



**Nevada Public Agency Insurance Pool
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**Minutes of Joint Meeting and Agenda of
Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: Tuesday, March 22, 2022
9:00 AM
Virtual Meeting**

1. Roll

The meeting was called to order by PACT Chair Paul Johnson at 9:02 am.
Members present Paul Johnson, Geof Stark, Josh Foli, Dan Murphy, Joe Westerlund, Cindy Hixenbaugh, Ann Cyr, Gina Rackley, Mike Giles, and Elizabeth Francis.
Members Absent: Dee Carey.

Others present Wayne Carlson, Alan Kalt, Stephen Romero, Mike Van Houten, Stacy Norbeck, Donna Squires, and Margaret Malzahn.

2. Public Comment

Chairman Paul Johnson opened public comment and hearing none, he closed the comment period.

3. For Possible Action: Approval of Consent Agenda

- a. **Approval of minutes of Joint Executive Committee Meeting of January 5, 2022**
- b. **Acceptance of Interim Financial Statements for period ending December 30, 2021, for POOL PACT, PRM, PCM, NRP, PRI.**
- c. **Report on PRM and PCM 2021 Annual Audits**
- d. **Acceptance of Reports:**
 - i. **Executive Director**
 - ii. **Member Relations Manager**
 - iii. **Chief Financial Officer**
 - iv. **Risk Manager**
 - v. **POOL/PACT Human Resources General Manager**
 - vi. **Davies Claims Solutions**
 - vii. **E-Learning/Web Master**

On a motion by Josh Foli and a second by Ann Cyr, the consent agenda was approved as submitted.

4. For Possible Action: Review of Investment Performance and Enterprise-Based Asset Allocation Work by NEAM

- a. **Investment Advisor SAA**
- b. **Fixed Income Investment Manager NEAM**

Alan Kalt, CFO, gave an overview of the Enterprise-Based Asset Allocation work completed by NEAM. The goal of the EBAA work is to move along the efficient frontier wherein you achieve higher returns with less risk while maintaining compliance with the Investment Policy. This is an annual service provided by NEAM to assist their clients to achieve greater investment results. Kalt quickly highlighted a couple of items in the monthly investment reports provided by SAA and NEAM. He thanked the Executive Committee members who participate on the monthly investment calls and encourage others to consider participating in the future.

A motion to accept the investment reports was made by Geof Stark and second by Elizabeth Francis which carried.

5. For Discussion and Possible Action: PACT's Payroll Assessment Methodology

Alan Kalt, CFO, gave a brief overview of the information in the meeting packet and suggested that a Task Force be established to review this item in more details and bring back a recommendation to the Executive Committee in the future. Member Josh Foli prepared a White Paper outlining the various issues of the current methodology and the technical issues associated with the retroactive application of the new rates on a calendar year basis. He appreciated the idea of the Task Force and was willing to Chair the Task Force. Gina Rackley volunteered to be on the Task Force along with Paul Johnson. Alan Kalt and Wayne Carlson will provide staff support to the Task Force.

Josh Foli made a motion to create a Task Force consisting of Paul Johnson, Gina Rackley, and himself to review PACT's Payroll Assessment Methodology and bring back their recommendations to the Executive Committee upon completion of their work. Mike Giles seconded the motion which was approved.

6. For Possible Action: Approval of Loss Control Committee Charter Change to Voting Member Eligibility

Wayne Carlson, Executive Director, reviewed the Loss Control Committee recommendation to change to Voting Member eligibility. The Loss Control committee amended its Charter to require members of the Loss Control Committee to achieve the Loss Control Excellence Program (LCEP) award every three years to maintain membership on the Loss Control Committee. This is an effort to have the member entities following best practices within their organization for loss control and safety. This is not intended to remove members from the committee rather strengthen the commitment to the goals and objectives of the committee.

Dan Murphy made a motion to approve the Loss Control Committee Charter change as recommended by the Loss Control Committee to have the members achieve the LCEP award every three years to maintain membership on the Loss Control Committee. It was seconded by Mike Giles and the motion carried.

7. For Possible Action: Review of Risk Management Programs, Insurance/Reinsurance Coverage:

- a. **Review of Risk Management Programs/Services**

This item was discussed in connection with the POOL/PACT budget discussion below. The investment in member services is intended to assist the member in developing and

implementing best practices within their entity. The programs and services also assist in developing a more efficient organization and a reduction of claims.

