



President
Ms. Liz Ehrenstrom
City of Oroville

Treasurer
Mr. Tim Sailsbery
City of Willows

NCCSIF EXECUTIVE COMMITTEE MEETING

Vice President
Mr. Russell Hildebrand
City of Rocklin

Secretary
Ms. Gina Will
Town of Paradise

Date: Thursday, November 14, 2013
Time: 10:30 a.m.

Location: Lincoln City Hall (Third Floor Conference Room)
600 Sixth Street
Lincoln, CA
(530) 894-6699

A – Action
I – Information

1 – Attached
2 – Hand Out
3 – Separate Cover
4 – Verbal
5 – Previously Mailed

MISSION STATEMENT

The Northern California Cities Self Insurance Fund, or NCCSIF, is an association of municipalities joined to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.

AGENDA

A. CALL TO ORDER

B. PUBLIC COMMENTS

This time is reserved for members of the public to address the Executive Committee on matters pertaining to NCCSIF that are of interest to them.

C. APPROVAL OF AGENDA AS POSTED

A 1

pg. 01 D. CONSENT CALENDAR

A 1

All matters listed under the consent calendar are considered routine with no separate discussion necessary. Any member of the public or the Executive Committee may request any item to be considered separately.

pg. 02 1. Executive Committee Meeting Minutes – September 19, 2013

pg. 07 2. Executive Committee Meeting Minutes – October 17, 2013

3. Investment Reports

pg. 09 a. Chandler Asset Management Short/Long Term – October 2013

pg. 17 b. LAIF Report as of September 30, 2013

pg. 18 E. COMMITTEE REPORTS

I 1

pg. 19 1. Board of Directors Meeting Minutes – October 10, 2013 (Draft)

pg. 26 2. Claims Committee Meeting – September 4, 2013 (Draft)



F. FINANCIAL REPORTS

- | | | | |
|--------|--|----------|----------|
| pg. 27 | 1. Quarterly Financial Report for Period Ending September, 2013 | A | 2 |
| | <i>James Marta Company will review the quarterly financial report ending September 30, 2013.</i> | | |

G. JPA BUSINESS

- | | | | |
|--------|--|----------|----------|
| pg. 28 | 1. MPN Services | A | 1 |
| | <i>The Executive Committee will be asked to review and approve a vendor for NCCSIF's Medical Provider Network.</i> | | |
| pg. 44 | 2. Status of 2013 Liability Claims Audit | I | 1 |
| | <i>The Executive Committee will receive a verbal report on the status of the 2013 Liability Claims Audit.</i> | | |
| pg. 47 | 3. Approval of Changes to Terms of Officers and Changes to the Executive Committee Rotation Schedule | A | 1 |
| | <i>The Committee will be asked to review and discuss the options of extending the NCCSIF Terms of Officers.</i> | | |
| pg. 53 | 4. 2014 Nominating Committee and Nomination of Officers | A | 1 |
| | <i>The Executive Committee will be asked to appoint a Nominating Committee for election of officers and the Executive Committee for 2014 to be approved by the Board of Directors.</i> | | |
| pg. 56 | 5. Resolution 14-01 Authorizing Investment of Monies in LAIF | A | 1 |
| | <i>The Executive Committee will be asked to review and recommend to the Board, approval of Resolution 14-01 authorizing the new officers to deposit or withdraw monies in the Local Agency Investment Fund (LAIF).</i> | | |
| pg. 58 | 6. NCCSIF Administrative Surplus | A | 1 |
| | <i>The Executive Committee will be asked to address the NCCSIF Administrative Surplus Funds.</i> | | |
| pg. 61 | 7. 2014 NCCSIF Meeting Calendar | A | 1 |
| | <i>The Executive Committee will be asked to review and approve the NCCSIF 2014 Meeting Calendar.</i> | | |
| pg. 63 | 8. 2014 NCCSIF Service Calendar | A | 1 |
| | <i>The Executive Committee will be asked to review and approve the NCCSIF 2014 Service Calendar.</i> | | |



pg. 70	9. 2014/15 Insurance Market Update and Renewal Marketing Plan <i>Annually, the Executive Committee receives an insurance market update and renewal marketing plan from the program administrator to be proposed to the Board of Directors at their December meeting.</i>	I	1
pg. 73	10. December 12, 2013 Training Day Itinerary <i>The Executive Committee will review and make recommendations for the December 12, 2013 Training Day Topics.</i>	A	1
pg. 75	11. Discussion of Lunchtime Presentations for 2014 <i>The Executive Committee will be asked to review and discuss the Lunchtime Presentations list for 2014.</i>	A	1
pg. 76	12. NCCSIF Service Provider Evaluations Update <i>The Executive Committee will receive an update of the NCCSIF Service Provider Evaluations.</i>	I	1
	H. INFORMATION ITEMS	I	1
pg. 88	1. Weekly Law Resume: Torts – Public Entities – Immunity for Natural Conditions		
pg. 90	2. CIO Economic Commentary – Third Quarter		
pg. 95	3. TargetSolutions’ Hazard Communication Course (OSHA GHS Standard)		
pg. 97	4. NCCSIF Organizational Chart		
pg. 98	5. NCCSIF Travel Reimbursement Form		
pg. 99	6. NCCSIF Resource Contact Guide		

I. ADJOURNMENT

UPCOMING MEETINGS

Board of Directors Meeting – December 12, 2013

Risk Management Committee Meeting – December 12, 2013



Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Johnny Yang at Alliant Insurance at (916) 643-2712.

