Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, August 24, 2017 at 8:30 a.m.

YCPARMIA
77 W. LINCOLN AVE.
WOODLAND, CA 95695

1. Call to Order

2. Approval of Agenda

3. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON ANY MATTER WHETHER OR NOT IT IS ON THE AGENDA, BUT STATE LAW PROHIBITS ACTION BY THE BOARD ON NONAGENDA ITEMS

4. Communications
   A. Board Members
   B. CEO/Risk Manager
   C. Next Meeting

5. Consent Calendar
   A. Approval of Minutes

6. Action Item
   A. Cordico Six-Month Update Report

7. Information Items
   A. YCPARMIA Financial Report
   B. YCPARMIA Investment Statement
   C. Notification of New Claims Received Since the Previous Board Meeting
   D. Closed Liability Files
   E. Workers' Comp Monthly Summary
   F. Certificates Issued
   G. Workers' Compensation Severity Report
   H. End of Year Budget Variance
   I. End of Year Quarterly Statement of Revenues, Expenses, and Retained Earnings
   J. Strategic Planning

8. Closed Session
   A. Personnel CEO/Risk Manager Position (CG54957)

The meeting room is wheelchair accessible and disabled parking is available. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact our office at (530) 666-4456 or Fax (530) 666-4491. Requests for such modifications or accommodations must be made at least 48 hours before the start of the meeting.

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4B

DATE: August 24, 2017

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

1. CAJPA is scheduled for September 12th thru the 15th in South Lake Tahoe; reservations have been made at the old Embassy Suites for those who have indicated that they are attending.
2. PARMA is scheduled for February in Monterey this year; we have booked a group of rooms based on past attendance. Please let Charlotte know if you will be attending.
3. YCPARMIA will be hosting a government tort claims procedure round table for interested entities in September.
4. We remain concerned about the excess liability premium trends which have spiked unabated over the last few years. The Board might want to consider exploring other options.
5. YCPARMIA is currently preparing an orientation/training program together for our associate members with a target date in the early spring.

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Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: August 24, 2017

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:
The next Board meeting is scheduled for:

DATE: October 26, 2017

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO._____5A_______

DATE:____August 24, 2017

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of June 22, 2017 be Approved as Submitted

BACKGROUND INFORMATION:
Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for June 22, 2017 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6A

DATE: August 24, 2017

SUBJECT: Cordico Six-Month Update Report

RECOMMENDED ACTION: That the Board review and accept the attached semi-annual report from Cordico.

BACKGROUND INFORMATION:

Historically YCPARMIA has provided a wellness program specifically designed for public safety personnel. While a variety of services are included in the program, EAP services are from providers experienced in dealing with the unique exposures growing out of public safety. It is hoped that these services keep employees on the job, and mitigate our workers' compensation and liability exposures by addressing problems before they manifest themselves as claims. Additionally, Cordico provides EAP services for Esparto and YCPARMIA under the current contract.

To assist the Board in monitoring Cordico's performance, a semi-annual report is provided by the vendor; the current report is attached. Feedback from departments regarding Cordico's service and responsiveness remains good.

It is difficult to measure the value of the services provided under this contract. The required pre-employment psychological examinations are probably the most objective measurement, and one of the most important elements there is turn-around-time. A second area, EAP use continues to reflect acceptance and use by member staff—this has remained constant A third area is post-incident crisis debriefing; Cordico has always been immediately available for these occurrences. An indirect measurement might be the number of workers' comp psyche claims – very few for the collective membership; treatment within the Cordico program saves us money on the WC side where we would normally pay for treatment.

There is a developing area of interest. Cordico is seeing requests for treatment of children of safety employees to address psychological issues growing out of their parent's jobs. It is recognized that family problems can have a tremendous impact on safety workers, so this is an area that we are interested in developing.

FISCAL IMPACT:

There is not anticipated cost associated with the recommended action.

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Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7A

DATE: August 24, 2017

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA's Financial Report through June 30, 2017 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. 7B
	DATE: August 24, 2017
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA Investment Statements through July 31, 2017 for your review.

