



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: Monday, April 5, 2021
9:00 AM**

1. Roll

Committee Members in attendance: Cash Minor, Paul Johnson, Ann Cyr, Chris Mulkerns, Dan Murphy, Gina Rackley, Josh Foli, Mike Giles, Elizabeth Francis, and Cindy Hixenbaugh. Others in attendance: Wayne Carlson, Alan Kalt, Marshall Smith, Debbie Connally, Mike Van Houten, Stacy Norbeck, Neal Freitas, Kathy Parks, Kelly Sullivan, Patrick Sullivan, Dan Smereck, Donna Squires, Margaret Malzahn, Mary Wray, Stephen Romero, Amalia Lyons, Lorena Dillinger, Wendy Lang and Cynthia Gregory.

Chair Minor confirmed a quorum was present and called the meeting to order.

2. Public Comment

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

3. For Possible Action: Approval of minutes of Joint Executive Committee Meeting of February 16, 2021

On motion by Paul Johnson and second by Josh Foli the minutes were approved.

4. For Possible Action: Review of Investment Reports and Approval of Enterprise Based Asset Allocation Recommendations

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

Dan Smereck from SAA walked the Committee through the ESG presentation. He noted that responsible/sustainable investing is not a separate asset class; rather, it refers generally to strategies that consider traditional financial analysis in combination with ESG factors weighted by each organizations' goals, values, and/or priorities. He noted that ESG investing, as defined, is NOT a political concept or construct. E is for Environment, S is for Social and G is for Governance. Mr. Smereck indicates that investment policy awareness and acknowledgement as well as ESG Integration into the portfolio for the POOL family of companies might be appropriate in the future.

Kelly Sullivan, NEAM, presented the preliminary results and implications of the Enterprise Based Asset Allocation (EBAA) which was included in the members' packet. She noted this is an integral part of the Investment Philosophy to take an integrated approach to move along the efficient frontier wherein we work towards getting higher risks with the same level of risks or go after the same level of return with a lower risk profile. They perform this technical analysis on an annual basis to make the investment portfolio optimal on a risk adjusted return basis. The last couple of years, the adjustments have not been significant as they have been working towards this goal since NEAM became our investment advisors. The data indicated that prospective returns within enterprise risk limits offer some return opportunities for the POOL/PRM and PACT/PCM portfolio. The incremental return increase could occur if we

increase allocations to US corporate bonds, taxable munis, and high yields. She says the movement could result in a potential book yield pick-up of 40 bps on POOL/PRM and 36 bps on PACT/PCM increasing potential income of \$370K in POOL/PRM and \$620K in PACT/PCM. It sets the strategic guidepost for the investment portfolio and the tactical direction as investments matures.

Paul Johnson made a motion to accept the investment reports. Gina Rackley seconded the motion which carried.

5. For Possible Action: Approval of Risk Management Programs, Insurance/Reinsurance Coverage, and Employee Assistance Program:

- a. Approval of POOL/PACT insurance/reinsurance coverage and risk management programs to determine what coverages and programs to offer for 2021/2022:**
 - i. Willis Pooling Report on the State of the Insurance Market**
 - ii. POOL and PACT Rate Indications and PACT Class Code Relativities Adjustments**
 - iii. Retention Options for NPAIP and PACT Renewal and Reinsurance Strategies**
 - iv. Ancillary Programs Including Student Accident, Pollution Legal Liability, and the TULIP Program**

Mary Wray from Willis Pooling provided a market overview which continues to be a seller's market or a hard market. The companies are rising rates, reducing capacity, and using very strict underwriting criteria in the renewals. The insurance marketplace has been difficult with another year of high losses due to named storms, California fires, and low fixed income investment returns. As such, the current renewal rate standard has been 30% across multiple lines of business. She reviewed the year over year quotations and market indications for both the POOL and PACT. It was noted that they are still working to complete the coverage layers with the market. They are receiving additional quotes for School coverage with new carriers since United Educators quote was a significant increase (18%) and is requiring changes such as increasing the SAM retentions, policy aggregate limits to \$12.5m or 5 full retention losses in any one year and exclude cyber coverage for schools. Willis is looking at the property coverage options including additional retention levels for the program. Wray continued to go over all programs including the Joint Purchase Insurance Programs and the participation within the NPAIP structure. It is likely that changes with options will be received in the next two weeks prior to the Annual Meeting before the final options and recommendations will be ready.

The PACT coverage quilt and programs were reviewed by Mary Wray. These program costs are closer to being finalized than the POOL operations. After discussion, no action was taken until a future meeting.

b. Review Proposed 2021-2022 Budgets for POOL and PACT for Recommendation to the POOL and PACT Boards

CFO Alan Kalt went over the PACT Budget worksheet for FY 2021-2022. Noting that the budget reflects the adoption of the rate relativity study performed by our independent actuary for the assessments. He reviewed the Loss Fund & Insurance Expense from PCM noting that the worksheet values were at the 75% Confidence Level for the Claims loss expenses. The proposed program expenses show a slight increase with most of the increase in the Member Education and Services area. The Administrative expenses reflected the new apportionment of the NRP contract on a 50/50 basis between POOL/PRM and PACT/PCM. Kalt went over the Rate Relativity and highlighted the eliminated classes, changes in the rate classes and the blended rates for Police/Fire to include the former class of 9999 for heart lung. He noted that the 9999 class would be eliminated, and the new blended rate would be subject to the x-mod rates as determined by the actuary. A brief discussion was held on the impacts of the rate relativity, the mod factors and eliminated classes.