The Agenda packet will be posted on the NCCSIF website at www.nccsif.org. Documents and material relating to an open session agenda item that are provided to the NCCSIF Executive Committee less than 72 hours prior to a regular meeting will be available for public inspection and copying at 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

Access to some buildings and offices may require routine provisions of identification to building security. However, NCCSIF does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3



CONSENT CALENDAR

ACTION ITEM

ISSUE: Items on the Consent Calendar should be reviewed by the Executive Committee and, if there is any item requiring clarification or amendment, such item(s) should be pulled from the agenda for separate discussion.

RECOMMENDATION: The Program Administrator recommends adoption of the Consent Calendar after review by the Executive Committee. *Items pulled from the Consent Calendar by a member will be placed in order, back on the agenda, by the President.*

FISCAL IMPACT: None.

BACKGROUND: The Executive Committee places the following items on the Consent Calendar for adoption. The Executive Committee may accept the Consent Calendar as presented, or pull items for discussion and separate action while accepting the remaining items.

ATTACHMENT(S):

1. Executive Committee Meeting Minutes – September 19, 2013
2. Executive Committee Teleconference Meeting Minutes – October 17, 2013
3. Investment Reports
 - a. Chandler Asset Management Short/Long Term – October 2013
 - b. Treasurer's Report as of September 30, 2013



**MINUTES OF THE
NCCSIF EXECUTIVE COMMITTEE MEETING
1101 CREEKSIDE RIDGE DRIVE, SUITE 100
ROSEVILLE, CA 95678
SEPTEMBER 19, 2013**

MEMBERS PRESENT

Karin Helvey, City of Gridley
John Lee, City of Lincoln
Liz Ehrenstrom, City of Oroville
Russell Hildebrand, City of Rocklin
Catrina Olson, City of Nevada City
Tim Sailsbery, City of Willows

MEMBERS ABSENT

Shari Conley, City of Auburn
Paula Islas, City of Galt
Gina Will, Town of Paradise

GUESTS & CONSULTANTS

Michael Simmons, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Johnny Yang, Alliant Insurance Services
Robin Zane, James Marta & Company
Gale Chmidling, WellComp
Ben Burg, York Risk Services
Lela Casey, York Risk Services
Jennifer Nogosek, York Risk Services

A. CALL TO ORDER

The meeting was called to order at 11:40 a.m.

B. PUBLIC COMMENTS

There were no public comments made.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Russell Hildebrand **SECOND:** Tim Sailsbery **MOTION CARRIED**

D. CONSENT CALENDAR

1. Executive Committee Meeting Minutes – May 30, 2013 (Draft)
2. Executive Committee Meeting Minutes – August 9, 2013 (Draft)
3. Check Register at June 30, 2013
4. Investment Reports
 - a. Chandler Asset Management Short/Long Term – August 2013
 - b. Treasurer's Report as of June 30, 2013
5. Utilization Report for Safety Grant Funds as of June 30, 2013
6. Budget to Actual Report as of June 30, 2013

A motion was made to approve the consent calendar.

MOTION: Tim Sailsbery **SECOND:** Catrina Olson **MOTION CARRIED**

E. COMMITTEE REPORTS

1. Board of Directors Meeting Minutes - August 21, 2013 (Draft)
2. Board of Directors Meeting Minutes - June 13, 2013 (Draft)
3. Risk Management Committee Meeting Minutes - June 13, 2013 (Draft)
4. Claims Committee Meeting Minutes - May 9, 2013 (Draft)

These are provided as information only. There was no discussion on this item.

F. ADMINISTRATION REPORT

F1. President's Report

Ms. Liz Ehrenstrom advised that the City of Elk Grove's City Council has approved their membership into NCCSIF Workers' Compensation program.

F2. Program Administration Report

Ms. Susan Adams advised that she will no longer be working with Alliant Insurance Services effective October 1, 2013.

G. FINANCIAL REPORTS

G1. Quarterly Financial Report for Period Ending June 30, 2013

Ms. Robin Zane from James Marta & Company provided the Committee with a presentation on the Quarterly Financial Report for Period Ending June 30, 2013.

G2. Update on YE 2013 Financial Audit

Ms. Zane provided an update to the Committee explaining that the financial audit has been finalized and completed. Ms. Adams advised that the financial auditor will present the audit at the October Board of Directors meeting.

H. JPA BUSINESS

H1. Update on City of Elk Grove

Ms. Adams explained that the City of Elk Grove has joined NCCSIF's Workers' Compensation program effective September 1, 2013. She advised that the City is very impressed with



NCCSIF's Risk Management services. Ms. Adams mentioned that as they do not have a fire department exposure, this is a great addition to NCCSIF's Workers' Compensation program. Mr. Ben Burg advised that Elk Grove has been set up in the claims system as well.

H2. Review of Preliminary 2014 Meeting Calendar

Ms. Adams explained the Executive Committee and the Board of Directors are asked to review the preliminary 2014 Meeting Calendar prior to approval of the final calendar at the Board of Directors meeting in December. The Committee was asked to provide feedback regarding any conflicting dates they may have.

H3. Appointment of NCCSIF Vice President

Ms. Adams explained that Mr. Andy Heath, NCCSIF Vice President, is no longer with the City of Auburn. The Executive Committee should appoint a new Vice President to serve out the term that expires December 31, 2013. The Vice President presides over the Executive Committee meetings and the Board of Directors meetings in the absence of the President and chairs the Claims Committee. Staff has reached out to Mr. Russell Hildebrand, City of Rocklin, who indicated he would accept the office of NCCSIF Vice President if offered.

A motion was made to recommend the appointment of Mr. Russell Hildebrand as NCCSIF Vice President.