For your information:	Investment Statement
LAIF	*$*
Chandler as of 6/30/2016:	$ 13,890,439.00

For your information:	Outstanding Reserves
Total as of 6/30/2016:	$ 6,923,160.00
Total as of 6/30/2017:	**$ 6,900,401.00**

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7C

DATE: August 24, 2017

SUBJECT: Notification of New Claims Received Since the Previous Board Meeting

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached is a list of new Liability claims that have been received by YCPARMIA since the last Board Meeting. For your convenience, we have also included a list of all open Liability claims.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7D

DATE: August 24, 2017

SUBJECT: Closed Liability Files

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached is our report on closed liability files. Recognizing that this agenda is a public document, it should be emphasized that the information provided is general. It is probable during the course of the year, that some files that close with a denial will re-open for litigation.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7E

DATE: August 24, 2017

SUBJECT: Year End Workers' Comp Loss Run Summary

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:
Attached is the end-of-the-fiscal-year WC loss run summary. With one glaring exception, we had a very good year.

The program has very general goals based on our trends over the last few years:

- Frequency: under 30 injuries a month.
- Severity: indemnity kept under 20% of new injuries.
- Open files: 310 or less open claims.
- Monthly benefits: average less than the preceding year.
- Future Reserves: $6M.

Frequency: 364 injuries were reported to LWP this year, or an average of 30.3 per month; this is identical to last year, and up by about 5 per month from the year before.

Severity: Of the 364 injuries, 23 were set up as indemnity, and an additional 40 were later converted from medical only to indemnity, for a total of 63 injuries that had TD and/or PD reserves. This represents 17.3% of our claims; this is a bit better than the 21.3% last year, and the 20.5% the year before. Note, these are the number of claims, but do not measure the seriousness of each claim, so we are still talking about frequency by type more than severity. We will report on severity of exposures in another report.

Open inventory: We ended the year with 332 open claims (174 future med, 82 indemnity, and 76 med only). This is up from the 312 at the end of last year, and the 323 the year before. One of the areas that is creeping up is future medical files which is to be expected as each year produces new lifetime medical files.

Monthly benefits: We averaged $224,983 this fiscal year. That is down from the $238K and $232K of the previous two years. If our temporary disability benefits had been held to the same number as the previous years, we would have averaged about $198K per month, which would have made FY 2016/2017 one of the best on record. That would have had additional funds available for premium rebates, and would have driven next year's actuarially determined premiums further down.

- Temporary Disability: 203.9% of the last two year's numbers,
- Permanent Disability: 78.8% of last year's number,
- Medical Costs: 76.9% of last year's number,
- Vocational Rehab: 128% of last year's (nominal number), and
- File expense: 115.9% of last year's number (driven by more sub rosa).

In the coming months YCPARMIA will continue to focus on temporary disability costs. As a practical matter, there is no other benefit class that the employer has more control over.

Future Reserves: $6,004,266, or about $51K less than last year (and well down from the $8.5M that partially motivated the 2013 move from York). Future reserves represents the monies that we anticipate will be spent on existing claims going forward. Stability in future reserves should equate to stability in benefits paid, but we are talking small numbers of claims, so they are vulnerable to catastrophic claims causing significant spikes.

In Summary: With benefit payments down, and future reserves down, we have a program that has been trending in the best of directions. While this has a positive effect on our actuary study, it must be remembered that we are looking at legislatively mandated benefit inflation – other variables aside, future claims will cost more than current claims, and the actuary study will consider those factors. Regardless of how good the work of staff -- yours, LWP, and YCPARMIA's -- the only way to control and reduce YCPARMIA's workers' compensation costs is to reduce the number of new claims. Even then, with future medical files representing over half of our open inventory, the benefit of reduced claims will be tempered by continuing payments on past claims.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7F

DATE: August 24, 2017

SUBJECT: Certificates Issued

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is a list of the certificates that have been issued since the last Board Meeting.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7G

DATE: August 24, 2017

SUBJECT: Workers' Compensation Severity Report

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

Frequency and severity are two measurements of a claim's program's performance. While we regularly provide the Board with claims numbers for our workers' compensation program, the severity element is analyzed by claims numbers rather than dollars.

