endorsement

3. **Workers' Compensation** Yes ___ No ___ Amount _____

Carrier or Provider _____

4. **Automobile Liability** Yes ___ No ___ Amount _____

Deductible or S.I.R. _____ Claims made/occurrence basis _____

Carrier or Provider _____

Aggregate (if applicable) _____

Would you be willing to extend coverage to the pool? Yes ___ No ___

By way of _____ certificate _____ endorsement

EXHIBIT A

BILLING RATES OF PRE-APPROVED DEFENSE PANEL
EFFECTIVE JULY 1, 2026

NOT TO EXCEED

	2026/27	2027/28	2028/29
Partner	\$450	\$465	\$480
Of Counsel	\$400	\$420	\$430
Associate	\$360	\$370	\$380
Paralegal	\$165	\$175	\$185

Agenda Item 7. A.

FINANCIAL MATTERS

**SUBJECT: Consideration of Resolution 2025 – 3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive
Presented by Rob Kramer, Executive Director**

RECOMMENDATION: *Staff recommends the Committee adopt Resolution 2025 – 3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive.*

BACKGROUND AND STATUS:

Included in the agenda packet is a draft resolution to establish bank and investment custody accounts and authorized signatures for ERMA Captive. The resolution suggests the following authorities sign for ERMA Captive:

- I. General Account (requires one signature):
 - a. President of ERMA Captive
 - b. Vice President of ERMA Captive
 - c. Treasurer of ERMA Captive
 - d. Executive Director of ERMA Captive
- II. Administration Account & Claims Account (requires one signature):
 - a. Executive Director of ERMA Captive
 - b. Finance Manager of ERMA Captive

Staff requests that the Executive Committee review the resolution to establish bank and investment custody accounts and authorized signatures for ERMA Captive. Additionally, Staff would like the Executive Committee to vote on the resolution.

REFERENCE MATERIALS ATTACHED:

- Draft Resolution 2025-3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive

RESOLUTION NO. 2025-3**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EMPLOYMENT RISK MANAGEMENT AUTHORITY CAPTIVE (ERMA
Captive) ESTABLISHING ALL BANK ACCOUNTS AND AUTHORIZED
SIGNATURES**

WHEREAS, the Employment Risk Management Authority Captive must maintain various Bank accounts in order to operate and manage the fiscal affairs of ERMA Captive;

WHEREAS, to protect and control the cash assets and fiscal integrity of the various Bank accounts, signatory authority should be specifically granted to particular officers;

WHEREAS, it is an inefficient process to issue checks of small amounts to pay bills occurring with some frequency;

NOW, THEREFORE, BE IT RESOLVED:

The Board of Directors of ERMA Captive has determined that it is in the best interests of ERMA Captive to establish bank accounts for the deposit and disbursement of funds and that all positions listed on this Resolution are authorized to enter into all agreements set forth in the California Bank & Trust Business Account Disclosure, or any other bank as authorized by the Board of Directors, to sign/pay checks, make withdrawals and originate wire transfers or ACH EFT transfers against each account listed below:

General Account (requires one signature):

1. President of ERMA Captive
2. Vice President of ERMA Captive
3. Treasurer of ERMA Captive
4. Executive Director of ERMA Captive

Administration Account - maximum limit of \$20,000 (requires one signature):

1. Executive Director of ERMA Captive
2. Finance Manager of ERMA Captive

Claims Payment Account - (requires one signature):

1. Executive Director of ERMA Captive
2. Finance Manager of ERMA Captive

The Executive Director may sign checks drawn on the General and Claims Payment Accounts upon prior approval of the disbursements from an individual holding one of the other authorized positions listed in this resolution. All disbursements shall be made in accordance with internal accounting controls established by the Administrator.

The ERMA Captive Board of Directors authorizes the Executive Director to obtain a Business Credit Card with a credit line of up to \$20,000 and open the Administration Account with a maximum limit of \$20,000;

The Treasurer acting alone is hereby authorized, in connection with wire transfers out of our accounts at California Bank & Trust (or other bank, as authorized by the Board of Directors), to designate persons who may request wire or ACH EFT transfers and to execute and deliver such agreements, documents and other instruments, and to perform such other acts, relating to wire or ACH EFT transfers as the Treasurer shall approve. However, the Secretary can only designate individuals listed above.

Online Banking and Electronic Funds Transfers

The Executive Director and the Finance Manager are authorized to act as Security Administrators with respect to online banking with California Bank & Trust (or other bank, as authorized by the Board of Directors), and establish additional users of online banking and the entitlements necessary to conduct effective treasury management duties on behalf of ERMA Captive.

