



**Nevada Public Agency Insurance Pool  
Public Agency Compensation Trust**  
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**Minutes of Joint Meeting of  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust**

**Date: Monday, November 4, 2019**

**Time: 8:30 A.M.**

**Place: at 201 S. Roop Street, Carson City, NV 89701**

**Conference Call-In Phone No: 1-800-593-9034; Passcode: 150420**

**WEBEX Connection**

<https://poolpact.my.webex.com/poolpact.my/j.php?MTID=mba567be6d1f4a9f3ba94511fe1ac1442>

Meeting number: 294 193 381

Password: POOLPACT!

**AMENDED AGENDA**

**1. Roll**

Members Present: Cash Minor, Paul Johnson, Josh Foli, Chris Mulkerns, Cindy Hixenbaugh, Gerry Eick, Geof Stark, Elizabeth Frances, Dan Murphy

Members Absent: Mike Giles, Ann Cyr

Others Present: Mike Rebaleati, Alan Kalt, Wayne Carlson, Debra Connally, Stacy Norbeck, Mike Van Houten, Alton Cogert, Steve Balkenbush, Andrew Halsall, Kelly Sullivan, Donna Squires, Mike Livermore, Margaret Malzahn, Stephen Romero, Mary Wray, Lorena Dellinger, Glenn Backus, Courtney Giesseman

A quorum being present, Chair Minor called the meeting to order.

**2. Public Comment**

Gerry Eick commented on the committee packet being very helpful to him to understand the issues to be discussed.

**3. For Possible Action:**

- a. **Approval of Minutes of Joint Executive Committee Meeting of September 6, 2019.**
- b. **Approval of Minutes of POOL Executive Committee Meeting of September 13, 2019.**
- c. **Acceptance of unaudited Financial Reports as of September 30, 2019 for POOL, PACT, PRM, & PCM**

Chair Minor opened items 3 a. and 3.b. On motion and second to approve the minutes, the motion carried.

Chair Minor opened item 3 c. On motion and second to accept the unaudited financial reports as of September 30, 2019 for POOL, PACT, PRM and PCM, the motion carried.

4. **For Possible Action: Alternative Service Concepts, LLC. Report of Corporate Changes.**

Glenn Backus, President of ASC, discussed the acquisition of ASC by the Davies Group, a London based large corporation. He said the Davies Group sought a presence in the U.S. via purchase of a firm with a strong management team. He indicated that they would very protective of the status quo for employees and management. He indicated that Davies Group brought robust, enhanced capabilities for adjusters, particularly in the data security and claims services delivery. He responded to questions.

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

5. **For Discussion: Reinsurance update from GEM CEO Andrew Halsall.**

Andrew Halsall presented an overview of GEM and its Members. He described the reinsurance structure GEM offers and the current market conditions noting that GEM intends to remain a stable provider particularly when the commercial reinsurance market is tightening. He reviewed the GEM strategic goals.

6. **For Possible Action: Investments**

- a. **Report from SAA on risk assets. This discussion will also address options related to Bank Loans.**
- b. **Report from NEAM on fixed income markets and results.**
- c. **Discussion on fixed income portfolio benchmarks and tolerance for tracking error in pursuit of investment objectives.**

6. a. Alton Cogert, Present of Strategic Asset Alliance (SAA), reviewed the opportunity for investment in bank loans as an option within the fixed income space. He described the bank loan market, noting that it was nearly equal in size to the high yield bond market. He noted the structure of corporate debt by order of priority in the event of bankruptcy: 1) bank loans, 2) high yield bonds, 3) stockholders. Thus, with a higher priority, bank loans present a diversification opportunity with less or comparable risk and return to high yield bonds. He reviewed the correlation to treasuries which showed bank loans were negatively correlated to treasuries. He commented on the long-term return performance of bank loans and their risk-adjusted returns (Sharpe ratio). He commented that unlike bonds, bank loans have certain covenants requiring maintenance of key financial ratios. He responded to questions.