MOTION: Tim Sailsbery SECOND: Catrina Olson MOTION CARRIED

H4. Medical Service Provider Network Services

Ms. Adams explained that NCCSIF's current Medical Provider Network Management Services Vendor, Professional Dynamics, Inc., has been unresponsive to inquiries from members and staff as respects services, billings and/or general questions. Staff has been in contact with York Risk Services to determine the possibilities of utilizing MPN Services by WellComp Managed Care Services. NCCSIF had contracted with Professional Dynamics, Inc. for MPN Management Services which expired on June 18, 2013.

A motion was made to move forward with consideration of utilizing MPN Services by WellComp Managed Care Services.

MOTION: Russell Hildebrand SECOND: Catrina Olson MOTION CARRIED

H5. NCCSIF Rating Plan Review Update

Ms. Adams explained during the 13/14 rating calculation approval, there were some members who received substantial increases over the prior year. This prompted staff to review the current NCCSIF Rating Plan and see if a new Rating Plan options should be considered.

Ms. Adams explained that staff has looked at several different options and narrowed it down to four different options to be considered. Option 1 uses three years incurred losses versus 4 years. Option 2 uses the same shared risk calculation for both layers. Option 3 uses paid losses in lieu of incurred losses. Option 4 uses capped experience modification factors. Between the different rating problems reviewed by staff, there is not a lot of variation between the deposit premiums.

Mr. Tim Sailsbery noted that last year appears to be an anomaly as the rating plan has seemed adequate for the years prior. Ms. Ehrenstrom also agrees that the current rating plan does seem to work well for NCCSIF. Staff will not pursue a new rating plan option.

H6. Long Range Planning

H6.a. Update on December 13, 2012 Long Range Planning Meeting

Ms. Adams explained that an update has been included in the Agenda packet which explains the Long Range Planning Action List and updates on what has been completed. Ms. Adams noted the main item addressed at the Long Range Planning Meeting was the decision to change NCCSIF's Liability Self Insured Retention from \$1,000,000 to \$500,000. She explained that staff has been out to various cities to perform a new member orientation throughout the year.

H6.b. Discussion of the December 12, 2013 Long Range Planning Meeting

Ms. Adams explained that NCCSIF has held Long Range Planning Meetings for the past two consecutive years to discuss the Loss Portfolio Transfer and the Liability equity, discount, and confidence level issues. CAJPA requires a Long Range Planning Meeting be held every three years to be accredited with Excellence. Ms. Adams asked the Executive Committee if there are any issues that should be discussed at the October meeting.

Mr. Russell Hildebrand asked that staff reaches out to the Board requesting topics to be discussed at the Board of Directors meeting to determine the need of a Long Range Planning or Training Day in December.

Ms. Adams suggested the discussion of the rotation schedule as NCCSIF officers hold an office for one year and are rotated off. NCCSIF may want to consider longer terms for officers to hold stability in the officers.

Staff was directed to reach out to the Board of Directors for topics to be discussed at the Board of Directors meeting.

H7. Approval of Counsel Selection – P&P A-9

Ms. Ehrenstrom advised that these items are repetitive items approved by the Claims Committee and need to also be approved by the Executive Committee.

H7.a. Addition of NCCSIF Defense Attorney List (Stephanie Quinn)

A motion was made to approve Ms. Stephanie Quinn to the NCCSIF Defense Attorney List.

MOTION: Catrina Olson **SECOND:** Russell Hildebrand **MOTION CARRIED**

H7.b. Approval of NCCSIF Attorney List (Scott Smith)

A motion was made to update the Defense Attorney List to remove Mr. Scott Smith. His services will be retained for the two cases for which he is currently assisting Defense Attorney Douglas Thorne with.

MOTION: Russell Hildebrand **SECOND:** Catrina Olson **MOTION CARRIED**

H7.c. Defense Attorney James A. Wyatt Rate Increase

A motion was made to approve Rate Increase request for Defense Attorney James A. Wyatt.

MOTION: Tim Sailsbery **SECOND:** John Lee **MOTION CARRIED**

H7.d. Update on Defense Attorney Douglas Thorne

There was no further discussion on this item.

The meeting was adjourned at 12:13 p.m.



**MINUTES OF THE
NCCSIF SPECIAL EXECUTIVE COMMITTEE MEETING
TELECONFERENCE
OCTOBER 17, 2013**

MEMBERS

PRESENT

Shari Conley, City of Auburn
John Lee, City of Lincoln
Liz Ehrenstrom, City of Oroville
Gina Will, Town of Paradise
Catrina Olson, City of Nevada City
Russell Hildebrand, City of Rocklin
Tim Sailsbery, City of Willows

MEMBERS ABSENT

Karin Helvey, City of Gridley

GUESTS & CONSULTANTS

Susan Adams, Alliant Insurance Services
Marylin Kelley, Alliant Insurance Services

A. CALL TO ORDER

The meeting was called to order at 10:02 a.m.

B. PUBLIC COMMENTS

There were no public comments made.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Gina Will **SECOND:** Russell Hildebrand **MOTION CARRIED**

D. JPA BUSINESS

D1. Approval of Liability Claims Audit with Risk Management Services, Inc.

Ms. Marylin Kelley explained that every year NCCSIF conducts a claims audit for either Workers' Compensation or for Liability. This year NCCSIF is due to conduct a liability claims audit and the audit process is beginning later than usual. As a result, rather than go through a formal RFP process to select the auditor, staff has contacted the Claims Auditor for the past two



audits and requested their availability and pricing for the performance of the audit this fall for presentation at the December Board of Directors meeting.

A motion was made to approve the completion of the Liability Claims Audit in accordance with the proposal submitted by RMS, Inc.

MOTION: Catrina Olson **SECOND:** Shari Conley **MOTION CARRIED**

D2. Executive Committee Rotation Schedule and Terms of Officers Discussion

Ms. Kelley explained that staff was asked to research the possibility of extending the Executive Committee Officers which will require amending the NCCSIF Bylaws as well as updating the NCCSIF Executive Committee Rotation Schedule accordingly. NCCSIF is required to give a 30 day Notice of Intent to Amend the Bylaws should the organization wish to make any changes to the Executive Committee Terms of Officers.

