



**Nevada Public Agency Insurance Pool  
Public Agency Compensation Trust**  
201 S. Roop Street, Suite 102  
Carson City, NV 89701-4779  
Toll Free Phone (877) 883-7665  
Telephone (775) 885-7475  
Facsimile (775) 883-7398

---

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

**Date: Thurs., March 3rd, 2011**

**Time: 10:00 A.M.**

**Place: 201 S. Roop St., Conference Rm, 2<sup>nd</sup> floor  
Carson City, Nevada 89701**

**Conference Call: 1-800-593-9034 Passcode: Wayne1**

**1. Roll**

Members Present: Alan Kalt, Mike Rebaleati, Roger Mancebo, Pat Whitten, Claudette Springmeyer, Mike Pennacchio, Cash Minor, Lisa Jones, Steve West, Bill Kohbarger, Toni Inserra  
Members Absent: Jeff Zander, Dan Newell  
Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Debra Connally, Donna Squires, Bob Bennett, Jeanne Greene, Bob Lombard

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

**a. Approval of Minutes of Meetings:**

- 1) Joint Executive Committee – December 13, 2010**
- 2) PACT Executive Committee – none**
- 3) POOL Executive Committee – none**

**b. Executive Director's Report**

**c. Financial and Investments Reports**

On motion and second to approve the consent agenda, excluding item 2.b. Executive Director's Report, the motion carried.

Wayne Carlson reviewed the highlights of the Executive Director report, expanding on the legislative discussion in response to questions from the committee. He noted that Sen. Rhoads bill SB135 (supported by the Nevada Taxpayers Association) was an important bill for PACT and its members to support as it reduces the post-employment liability significantly. He also noted that AB141 will modify the physical examination requirements for volunteer firefighters over age 50 to ever two years in lieu of annually, but that other provisions tightening up eligibility counterbalanced the reduced physicals requirements.

Wayne also announced that the Board Retreat dates have been set as September 22<sup>nd</sup> and 23<sup>rd</sup> in Eureka, Nevada at the Eureka Opera House.

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

**3. Action Item: Acceptance of Reports**

- a. PACT Claims Audit Report**
- b. Large Loss Report**
- c. Loss Control Committee Report**

#### **d. Legislative Activity Report**

3.a. Wayne Carlson reviewed the Executive Summary of the claims auditor's report along with ASC's reply. Most of the recommendations were implemented as enhancements to current approaches with regard to the method for setting reserves, the auditor noted two possible methods and indicated that ASC and PACT should review those methods to determine whether or not to change the method. Wayne indicated that the discussion had occurred and that it was agreed to continue the current method as it had served PACT adequately.

3.b. Wayne Carlson and Donna Squires reviewed the large loss (losses over \$100,000) reports for POOL and PACT. Donna highlighted the property losses in recent years and noted the settlement of the Fernley canal breach litigation on the liability side.

3.c. Ann Wiswell highlighted key elements of the Loss Control Committee report noting that the committee had met three times this fiscal year, that several members had received the Loss Control Excellence Award and commenting about the increasing interest in Risk Management Grants.

3.d. Since this item was discussed in depth during the Executive Director's report, no additional report was presented.

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

#### **4. Action Item: Review of POOL and PACT Program Renewal Status and Action on Options**

##### **a. Willis Pooling Report**

##### **b. Market Conditions and Status Overview**

##### **c. Marketing Strategies for Reinsurance**

##### **d. Review of POOL Coverage Form Changes for 2011-2012**

##### **e. Review of Reinsurance Coverage and Retention for POOL and PACT**

4.a., b., c., and e: Bob Lombard provided an overview of the various markets utilized by the POOL or PACT and highlighted prospective markets for various layers of coverage. He noted that meetings with various underwriters to gauge their interest would be held soon. He mentioned Government Entities Mutual, County Reinsurance, Ltd. and United Educators may be interested in adding additional layers, which could reduce Munich's share of the overall program limits. Quotes will be sought to compare the various options. Wayne added that he would be meeting with some of these markets in mid-March at a conference to discuss options. Bob also noted that he and Wayne would be meeting with Lloyds Underwriters on the property renewal and that he expected little changes in the overall pricing in spite of the floods and earthquakes worldwide that have affected reinsurers. Wayne added that various retention options had been discussed including increasing the POOL's retention and increasing Public Risk Mutual's participation in quota shares with other reinsurers, both of which are possible given the current net assets of POOL. Regarding PACT, no change in structure or reinsurance layers is being sought. Coverage with CRL and Midwest Employers Casualty were compared to other alternatives last year and the pricing was in line so no change was made. In response to questions about the possible retentions, Wayne noted that based upon the board policies for net assets to retention ratios, both the pools and the captives could increase retentions and doing so would be evaluated as part of the renewal options discussions.