This report breaks down those claim numbers into dollar ranges. Significantly:

- About a quarter of all reported injuries are closed with no treatment and no costs;
- About two quarters are closed with minimal treatment and cost totaling less than $1,000.
- The last quarter, claims that incur more than $1,000 in benefits, is where the real exposure lies.

A word of caution: the last few years are still vulnerable to adverse claim development; there will be some bad surprises coming out of those years as the claims continue to mature. The bottom line shows the number of claims currently open for the program years. It is not uncommon for the remaining open files to be the more expensive files as we address lifetime medical benefits.

The difference between a "good" claims year, and a "bad" claims year is the number of claims in the top three categories – over $50K. For example, FY 08/09 had ten claims with incurred over $100K, while FY 14/15 had none. Total incurred in 08/09 was over $3.1M while in 14/15 it was only $1.5M. The absence of a very few large claims has significant impact on program cost for any given year.

In summary, we can anticipate about 400 claims a year. Of those, we will average about 10 "bad" claims, but about 300 claims under $1K. Our numbers are small enough that a few claims in any category can cause a significant shift, one way or the other, in our total exposure.

On the theory that frequency breeds severity, avoiding a few claims through loss prevention/safety efforts will potentially impact severity in all the categories. We are dealing with relatively small numbers, so removing a very few claims from our yearly average could have a significant impact on the overall exposure.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: August 24, 2017

SUBJECT: End of the Year Budget Variance

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

The Board's oversight of YCPARMIA includes a mandated budget process with the Board adopting a budget for the Authority in the spring of each year. YCPARMIA's financial position is largely determined by two interrelated sets of numbers:

- Premium trends – what we are costing our members, and
- Program reserves – do we have enough money to meet our financial obligations.

YCPARMIA's budget is integrated into both. Our ability to operate within budget should lead to stable funding, and adequate reserves.

Attached is the un-audited end-of-the-year Profit & Loss Budget vs. Actual report. This report allows the Board to analyze last year's performance against budget, and to address variances where we went over budgeted expense. A final audited year-end report for FY 2016-2017 will be presented to the Board in the fall.

It is essential to note that there are significant elements in our financial operations that are not budgeted, but have a profound impact on our overall performance. Chief among these are the actuarially determined adjustments to our program reserves ($416K this year), and dividend/premium rebate credits ($672K this year) declared by the Board at their June meeting.

The YCPARMIA budget, generally approved by the Board at its March meeting, is made up of three sections:

- Revenues
- Administrative and Service Expense (12.9% of total expense), and
- Coverage Expense (87.1% of total expense).

Taken as a whole:

- revenues came in at expected (99.61% of budget). and
- expenses came in at 95.79% of budget.

    - Additional unbudgeted expense:
        - Actuarially mandated program reserve adjustments: $416,309;
        - Board approved member rebates: $672,200.
- The budget had a net ordinary income (surplus of revenue generated by our premium formulas over expenses established by the Board approved budget) built in to it of $1,567,607, while end-of-the-year results come in at $797,418, or 50.7% of budget.
    - But, when the unbudgeted reserve adjustments and member rebates are added back in, we ended the year with a surplus of $1,685,927, or 107.54% of budget.

In FY 2016-2017 performance against budget, coupled with a "good" actuarial report, resulted in YCPARMIA ending the fiscal year with all four of our programs fully funded to Board approved levels (program reserves, confidence margin, and catastrophic funds). Going forward, after providing sufficient member rebates to keep total premiums flat for the coming year, we will start the year with a small surplus in each program.

INCOME:
Income figures are not yet complete as we are still waiting for end-of-the-year LAIF figures, but we do not anticipate significant movement. At this point we are at 99.61% (about $40K short) of budget with shortfalls in investment returns and excess rebates. Balancing those shortfalls was additional revenue in the property program from new premiums for the Clean Water Agency.

EXPENSE:
Expense is made up of two budgeted areas: Administrative and Service Expense, and Coverage Expense. Staff is able to directly impact performance on Administrative and Service Expense, but control on Coverage Expense is more difficult and indirect – the variables of the frequency and severity of claims, timing in the claim process, and the costs imposed by our excess providers all impact Coverage results.