- b. Review of POOL/PACT insurance/reinsurance coverage and risk management programs to determine what coverages and programs to offer for 2022/2023:**
 - i. Review of POOL and PACT Rate Indications**
 - ii. Review of POOL, PACT, PRM and PCM Loss Fund Contribution Rate Indications by Actuary**
 - iii. Selection of Retention Options for NPAIP and PACT Renewal and Reinsurance Strategies.**
 - iv. Consider Changes in Cyber Limits of Liability**
 - v. Review of Ancillary Programs Including Student Accident, Pollution Legal Liability, Employee Assistance Program, TULIP (GatherGard), and Airports Program.**

Stephen Romero, Member Relations Manager, provided a market update which included renewal rates on a year of year comparison from the various markets. There are several markets that continue to work on their renewal quotes. It was noted that property rate increase is projected around 5% however, there was recently adverse claim development on a property claim that has the market concerned about the impact to settle the property damage claim. In addition, our property values have increase 6% due to inflation and will increase the cost of renewal. Liability increases will be larger especially for law enforcement liability due to national trends and our own loss experience. We are seeking alternative coverage for the United Educators portion. We expect to receive the alternative quote at the end of March. We continue to work with CRL and GEM on their renewal quotes. These programs are a Pool of Pools across the nation.

It was noted that cyber liability continues to experience volatility in pricing and terms. We have been advised of a potential overall pool aggregate limit of \$10,000,000 plus a rate increase from the reinsurer. We will have to consider putting an aggregate limit on the POOL retention and on the PRM excess layer consequently.

Workers' compensation is stabilizing at the excess levels; however, PACT's retained losses remain high due to former Members. We received the actuary funding projection which indicated a modest increase in PACT rates, excluding the former members losses. Stephen noted that the year over year comparisons will be updated as latest information is received. It is anticipated that the renewal options will be presented at the April 12th meeting of the Joint Executive Committee meeting.

- c. Review Proposed 2022-2023 Draft Budgets for POOL and PACT for Recommendation to the POOL and PACT Boards**

Alan Kalt, CFO, walked the Joint Executive Committee through the PACT and POOL budget spreadsheet. He focused on the Budget Overview memos for each entity. The PACT budget overview addressed the projected PACT assessments, claims adjustment expense and loss fund contribution. Kalt prepared a spreadsheet that showed the Paid Loss Ratio (Total claims/total assessment) for the four audit periods from FY 2018 to FY 2021. It was noted that the lowest ratio was 92.4% and the highest was 96.7%. All four years had a reduction in Net Position during the period that totaled \$7.8M which is the approximate amount of the 6-30-2021 Net Position of PACT. This trend is having a negative impact on our financial benchmarks. In an effort to create financial stability to PACT, the Net Position needs to be stabilized and have slight increases over time. It was noted that PACT has contributed

\$53.7M into Public Compensation Mutual (PCM) which ended its year on 12-31-2021 with a Total Surplus of \$88.5M. This strategic move has built financial resources in the captive to allow it to take on additional risks as we as participate in additional investments in risk assets. It has worked effectively for both entities. Now is the time to evaluate if we should transfer some of this Total Surplus back to PACT to assist in the pay claims runoff of a large member who left PACT in the past year without impacting the existing member's rates. Kalt suggested that PCM transfer \$2.5M before June 30, 2022, and an additional \$2.0M before December 31, 2022, to provide financial resources and fiscal stability to PACT. Josh Foli asked if this was a one-time transfer or if it is intended to be happen on a regular basis. Kalt indicated that this is intended to be a one-time practice as it is hoped that there will be stability in the rates and claims over the next couple of years. The volatility of the claims of the departed large entity had a negative impact on the Net Position of PACT.

A brief discussion on the PACT Loss Fund contribution at the 75% Confidence Level (CL) in the upcoming year as calculated by the independent actuary was necessary to stabilize the operations. The current year was funded at 70% and losses will exceed the projections having a negative impact on the Net Position. The reinsurance with CRL and Safety National are at favorable rates, however, the actuary is projecting an increase in the required rate for PCM as several large losses have been paid by the captive. Kalt noted that the projected Program expenses were reduced by \$126K or -4.4% from the prior year as well as the administration expenses down \$15K as part of our expense mitigation plan.

The overall general budget observations for PACT was that Loss Fund & Insurance expense will make up 65.25% of the budget, Program expenses 16%, Admin expenses 13.5% and Net Income/Contingency at 5.25% for the upcoming year. This tentative budget will be updated and presented at the April 12th meeting to reflect the necessary changes in the renewal quotes.