Gerry Eick noted that the explanation was helpful to understanding this option versus high yield bonds. He asked for a risk/reward discussion about bank loans versus other fixed income investments. Alton explained the risk components as including duration risk, credit risk and liquidity risk. Bank loans have short duration, credit risk is higher than treasuries but about the same level as high yield bonds, and liquidity is like an over the counter type market because the banks do not want uncollectible loans. Alan Kalt asked about bank loan fund manager quality and Alton responded that Eaton Vance or NEAM both were high quality. Josh Foli expressed his concerns about increased corporate debt decisions that may reduce their bond rating. Alton said that corporate treasurers were very astute and sometimes were willing to take a slight bond rating downgrade in order to take advantage of options. Josh Foli asked about performance in up and down markets. Discussion ensued about the likely corporations which were in this space. Wayne Carlson noted that this investment option was an opportunity for the captives, but not for the pools. Gerry Eick asked about the portfolio allocation for this

option as a diversification tool. Kelly Sullivan indicated that future reports from NEAM would be able to include a discussion of this topic.

b. and c. Kelly Sullivan of NEAM, provided an overview of how the benchmarks were established for the captives and pools. She said they tied the benchmarks to the investment goals of the programs. Key elements were stability over time. Gerry Eick commented about whether the performance relative to benchmarks was inconsistent with our practices. He indicated that the benchmarks seemed to focus on price return while the NEAM strategy focused on income return. He indicated that he was satisfied with the performance but wondered whether the benchmark should be a measurement of the income return. Kelly indicated that book return was likely the best performance indicator over time. Paul Johnson questioned whether there may be multiple benchmarks that may show a clearer picture for the unsophisticated reader. Alton Cogert suggested that the GASB accounting rules makes the pricing volatility show up in the financial statements, but these rules should not govern the strategy. Book yield is a more stable indicator of performance. Kelly Sullivan noted that her presentation slide addressed this differential of price volatility compared to income stability. Mike Rebaleati suggested showing two benchmarks that reflect both price and income performance. Kelly agreed that this may help and could be incorporated into future reports.

No action was taken on these items.

**7. For Possible Action: Acceptance of fiscal year 2018-2019 Financial Audits of**  
**a. NPAIP.**  
**b. PACT.**

a. Alan Kalt presented an overview of the NPAIP audit and the key financial ratios results. Michael Bertrand reviewed his communications to the board noting no significant adverse findings although he did have a few suggestions for enhancing internal operations. On motion and second to accept the audit, the motion carried.

b. Alan Kalt presented an overview of the PACT audit and the key financial ratios results. Michael Bertrand reviewed his communications to the board noting no significant adverse findings although he did have a few suggestions for enhancing internal operations. He also complimented staff, particularly Debra Connally, for having no exceptions to the assessments reconciliation for the first time. Overall, he said improvements continued to happen. On motion and second to accept the audit, the motion carried.

Alan commented that a future item for discussion would be the amortization policy in consideration of the substantial effect amortization on the contributed net position to the captives have on the financial statements. He indicated that a restatement of the financials writing off the capitalization from the pools to the captives would cleanup the issues and better reflect actual performance in the future.

**8. For Possible Action: Review and determine the voting status of the Town of Pahrump.**

Mike Rebaleati introduced the topic noting that Lorena Dellinger of Nye County, Jared Rossi the agent for Nye County, and General Counsel Steve Balkenbush were present regarding this issue. The issue arose from the Town of Pahrump having had voting status until an election dissolved the separate town board to being an advisory board governed by the county commissioners in which case, voting status ceased. The question revolves around interpretation of the interlocal cooperation agreement as to Member status versus voting Member status. Lorena said that the commissioners were the town board members, not an advisory board, per NRS 269 which gives the commissioners the option to be the town board.

Discussion ensued about the issue. Wayne Carlson reviewed the history of the town's membership in NPAIP and how it petitioned for and was granted voting status. When the town board was dissolved by an election, it appeared that there no longer was voting status. Others commented that counties had multiple board for which the county commissioners served as the governing board and that granting such separate voting status would increase the number of votes dramatically. Discussion about options ensued.

On motion and second to direct staff to work with legal counsel for further interpretation of status and whether any modifications to the Interlocal Cooperation Agreement were needed to address the issues, motion carried.

**9. For Possible Action: Approval of Prospective Members.**

- a. PACT - Nye County Hospital District.**
- b. NPAIP - Nevada Association of School Superintendents (501c3).**
- c. NPAIP – Tonopah Development Corporation (501c3).**

a. Wayne Carlson commented that Nye County Hospital District presently is a member of NPAIP as the owner of the hospital building which they lease to Renown. They hired a part time clerical person to support to the board operations. On motion and second to approve for membership, the motion carried.

b. Wayne Carlson reviewed the formation of NASS as an organization for superintendents. They have an independent contractor Executive Director who oversees operations. He noted their purpose and function is to train superintendents and to provide legislative review and lobbying efforts similar to the Nevada Association of School Boards. He responded to questions. On motion and second to approve for nonvoting membership, the motion carried.

c. Wayne Carlson discussed an email inquiry from Ken Eason, the agent, who described the organization's history and purpose, noting that the Town of Tonopah is housing them and provides some funding for their operation. Chris Mulkerns commented on the relationship to the town. Their purpose is to promote development of the town's center. On motion and second to table pending receipt of an application for review.