Ms. Gina Will advised that she agrees with the proposed extension of the Terms of Officers as she believes continuity of the officers will benefit the organization.

The Committee then discussed a few options as proposed by Ms. Ehrenstrom and Ms. Kelley. Staff will bring back options to the next Executive Committee meeting for further discussion prior to submission to the Board of Directors.

A motion was made to approve the Notice of Intent to Amend the Bylaws.

MOTION: Russell Hildebrand **SECOND:** Catrina Olson **MOTION CARRIED**

E. ADJOURNMENT

The meeting was adjourned at 10:28 a.m.

Monthly Account Statement

Northern CA Cities Self Ins. Fund Short Term

October 1, 2013 through October 31, 2013

Chandler Team

For questions about your account,
please call (800) 317-4747 or
Email operations@chandlerasset.com

Custodian

Bank of New York Mellon Trust
Company
Gaby Rodriguez
213-630-6461

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.



PORTFOLIO CHARACTERISTICS

Average Duration	2.45
Average Coupon	1.63 %
Average Purchase YTM	1.28 %
Average Market YTM	0.70 %
Average S&P/Moody Rating	AA/Aa1
Average Final Maturity	2.61 yrs
Average Life	2.47 yrs

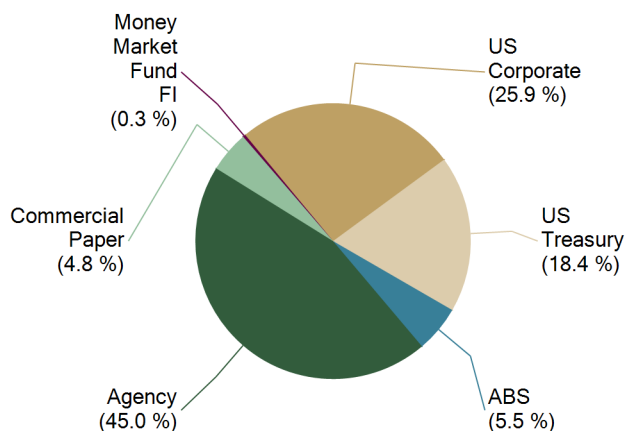
ACCOUNT SUMMARY

	Beg. Values as of 9/30/13	End Values as of 10/31/13
Market Value	20,182,706	20,229,069
Accrued Interest	69,624	91,581
Total Market Value	20,252,331	20,320,650
Income Earned	21,399	21,422
Cont/WD		0
Par	19,985,796	19,989,590
Book Value	20,064,984	20,070,057
Cost Value	20,245,983	20,258,389

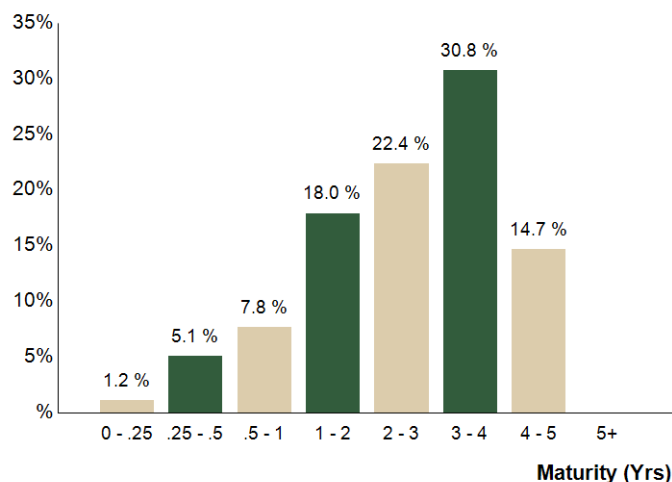
TOP ISSUERS

Issuer	% Portfolio
Government of United States	18.4 %
Federal National Mortgage Assoc	11.9 %
Federal Home Loan Bank	11.9 %
Federal Farm Credit Bank	9.9 %
Federal Home Loan Mortgage Corp	9.5 %
JP Morgan Chase & Co	2.5 %
General Electric Co	2.2 %
Bank of Tokyo-Mit UFJ	2.0 %
	68.3 %

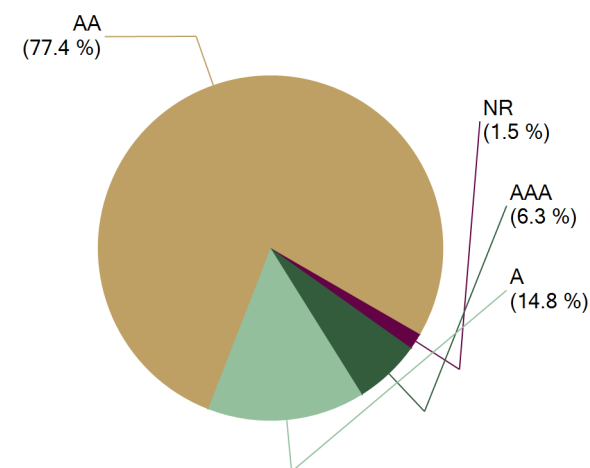
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 10/31/2013	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized				Since 12/31/1997
					3 Yrs	5 Yrs	10 Yrs	12/31/1997	
Northern CA Cities Self Ins. Fund Short Term	0.34 %	0.60 %	0.34 %	0.53 %	1.38 %	3.12 %	3.55 %	4.65 %	105.47 %
1-5 yr Govt	0.26 %	0.49 %	0.18 %	0.35 %	1.12 %	2.41 %	3.22 %	4.31 %	94.94 %
1-5 Year Govt/A Rated or better Corporate	0.33 %	0.63 %	0.40 %	0.58 %	1.46 %	3.24 %	3.35 %	4.48 %	100.24 %



Northern California Cities Self-Insurance Fund - Short Term

October 31, 2013

COMPLIANCE WITH INVESTMENT POLICY

The portfolio complies with State law and with the Authority's investment policy.

