

**CONTRA COSTA COUNTY SCHOOLS INSURANCE GROUP
EXECUTIVE COMMITTEE MEETING MINUTES
Thursday, January 12, 2006
Contra Costa County Schools Insurance Group
550 Ellinwood Way, Pleasant Hill, CA**

Present were:

Executive Committee:

Ellen Elster, President	CCCOE
Roberta Silverstein, Vice President	San Ramon Valley USD
Tim Rahill, Secretary	Martinez USD
Chris Learned	Acalanes Union High SD
Margaret Kruse	Brentwood Union SD
Lenee Cadotte	Lafayette SD
Mark Bonnett	Pittsburg USD

Staff:

Bridget Moore, Interim Executive Director	CCCSIG
Timothy O'Keefe, Chief Financial Officer	CCCSIG
Michael Clark, Claims Manager	CCCSIG
Denise Cifelli, Executive Assistant	CCCSIG

Guests:

Michael Delehunt	Foley & Lardner
Warren Pulley	Pulley & Cohen
Elizabeth Myers	

1. CALL TO ORDER

The meeting was called to order by President Elster at 9:10 a.m.

2. PUBLIC COMMENT

2.1. Items on the Agenda

No public comment items.

2.2. Items of Interest to the Public

No items of interest to the public.

A motion was made by Rahill to move to Closed Session to consider items 3.1 - 3.3 at 9:12 a.m. Second by Bonnett. Motion was approved unanimously.

3. CLOSED SESSION

3.1 Existing Litigation Conference with Legal Counsel. Litigation Formally Initiated, Government Code, § 54956.9(a), Murphy vs. Mt. Diablo USD, WCAB #WCK0069730
Legal Counsel, Warren Pulley and Claims Manager, Michael Clark reviewed the proposed settlement of the case for Murphy. A motion was made by Kruse to approve settlement offer as proposed. Second by Cadotte. Learned opposed. Motion was approved.

3.2 Conference with Legal Counsel - Existing Litigation, Case #04AS02351, Pursuant to Government Code, § 54956.9

**3.3 Public Employee Appointment
Title: Executive Director**

A motion to return to open session was made by Learned at 10:10 a.m.; second by Bonnett. Motion was approved unanimously.

President Elster reported out of closed session that there was nothing to report out on items 3.1 and 3.2. For Item 3.3, our intent is to appoint Bridget Moore as Executive Director subject to successful conclusion of negotiations. Mark Bonnett and Roberta Silverstein have been named as negotiators. Bridget will remain in her role as Interim Executive Director until negotiations have concluded.

Due to time constraints Items 5.1 and 6.1, which are both informational, were moved to the end of the agenda.

4. CONSENT CALENDAR

4.1 - 4.4 Approve Minutes of Executive Committee Meeting held on October 27, 2005, Ratify Expenditures for October – December 2005, Approve Final Auditor’s Report for 2004/05 and Approve Interim Actuarial Report for 2005/06 Outstanding Liabilities and Program Forecast 2005/06 and 2006/07

Motion by Silverstein to approve Items 4.1 – 4.4, seconded by Learned; motion unanimously approved.

6. FINANCIAL ITEMS

6.2 Approve Transfer of Funds to Investments

The CFO presented a recommendation to the Committee to rebalance the operating and reserve accounts to maximize earnings potential. An Investment Update and Recommendations from Nancy Jones, Managing Director of PFM, was handed out and reviewed by the Committee. PFM’s investment recommendations tracked with those of CCCSIG’s CFO. A motion was made by Rahill to rebalance the operating and reserve accounts per the WC Cash flow Forecast schedule and invest \$7,250,000 with PFM. Second by Cadotte; motion was unanimously approved.

