

BOARD OF DIRECTORS MEETING

January 31, 2019 at 10:00 AM.

MPA Office, 1911 San Miguel Drive, Suite 100, Walnut Creek

MINUTES

Attendees:

Tracy Robinson, *City of Lafayette, President, Executive Committee*
Gary Napper, *City of Clayton, Vice-President, Executive Committee*
Brad Farmer, *City of Pittsburg, Member-at-Large, Executive Committee*
Reina Schwartz, *City of San Pablo, Treasurer, Member-at-Large, Executive Committee*
Nickie Mastay, *City of Antioch*
Sukari Beshears, *City of Brentwood*
Rob Ewing, *Town of Danville*
Kristen Cunningham, *City of El Cerrito*
LeeAnn McPhillips, *City of Gilroy*
David Biggs, *City of Hercules*
David Glasser, *City of Martinez*
Norman Veloso, *City of Moraga*
Michelle Fitzer, *City of Pinole*
Ericka Mitchell, *City of Pleasant Hill*
Megan Stephenson, *City of Walnut Creek*
Linda Cox, *MPA Chief Administrative Officer**
Frank Williamson, *MPA Finance Manager**
Erwin Chang, *MPA General Liability Claims Manager**
Barbara Esquivel, *MPA Workers' Compensation Claims Manager**
Victoria Thomas, *MPA Administrative Services Supervisor/Board Clerk **
Jasmin Intravaia, *MPA Administrative Assistant**
Lesley Murphy, *PFM Asset Management**
Allison Kaune, *PFM Asset Management**

*(*Non-voting attendee)*

All members present will be recorded in the minutes.

I. President, Tracy Robinson called the meeting to order at 10:02am.

II. INTRODUCTIONS

Introductions were conducted.

III. APPROVAL OF THE AGENDA AS POSTED

Motion made by Gary Napper to approve the Agenda as posted. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (18-0).

IV. TIME RESERVED FOR MEMBERS OF THE PUBLIC

No members of the public were present at this meeting.

V. APPROVAL OF THE CONSENT CALENDAR

Rankin pulled Item E (Proposed CalPERS 457 Plan Implementation page 12 of the agenda) from the Consent Calendar for clarification.

Motion made by Paul Rankin to approve the Consent Calendar as posted, minus Item E. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (18-0).

Item E – Rankin said he is not fundamentally against the addition, but expressed concern with the Authority providing more than one investment option to Staff. Cox explained that offering the CalPERS 457 Plan, in addition to what is currently in place, will provide employees with more investment options. Williamson reported that any administrative fees associated with an employee’s investment will be paid by the employee. There is no employer match.

Robinson asked what the advantage is with offering an additional investment plan. Williamson said the advantage was to have two plans with different investment options. Adding that the CalPERS 457 Plan offers on-line access to the account providing a convenience factor for the employee.

McPhillips asked if Staff researched any other options. Cox replied no, as Staff is already using ICMA for investing and CalPERS is comparable to ICMA.

Second motion made by Brad Farmer to approve Item E on the Consent Calendar. Seconded by Michelle Fitzer. Approved by a vote of 16 members present. The City of Orinda and the City of Hercules opposed.

VI. ACTION ITEMS

1. Executive Committee Position Elections

MPA Policy No 2000-01, Section III.B. states that an election should be held during the first meeting of the calendar year.

The two incumbents with terms expiring are Reina Schwartz, City of San Pablo and Mike Chandler, City of Martinez. Both Schwartz and Chandler expressed an interest to continue in their positions.

Robinson called for nominations from the floor. Rankin nominated both Schwartz and Chandler for another term. McPhillips seconded the nominations.

As per the Brown Act, roll call along with each Members’ vote was taken. Board Clerk Thomas called for each Members’ vote for Reina Schwartz’s Member-at-Large position and then for Mike Chandler’s Member-at-Large position.

After roll call was completed for both positions, it was a unanimous vote of all members present that Schwartz and Chandler continue to hold the positions of Member-at-Large on the Executive Committee. These positions are held for two years. An election for these two positions will be held during the first meeting of the calendar year in 2021.