Category	Standard	Comment
Asset-backed/MBS	20% maximum	Complies
Banker's Acceptances	A1/P1; 30% max; <180 days; L/T = AA	Complies
Commercial Paper	A1/P1; 25% max.; <270 days	Complies
LAIF	\$50 million	Complies
Medium Term Notes	30% max; A; 5 year maximum	Complies
Money Market Acct	15% maximum; AAA	Complies
Mutual Funds	15% maximum; AAA	Complies
Negotiable CDs	30% overall; 3-year maximum	Complies
Repurchase Agreements	10% overall; 30 days	Complies
Time CDs	3 year maximum	Complies
Treasury Issues	No limitation	Complies
US Agencies	No limitation	Complies
Per Issuer Maximum	5% (except gov'ts)	Complies
Maximum Maturity	10 years	Complies
Futures and Options	Prohibited	Complies
Reverse Repos	Prohibited	Complies
Inverse floaters	Prohibited	Complies
Range notes	Prohibited	Complies



Reconciliation Summary

As of 10/31/2013

BOOK VALUE RECONCILIATION		
Beginning Book Value		\$20,064,984.05
Acquisition		
+ Security Purchases	\$777,723.20	
+ Money Market Fund Purchases	\$635,686.62	
+ Money Market Contributions	\$0.00	
+ Security Contributions	\$0.00	
+ Security Transfers	\$0.00	
Total Acquisitions		\$1,413,409.82
Dispositions		
- Security Sales	\$401,848.00	
- Money Market Fund Sales	\$616,892.68	
- MMF Withdrawals	\$0.00	
- Security Withdrawals	\$0.00	
- Security Transfers	\$0.00	
- Other Dispositions	\$0.00	
- Maturities	\$389,691.03	
- Calls	\$0.00	
- Principal Paydowns	\$0.00	
Total Dispositions		\$1,408,431.71
Amortization/Accretion		
+/- Net Accretion	(\$5,513.73)	
		(\$5,513.73)
Gain/Loss on Dispositions		
+/- Realized Gain/Loss	\$5,608.90	
		\$5,608.90
Ending Book Value		\$20,070,057.33

CASH TRANSACTION SUMMARY		
BEGINNING BALANCE		\$45,795.60
Acquisition		
Contributions	\$0.00	
Security Sale Proceeds	\$401,848.00	
Accrued Interest Received	\$566.67	
Interest Received	\$4,698.44	
Dividend Received	\$0.00	
Principal on Maturities	\$389,691.03	
Interest on Maturities	\$308.97	
Calls/Redemption (Principal)	\$0.00	
Interest from Calls/Redemption	\$0.00	
Principal Paydown	\$0.00	
Total Acquisitions	\$797,113.11	
Disposition		
Withdrawals	\$0.00	
Security Purchase	\$777,723.20	
Accrued Interest Paid	\$595.97	
Total Dispositions	\$778,319.17	
Ending Book Value		\$64,589.54

Monthly Account Statement

Northern CA Cities Self Ins. Fund Short Term

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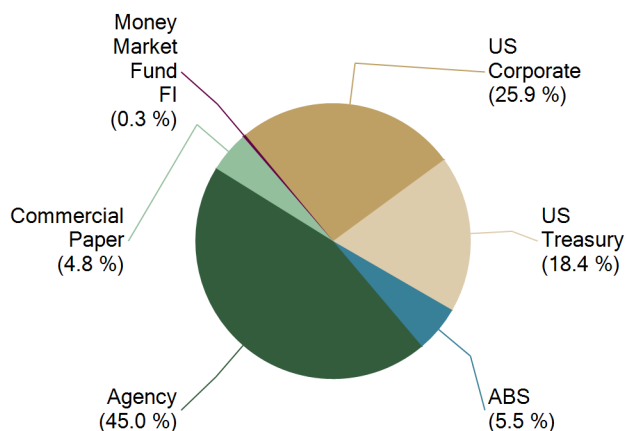
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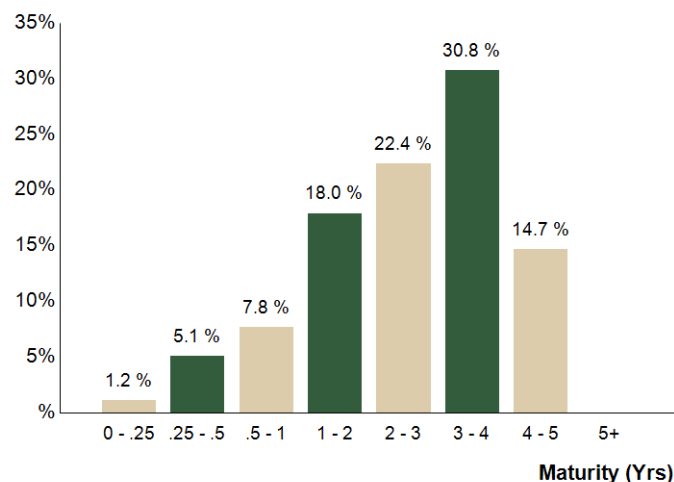
TOP ISSUERS

Issuer	% Portfolio
Government of United States	18.4 %
Federal National Mortgage Assoc	11.9 %
Federal Home Loan Bank	11.9 %
Federal Farm Credit Bank	9.9 %
Federal Home Loan Mortgage Corp	9.5 %
JP Morgan Chase & Co	2.5 %
General Electric Co	2.2 %
Bank of Tokyo-Mit UFJ	2.0 %
	68.3 %