6.3 Consider Deficit Recovery and Rate Stabilization Plan Recommendation

James Marta, the Group’s Financial Auditor, walked the Committee through the key aspects of his special report, “Equity Calculation by Policy Year as of June 30, 2005”, including the actual district assessments. Discussion took place around what affected the deficit and explaining member share. To keep distribution fair and equitable, as well as clean and consistent, each district’s percent of each year’s surplus/deficit was calculated on a year-to-year basis based on their pro-rata share of contributed premiums for a given policy year. Mr. Marta also suggested a 10year plan rather than the 3-4year plan previously considered. This would recover the \$10M deficit and re-establish the \$10M Rate Stabilization Fund.

Tim Rahill shared his own report with an alternative method to allocate district share. He also asked that once a plan was adopted he wanted to make sure our policy is more clearly defined to support it.

Tim O’Keefe summarized by recommending the Committee consider the 10year repayment plan based on Mr. Marta’s allocation method which includes \$10M Deficit Recovery and recharacterization of the Rate Stabilization Fund assessment of \$2M; apply any surplus that may be generated at the end of the 10 year repayment plan to the Rate Stabilization Fund; and redetermine the Rate Stabilization assessment share on an annual basis by pro-rating based on the last fiscal year payroll actuals.

After discussion, it was recommended that a change be made in bullet item 4, last sentence. Final sentence now states: “The payroll costs will be calculated based on the most recent actual year payroll (e.g., to determine the FY07 rate, the actual payroll form FY05 would be used to determine the pro-rata share for a district) and then dividing by the countywide total for the same period.”

Learned made a motion to adopt and present to the Board of Directors at the March 30, 2006 annual Board meeting the \$10M Deficit Recovery Plan with payments extended over 10 years; and a \$1M annual Rate Stabilization Fund Assessment recommendation with the recommended change to item 4 with payments not to exceed 10 years. Second by Silverstein; motion approved unanimously.

6.4 Approve Method of Establishing Payroll Estimate for Determining Annual District Premium Rates

The Finance Sub-Committee recommendation to determine FY07 premium modifying item 3b of last year's recommendation to read: "To determine the estimated payroll, the Executive Director will issue a memo to each Board Member on February 1, 2006, with the June 30, 2005 actual payroll numbers adjusted with the published California state 05/06 COLA of 4.23% and the 06/07 COLA (5.18% which was announced that morning) and invite districts to modify the payroll amount to be used for the FY2007 premium calculation. Responses will need to be received no later than February 15, 2006 or the COLA-adjusted wage calculation will be used to determine the estimated payroll." A motion was made by Silverstein to approve the recommended calculation. Second by Bonnett; motion approved unanimously.

6.5 Consider Draft 2006/07 Rate Recommendation

The Group's actuary, John Alltop of Bickmore Risk Services, provided a copy of the 12/31/05 draft actuarial review of the 2006/07 base rate and experience modification factors for the Committee's review. Alltop showed our rate to be \$2.13, down from \$2.35 this FY. CCCSIG's CFO provided a handout showing estimated premium comparisons for each district at Alltop's rate of \$2.13, our current \$2.35 rate and at \$2.24 which splits the difference. This opened discussion by the Group to decide whether or not to continue with the current rate, possibly allowing excess to apply to the deficit and realizing that a few of the larger districts would be hit harder than others.

Rahill of Martinez USD, expressed to the Group he would not support continuing at \$2.35, but would agree to \$2.13.

Marta suggested the Group accept \$2.13 but collect \$25M with no penalty for ex-mod. Silverstein and Learned expressed their thoughts to continue \$2.35 while COLA is high. A motion was made by Rahill to approve the base rate at \$2.13. There was no second. Discussion continued with the Group being split on base rates and expediting payment for the deficit and surplus fund. Silverstein suggested and the Group agreed to table for the next meeting, March 9, 2006.

Due to time constraints, Items 5.1 and 6.1, which are both informational, were not discussed.

7.0 ADJOURNMENT

There being no further business, a motion was made by Silverstein and seconded by Bonnett to adjourn the meeting; motion approved unanimously. Meeting adjourned at 12:21 p.m. Next Executive Committee meeting will be held Thursday, March 9, 2006 from 11:30 – 2:00 p.m.

Respectfully submitted,



Secretary of the Board of Directors
Contra Costa County Schools Insurance Group