**10. For Possible Action: Acceptance of Reports:**

- a. Executive Director.**
- b. Operations Manager Report.**
  - i. NPAIP building roof project.**
  - ii. NRP updates.**
- c. Chief Financial Officer Report.**
  - i. Actuarial Update – POOL.**
  - ii. Actuarial Update – PACT.**
- d. Risk Manager Report.**
- e. Willis Pooling.**
  - i. State of the Market.**
  - ii. Elearning Demo for Renewal Application Process.**
- f. Human Resources.**
- g. ASC – Claim status.**
- h. E-Learning/Web Master on the POOL/PACT LMS programs.**

a. Wayne Carlson provided a brief synopsis of his written report noting the trends in reinsurance market that may require consideration of adjusting the pools and captives' retentions on renewal. He noted that the annual meeting location had been confirmed at the

Whitney Peak Hotel in Reno. Nevada Risk Pooling, Inc. has been established as directed pending formal IRS approval. Wayne added that the EAP agreement renews in 2020. Also, the lease with State Risk Management is pending final approval by the Board of Examiners and the CCMSI lease renews in January 2020.

b. Mike Rebaleati commented about the ongoing roof replacement status and costs of about \$250,000 with an anticipated completion in a couple of weeks. He discussed the possibility of having an office mapping consultant analyze our operations to identify potential issues based upon discussions he had at a recent GEM meeting with other pool directors. He reviewed the success of the HVA assessments in helping our school districts secure major grants to funding improvements in the districts. He commented that a future contract with Jeff Kaye may be needed to assist the districts. The Cyber Summit on November 7<sup>th</sup> has an estimated 80 attendees. He then discussed enhancements to the ClearSight Stars Enterprise claims system with it's an acquisition by Riskconnect which has numerous optional applications that may be worth consideration in the future.

c. Alan Kalt presented a review of key actuarial report exhibits and described how they tie into the financial audits for both NPAIP and PACT. He described the historical results over 10-year cycles and year over year estimates to actual results. He discussed the confidence level indications and that the pools use 75%. Alan noted that there was a reduction in the discount rate from 3% to 1.5% for PACT reserves and that the plan was to eliminate the discount for the current fiscal year. He responded to questions.

d. Mike Rebaleati provided the risk manager report on behalf of Marshall Smith. He will distribute the EAP utilization report soon. He showed the utilization report for Target Solutions and noted that it is being rolled out to additional volunteer fire departments. The Fit For Retirement E-Learning courses has been released and well received. Swimming pool inspections continue successfully. Law enforcement policies and jail audits are being well received. The Cops and Prosecutors training in Elko was well-received and valuable. Passive Network Assessments are nearly completed and efforts are being made to follow-up on implementation of recommendations. He noted that replacement of the respirator fit testing equipment is underway.

e. Mary Wray of Willis Re Pooling reviewed the adverse trends in reinsurance capacity and pricing, particularly in property but also in large liability losses. Increasing the statute of limitations for sexual abuse liability likely will put pressure on availability of limits and pricing for that coverage. Cyber liability trends indicate increasing frequency and severity of claims, particular on public sector. She indicated that continued vigilance is necessary in working with markets and providing the pool services. She responded to questions noting that we likely will face certain market conditions over which we will not have control as the reinsurers have their own difficulties. Our pre-planning efforts will help especially consideration of retention and quota-share options for the pools and captives.

Mike Rebaleati, Mike Van Houten and Courtney Giesseman reviewed the E-Learning module that has been developed to help agents and members to understand how to complete the renewal applications. The module provides what and where are the sources of information available to assist with completion. This was designed to highlight key elements, how to interpret questions, what responses are expected. They demonstrated the property section module.

f. Stacy Norbeck of POOL/PACT HR reviewed the extensive accomplishments from 2018 and thus far in 2019 noting the number of training classes, bulletins, alerts, legislative tracking and

policy updates they have achieved for the members. She highlighted the success of the HR Summit.

g. Donna Squires of ASC introduced Mike Livermore. Mike explained that he plans to retire on April 30, 2020. Margaret Malzahn is his designated claims supervisor successor and they will be hiring another adjuster to replace Margaret's position. Donna then reviewed the large POOL claims (over \$300,000) noting that 7 of the 12 listed will be closing out in the next 60 days. She commented on individual claims status and responded to questions. Mike Livermore then reviewed the large PACT claims commenting that unlike the POOL, these claims do not close until the death of the claimant which can be years. He highlighted that most large losses were due to heart disease.