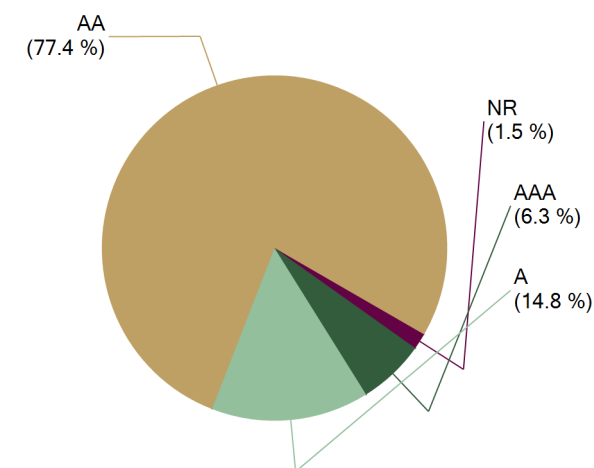
SECTOR ALLOCATION



MATURITY DISTRIBUTION



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Northern California Cities Self-Insurance Fund - Short Term

October 31, 2013

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Money Market Acct	15% maximum; AAA	Complies
Mutual Funds	15% maximum; AAA	Complies
Negotiable CDs	30% overall; 3-year maximum	Complies
Repurchase Agreements	10% overall; 30 days	Complies
Time CDs	3 year maximum	Complies
Treasury Issues	No limitation	Complies
US Agencies	No limitation	Complies
Per Issuer Maximum	5% (except gov'ts)	Complies
Maximum Maturity	10 years	Complies
Futures and Options	Prohibited	Complies
Reverse Repos	Prohibited	Complies
Inverse floaters	Prohibited	Complies
Range notes	Prohibited	Complies



Reconciliation Summary

As of 10/31/2013

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+ Money Market Contributions	\$0.00	
+ Security Contributions	\$0.00	
+ Security Transfers	\$0.00	
Total Acquisitions		\$1,413,409.82
Dispositions		
- Security Sales	\$401,848.00	
- Money Market Fund Sales	\$616,892.68	
- MMF Withdrawals	\$0.00	
- Security Withdrawals	\$0.00	
- Security Transfers	\$0.00	
- Other Dispositions	\$0.00	
- Maturities	\$389,691.03	
- Calls	\$0.00	
- Principal Paydowns	\$0.00	
Total Dispositions		\$1,408,431.71
Amortization/Accretion		
+/- Net Accretion	(\$5,513.73)	
		(\$5,513.73)
Gain/Loss on Dispositions		
+/- Realized Gain/Loss	\$5,608.90	
		\$5,608.90
Ending Book Value		\$20,070,057.33

CASH TRANSACTION SUMMARY		
BEGINNING BALANCE		\$45,795.60
Acquisition		
Contributions	\$0.00	
Security Sale Proceeds	\$401,848.00	
Accrued Interest Received	\$566.67	
Interest Received	\$4,698.44	
Dividend Received	\$0.00	
Principal on Maturities	\$389,691.03	
Interest on Maturities	\$308.97	
Calls/Redemption (Principal)	\$0.00	
Interest from Calls/Redemption	\$0.00	
Principal Paydown	\$0.00	
Total Acquisitions	\$797,113.11	
Disposition		
Withdrawals	\$0.00	
Security Purchase	\$777,723.20	
Accrued Interest Paid	\$595.97	
Total Dispositions	\$778,319.17	
Ending Book Value		\$64,589.54



JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name

NO CAL CITIES SELF INSUR FUND

Account Number

35-11-001

As of 10/15/2013, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 09/30/2013.

Earnings Ratio		.00000703151403121
Interest Rate		0.26%
Dollar Day Total	\$	321,631,733.86
Quarter End Principal Balance	\$	3,953,232.69
Quarterly Interest Earned	\$	2,261.56



Agenda Item E.

COMMITTEE REPORTS

INFORMATION ITEM

ISSUE: Committee Reports are provided to the Executive Committee for their information.

RECOMMENDATION: None. These items are presented as information only.

FISCAL IMPACT: None.

BACKGROUND: Committee Reports are provided to the Executive Committee for their information on other committees and excess providers meetings.

ATTACHMENT(S):

1. Board of Directors Meeting Minutes - October 10, 2013 (Draft)
2. Claims Committee Meeting Minutes – September 4, 2013 (Draft)



**MINUTES OF THE
NCCSIF BOARD OF DIRECTORS MEETING
LINCOLN CITY HALL, LINCOLN, CA
OCTOBER 10, 2013**

MEMBERS PRESENT

Juanita Barnett, City of Anderson
Steve Johnson, City of Dixon
Brad Koehn, City of Elk Grove
Bruce Cline, City of Folsom
Karin Helvey, City of Gridley
John Lee, City of Lincoln
Matt Michaelis, City of Marysville
Catrina Olson, City of Nevada City
Liz Ehrenstrom, City of Oroville
Dave Warren, City of Placerville
Sandy Ryan, City of Red Bluff
Russell Hildebrand, City of Rocklin
Tim Sailsbery, City of Willows
Steve Kroeger, City of Yuba City
Gina Will, Town of Paradise

MEMBERS ABSENT

Shari Conley, City of Auburn
Shelly Kittle, City of Colusa
John Brewer, City of Corning
Paula Islas, City of Galt
Ed Pattison, City of Ione
Michael Daly, City of Jackson
Joe Tanner, City of Rio Vista

GUESTS & CONSULTANTS

Michael Simmons, Alliant Insurance Services, Inc.
Johnny Yang, Alliant Insurance Services, Inc.
James Marta, James Marta & Company
Marcus Beverly, York Risk Services
Matthew Nethaway, Crowe Horwath LLP
Stephen Buckner, Crowe Horwath LLP
Sean Edin, Occu-Med



A. CALL TO ORDER

The meeting was called to order at 11:36 a.m.