An overview of the POOL budget was discussed. The budget worksheet provides two options for consideration. The first option was at the 75% CL and the second option at the 70% CL. There is still more work to be done to complete the budget based on completing the coverage and programs within the coverage quilt. Kalt went over the Loss Fund and Insurance Expenses, Program Expenses and Administrative Costs. The budget narrative document provided the changes between both options and the fiscal impact of funding levels. He noted that during the audit, the loss expense calculation is based on the 75%. So, if we fund at the 70% in the budget, it is likely that we could have an underwriting loss if claims develop above the projected amounts. Kalt discussed the funding of the cyber coverage and a contribution of \$250,000 for the POOL's cyber layer. He noted that there are entities within both POOL and PACT that provided notice that they are going to bid for coverage. After a discussion, Paul Johnson made a motion to accept the consolidation of the class code and the blending of the heart/lung rate into the Police/Fire rate as presented in the Rate Relativity Study. Gina Rackley second the motion which carried.

6. For Possible Action: Approve Amendment to SpecialtyHealth Contract to Extend Term to June 30, 2021 and Adjusted Fees from December 2020 through June 30, 2021 and to Recommend to the PACT Board a New Three-Year Contract from July 1, 2021.

Executive Director Wayne Carlson went over the Specialty Health program. It was indicated that significant amount of work has been done to review this program and negotiate an amendment to the existing contract. The existing contract expires May 18, 2021 and staff recommends extending the term to expire on June 30, 2021. The present fee for service arrangement will be amended to a fixed monthly not to exceed amount of \$46,650 for the period of December 2020 through June 30, 2021. All previous payments made and received are agreed upon by all parties as completed billing for services received up to December 2020. Staff will draft the appropriate contract amendment for approval.

Wayne Carlson went on to address the possible new contract to be brought forward for these services. A new three-year contract is proposed effective July 1, 2021 including a typical termination provision by each party. The new contract will be a fixed monthly fee not to exceed amount of \$51,250 monthly or \$615,000 annually. Staff will establish a staff operated Oversight Committee that will review the program scope, progress, and results with SpecialtyHealth consistent with the contract requirements. Staff will provide periodic reports from the Oversight Committee to the PACT Executive Committee and PACT Board about its regular (planned quarterly) meetings. The Oversight Committee and Specialty Health will establish performance standards and measurables for each year of the contract. SpecialtyHealth will commit 50 hours of subject matter expertise content to assist POOL/PACT with developing ELearning classes, podcasts, webinars, etc. which will be used by both parties to promote participation by individuals in the Fit for Retirement program. SpecialtyHealth will allow Fit for Retirement participants access to their portal that has participant medical records. PACT will not have access to this private medical information. Staff will draft a proposed new contract incorporating these provisions for approval at the annual board meeting. The proposed contract will be reviewed by Legal Counsel Kathy Parks before it is presented at the Annual Meeting.

Cash Minor lead a discussion on how you measure the success of this program. Wayne spoke to the anecdotal evidence of the program and some of the challenges of plan participants who embrace the program and over a period their activities and participation levels diminished no different from the gyms being packed in January and by March the levels return to normal levels. Paul Johnson spoke on the ability of this program being available to others not within the Police/Fire section. Wayne Carlson indicated that those employees may be able to access the services through their health insurance program. He noted that it is focused on the Police/Fire. CFO Alan Kalt noted that the new contract has a provision for the development of e-learning, podcasts, and webinars to get the information at to employees outside the Police/Fire. He said the employees can get the blood draws and share that data with their doctors and take the

initiative to make the necessary lifestyle changes. The educational products being developed will help all members.

Paul Johnson made a motion to approve the extension to the existing contract to June 30th and make a recommendation to the full board at the Annual Meeting to enter the new contract with Specialty Health with the provisions noted by staff upon approval by legal counsel. Dan Murphy seconded the motion which carried.

7. For Possible Action: Approval of Proposed POOL Coverage Form and POOL Cyber Risk Coverage Form Amendments/Endorsements for Fiscal Year 2021-2022 for Adoption by the POOL Board at its Annual Meeting

Wayne Carlson noted that there are no specific items that need to be changed in the POOL Form as it relates to Cyber at this time. If some issues surface in the next week, it will be addressed at the Annual Meeting. No action was taken.