4.d. Wayne noted that some changes to the Crime/Employee Dishonesty section were being worked on to clarify coverage; otherwise,, no significant form revisions were planned.

No action was taken on this report.

#### **5. Action Item: POOL/PACT HR Services Grant**

**a. Pooling Resources, Inc. Grant Financial Report**  
**b. Human Resources Oversight Committee Report**

5.a. Wayne Carlson reviewed the financial reports and grant progress budgets, noting that while budgeting for a negative balance in the current fiscal year to use up some prior surplus, both the prior year and the current year (projected) will have positive balances. The budget for 2011-2012 reflects reductions in some areas and is expected to generate a modest gain. The revenue for the grant increases slightly for 2011-2012 and the board could amend the grant to remove that amount if it chose, but the budget retained the increase since this is the last year of the grant and it will be up to renew for three years in 2013.

5.b. Jeanne Greene reviewed the progress under the strategic plan, highlighting the accomplishments and explaining the program changes and possible enhanced services that were being considered by the Human Resources Oversight Committee. She provided a list of members that are working on or achieved recognition under the Human Resources Compliance Program. She noted that the Essential Management Skills training series has been very well attended and that they are working on and Advanced Management Skills program for the future. Several committee members complimented Jeanne and her staff for their excellent and responsive service to them in troubleshooting, advice and training. Alan Kalt suggested that those that have completed the HR Compliance Program should be recognized at the annual meeting.

**6. Action Item: Approval of Proposal for Contracts**

**a. Public Agency Risk Management Services for POOL and PACT**

Wayne Carlson noted that the present contract had been amended to waive the 3% increase for the 2010-2011 period. The proposed contract would maintain the same level of fee; that is, the same as for the 2009-2010 year. He indicated that under the present fiscal situation with members, an increase would not be appropriate. Under discussion, various committee members suggested that some form of bonus or other means of recognition for performance should be considered while agreeing that the fee not increasing was a good step. Wayne noted that while he appreciated the consideration, action on such an option was not part of the agenda for this meeting, but that if the committee wanted to discuss it at a future meeting, it could be placed on an agenda for action.

On motion and second to recommend the proposed contract as presented with no increase in fee, the motion carried.

**7. Action Item: Review of Services and Approval of PACT Budget for 2011-2012**

Wayne Carlson reviewed the significant items in the PACT budget, noting that revenues would be down as a result of the departures of Carson City and Sun Valley GID. Likewise, loss reserves expense would be reduced. He indicated that he reduced expenses in many areas and that the net margin was minimal. He utilized an actuarial 70% confidence level estimate, but had not yet received that actuarial report to firm up that figure for the budget. He responded to questions.

On motion and second to approve the PACT budget for recommendation to the board, the motion carried.

**8. Action Item: Review of Services and Approval of POOL Budget for 2011-2012**

Wayne Carlson reviewed the significant items in the POOL budget, noting that revenues would be down as a result of the departure of Carson City. Similarly, the loss reserves expense would be reduced. He utilized an actuarial 70% confidence level estimate, but had not yet received the actuarial report to firm up that figure for the budget. He commented that the board had subsidized a portion of the reinsurance premiums due to the large increase last year. For budget purposes, he included the expense without the subsidy anticipating renewal negotiations to try to reduce the premium or mitigate it by finding some options as was discussed under item 4 of this agenda. He indicated that the board could determine

whether or not to continue any subsidy as well. He reduced other expenses as well and set a nominal net income margin. He responded to questions.

On motion and second to approve the POOL budget for recommendation to the board, the motion carried.

**9. Action Item: Review of Captives' Performance**

Doug Smith reviewed the current status of the captives' performance. Doug Smith reported that outside CPA audits for PRM and PCM (captives related to POOL and PACT, respectively) were completed last week, and that no control deficiencies were found, unqualified opinions were provided by the auditor, and the captive Boards accepted the audits in both cases. He stated that PCM had finally seen some loss activity, with up to three projected total losses within the captive layers. This is not surprising, since PCM was expected to see primarily the most serious of claims. Payments will be made over long time periods in each case, and surplus is quite adequate to handle this level of claims activity. PRM has had no new claims in the past year or so, but will be paying out two full limits for the Fernley inundation.