h. Mike Van Houten reviewed the progress of the E-Learning program describing some new courses and utilization. He highlighted that with the merger of Torch Enterprise into Absorb LMS, we gained a more robust LMS platform. Members are being enrolled in the new system and are now able to import their own courses into our LMS system in addition to assigning our courses. He is rolling it out after having initiated Boulder City as the pilot in the new system. The system has the ability to upload and test courses such as law enforcement training. Mike also reviewed what he learned from a conference about Boosted Learning that reinforce the course learning by follow-up mini courses that enhance knowledge retention substantially. In addition, he said the technology is evolving rapidly and may upend current E-Learning practices by making the course data independent of the LMS platform which will enable the ability to combine the results from multiple platforms into a single records storage system.

**11. For Possible Action: Review and determine the structure of the existing audit committee to encompass PRI, NRP, PRM and PCM. Currently the audit committee only reviews NPAIP and PACT.**

Mike Rebaleati introduced this subject with a goal of utilizing the financial expertise of the existing POOL and PACT Audit Committee members to facilitate the same review for the other organizations. Committee members expressed interest in this approach. Wayne Carlson noted that certain legal issues would need to be addressed because each organization is separate and its board should appoint their own audit committee perhaps requiring some contractual arrangement. In addition, POOL and PACT are public entities, but the other organizations are not, so public records laws may apply and should be addressed.

On motion and second to direct staff to work with legal counsel for a way to accomplish this, the motion carried.

**12. For Possible Action: Risk Management Programs and Insurance/Reinsurance Coverages.**

- a. Overview of POOL/PACT all insurance/reinsurance coverages and risk management programs to determine what coverages and programs to retain for 2020/2021.**
- b. Review EnVision Enterprise Risk Model for Captives to Evaluate Potential Retention Decisions for the pools.**

a. Mike Rebaleati indicated that due to previous discussion at this meeting no additional discussion on this item was needed until the February 2020 meeting.

b. Mary Wray introduced the EnVision model and provided a demonstration about how it helps to visually see the impact of various financial and risk decision components. She said there is a tool for PRM and for PCM and future versions for POOL and PACT. The outputs of the

model include financial benchmark measures that can be tested live to see the impact on the financial results and performance indicators.

**13. For Possible Action: Approval of Proposed POOL Form Amendments/Endorsements for Fiscal Year 2020-2021 for Adoption by the POOL Board at its Annual Meeting.**

Wayne Carlson said there was no formal draft of possible changes, but highlighted a couple of potential changes to enhance the coverage for building replacement coverage to include environmental improvements similar to an option within the equipment breakdown extension. Another continuing issue is replacement cost coverage for vehicles in addition to the public safety vehicles. He said that he asked Donna Squires and her staff to review and advise where clarifications might be needed to resolve claims confusion. Donna noted one potential area regards the sexual abuse sublimit in light of cases and upcoming reinsurance market changes. Wayne said that change to the data security coverage likely would be necessary because CRL is working on changes to its reinsurance form and that may affect our coverage provisions. He also noted that the claims trend in the market was adverse. Coverage analysis should be discussed in context of loss prevention. Discussion ensued. Questions arose about statute of limitations extensions on sexual abuse having an impact. No action was deemed needed at this time as formal proposals will be provided in February.

**14. For Possible Action: Ratify the appointment of Small City/County Representative on NPAIP Executive Committee to Replace Beverly Connally.**

Mike Rebaleati indicated this item may be tabled until the annual meeting if desired although suggested names are being received. On motion and second to table, this item was tabled.

**15. For Possible Action: Approval of the next Joint Executive Committee meeting being scheduled for February 10, 2019 and the Annual Meeting to be held on April 16-17 (Thursday-Friday), 2020 at the Whitney Peak Hotel, Reno.**

Mike Rebaleati indicated that the date was a placeholder and likely another meeting in March would be necessary to finalize the recommendations to the board at the annual meeting. Cash Minor noted that the proposed date should read 2020.

**16. Public Comment.**

Chair Minor opened public comment and hearing none, closed the comment period.

**17. For Possible Action: Adjournment.**

On motion and second to adjourn, the meeting was adjourned.

The Agenda was posted at the following locations and linked to the Official State Website <https://notice.nv.gov>:

N.P.A.I.P.  
201 S. Roop  
Carson City, NV 89701

Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701

Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316

Churchill County Courthouse  
155 North Taylor Street  
Fallon, NV 89406