2. Investment Policy

Lesley Murphy and Allison Kaune of PFM Asset Management were in attendance to discuss the proposed changes to the Investment Policy.

Murphy explained that there were minor proposed changes to the language in the Investment Policy; primarily to clean up the code regarding maturity dates and rating requirements. The changes recommended allow MPA's Investment Policy to match current code language.

Motion made by Reina Schwartz to approve the proposed changes to the Investment Policy. Seconded by Rob Ewing. Approved by unanimous vote of all members present and represented herein. (18-0).

3. Proposed Changes to MPA's Governing Documents

Cox explained that Staff is proposing changes to two different documents: MPA's Bylaws and the JPA Agreement. The proposed changes are a result of changes made to the General Liability (GL) Memorandum on Coverage (MOC) at the 2017 Coverage & Governance Committee meeting. The proposed changes are on voting requirements with specific items. Making it now necessary to bring the Bylaws and JPA Agreement language in line with the GL MOC.

Cox reminded the Board that they hold the authority to approve and adopt the Bylaws. Adding that the JPA Agreement proposed changes can be approved by the Board, then each Member will need to go back to their counsel for their approval, and then bring back to the Board again to approve and adopt. Cox will send Members a summarized staff report of the changes to the JPA Agreement along with a sample resolution that counsel will provide MPA.

Cox read off the proposed changes to the Bylaws and asked if there were any questions. Fitzer said that her counsel questioned what two-thirds vote meant on #14 on page 184 of the agenda. 'Cancel or refuse to provide coverage to a Member... by two-thirds vote.' Fitzer asked for clarification. Cox explained that the language mirrors the language in the GL MOC, which has the most independent control of the Board; whereas other programs like the Workers' Compensation (WC) Program is regulated by government codes.

After a lengthy discussion on the language 'two-thirds vote', 'by the majority of the Board', and 'two-thirds vote of the full Board'. McPhillips agreed with the Board's discussion that the language is confusing and suggested the language be separated by situation. With that suggestion, Fitzer proposed a change in the language to #14 "Cancel or refuse to provide coverage to a Member as defined in the applicable MOC. If there is no specificity in the applicable Memorandum of Coverage then it requires a two-thirds vote of the full Board". Rankin suggested that it could be defined more by adding action by a quorum of the Board versus full Board as the majority of the Board would be the majority of the quorum.

Napper proposed that Staff bring suggested language change back to counsel for review prior to Board approving it.

Cox said that once counsel revises the language the topic will be brought to the Coverage & Governance Committee meeting for further review and discussion.

McPhillips requested Staff provide Members more time to review such documents prior to a Board meeting wherein a vote is required. Cox said that Members have time to review the documents with their counsel and then provide MPA with any proposed changes. She added that the most important thing is consistency between the three documents: Bylaws, JPA Agreement, and GL MOC.

Motion made by Reina Schwartz for Staff to give documents to counsel with suggested edits. Staff will send revised documents to Members so they can review with their counsels. Members then give back to Staff. Seconded by Michelle Fitzer. Approved by unanimous vote of all members present and represented herein. (18-0).

Staff proposed language cleanup in the JPA Agreement to include: referencing additional government codes and Effect of Withdrawal or Expulsion Section 23, page 203.

No motion was made. Direction was given to Staff.

4. Municipal Pooling Authority CalPERS Retirement Discussion

CalPERS conducted an audit with the City of Pleasant Hill in 2009. During the audit CalPERS realized that MPA employees should not have been included in the City of Pleasant Hill's retirement plan. Once it was discovered, MPA paid the City of Pleasant Hill for payroll services, full fare for retirement benefits, employee benefits and administrative service fees. In June 2010, CalPERS assisted MPA with the separation from the City of Pleasant Hill and the start of their own retirement plan. Cox reported that even though CalPERS discovered the error and assisted MPA with the separation, there was still confusion by the actuaries at CalPERS as they continued to connect MPA employees with the City of Pleasant Hill. Additionally, the agreement between the City of Pleasant Hill, MPA, and CalPERS stated that prior service would stay with the City of Pleasant Hill and new service would go with MPA, and that as of 2010, MPA's new retirement plan was set up with zero prior service.