B. PUBLIC COMMENTS

Ms. Liz Ehrenstrom introduced Mr. Brad Koehn from the City of Elk Grove as a new NCCSIF member.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Tim Sailsbery **SECOND:** Steve Johnson **MOTION CARRIED**

D. CONSENT CALENDAR

1. Board of Directors Teleconference Meeting Minutes – August 21, 2013
2. Board of Directors Meeting Minutes – June 13, 2013
3. Check Registers at June 30, 2013
4. Investment Reports
 - a. Chandler Asset Management Short/Long Term – August 2013
 - b. Treasurer's Report as of June 30, 2013
5. Utilization Report for Safety Grant Funds as of June 30, 2013
6. Budget to Actual Report as of June 30, 2013

Mr. Steve Kroeger explained that at previous Board of Directors meetings, he has requested that the Budget to Actual Report be agendized as a separate item to allow the opportunity for staff to address the Board regarding any budget items that may be of concern.

A motion was made to approve the Consent Calendar and have Item D6. Budget to Actual Report provided as a separate item for discussion going forward.

MOTION: Steve Kroeger **SECOND:** Dave Warren **MOTION CARRIED**

LUNCHTIME SPEAKER

Mr. Sean Edin from Occu-Med provided the Board of Directors with a presentation on the services available to NCCSIF members through Occu-Med.

E. SUMMARY OF SEPTEMBER 19, 2013 EXECUTIVE COMMITTEE MEETING

This item was provided as information only. There was no discussion on this item.



F. MINUTES AND COMMITTEE REPORTS

This item was provided as information only. There was no discussion on this item.

G. ADMINISTRATION REPORTS

G1. President's Report

Ms. Ehrenstrom asked that members continually provide topics for discussion at the December 12, 2013 Long Range Planning or Training Day meeting.

G2. Program Administration's Report

Mr. Michael Simmons advised that Alliant is currently looking for a replacement for Ms. Susan Adams as NCCSIF Program Administrator. Ms. Marilyn Kelley will be assisting in Ms. Adam's absence and Mr. Simmons will also be spending additional time to address NCCSIF's issues. Mr. Simmons also provided a lesson learned story regarding high dives and advised that City's are obligated to have a lifeguard on duty at all times for which the pool is being utilized.

H. FINANCIAL REPORT

H1. Quarterly Financial Report for Period Ending June 30, 2013

Mr. James Marta provided the Board of Directors with a presentation on the Quarterly Financial Report for Period Ending June 30, 2013. He noted that the Total Assets for NCCSIF have dropped due to member dividends and large losses in the liability program.

A motion was made to accept and file the Quarterly Financial Report for Period Ending June 30, 2013.

MOTION: Dave Warren **SECOND:** Russell Hildebrand **MOTION CARRIED:**

H2. NCCSIF YE 2013 Financial Audit

Mr. Matthew Nethaway provided the Board of Directors with a presentation on the Year End 2013 Financial Audit conducted for NCCSIF.

A motion was made to approve the NCCSIF Year End 2013 Financial Audits.

MOTION: Tim Sailsbery **SECOND:** Steve Johnson **MOTION CARRIED**



H3. NCCSIF Investment Policy

Mr. Marta explained that the Investment Policy is required to be reviewed and approved annually. The policy has been reviewed by himself and Chandler Asset Management and has no recommended changes this year. The last update was made in December 2012.

A motion was made to approve the NCCSIF Investment Policy.

MOTION: Tim Sailsbery **SECOND:** Gina Will **MOTION CARRIED**

I. JPA BUSINESS

I1. Update on City of Elk Grove

Mr. Brad Koehn introduced himself to the Board of Directors and explained that the City of Elk Grove is an upcoming city with most their services contracted out. The City of Elk Grove's major workers' compensation exposure is their police department.

I2. Review of Preliminary 2014 Meeting Calendar

Mr. Johnny Yang explained the preliminary calendar will be approved at the December 12, 2013 Board of Directors meeting and asked members to review and confirm if there are any conflicts with the preliminary 2014 dates. Currently the CJPRMA meeting dates are unknown but will be implemented upon receipt.

Mr. Simmons asked that members review and advise staff of any conflicting dates.

I3. Appointment of Mr. Russell Hildebrand as NCCSIF Vice President

Ms. Ehrenstrom explained that Mr. Andy Heath is no longer with the City of Auburn. Staff has reached out to Mr. Hildebrand and he is willing to accept the office of NCCSIF Vice President. The Executive Committee has also met and recommends approval of the appointment of Mr. Hildebrand as the NCCSIF Vice President.

A motion was made to appoint Mr. Russell Hildebrand as NCCSIF Vice President.

MOTION: Bruce Cline **SECOND:** Catrina Olson **MOTION CARRIED**

I4. Medical Services Provider Network Services

Mr. Simmons explained that NCCSIF's current Medical Provider Network Management Services Vendor, Professional Dynamics, Inc., has been unresponsive to inquiries from members and staff as respects to services, billings and/or general questions. Staff has been in contact with York Risk Services to determine the possibilities of utilizing MPN Services by WellComp



Managed Care Services which is a subsidiary of York. He also explained that the current contract with Professional Dynamics, Inc. has expired on June 18, 2013.