ADMINISTRATIVE AND SERVICE EXPENSE: came in at 98.54% of budget.

Human Resources: came in at 102.12% of budget. While most sub-accounts were at, or below budget, we did see a small over-run in wages and the directly impacted retirement contributions and Medicare tax. The variance was caused by our former Financial Analyst's departure, and her cashing out accumulated vacation time, and minor salary adjustments approved by the Board for all positions.

Supplies and Services: came in at 104.46%, or about $1,500 over budget. Cost overruns were in Advertising for the replacement of the Financial Analyst, in higher than anticipated utility costs, and for Information Technology where our internet costs rose.

Contractual Services: came in at 74.99% of budget. There were two accounts where we saw budget exceeded. The first was Actuarial Services where we had the unanticipated PERS study for GASB 68, and the tri-annual GASB 45 study in addition to our annual actuary study. We also exceed budget in Professional services paying for new paycheck services.

Loss Prevention: came in at 71.18% of budget.

Staff Development: came in at 77.98% of budget. Lower than budgeted attendance at conferences drove expenses down.

Capital Expenditures: came in at 68.14% of budget.

COVERAGE EXPENSE: came in at 99.77% of budget driven primarily by unbudgeted actuarially determined program reserve decreases, and higher than anticipated excess coverage costs.. Excess coverage costs for Liability and Workers' Compensation are based on rates applied to reported payroll— overall, actual payroll for YCPARMIA members was significantly higher than original/budget estimates. These unanticipated increases were apparently partially due to the conversions of employer provided benefits to payroll expense; the higher payrolls served as multipliers of essentially flat excess rates.

Liability: came in at 86.5% of budget, or 86.64 if we include the unbudgeted loss reserve adjustment. Excess costs (driven by higher than estimated increases in member payroll) came in higher than budgeted. We have been seeing a trend of dramatically increased excess costs through CJPRMA, and they have been unresponsive in addressing our concerns; in the coming year we will be exploring alternatives.

Workers' Compensation: came in at 109.38% of budget. Excess costs were again the cause of the cost overrun. During the period we explored other excess coverage options, but found their costs to be comparable.

Property: came in at 94.99% of budget, as the program returned to a more normal claim frequency/severity pattern.

Fidelity: came in at 64.39% of budget. There were no reported fidelity claims this year

Total Expense came in 108.58% of budget. As indicated above, removal of the unbudgeted expenses for the actuarial reserve adjustments, and the Board approved premium rebate credits would have had YCPARMIA at about 96% of budgeted expense..

Net Income: Net income (Revenue less expenses) was budgeted at $1,567,607; our actual results came in at 50.87%, or $797,418. Again, as indicated above, if we were to add back in to the bottom line, the $672K in premium rebates, and the $416,309 in unbudgeted actuarially determined program reserve adjustments, we would have ended the year with $1,685,927, or 107.54% of our budgeted Net Ordinary Income.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7I

DATE: August 24, 2017

SUBJECT: End of the Year: Quarterly Statement of Revenues, Expenses and Retained Earnings

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

YCPARMIA finished the year in a better position than we projected at the last Board meeting. This report reflects unaudited year-end program results (except for unreported/minimal fourth quarter LAIF results). It includes the actuarially determined program reserve adjustments from the Actuary Study accepted and approved by the Board at their March 2016 meeting. It also includes the Board approved rebate credits.

The bottom line of the report indicates that YCPARMIA ended the fiscal year fully funded in all programs. This means that the program reserves, the confidence margins, and catastrophic funds are all at Board (and industry) approved levels, and this was done while keeping total premiums flat for the coming year.

Each program will be entering the year with a small bottom line surplus.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7J

DATE: August 24, 2017

SUBJECT: Strategic Planning

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

This agenda item is intended to allow the Board to discuss trends, actions, future risk management plans, and to direct YCPARMIA staff as needed.
It is noted that 50% of the Board will be retiring by the end of this fiscal year. It might be wise for the Board to discuss a process for succession and training for this turnover.

At the request of the Board President, there will be a closed session in this agenda to discuss succession planning for the CEO/Risk Manager position.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

Closed Session

A. Personnel - CEO/Risk Manager Position
(CG54957)