

BOARD OF DIRECTORS SPECIAL MEETING
May 22, 2020 at 10:04 a.m.
Videoconference and Teleconference Via Zoom

MINUTES

Attendees:

Reina Schwartz, *City of San Pablo, President, Executive Committee*
Sukari Beshears, *City of Brentwood, Vice President, Executive Committee*
Tim Przybyla, *City of Oakley, Member-at-Large, Executive Committee, Treasurer*
Brad Farmer, *City of Pittsburg, Member-at-Large, Executive Committee*
Mike Chandler, *City of Martinez, Member-at-Large, Executive Committee*
Thomas Lloyd Smith, *City of Antioch*
Laura Hoffmeister, *City of Clayton*
Rob Ewing, *Town of Danville*
Lori Martin, *City of Hercules*
Norm Veloso, *Town of Moraga*
Paul Rankin, *City of Orinda*
Lia Maksoud, *City of Pacifica*
Hector De La Rosa, *City of Pinole*
Ericka Mitchell, *City of Pleasant Hill*
Eva Phelps, *City of San Ramon*
Brian Hickey, *City of Walnut Creek*
Linda Cox, *MPA Chief Administrative Officer**
Frank Williamson, *MPA Finance Manager**
Erwin Chang, *MPA General Liability Claims Manager**
Victoria Thomas, *MPA Administrative Services Supervisor/Clerk of the Board**
Jasmin Intravaia, *MPA Administrative Assistant**
Mike Harrington, *Bickmore Actuarial**
Becky Richard, *Bickmore Actuarial**

(*Non-voting attendee)

All members present will be recorded in the minutes.

I. President, Reina Schwartz called the meeting to order at 10:04am.

II. INTRODUCTIONS

Roll call was taken by Board Clerk Thomas.

III. APPROVAL OF THE AGENDA AS POSTED

Motion made by Tim Przybyla to approve the Agenda as posted. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (16-0).

IV. TIME RESERVED FOR MEMBERS OF THE PUBLIC

No comments were received from the public.

Cox proposed that Action Items 1, 2, and 3 be discussed concurrently as the topics are interlinked and thereafter allow the Board to take action on each item. The Board approved.

V. ACTION ITEMS

1. MPA General Liability Funding and Consideration of the Fiscal Year 2019-20 CARMA Dividend

Cox provided history to the Board Members on the programs and how they were not very well funded four years ago. Members were paying a premium based on a 70% Confidence Level and the Pool was funded at 70%. Since Cox joined MPA, at the Board's approval, she raised the premium's funding level to an 80% Confidence Level and no dividends were distributed to Members, making the Program well-funded.

Cox reminded the Board that CARMA did not provide dividends last year. In these unprecedented economic times, they are providing dividends to financially assist Members. The dividend from CARMA for MPA totals \$202,163.

Ewing questioned the financial health of CARMA because they are distributing dividends yet rates are being increased. Cox replied that the CARMA Pool is well funded, adding that they took a conservative approach on the release of dividends. The actual dividend was slightly over \$3M. The CARMA Board voted to release only \$1.7M of the \$3M dividend. MPA's share of the dividend is \$202,163.

Cox said that receiving the dividend can be done in two different ways: MPA could receive money from CARMA and release it to the Members in the Pool proportionately or instruct CARMA to keep the dividend and deduct it from the fiscal year 2020-21 premium payment.

Mike Harrington of Bickmore Actuary presented the actuarial report. He explained where the fund is currently sitting in the market, claims count, and reviewed the Experience Modification Premium Report, and options for different funding Confidence Levels.

Cox reported that many of the Board Members had recently requested a change in the due dates for the premium payment given the financial hardship they are currently experiencing. Staff proposed that Members be allowed to make the General Liability Program premium payment in two payments; like the Workers' Compensation Program, and waive the late fee (LAIF plus 1%).

After a lengthy discussion, it was determined to keep the General Liability Program premium payment due date on July 31st and if a Member is experiencing a financial hardship to contact MPA and request premium payment accommodations.