The Executive Director may execute electronic funds transfers (EFT) out of the ERMA Captive bank accounts at California Bank & Trust (or other bank, as authorized by the Board of Directors), upon prior approval of the disbursements from an individual holding one of the other authorized positions listed in this resolution.

This Resolution was adopted by the Board of Directors at a regular meeting of the Board held on February 20, 2026, by the following vote:

AYES	_____
NOES	_____
ABSTAIN	_____
ABSENT	_____

PRESIDENT, BOARD OF DIRECTORS

ATTEST:

SECRETARY, BOARD OF DIRECTORS

Agenda Item 7. B.

FINANCIAL MATTERS

SUBJECT: Review and Consideration of the Draft Proposed Captive Investment Policy and Asset Allocation
Presented by Mallory Sampson, PFMAM

RECOMMENDATION: *Staff recommends the Committee provide direction regarding the draft Investment Policy and Asset Allocation.*

BACKGROUND AND STATUS:

Included in the agenda packet is the draft Investment Policy for the proposed captive. The policy has been reviewed by ERMA staff and Michael Kronbetter, Relationship Manager, PFM Asset Management LLC (PFMAM).

Mallory Sampson, of PFMAM, will review the proposed draft with the Executive Committee.

REFERENCE MATERIALS ATTACHED:

- Draft Proposed Captive Investment Policy and Asset Allocation

INVESTMENT POLICY STATEMENT

FOR

EMPLOYMENT RISK MANAGEMENT

AUTHORITY CAPTIVE

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The Employment Risk Management Authority Captive (“ERMA Captive”) has established a captive fund (the “Fund”). This Fund is intended to create greater independence for excess and reinsurance coverage placement and provide greater efficiencies for managing and financing risk. The Employment Risk Management Authority Captive Board (the “Board”) of the Fund hereby adopts this Investment Policy Statement (“Policy Statement”) for the following purposes.

Purpose

The main investment objective of the Fund is to achieve long-term growth of Fund assets by maximizing long-term rate of return on investments and minimizing risk of loss.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations, and investment guidelines for Fund assets.
2. Establish an appropriate investment strategy for managing all Fund assets, including an investment time horizon, risk tolerance ranges, and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Fund.
3. Establish investment guidelines to control overall risk and liquidity.
4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.
5. Comply with fiduciary, prudence, due diligence, and legal requirements for Fund assets.

Investment Authority

ERMA Captive’s Board is tasked to oversee certain policies and procedures related to the operation and administration of the Fund. The Board will have authority to implement the investment policy and guidelines in the best interest of the Fund to best satisfy the purposes of the Fund. In implementing this Policy Statement, the Board believes it may delegate certain functions to:

1. An investment advisor (“Advisor”) to assist the Board in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Board in establishing investment policy objectives and guidelines. The Advisor will adjust asset allocation for the Fund subject to the guidelines and limitations set forth in this Policy Statement. The Advisor will also select investment managers (“Managers”) and strategies consistent with its role as a fiduciary for the Fund. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships, and other investment vehicles deemed to be appropriate by the Advisor. The Advisor is also responsible for monitoring and reviewing investment managers, measuring and evaluating performance, and other tasks as deemed appropriate in its role as Advisor for Fund assets. The Advisor may also select investments with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will

be used to meet the Fund's investment objectives. The Advisor shall never take possession of securities, cash, or other assets of the Fund, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Fund to maintain possession of physical securities and records of street name securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund. The custodian may be affiliated with the Advisor so long as there is an appropriate segregation of duties and data.
3. Specialists such as attorneys, auditors, actuaries, and consultants to assist the Board in meeting its responsibilities and obligations to administer Fund assets prudently.

Statement of Investment Objectives

The investment objectives of the Fund are as follows:

1. To invest assets of the Fund in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Fund beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of long-term liabilities and reasonable expenses of operation of the Fund.
3. To enhance the value of Fund assets in real terms over the long term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long term, to minimize principal fluctuations over the Time Horizon (as defined below).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Equity Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Equity Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, and publicly traded investments, focused on equity risk mitigation or equity-like returns.

"Fixed Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Fixed Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities or funds that are rate investment grade and below investment grade, along with inflation protected securities, guaranteed investment contracts and certain other investments focused on interest rate risk mitigation or income-like returns.

"Listed Real Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are derived from real assets that include but are not limited to listed real estate, listed infrastructure, commodities and natural resources.