As for the POOL renewal, a discussion was had on the property rates, school, and law enforcement liability and cyber. The tentative budget included funding at the 75% CL as determined by our actuary. The reduction to the 70% CL would be a savings of \$453,000. The budget included an additional funding of \$50,000 for the cyber loss from contribution from \$250K to \$300K in the upcoming year due to the increased number of claims during the year. Kalt went over the Reinsurance options/PRM funding, Program expenses, administrative expenses, building ownership and non-operating net income. It was noted that 74.2% of the POOL budget was related to Loss Fund/Insurance expense, 6.8% agent commissions, TPA 3.3%, Member Services at 8.9%, Admin 5.0% and Net Investment income at 1.8% for the upcoming year. The tentative budget will be updated and presented at the April 12th meeting with updated numbers from the marketplace.

No formal board action was taken at this time.

d. Approval of Correction of PARMS Lease Term to Expire in 2024

The approval of the correction of the lease was to properly account for the 60-month period in the original lease.

Ann Cyr made a motion to change the agreement to reflect the term of the lease to be 60 months commencing on July 1, 2019 and terminating on July 1, 2024. Second by Mike Giles which carried.

8. For Possible Action: Approval of Proposed POOL Form Amendments/Endorsements for Fiscal Year 2022-2023 for Adoption by the POOL Board at its Annual Meeting

Wayne Carlson, Executive Director, explained the proposed change to POOL P&C Form Section VI. C. Liability Exclusion to strike the word “real” property in the following phase and adding “any:” “... or taking of **any** property interest by whatever name called...” This is needed to provide better clarity in the form language.

On a motion by Geof Stark, second by Mike Giles, the motion to strike the word ‘any’ was approved.

9. For Possible Action: Approval of Prospective Members

a. POOL:

- i. Washoe County School District (excluding liability)**
- ii. City of Sparks (excluding liability)**
- iii. City of Reno (excluding liability)**
- iv. Truckee Meadows Water Reclamation Facility (excluding liability)**
- v. Washoe County (excluding liability)**

Wayne Carlson discussed the POOL prospective member underwriting review, the claims history and a modeling report provided by the broker. He noted their ten year positive loss ratio. In response to questions, Stephen Romero commented that he had discussed this account with the London broker and was advised that the markets received the information favorably. Concerns were expressed about this size of the school district property values relative to the combined POOL values and Stephen indicated that is was about an additional one-third.

On a motion by Gina Rackley and a second by Geof Stark, the approval of Washoe County School District (excluding liability) as a prospective member was approved.

Wayne Carlson discussed the POOL prospective member underwriting review, the claims history and commented that the Executive Committee had approved this prospective member in 2021 but the quote was too late for full consideration that year. The broker advised him that they were very interested this year and there was time for full consideration.

On a motion by Geof Stark and a second by Gina Rackley, Washoe County’s application as a prospective member excluding liability was approved.

10. For Possible Action: Review of Candidates for Executive Committee for Election at the Annual Meeting

Wayne Carlson reviewed the POOL and PACT Executive Committee election schedule. It was noted that POOL has the following position up for consideration: Cash Minor, Large entity member over 35,000 in population, Gina Rackley, entity with less than 35,000 in population, Ann Cyr, School District member and a vacant Special District representative previously held by Dee Carey of IVGID. PACT members up for re-election include Cash Minor Large entity with over 35,000 in population, Cindy Hixenbaugh, Hospital District representative, Elizabeth Frances, City/County under 35,000 population and Paul Johnson, White Pine County School District. It was noted that Cindy Hixenbaugh and Elizabeth Frances will be moving on from their organizations and will not seek re-election. The other members are willing to serve if elected. There was a brief discussion of names of possible candidates. Members were encouraged to reach out to perspective members to see if they would be willing to serve on the various Executive Committee slots.

11. For Possible Action: Review and Revise Drafts of Agendas Including Joint Board Agenda, POOL Board Agenda, and PACT Board Agenda for Annual Meeting on Thursday, April 21, 2022

Wayne Carlson reviewed the draft agendas. No recommended changes were made at this time.

12. For Possible Action: Approve Date for Next Joint Executive Committee Meeting on April 12, 2022

Chairman Paul Johnson asked if this date was good for the next meeting. There were no objections so the next meeting of the Joint Executive Committee will be held on Tuesday, April 12th.

13. Public Comment

Wayne Carlson gave a brief update on Debbie Connally's husband medical condition. Chuck has been transferred to ICU with complications from COVID. Everyone expressed warm thoughts and prayers for Chuck and the family.

There were no other public comments.

14. Adjournment

Being no further business, Chair Paul Johnson adjourned the meeting at 11:35 am.