Rankin asked why the month of November was chosen for the second payment. He added that agencies are heavily dependent on property taxes, which aren't received until December. Cox replied that it was the direction of the Board and it allowed for continuity with the Workers' Compensation Program. Mitchell agreed that the month of November is a difficult due date for her agency and asked the Board to consider changing the date to January 1.

De La Rosa asked what the financial impact would be if the due date was changed to a later date. Cox said the Pool would experience a \$25,000 loss in interest.

Schwartz and Beshears both suggested that if the premium payment date is changed, it is only a change in year 2020. Ewing agreed.

2. MPA General Liability Program Retrospective Dividend Release

Becky Richard of Bickmore Actuarial said that Bickmore Actuarial does a retrospective analysis of the program to review the surplus or deficit in excess of the 90% Confidence Level to consider a dividend. Bickmore reviews each program year and the revenue of the program, premiums paid by Members, and any interest impound received based on the premiums and then subtract the expenses for the program: claims reports, outstanding liabilities, and admin costs paid.

Estimated Fund Balance as of June 30, 2020 is \$30,996,000 (with an estimated surplus of \$6,556,000 at the 90% Confidence Level). Bickmore recommended a maximum dividend between \$1.1M - \$1.3M.

De La Rosa asked what the current policy is on the funding level percentage to keep in the fund. Cox said, to release dividends the program years must be funded at 90% Confidence Level.

3. Proposed ERMA Dividend Release

Schwartz asked what the dividend distribution methodology is in the ERMA Program. Cox said that an ERMA distribution is based on a Member's percentage of payroll and that a dividend is only given to Members in the program. Currently, 19 of the 20 Members participate in the ERMA Program.

There was no other discussion.

4. Establish a Section 115 Trust for CalPERS Unfunded Liability

Williamson reminded the Board that Staff was directed by the Board in May 2019 to earmark \$1,050,000 for establishing a Section 115 Trust for the CalPERS unfunded liability. Staff posted Request for Proposals and received two responses from Public Agency Retirement Services (PARS) and Keenan. Staff evaluated both proposals and based on PARS' returns net of expenses, Staff recommends to go into contract with PARS and have MPA's CAO as the administrator.

Staff asked how much the Board would like prefunded into the Trust for this coming year. There was no response.

The conversation then opened up to discuss all four Action Item topics as they coincide with one another.

Farmer asked what the current funded rate is for CalPERS. Williamson said CalPERS was funded at 76.4%. Farmer proposed for consideration to limit the side funds not to exceed 85% on the UAL.

Przybyla proposed to go with PARS for the Section 115 Trust, reduce the premium by the dividend and leave the Confidence Level at 80%. He added that separating the General Liability premium payment into two payments will create more work for Staff and difficulty to receive. He also proposed that if a Member is experiencing a hardship then they can request an accommodation from MPA.

Ewing asked for clarification that GL Fund will remain at \$4M above the 90% Confidence Level if the Pool places the \$1,050,000 into a Section 115 Trust and declares a dividend. Schwartz confirmed.

Action Items 1, 2, and 3 - Motion made by Mike Chandler to fund the General Liability Program at an 80% Confidence Level, reduce the premium of the GL Program by exercising a dividend of \$1.1 million, release the ERMA and CARMA Program dividends to offset those program premiums and, allow a one-time premium payment accommodation to any Member experiencing a financial hardship without penalty. The accommodation will allow a Member to make their General Liability premium payment in two payments: July 31, 2020 and January 1, 2021. Seconded by Thomas Lloyd Smith. Approved by unanimous vote of all members present and represented herein. (16-0).

Action Item 4 - Motion made by Laura Hoffmeister to move forward with PARS Section 115 Trust. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (16-0). Direction was given to Staff to bring back to the June Board of Directors meeting, the amount it would take to go from 76% overall funded to 85% overall funded for pension obligations.

VI. MEMBERS' COMMENTS

There were none.

VII. ADJOURNMENT