



**Nevada Public Agency Insurance Pool
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**Minutes of
Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: September 28, 2020
10:00 AM
Zoom only**

- 1. Roll:** The following Executive Committee members were present: Cash Minor, Paul Johnson, Geof Stark, Josh Foli, Ann Cyr, Mike Giles, Chris Mulkerns, Cindy Hixenbaugh, Dee Carey, and Dan Murphy. Also present were Wayne Carlson, Mike Rebaleati, Alan Kalt, Marshall Smith, Mike Van Houten, Debbie Connally, Stacy Norbeck, Mary Wray, Stephen Romero, Katherine Parks, Donna Squires, Margaret Malzahn, Chip Clark, Kelly Sullivan, and Dan Smereck. .
PACT Chairman Paul Johnson called the meeting to order at 10:06 am PST.
- 2. Public Comment**
Chair Paul Johnson called for public comment. There was no public comment.
- 3. For Possible Action: Approval of Minutes of Joint Executive Committee Meeting of May 27, 2020.**
On a motion by Cash Minor and a second by Ann Cyr, the minutes of the Joint Executive Committee meeting held on May 27, 2020 were unanimously approved.
- 4. For Possible Action: Approve Revisions to Audit Committee Charter and Appoint Member(s).**
Executive Director Wayne Carlson explained to the board the reason for the changes to the NPAIP (POOL) and PACT Audit Committee Charter. Mr. Carlson explained the proposed changes will clarify that the Audit Committee will maintain at least three (3) members. Two of the members will be the Fiscal Officers of POOL and PACT and additional members which shall be appointed jointly by the Chairs of each Pool's Board from members of the Board. On motion by Cash Minor and second by Josh Foli, the proposed revisions to the POOL and PACT Audit Committee Charter were approved unanimously.
- 5. For Discussion Only: Investment update report from NEAM and SAA.**
NEAM President Chip Clark and Account Manager Kelly Sullivan presented a detailed presentation on economic, capital market update and portfolio review. Mr. Clark gave a summary overview of the unprecedented period that the country has endured since the beginning of the COVID pandemic. In particular, the negative impact that the COVID pandemic crisis has caused to small businesses. Based on the fact that 57% of America businesses are under 500 employees, the bulk of the country's unemployed is coming from small businesses. He spoke of the U.S. GDP and employment conditions. With the unemployment rate at about 8.4% compared to the 3% pre- pandemic rate, there is

considerable “ground” to be made up. He reviewed the policy response of the fiscal stimulus, Federal Reserve Balance Sheet expansion in the United States and the Global Policy response. Mr. Clark reviewed the Fed actions and programs have stabilized the credit markets. He reviewed the U.S. Treasury rates looking back as well as the forecast to 12-31-2020. A discussion was held on the potential long-term consequences of soaring budget deficits, debt levels, tax rates, saving rates and supply chain re-ordering and the Central Bank Intervention in the markets. See charts and graphs within the NEAM presentation.

Account Manager Kelly Sullivan reviewed the portfolio and stressed that the POOL and PACT investment positions were well positioned before the COVID pandemic crisis, which enabled NEAM to take advantage of investment opportunities in March and April 2020. She emphasized the challenging reinvestment rates and low interest rates will be factors that all risk management type companies will have to contend with going forward. It was noted that the current portfolio has a significant book yield advantage over the low market yields. The estimated investment income is expected to be slightly over four million this fiscal year. The portfolios have been structured to produce stable and rising levels of investment income while generating competitive rates of total return over time. The total return YTD for PACT is 4.61%, 5.11% for POOL, 7.50% for PCM and 7.81% for PRM. Chief Financial Officer Alan Kalt asked Sullivan how the extended weighted average maturities would affect future returns in the current market. Sullivan stressed by extending the durations of several investments with increased spreads will have a positive impact on the yield as it has been “locked in”.

6. For Possible Action: Approve revisions to POOL and PACT investment guidelines.

Chief Financial Officer Alan Kalt explained to the Board the proposed changes in section 8.D Investment Guidelines Performance Standards are to update the policies to include Fixed Income Benchmarks so the appropriate measurements are utilized to measure the investment performance over time. Dan Smereck emphasized that the word Index needed to be used instead of the phrase “Treasury Bond Fund”. Kelly Sullivan indicated that the proposed changes to the investment guidelines will not alter the strategic asset allocation. On motion by Josh Foli and second by Cash Minor to approve the proposed changes with the suggested language change to use the word Index at the end of “Treasury Bond Fund”, the motion passed unanimously.

7. For Possible Action: Staff Reports on:

a. Review of Executive Director’s 2020 meeting preparation notes.