8. For Possible Action: Notice of Withdrawal of Members

- a. PACT – Central Lyon Fire Protection District
- b. PACT – Nye County
- c. POOL – Carson City School District
- d. POOL – Douglas County
- e. POOL – Douglas County School District

Wayne Carlson noted that we received timely notification from these entities. They have met the requirements of the Interlocal Cooperation Agreement. POOL/PACT will be proposing and providing quotes to these members. These entities are doing their due diligence and going to bid as requested by their governing boards. Some early indications from one member shows that the POOL is very competitive in price and providing additional services. We will be doing our best to retain these members.

Member Ann Cyr indicated that they are looking at going self-insured at various SIR levels as requested by their School Board of Trustees. She indicated that the POOL is unique and no one else provides the same level of services and coverage levels. They intend to stay in the POOL and are very proud members for years and years. Wendy Lang from Douglas County indicated that they are doing their due diligence by going to bid as requested by their board. Lorina Dillinger from Nye County echoed the comments previously made and are doing their due diligence.

Paul Johnson made a motion to accept the Notice of Withdrawal of the members listed on the agenda. Motion was seconded by Dan Murphy and carried.

9. For Possible Action: Approval of Prospective Members

- a. POOL – Carson City

Wayne Carlson went through the underwriting information from Carson City. They were a member of POOL until 2010. They went self-insured and paid \$1,500 more for the Self-Insured Program with none of the support services provided by the POOL. The senior staff members involved in that decision in 2010 are no longer with the City. Their broker asked the POOL if we would be willing to provide a quote for Carson City. Senior POOL staff had a meeting with the Carson City Finance Director and Risk Manager to discuss the POOL, POOL services and commitment of joining the POOL. Wayne emphasized the long-term commitment to be a member of the POOL and not jumping in and out of the POOL. Carson City understood the requested commitment and was not just shopping for coverage. Carlson explained the losses in the various classifications and retention. He indicated that Legal Counsel Kathy Parks served as defense counsel for their litigated claims with the POOL and continued to work with the city when they were self-insured. Member Ann Cyr asked that this item be tabled until we can get ground up losses on the claims as it appears it may be incomplete especially with the employment practices losses. Wayne reviewed the claims information specifically looking at the \$1.3M G/L claim. He asked the Board to take an action so that both parties could continue the due diligence to provide a quote. Member Josh Foli stated it is important to take action to move this forward so that a quote could be provided to them. Wayne Carlson addressed the new leadership at Carson City. Noting they have a new City Manager, District

Attorney and Finance Director compared to staff in 2010. Kathy Parks indicated that the former DA and City Manager wanted to have control over the claims process which caused issues for the legal folks and the claims administrators. She continues to work with them and noted they have a positive approach today compared to the relationship in 2010. Member Elizabeth Francis asked if we would see the claims loss report in the level of detail as requested prior to submitting POOL's quote. Wayne indicated that we should receive all that information prior to finalizing our quote. Member Ann Cyr stated that she believes that we have not received all the information on employee practices claims over the past five years. Carlson indicated that the loss report in the packet was provided by their third party administrator from their claims database. Member Francis noted that the claims data presented does not provide information to exclude them from membership. Wayne Carlson noted that we will receive this information as our reinsurance partners need this information as well for pricing the risk. Josh Foli made a motion to approve the application from Carson City to provide a quote for POOL coverage. The motion was seconded by Elizabeth Francis and motion carried.

10. For Possible Action: Review Tracked Legislation

Wayne Carlson indicated that a legislative tracking document was provided in the packet. Wayne indicated their focus has been on diversity and equity as well as law enforcement as major themes during the session. Stacy Norbeck, PRI General Manager, gave a broad overview of the bills they are tracking. Wayne Carlson noted that there is likely to be significant fiscal impacts related to law enforcement changes in the legislation. Some of the provisions in the Law Enforcement bills, we are already in compliance with many of those provisions. He went on to talk about the changes in the PPD ratings and allow the injured workers to receive their Workers' Comp and work at a different job. This does not appear to be a permanent disability if they are able to work at a different job. Our legal counsel and worker comp adjusters on these proposed bills. This could have a significant impact on our claims. Margaret Malzahn discussed the fiscal impacts of the apportionment noting that it is typically a 50% reduction for previous injuries. Paul Johnson noted that perhaps we look to future legislation sessions to present bills on behalf of PACT by one of the member entities. An entity must be strong enough to address the issue and sponsor the bill to make changes to the Workers Compensation statutes. Perhaps, we work with the other self-insured groups to work on re-balance some of the imbalances within the laws today. Carlson noted that POOL/PACT does not receive request for Fiscal Notes from LCB for proposed legislation. He noted that this is very frustrating. No action was taken.

11. Public Comment

There was no Public Comment.

12. For Possible Action: Adjournment

Paul Johnson made a motion to adjourn the meeting. It was seconded by Dan Murphy, Meeting adjourned at 11:13 am.

This 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

NOTICE TO PERSONS WITH DISABILITIES

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Nevada Public Agency Insurance Pool in writing at 201 S. Roop Street, Suite 102, Carson City, NV 89701-4790, or by calling (775) 885-7475 at least three working days prior to the meeting.