**10. Action Item: Report of status of Investment Service Provider Changes, Review of Investment Agreements**

**a. Approval of Raymond James Investment Advisory Consulting Services Agreement**

**b. Approval of Wells Fargo custodial contract**

Doug reviewed the ongoing reorganization of the investment program, referring to three primary levels of service provider involvement. First, as discussed at the previous Executive Committee Meeting, the custody is being transferred from Raymond James to Wells Fargo. Subject to approval of that contract by both pool boards and both captive boards, the change should occur no later than April 1, 2011.

Second, portfolio management will be provided by independent managers (such as Eagle Asset Managers or the new manager, PFM, which was approved at the last meeting) or at the direction of an advisor, or a combination of both. Currently, Joe Woods II of Raymond James Financial Services (RJFS) is basically filling both the role of broker and advisor. Again subject to Board approval, his role will become that of advisor, and trades will occur at the custodian level. However, Doug suggested that during the remainder of 2011 staff plans to interview and recommend additional managers, particularly for the captive accounts, such that the advisory role would devolve from involvement in actually guiding trades to overseeing the managers.

The advisory function itself is the third level of involvement. The end result of these three levels being separated from one another, such that no two would be intertwined in the future, should provide more flexibility. The Board would more easily be able to change any one service provider independent of the other two. The changes should also reduce the potential for future conflicts of interest.

Following discussion of the RJFS advisory agreement, including the performance requirements staff expects from Joe, it was moved that the agreement be finalized and approved by staff. Discussion also included fees and other details of the agreement. The fee structure of 7 basis points (0.07%) for the first \$100,000,000 of funds invested in all five entities, 5 basis points for the next \$100,000,000 and 3 basis points thereafter was noted. Also, staff said that it might be most efficient for the contract to be signed only with NPAIP (POOL), and costs allocated based on investment proportions among the other entities internally. It was suggested that staff consider pursuit of a broader indemnity agreement, and that the arbitration requirement be reconsidered. However, these changes were not deemed necessary in order for staff to approve the agreement. Staff assured the Board that meaningful changes in the agreement, or serious ramifications discovered during negotiations, would be brought back to the attention of the Board.

The Wells Fargo custodial agreement was discussed in detail. One key issue related to staff authority for trades and cash transfers. The agreement will specify that funds may only be transferred between Wells investment accounts and the respective appropriate Wells Bank accounts for each entity (captives, pools, PRI); there will be a total of 13 investment accounts coordinated with 8 bank accounts for all five entities. Wayne will have authority for both trades and cash transfers, Doug for trades, and Deb for cash transfers. Board Chairmen will sign the approval sections of the agreements. In addition, the next change in investment policies will include a requirement that the Board must approve and the respective Board Chairman must sign off on any changes in those staff authorities.

On motion and second to approve both items a and b and to authorize the Chairs or staff to sign the various agreements, as appropriate, the motion carried.

**11. Action Item: Review and Action on Implementation of GASB 54 Fund Balance Reporting**

Wayne Carlson reviewed the summary of GASB 54 indicating that both pools would have to implement it beginning this fiscal year. Alan Kalt said that these standards followed a flow of funds policy approach such that defining the particular buckets would follow that strategy. Under discussion it was suggested that the Audit Committee may need to adopt policies on classification before June 30, 2011.

On motion and second to direct staff to work with the Audit Committee or to bring recommendations to the Executive Committee for review and to add the policies to the Annual Board Meeting agendas for adoption, the motion carried.

**12. Action Item: Review and Revise Drafts of Annual Meeting Agendas Including:  
a. Executive Committee and Officers Up for Election at the Annual Meeting, Candidates and Conduct of the Elections**

Wayne Carlson reviewed the drafts of the agendas requesting input for any additional items or changes. He also reviewed the Executive Committee re-election spreadsheet noting the future vacancies and the names of possible candidates for large cities/counties positions and special districts. Incumbents who are not vacating positions declared interest in continuing to serve. He noted that if future vacancies occur after the elections, the respective Executive Committee would appoint replacements.

No action was taken on this item.

**13. Public Comment**

Bob Bennett, President of ASC was introduced and welcomed to the meeting. He indicated his pleasure in being able to visit and attend the meeting.

**14. Action Item: Adjournment**

On motion and second to adjourn, the motion carried and the meeting adjourned at 1:30 p.m.

**This Agenda was posted at the following locations:**

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
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 Administrative Complex  
155 North Taylor Street  
Fallon, NV 89406**