Executive Director Wayne Carlson presented a summary with several talking points which included Budget Cuts, Use of Surplus for credits/discounts to members, amortization reporting, net investment income expectations, PACT deductibles, renewal distribution timing, dollar value of risk management services, program cost comparisons, CTX distributions, CARES act funding, impact to school budgets, FEMA payments, cost benefits to special insurance coverages, workforce adjustments, worker compensation claims filings, future rates, and law enforcement and other local government legislative changes that may have impacts to POOL/PACT program. See supporting summary document for details.

b. Virtual training initiatives in human resources and risk management

PRI General Manager Stacy Norbeck gave a presentation on the considerable additions that her staff has made concerning virtual initiatives. These include meetings, trainings, and the HR Annual Conference. She indicated that ZOOM has increased our capabilities during meetings with members, allowing the sharing of documents and other information quickly and easily which we may not have had access to in an in-person meeting. The PRI Team has been busy “Zoomifying” our

most requested compliance classes, certificate programs and courses/programs as needed by the members. She indicated that while nothing can replace in-person contact, our virtual initiatives seem to be well-received and meeting the goal of keeping our staff and members safe.

Similarly, Risk Manager Marshall Smith gave a presentation on the virtual initiatives in the area of risk management. It was noted that ZOOM has increased our capability during meetings with members, including member inspections and assessments. We have continued to schedule essential site/facility reviews for our members with ZOOM. We continue with enhancements and accomplishments for virtual webinars, site work, and meetings for aquatic facilities, law enforcement, safety plans, CPR/first aid, and schools. He noted that POOL/PACT was among the first to provide a series of 3 important webinars for our schools which focused on the *Continuity of Operations* considering the foreseeable operations impact of COVID-19 restrictions. Timely training relating to *Response to Active Resistance* and *Duty to Intervene* webinars were provided to our law enforcement members and defense counsel. We continue to strive to provide effective risk management services to our members, their employees and community in which they serve.

c. Unemployment claims response

Chief Operations Officer Michael Rebaleati reported to the board on the fraudulent unemployment claim scheme that has affected the POOL membership. Based on extensive work, it became apparent that the employee information being used to file the fraudulent unemployment claims was coming from outside sources from past large national breaches. He explained that a service was established with AURA Identity Guard for a one-time fee of \$3,000 to enable a method for identity monitoring service for cyber security claims, members wanting to pay for identity monitoring services and individual employees of our members. The agreement allows all member's employees/retirees to obtain this service at our discounted annual rate of \$59. The POOL will continue to monitor the fraudulent unemployment claim scheme.

d. Legislative changes regarding law enforcement, COVID-19 immunity

This topic was covered in section "7.a." by Executive Director Wayne Carlson. A Legislative Update on SB4 of the Special Session was provided to our membership on August 10, 2020.

e. Review of survey to be issued early October.

Chief Operations Officer Michael Rebaleati presented sample survey questions. The intent of these survey questions is to measure the importance of risk management programs and services provided by POOL/PACT. The draft survey contained 5 sections to include Value of Services/Programs, Services provided by POOL/PACT administrative staff, Board and Committee Meetings, Transparency and Demographics. Geof Stark commented on the importance of keeping a survey concise in order for the respondent to complete the survey. He noted that providing the estimated time to complete the survey in the e-mail announcement would be beneficial needing to keep it under 15 minutes to complete. Board members suggested that the surveys could be split into three parts if necessary, to keep the survey time short to increase the response rate. Ann Cyr noted the 3 general survey categories could be focused on the POOL/PACT Brand, Customer satisfaction, and Risk Management product usage/value. Staff will work on developing a revised survey for the membership.

f. Amortization and restatement of POOL and PACT financials.

Chief Financial Officer Alan Kalt noted the change in the amortization of capitalization of funds to the captives at the Annual Meeting on April 17, 2020 wherein 100% of the transfer would be expensed in the year of the transfer effective retroactively to July 1, 2018. The fiscal impacts resulted in lowering the

POOL's Net Position by \$11,351,444 and PACT's Net Position by \$22,733,971 in the beginning balances. He reminded the Board of PRM's Total Surplus of \$41.7M on 12-31-2019 and PCM's Total Surplus of \$77.8M.

g. Financial Impacts of Pandemic.

Chief Financial Officer Alan Kalt prepared a 12-page report on the fiscal impacts of the COVID Pandemic on Nevada's local governments. This comprehensive report included an overview of the CARES CRF funding, FEMA Emergency Relief Grants, COVID-19 Stimulus bills and grants, Nevada Local government response to the pandemic. The detailed report addressed major revenue resources for local governments including: Taxable Sales, CTX distributions, property taxes. It was noted that the rural entities were not as impacted as the urban centers were in the most recent economic data to June 30, 2020. Kalt noted that the fiscal impacts of the pandemic are difficult to project and will likely last several fiscal years. He indicated that Nevada local governments were quick to jump into budget mitigation mode and effectively using federal grants/stimulus to offset costs of dealing with the COVID-19 pandemic. It was noted that School District are the most impacted public entity with this pandemic.

h. "Listening Tour" plans.

Chief Operations Officer Michael Rebaleati explained to the board the intent of this plan is to visit the members' governing boards more than just at renewal time. During the 2020 renewal meetings, a couple of members expressed concern that the only time they see POOL/PACT representatives was at renewal time. POOL/PACT service providers and staff are at the members throughout the year providing trainings and services but the governing board members are not aware of all the staff interactions with our Programs. A program update and listening session on POOL/PACT issues and concerns would be beneficial with the Board. It was suggested to wait until after the elections and the new board members are in office to start these sessions in January. Members of Joint Executive expressed support of this proposal.