"Alternative Assets" - a collection of liquid alternatives and private investments in asset classes whose primary risk and return characteristics are either capital appreciation, income generation, and/or real returns after inflation. Investments within the Alternative Assets category can include private equity, private debt, private real assets and other non-traditional assets/strategies that are expected to provide diversification benefits relative to traditional asset classes.

Time Horizon

The Fund's investment objectives are based on a long-term investment horizon ("Time Horizon") of ten years or longer. Interim fluctuations should be viewed with appropriate perspective. The Board has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Fund may hold some cash, cash equivalent, and/or money market funds for near-term Fund liabilities and expenses (the "Fund Distributions"). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification

with regard to the concentration of holdings in individual issues, issuers, countries, governments, or industries.

Asset Allocation

The Board believes that to achieve the greatest likelihood of meeting the Fund's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Fund's target rate of return over the long-term, as described in the section titled "Performance Expectations".

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Equity Assets		
Domestic Equity	19% - 59%	39%
International Equity	1% - 41%	21%
Other	0% - 10%	0%
Fixed Income Assets		
Investment Grade	17% - 57%	37%
Below Investment Grade	0% - 23%	3%
Other	0% - 20%	0%
Listed Real Assets		
Listed REITs	0% - 23%	3%
Listed Infrastructure	0% - 23%	3%
Other	0% - 10%	0%
Alternative Assets		
Private Equity	0% - 10%	0%
Private Debt	0% - 10%	0%
Private Real Assets	0% - 10%	0%
Other	0% - 10%	0%
Cash Equivalents	0% - 20%	0%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will

rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Fund will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, ten years or longer, the performance objective for the Fund will be to achieve an average total annual rate of return that is equal to or greater than the Fund's target investment rate of return. Additionally, it is expected that the annual rate of return on Fund assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Fund investments and blended benchmark comparisons for the Fund in its entirety.

Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Fund. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS[®]), Securities & Exchange Commission (“SEC”), Financial Industry Regulatory Agency (“FINRA”) or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal (“RFP”) completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Fund assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers’ Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (“NRSRO”).

LISTED REAL ASSETS

Listed Real Assets may consist of but are not limited to publicly traded real estate (REIT), publicly traded global infrastructure and infrastructure related companies, listed commodities and listed natural resources.

ALTERNATIVES

Alternatives may consist of non-traditional asset classes such as hedge funds, private equity, private debt and real assets, when deemed appropriate.

Private Equity: Private equity is less liquid than publicly traded equity securities and can provide returns that are greater than what is available in publicly traded markets. The private equity portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including,

but not limited to, venture capital, buyout, turnaround, mezzanine, distressed security, and special situation funds. The private equity portfolio is recognized to be long-term in nature and highly illiquid. Due to their higher risk, private equity investments are expected to provide higher returns than publicly traded equity securities.

Private Debt: Private debt is less liquid than publicly traded debt and can provide returns that are greater than what is available in publicly traded markets. The private debt portfolio may include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, direct lending, distressed debt, multi-asset credit, structured credit, mezzanine debt, real estate debt, and special situations. Due to their higher risk, private debt investments are expected to provide higher long-term returns than publicly traded debt securities.

Private Real Assets: Private Real assets are less liquid than publicly traded real assets and can provide returns that are greater than what is available in publicly traded markets. The private real assets portfolio may include investments in physical assets that have intrinsic worth due to their substance and properties. Private Real assets are primarily used for their lower correlation to traditional assets (i.e. stocks and bonds) and their inflation hedging properties. Categories of private real asset investments include, but are not limited to, real estate, infrastructure, land, farmland, timberland, precious metals, and commodities. The benefit of lower correlation investments is that, when implemented correctly, these investments can potentially improve a portfolio's expected risk-adjusted return over the long-term. The private real assets category can be extended to include other forms of assets that offer similar inflation hedging properties such as pooled vehicles holding, commodities contracts, index-linked derivative contracts, and certain forms of intellectual property.