MPA has experienced several retirements in the last few years, causing CalPERS to review MPA's file. In October 2017, Staff was contacted by a CalPERS pension contract manager informing Staff that the retirement plan that was set up in 2010 was set up incorrectly and stated it needed to be corrected. Staff asked the CalPERS manager for an actuarial valuation showing the impact of this error. It took CalPERS one year to provide the actuarial valuation report to MPA. Cox said that she informed the Board President and Vice-President of the situation last year as soon as it was discovered, but did not want to bring it to the full Board until she had concrete information to provide along with options for correction.

Staff sought legal advice from Best, Best & Krieger (BB&K). The counsel said that even though CalPERS made the mistake, MPA will be required to reimburse CalPERS for said error.

Rankin asked if MPA's retirees received the correct service credit with CalPERS. Cox said that they have received full service credit and have not been impacted by this at all. CalPERS actuarial valuation considered the assets and liabilities for MPA's current and

prior employees. Staff was hopeful that the assets would be more than the liabilities, but it was discovered that it was not.

Cox explained the reason for the two components of the recommendation: the Board adopt the proposed resolution as Staff needs to move forward, and direction from the Board on how they want to pay down the unfunded liability. Staff provided options with paying down the unfunded liability.

Schwartz asked if there was a place in the budget that shows how much more the annual payment would be for paying down the unfunded liability. Williamson replied that it is not yet in the budget and the cost would be approximately \$120,000 more a year that would need to be paid.

Schwartz expressed concern about paying CalPERS a large sum of money to begin paying down the unfunded liability as it may not benefit the entity as much as it would be anticipated. There was a lengthy discussion on the option to set up a 115 Trust, put money in to a account that is earmarked for paying off the CalPERS annual difference. It will offset the liability, but allow for more control.

Staff was directed to do research on setting up a 115 Trust, determine how much money should be placed in the trust for partial pay downs, provide Members with a five year cost analysis and how it will affect premiums, and have CalPERS provide the impact for a partial pay down and the redistribution of the unfunded liability be based on the pay down.

Farmer questioned why CalPERS is placing MPA in a 20 year amortization rather than a 30 year. Williamson replied that CalPERS said their policy is that all new unfunded liability is placed in a 20 year amortization. Cox said that CalPERS is considering MPA as new. The Board asked Staff to contact the attorney at BB&K to see if CalPERS can make this choice for entities. A response does not have to be made until July 1, 2019, with that, Biggs asked if this can be brought back to the April/May Board meetings so further discussion can be had once Staff has done their research.

No motion was made. Direction was given to Staff.

5. Mid-Year Budget Review

Williamson reported on the mid-year budget review. Williamson began saying that MPA is on budget.

- The programs' gross premiums are projected to be approximately \$47,000 under budget due to the STD/LTD program as rates have decreased.
- Net claims is coming in less due to more subrogations being received in the General Liability Department than in the past.
- Expenses are approximately \$44,000 higher.
- Revenues increased due to: the confidence level increase, Members' payroll increase, and trying to increase the equity to meet all the target equity ratios.
- Some vendors increased their premiums; e.g., Alliant increased their Property Program by approximately \$400,000 last year.
- Expenses - MPA does an actuarial report every year for the Workers' Compensation and General Liability Programs. The claim reserves decreased from last year, providing a savings.