8. For Possible Action. Discuss POOL / PACT risk management programs and services. This agenda item is to give direction to staff about POOL/PACT services for fiscal year 2021-2022 including a cost-benefit review, delivery means (NRP/PRI or third party), scope of services and cost allocation.

Chief Financial Officer Alan Kalt prepared an eleven-page document related to the POOL Risk Management Program and Services. It starts with the program's Mission, Vision and Motto statements. Kalt asked the Executive Committee if these statements are still the cornerstone of the program or if they need to be re-evaluated by the full board. This comprehensive report included an overview of the POOL approved budget allocations looking specifically at risk management services and contracts, excess and special insurance, agent commissions, pooling and loss control fees, claims administration, member education and training, and administrative expenses, Kalt walked through a rural county historical POOL premium payment compared to their General Fund revenues, expenditures and changes in insured values. It was noted that the members growth in revenues and related expenditures increased at a larger rate than the POOL's premiums even though the total insured values increased substantially during this 15-year period of time. It is understood that POOL coverage is more than just the General Fund and the General Fund data was used in the analysis as it is more consistent year over year of the members financial activities for the various types of member entities (Counties, Cities, Towns, Schools, Hospitals and Special Districts). He showed the apportionment of \$1M in program savings using the 2020-21 premiums paid by the members. See report for details.

For the sake of time, Kalt did not review the similar analysis performed for the PACT program in a 13-page report that was included in the meeting packet.

There was no action taken on this item but there was considerable discussion related to this topic.

Member Cash Minor expressed concern about using fund equity to help finance some the risk management programs. Mr. Minor continued that he has less concern if the costs are incorporated in the rate structure. After reviewing a chart reflecting what a million-dollar rebate would mean to Elko County, he wasn't sure if it would make a substantial difference to their budget. However, member Ann Cyr expressed the viewpoint that any potential savings to Carson City School District would make a substantial difference to her entity. In fact, the difference could be enough to enable the district to stay in the POOL program. She noted that Carson City School District increased their deductible to mitigate against the increases in premiums. They could have challenges if they have more than 3 deductible losses in a year. Member Josh Foli added the importance of reviewing these programs and services and determining if substantial budget cuts, while difficult, may need to be addressed in the future. He understands the funding challenges of school districts and doesn't want to lose them from our programs. Non-essential programs may need to be cut. He is does not support funding programs out of equity. Paul Johnson emphasized the importance of reviewing the operations budget and starting early in the process for next year. It is important to realize we as a Board get to guide this process rather than just getting a quote from an outside insurance company with no other viable options. This is a way for us to help each other out and keep the fiscal health of the POOL strong. After discussion by various board members, it was determined to have a Work Session on program services, and insurance programs. This particular discussion will be continued on October 19, 2020 meeting, which will be dedicated to POOL/PACT programs.

9. For Possible Action: Discuss PACT deductible options for fiscal year 2021/2022.

Executive Director Wayne Carlson gave a presentation concerning deductible options for PACT that included Strategic interest in risks assumed; Regulatory approval requirements; Board underwriting policy authorization; Underwriting requirements for offering; Financial risks to PACT; Financial risks to Member; Management of claims by PACT'S TPA and not by Member; Minimum and maximum deductibles to be considered; Aggregate deductible offering if any; Retrospective Rating Plan as an alternative to a large deductible and PACT Coverage Form language. A discussion was held regarding this type of program and if it would be used to pick up new members and/or keep existing members. Carlson indicated that it could do both if properly designed. It was noted that a future work session may be considered on this topic. No formal action was taken.

10. For Possible Action:

a. NPAIP building improvement plan.

Chief Operations Officer Michael Rebaleati reviewed the past history of the office space used by CCSMI on the second story and the need for improvements such as carpet and blinds replacement and painting. It was noted that CCSMI as increased the number of employees working in the space. It appears that the number of staff has nearly doubled and it has significantly increased the wear and tear on the high traffic areas. The carpet has rippled in some places due to the high volume of employees in

this space. On motion by Dan Murphy and second by Geof Stark for staff to proceed with these improvements, the motion carried unanimously.

b. Approve lease agreement proposal for CCMSI.

Chief Operations Officer Michael Rebaleati reviewed the current lease agreement with CCMSI which is \$3,339 per month and the request from CCMSI for a reduce lease rate of \$3,150 per month. \$3,150 is the same rate as for the period of 2009 to 2017. On motion by Cindy Hixenbaugh and second by Dee Carey to approve the reduced rate of \$3,150 per month, the motion carried unanimously.

11. For Possible Action: Setting the date and time of the next Joint Executive Committee meeting in 2020.

No action was taken. After general discussion, Chief Operations Officer Michael Rebaleati determined that a Joint Executive Committee meeting will be held on October 19, 2020 from 10am -12 noon. This meeting will be a work session dedicated to the POOL/PACT risk management services and program(s) continuance.

12. Public Comment

Chair Paul Johnson called for public comment and there were no comments.

13. Adjournment

Chair Paul Johnson adjourned the meeting at 12:55 pm PST.

Approved 10/19/2020