Hedge Funds/Diversifying (collectively, "Hedge Funds"): Hedge Funds are typically less liquid than publicly traded funds and are expected to provide volatility and/or other risk dampening effects on the portfolio. Examples of risks that may be hedged include but are not limited to volatility risk, interest rate risk, and market tail risk. Hedge Funds may include investments in a wide variety of commingled/partnership and direct investment including but not limited to liquid alternative funds, exchange traded funds ("ETF"), equity securities, debt securities, and/or derivative contracts of various types. Hedge Funds may not produce returns more than publicly traded equity securities or debt securities, but are expected to reduce overall portfolio risk.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Fund assets. One example of a hedge vehicle is an exchange traded fund (“ETF”) which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Fund shall be held by a custodian approved by the Board for safekeeping of Fund assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Fund Agreement. Investments of the Fund not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Board the appropriateness of this Policy Statement for achieving the Fund’s stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Board to review the investment performance of the Fund. In addition, the Advisor will be responsible for keeping the Board advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Fund.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in equity, fixed income, and alternatives markets. Examples of benchmarks and indexes that may be used include, but are not limited to, the Russell 3000 Index for broad U.S. equity strategies, Russell 1000 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Bloomberg U.S. Aggregate Bond Index for investment grade fixed income, ICE BofA U.S. High Yield Index for below investment grade fixed income and the ICE BofA 3-Month U.S. T-Bill for cash equivalents. Any

additional asset classes and strategies will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used

Voting of Proxies

The Board recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Board. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the ERMA Captive Board of Directors:

President

Date

Agenda Item 7. C.

FINANCIAL MATTERS

SUBJECT: Review and Consideration of Proposed Captive Annual Operating Budget for Fiscal Year 2026/27.

Presented by Sarah Thurston, Finance Manager

RECOMMENDATION: *Staff recommends the Committee provide direction regarding the Proposed Captive Annual Operating Budget for Fiscal Year 2026/27.*

BACKGROUND AND STATUS:

The proposed budget reflects the estimated expenses for the 2026/27 program year. The proposed budget includes anticipated annual costs plus initial fees based on information collected from recommended partners and the State of Utah's website, *Captive Basics*.

Sarah Thurston, Finance Manager, will review the proposed 2026/2027 budget with the Executive Committee.

REFERENCE MATERIALS ATTACHED:

- Proposed Captive Annual Operating Budget for Fiscal Year 2026/27.

ERMA Captive
Proposed Operating Budget
2026/27 Fiscal Year

75% Confidence Level ~ 2.0% Discount Factor

	2026/27 Proposed Budget
Administrative Expenses:	
Captive Management	45,000
Actuarial Study	5,000
Legal Services	10,000
Financial Audit	8,000
Board Meetings	20,000
License Fees	7,500
Regulatory Fees	7,700
Insurance Coverage	8,000
Investment Management	84,000
Other Expenses	12,800
Total Administrative Expenses	208,000

Agenda Items 7. D.

FINANCIAL MATTERS

SUBJECT: Review and Consideration of Appeal Regarding Increased Retention for Contra Costa MVCD (VCJPA) Effective July 1, 2026
Presented by Yahaira Velasquez

RECOMMENDATION: *Staff recommends the Committee approve the appeal from the Contra Costa MVCD to remain at the \$25K Self-insured Retention until the next time the ERMA SIR study is performed.*

BACKGROUND AND STATUS:

Two years ago, the ERMA Board of Directors commissioned a “Member Retained Limits” (MRL) study by the actuary. The purpose was to determine if there were any underlying members that were not properly aligned with an appropriate Self-Insured Retention (SIR) in ERMA.

The study reviewed all members utilizing three different methods (Size, Burn and Member Equity). These various methods or approaches utilized:

- Size - member payroll, the number of reported claims, and capped losses
- Burn – pool claims and pool losses
- Member Equity – average number of non-zero claims above a member’s SIR

Any member(s) that exceeded ALL THREE approach thresholds, were directed by the Executive Committee to have their SIR increased one level on July 1, 2026. This decision was made more than one full year prior to that change date in order to allow enough time for underlying members to plan for the change. It turns out all underlying members that were asked to make a change (10 of them) were all asked to move from the \$25K SIR to the \$50K SIR.

The Contra Costa Mosquito and Vector Control District is a member of ERMA through the Vector Control Joint Powers Agency (VCJPA). The District is seeking to have the EC reverse its decision with respect to the change to their SIR.

Staff will be review the appeal letter from VCJPA with the Executive Committee and answer questions.

REFERENCE MATERIALS ATTACHED:

- Appeal letter from VCJPA

January 28, 2026

ERMA Executive Committee
Attn: Rob Kramer, ERMA Executive Director
1750 Creekside Oaks Drive, Ste. 200
Sacramento, CA 95833

Subject: Appeal Regarding Increased Retention for Contra Costa MVCD (VCJPA) Effective
July 1, 2026

Dear ERMA Executive Committee:

We respectfully request reconsideration of the decision mandating an increase in retention for Vector Control Joint Powers Agency (VCJPA) member Contra Costa Mosquito and Vector Control District (MVCD), from \$25,000 to \$50,000, effective July 1, 2026.

