



Nevada Public Agency Insurance Pool
Public Agency Compensation Trust
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**Minutes of Meeting of
the Meeting of
the Board of Directors and of the Executive Committee of
Public Agency Compensation Trust**
Place: John Ascuaga's Nugget, Sparks, Nevada
Time: 10:00 a.m. or
Upon adjournment of Joint Board Meeting
Date: May 1, 2009

1. Introductions and Roll

A quorum being present, the meeting was called to order at 10:56 a.m.

2. Action Item: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda

- **Approval of Minutes of Board Meetings:
Board Meeting April 25, 2008**

On motion and second to approve the minutes, the motion carried.

3. Action Item: Acceptance of Audit for June 30, 2008

On motion and second to accept the audit, the motion carried.

4. Action Item: Acceptance of Reports

- a. **Large Loss Report**
- b. **Actuarial Update**

Doug Smith reviewed key large losses that affected the actuarial reports. He then commented on several excerpts from numerous actuarial reports that support the financial statements and rate making process. He explained that rates for all classifications of members would decrease as a result of improvements in loss experience in recent years. He indicated that municipalities would decrease by about 4%, school districts by about 11% and hospitals by about 24%. He commented that payroll had decreased with the withdrawal of Carson Tahoe Hospital and Nye County School District, which then drive up expense loadings by 5%, but those factors were included in the total rate reductions indicated. He commented that the Executive Committee had agreed to use a 70% confidence level this year and discussed the expected and 75% confidence level funding amounts for comparison. Doug mentioned that individual members' experience ratings were being sent out shortly along with the rate changes for 2009-2010. He

said these rates had been filed with the Division of Insurance as required by regulation. He responded to questions.

On motion and second to accept the report, the motion carried.

5. Action Item: Acceptance of Budget for 2009-2010

Wayne Carlson reviewed the key components of the budget, noting that the Executive Committee had approved a one year reduction of the actuarial confidence level from 75% to 70%, which was reflected in the budget. He indicated that the reinsurance program costs would be changed based upon the renewal options discussion. He said that the net revenue over expense was at about breakeven in light of current economic conditions effect on members and the strong surplus cushion against adversity could support this budget.

On motion and second to accept the budget, the motion carried.

6. Action Item: SpecialtyHealth Cardiac Wellness Program Status Report

Jackie Cox and Dr. Jim Greenwald of SpecialtyHealth provided an overview of the progress under the Cardiac Wellness Program and encouraged the board to continue to encourage participation. They showed that the participation rate had remained at only about 20% for the last two fiscal years and needed to increase given the significant costs to the individual and PACT for heart disease. They cited some success stories among participants who otherwise were at great risk. Dr. Greenwald suggested that PACT agree to send Todd Renwick, a police officer, to Lovelock and Winnemucca as a pilot to see if they will listen to the CWP message from a law enforcement leader. He also suggested that Dr. Kevin Gilmartin, a police psychologist and law enforcement veteran, conduct his workshop on emotional survival for law enforcement and include CWP as a component in Fallon and in conjunction with Las Vegas Metro. He also indicated that Dr. B. Bottenburg had come on board and would be working with the physical examination provider network to train them on lipid issues. He then emphasized the importance of focusing on insulin resistance, reducing of LDL and other risk factors by mandating advance testing as part of the physical examinations. Alan Kalt commented on the importance of this program to PACT and encouraged members to increase participation rates. Wayne Carlson added supporting comments and emphasized that PACT was fully funding the CWP from PACT surplus in order to reduce loss potential.

On motion and second to accept the report, the motion carried.

7. Action Item: Approve Contracts with SpecialtyHealth

- a. Managed Care Organization Services**
- b. Cancel Cardiac Wellness Program 2007-2010 Contract Effective 7/1/09 and Replace with New Contract Effective 7/1/2009-7/1/2012**

On motion and second to approve the Managed Care Organization Services contract and to cancel the current Cardiac Wellness Program contract with SpecialtyHealth and to replace it with the new contract for three years effective July 1, 2009, the motion carried.

8. Action Item: Approve Claims Management Contract with Alternative Service Concepts, LLC

On motion and second to approve the contract per legal counsel changes recommended to change termination provision to a mutual agreement, the motion carried.

9. Action Item: Approval of Amendments to Interlocal Cooperation Agreement, Bylaws, Committee Charters and Board Policies Per 2008 Policy Review Project Publication

Wayne Carlson noted that the 2008 Policy Review Project booklet had been sent to all board members a couple of months ago to enable them to have sufficient time to review the proposed changes. He indicated that a task force of board members had advised him on the proposed changes. Alan Kalt read the names of the task force and commended them for their efforts. Wayne commented that subsequent to the publication, legal counsel noted some additional changes were needed to Article 20, Section 4 to delete “Such request for assignment shall be subject to the approval of the Litigation Strategy Committee with concurrence of the excess insurers” and deletion of Section 6 Litigation Strategy Committee as an obsolete provision. Further, correction of the lead in language to Section 12 Claims Administration Company Responsibilities to read: The PACT Claims Administration Company shall carry out the duties set forth in NRS 616.301 and....”

On motion and second to approve the changes as recommended by the task force and staff and those recommended by legal counsel, the motion carried.