- STD/LTD was budgeted off of last year's budget, premiums coming in are less than projected. Staff is going to review this when preparing the budget to ensure the projected budget is more accurate.
- The Vehicle Damage Program is projected at \$50,000 over budget due to the high increase in accidents.
- The General & Administrative Program is approximately \$73,000 over budget due to small equipment placed in this program as well as an unanticipated legal settlement with a former MPA employee of \$65,000 in November.
- Department Personnel came in under budget as the employee hired for the newly created Program Coordinator position did not begin employment at MPA until September, saving approximately three months of employee salary and benefits.
- The General Liability Program received approximately \$1 million in excess carrier dividends in Fiscal Year 2017-18.
Napper suggested that the monies from the past and currently received dividends remain in reserves.
- Staff also presented MPA's 1, 3, and 5 year goals and the approximate cost associated with each goal.

Motion made by Reina Schwartz for Staff to research options on using the excess carrier dividends of \$1 million to help mitigate the CalPERS unfunded liability and report back to the Board. Seconded by Michelle Fitzer. Approved by unanimous vote of all members present and represented herein. (18-0).

VIII. INFORMATIONAL ITEMS

6. MPA Annual Report Fiscal Year 2017-18

Staff has completed the annual report for Fiscal Year 2017-18 and will add a link on each Members' intranet on MPA's website. Cox asked the Board to contact Staff if they would like a hardcopy of the report.

Highlights in the General Liability Program:

- Frequency of claims has decreased by 23% coming in to date at 412 claims
- Experienced a 73% reduction in uncapped severity of claims

Highlights in the Workers' Compensation Program:

- Frequency of claims has decreased by 13% coming in to date at 289 claims
- Experienced a 40% reduction in the average claim severity
- Experienced a 48% reduction in the average claim cost

Additional highlights:

- The Benefit Program remained stable with sufficient rates to cover claims
- The Wellness Program added additional types of medical testings and the number of wellness days in the program
- A three year contract with York was signed for loss control services
- MPA's restructuring is complete and the Authority is fully staffed
- Reenacted the Risk Management Police Committee and created a Public Works & Safety Committee
- Board Members attendance at the workshop resulted with a revised mission statement, new core values and goals

12:16pm Deborah Sultan, Brad Farmer, Sarah Monnastes, and Michelle Fitzer left the meeting

7. Public Financial Management Annual Investment Report

Lesley Murphy and Allison Kaune of PFM Asset Management were in attendance to present the annual investment report. PFM's presentation provided detailed information on the investments managed by PFM. The presentation was included in the agenda packet (page 284).

12:26pm David Biggs left the meeting

8. Preliminary General Liability and Workers' Compensation Experience Rating Modifications 2019-20 Reports

Staff provided Members the reports showing their information for preliminary budgeting purposes.

Cox said that many member cities' payrolls increased by 5% or more. Cox questions member cities estimated payroll as they may be unnecessarily including vacant positions and other various reasons. Cox will be contacting those member cities with a 5% or more increase to determine why. Cox said the process for cleanup needs to be expedited as the numbers need to be sent to the actuaries so they can provide the most accurate estimated premiums.

9. Board Conference Attendance and Available Funds

Staff provided this information, as there are several new Board Members, as a reminder of the guidelines for attending conferences and show the available funds for Fiscal Year 2018-19.

10. General Liability and Workers' Compensation Executive Dashboards

There was no discussion.

VIII. MANAGERS' REPORTS

11. General Liability Department

Chang reported on the status of current litigation claims and receipt of two subrogations totaling \$215,000.

12. Finance Department

Williamson added to his report that Staff has sent out an RFP for a compensation study, with responses due back this week.

13. Chief Administrative Officer

Cox reported that the MPA Managers have been actively seeking memberships on various Committees' Boards, specifically, CSAC-EIA's Finance Committee, Membership Services Committee, Legislative Committee, and the Technology Committee.

IX. MEMBERS COMMENTS

Napper wanted to raise awareness of the carcinogen that is in the weed killer Round Up. Member cities' landscapers use Round Up. Napper questioned if there would be any implications to the Pool for members cities using the product to kill weeds due to carcinogen exposure to city employees and the public. He asked if MPA should take a more firm stance on this.

Esquivel stated that she has been working with York on this matter. York said that the product has not been outlawed in California so there are a lot of people still using it.

X. ADJOURNMENT – Meeting was adjourned at 12:44pm.