VCJPA's Pooled General Liability Program, which provides employment practices liability (EPL) coverage, is designed around a uniform \$25,000 retention for all VCJPA pool members. Introducing a higher retention for one member creates administrative complexity, requiring separate tracking and custom system configurations for billing, claims, and financing. This exception would significantly increase operational burden for both VCJPA and ERMA.

Currently, VCJPA provides first-dollar coverage and retrospectively bills members, four years later, within their \$25,000 retention. If Contra Costa MVCD's retention increases to \$50,000, VCJPA would still cover only the first \$25,000, leaving an unfunded \$25,000 gap before ERMA coverage attaches. This gap not only complicates cost allocation but also undermines the pooling benefits intended for members.

VCJPA will be evaluating increasing all its ERMA participating districts to a \$50,000 retention this year. Additionally, the pool will be developing a plan for handling potentially different retentions within VCJPA in the event Contra Costa MVCD or any other member district is required to increase its retention in the future.

We respectfully request the ERMA Executive Committee reconsider the decision to increase Contra Costa MVCD's retention to \$50,000 and allow them to remain at their current \$25,000 retention, effective July 1, 2026.

Thank you for your time and consideration of this appeal.

Sincerely,



Yahaira Velasquez
VCJPA Administrator

Agenda Items 7. E.

FINANCIAL MATTERS

**SUBJECT: Review and Consideration of a Request from The City of Mountain House (MPA)
Regarding a Decrease of its Self-Insured Retention from \$50K to \$25K
*Presented by Rob Kramer, Executive Director***

RECOMMENDATION: *Staff will provide a recommendation at the meeting.*

BACKGROUND AND STATUS:

The City of Mountain House is a relatively new member to the ERMA program. The City joined ERMA through the Municipal Pooling Authority (MPA) on July 1, 2024.

The City was reviewed by the Underwriting Committee and approved by the ERMA Board of Directors to join the program at a \$50K SIR. Historically, this has been the lowest SIR that new members have been allowed to take when joining the program for some time now.

The City of Mountain House currently has one (1) reported claim with a small reserve.

The City is requesting consideration by the Executive Committee to move down to the \$25K SIR effective on July 1, 2026.

REFERENCE MATERIALS ATTACHED:

- ERMA Indication for the City of Mountain House

Name of Entity	City of Mountain House
2024/25 Actual Calendar Year Payroll*	\$4,217,729
Coverage Period**	July 1, 2025 to June 30, 2026

CALCULATION

Self-Insured Retention Option		\$25,000	\$50,000	\$75,000	\$100,000
Funding Rate		0.637	0.569	0.518	0.475
Funding for Losses		\$26,879	\$23,999	\$21,839	\$20,039
Loss Prevention & Training	0.0108	455	455	455	455
Administration	0.0623	2,629	2,629	2,629	2,629
Deposit Contribution		\$29,963	\$27,083	\$24,923	\$23,124
JPA Participation Credit	9.21%	(2,758)	(2,493)	(2,294)	(2,129)
Net Contribution		\$27,205	\$24,590	\$22,629	\$20,995
Individual Experience Mod Factor ⁽¹⁾		1.000	1.000	1.000	1.000
Individual Off-Balance Factor ⁽²⁾		0.994	0.994	0.994	0.994
Contribution Adj. for Off-Bal. Factor		\$27,052	\$24,452	\$22,502	\$20,877
Excess Insurance \$3M x \$1M ⁽³⁾	0.0575	\$2,425	\$2,425	\$2,425	\$2,425
ERMA CONTRIBUTION ⁽⁴⁾		\$29,477	\$26,877	\$24,927	\$23,302

Notes:

(1) New members are assigned an experience modification factor of 1.000 their first year in ERMA.

(2) Off-Balance Factor: To ensure that ERMA collects the required total contribution from a member, which is determined by ERMA's consulting actuary, an off-balance factor is applied to the net contribution after the experience modification factor is applied to the net contribution. All underlying members within the same primary JPA receive the

(3) MPA required members to purchase Excess Insurance of \$3M x \$1M

(4) Contribution calculated using rates per the 2025/26 Final Budget.

* ERMA used 2024/25 payroll as reported by member. The fiscal date range is 7/1/2024-6/30/2025.

** The annual contribution shown will be prorated for a partial year based on the date of inception.