10. Action Item: Approval of Amendment to Producer Compensation Policy

Wayne Carlson explained that the producer compensation policy had not been included in the 2008 Policy Review Project booklet in order to allow further discussion and consideration by the task force and the Executive Committee. He indicated that the current compensation method of 6% of the first \$50,000 of manual assessments and 2% thereafter had kept compensation up with inflation; however, it was now overstating compensation given the small amount of actual work required of the producers on PACT. In some cases, the PACT compensation exceeded that for producers for the Nevada Public Agency Insurance Pool where the workload was much greater. He noted that he needed to discuss both POOL and PACT in combination to explain that the overall effect on members of both programs would be neutral since PACT compensation would decrease while POOL compensation would increase this year. The proposed policy would change the compensation to 5% of the first \$100,000 of manual assessments, thus a maximum of \$5,000 would apply. The effect would be greatest on the largest members of PACT and the PACT only members. Producers were asked if they had any comments, but none did.

On motion and second to approve the policy as proposed, the motion carried.

11. Action Item: Acceptance of Renewal Reinsurance Proposals and Options

Bob Lombard explained the renewal reinsurance negotiations process and the results. He and staff had considered various options to increase the quota share with the captives as well as

specific and aggregate retention options. Bob compared the current rates against the reduced payroll as a result of Carson Tahoe Hospital and Nye County School District leaving PACT to show a comparable premium basis to compare the renewal options. The comparison showed an increase in the CRL premiums, a decrease in PCM and an increase by MECC for a total increase of about \$96,000 using the current structure. For about \$25,000 less, MECC's aggregate excess could be dropped leaving only PCM's but the savings as shown in Option 1 was inadequate for the additional \$3,000,000 risk to PACT. CRL's increase resulted largely from their own membership's adverse loss experience and their utilization of PACT's large losses prior to joining PACT in their rating formulas. Doug Smith commented about staff's consideration of recommending a higher specific retention of \$750,000 in lieu of the current \$500,000 and a higher quota share, but the cost of those options was not attractive in light of the additional volatility risk.

On motion and second to accept the renewal proposal with no change in the current retentions, structure or reinsurers, the motion carried.

12. Action Item: Approval of Renewal Risk Retention Options

No action was taken on this item since it was subsumed in item 11.

13. Action Item: Action regarding these topics as required by Nevada Administrative Code:

- a. **Review of financial condition of each member and prompt notification to the Members of any Member determined to be operating in a hazardous financial condition**
- b. **Review of the loss experience of each Member of the association - Claims Experience Report Summary**
- c. **Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition**

Alan Kalt review the loss experience charts noting that the two large members that left had adverse loss experience thus it may have been a good result that they chose to terminate membership since their experience adversely affected the remaining members. He said that as a member of the Local Government Finance Committee, he was aware of White Pine County's continued supervision by the Department of Taxation and indicated that they were making progress toward being relieved of that oversight. He also indicated that Pershing General Hospital was under review and watch. Otherwise, he knew of no other members who were in hazardous financial condition.

On motion and second to note that the required regulatory review had taken place, the motion carried.

14. Action Item: Election of Executive Committee for Two Year Terms from 2009-2011

- a. **One Representative from Counties and/or Cities with less than 35,000 Population**
- b. **Two Representatives from Counties and/or Cities with 35,000 or more Population**

c. One Representative of Special Districts

Chair Alan Kalt reviewed the list of candidates noting that due to the retirement of Mike Tourin, there was a vacancy for representative of special districts and towns. Wayne Carlson commented that there were only two voting members of special districts and towns, Martha Boyce of Sun Valley GID and Bill Kohbarger of the Town of Pahrump. Alan Kalt asked each candidate to provide information about their background and why they wished to serve on the Executive Committee. Both candidates spoke. Alan Kalt then asked for nominations for the other positions in addition to the incumbents who had expressed interest in continuing to serve.

On motion and second to close the nominations, the motion carried.

Alan Kalt then asked for a motion to elect the incumbent candidates for all positions other than the special districts and towns.

On motion and second to elect the slate of Alan Kalt, Roger Mancebo, Claudette Springmeyer and Cash Minor, the motion carried.

Alan Kalt then called for the election of the special districts and towns candidate. He asked for a show of hands for those in favor of Bill Kohbarger, then for a show of hands for those in favor of Martha Boyce. Debra Connally counted the votes and announced they were tied. Discussion ensued about the process to select in the event of a tie and it was suggested that a coin toss would be appropriate. Martha Boyce then asked whether it was appropriate for a candidate to have voted for himself since she had not voted thinking that was not appropriate. Chair Kalt indicated that voting for oneself was appropriate and asked legal counsel whether a revote was allowable under the circumstances. Legal counsel Balkenbush indicated that since the vote had been taken, a revote was not allowable. Chair Kalt then called for a coin toss. Bill Kohbarger deferred to Martha Boyce to call heads or tails and she called for heads. Joe Woods spun the coin and Martha announced that it had come up tails. Chair Kalt announced that Bill Kohbarger was elected by the result of the coin toss and congratulated Bill.

15. Action Item: Election of Chair and Vice Chair

Alan Kalt indicated that he and Cash Minor were willing to continue to serve. On motion and second to retain the current positions and candidates, the motion carried.

16. Public Comment

Alan Kalt presented a plaque to recognize Mike Tourin for his service as a member of the Executive Committee. Mike Tourin made remarks and thanked the board for the opportunity to serve.

17. Action Item: Adjournment

On motion and second, the meeting was adjourned at 12:40 p.m.