Mr. Marcus Beverly advised that Ms. Gale Chmidling provided the Executive Committee with a presentation regarding WellComp's services. He explained that the MPN Services are already in York's WC Claims handling contract and in order to move to WellComp as a MPN Service Provider, an amendment to York's contract will be needed regarding pricing.

Mr. Bruce Cline asked what the costs would be in switching over to WellComp for which Mr. Beverly explained that currently with PDI, NCCSIF is billed \$1,000 monthly or \$12,000 annually. PDI also charges 7% of any savings above that. WellComp charges an initial set up fee of \$1,500 and a per claim access fee of \$50. Any savings will be shared 50/50 with York and the member. Mr. Beverly then expressed the importance of an active Medical Provider Network.

Members have asked that staff provide a pricing comparison between PDI and WellComp to determine if the costs will be comparable and also if there are service providers in the current MPN that would not be available in WellComp.

Mr. Beverly then advised that WellComp can offer two pricing models and briefly explained the two models.

Mr. Simmons suggested that staff provide a price comparison between PDI, WellComp and a third vendor and bring it back for discussion.

Mr. Hildebrand suggested that this item be brought back to the Executive Committee for approval contingent to the Executive Committee receiving a staff report.

Mr. Cline also asked that another provider be evaluated as well.

Ms. Ehrenstrom advised that if WellComp is a selected MPN Provider then training is provided to members accordingly.

A motion was made to give authority to the Executive Committee to select new MPN Services Vendor contingent to staff report. Staff was directed to provide a Pricing Comparison between PDI, WellCOMP and one other vendor to the Executive Committee to be approved a 1-year term.

MOTION: Bruce Cline **SECOND:** Catrina Olson **MOTION CARRIED**

I5. NCCSIF Rating Plan Review Update

Mr. Simmons explained that Ms. Susan Adams and Ms. Marilyn Kelley did a review of NCCSIF's Rating Plan to determine if NCCSIF should make any changes to the current rating formula. Staff has reviewed several possible options and at the Executive Committee meeting Ms. Adams proposed no changes to the rating plan. Mr. Marta and Mr. Simmons would like to



take a second look to determine if a capped experience modification factor should be reviewed. Mr. Simmons advised that this item will be presented and reviewed at the Long Range Planning or Training Day on December 12, 2013.

Staff will provide a rating plan option for capped experience modification factors to the Long Range Planning or Training Day on December 12, 2013.

I6. Long Range Planning

I6.a. Update on the December 13, 2012 Long Range Planning Meeting

Mr. Simmons explained that this item is provided as information only, showing members of the action items from the last Long Range Planning Meeting on December 13, 2012 and the status of those items.

I6.b. Consideration of December 12, 2013 Long Range Planning Session or Training Day

Mr. Simmons explained that at least every three years the Board conducts a Long Range Planning meeting to consider and develop Action Items to further address during the year(s). NCCSIF has held a Long Range Planning Session, each year, for the past three years.

Mr. Tim Sailsbery expressed that he felt that consistently having a Long Range Planning session will adversely affect Long Range Planning. Mr. Marta explained that the issues at the Long Range Planning directly addressed concerns of the organization.

Mr. Steve Johnson noted that as Alliant is still looking for a replacement for Ms. Adams it may be more beneficial to hold a Long Range Planning Session after a replacement has been found.

Mr. Bruce Cline suggested a Training Day that discusses NCCSIF and the services offered by the organization.

Staff requested any additional topics be provided to staff no later than October 17, 2013.

A motion was made to approve a December 13, 2012 Training Day. Staff was directed to bring Training Day topics and an outline to the next Executive Committee meeting.

MOTION: Bruce Cline **SECOND:** Tim Sailsbery **MOTION CARRIED**

I7. NCCSIF Services Provider Evaluations – P&P A-2

Mr. Simmons suggested that a NCCSIF Service Provider Evaluation be performed this year via survey monkey. All Vendor Surveys will be completed by member cities and reviewed at the December 12, 2013 Board of Directors meeting. (All vendor surveys except Program Administration will be returned to Alliant; Alliant's survey will be returned to the NCCSIF President.)



A motion was made to adopt the administrative changes to Policy and Procedure A-2. Staff was instructed to send out vendor surveys, via survey monkey, to be completed by member cities and their employees to be reviewed at the December 12, 2013 Board of Directors meeting. All vendor surveys, except Program Administration, will be returned to Alliant; Alliant's survey will be returned to the NCCSIF President.

MOTION: Steve Johnson SECOND: Sandy Ryan MOTION CARRIED

I8. CSAC-EIA Payroll Audit 12/13 Assessment

Mr. Bruce Cline inquired as to how NCCSIF's payroll increased by \$4 million. Mr. Yang explained that the original payroll estimated was provided by members on their 12/13 CSAC Application. Staff then used DE9 numbers provided by members which shown an increase of \$4 million over the original estimated payroll.

Mr. Marta suggested paying the 12/13 CSAC-EIA Payroll Audit Assessment using the NCCSIF's Shared Risk Equity.

A motion was made to pay the CSAC-EIA Payroll Audit 12/13 Assessment using NCCSIF funds out of the 2013/14 NCCSIF Budget.

MOTION: Karin Helvey SECOND: Steve Kroeger MOTION CARRIED

I9. Approval of Revision to Defense Counsel Selection Admin P&P A-9

Ms. Liz Ehrenstrom advised that the revisions include the addition of Liability Defense Attorney Stephanie Quinn and the removal for Liability Defense Attorney Scott Smith and he is no longer employed with Angelo, Kilday and Kilduff, LLP.

Mr. Scott Smith is currently assisting Mr. Douglas Thorne on a couple NCCSIF cases and the Executive Committee recommends that he is retained for those cases. Upon completion of those cases, Mr. Scott Smith will be to be referred by an NCCSIF member to be added to NCCSIF's Defense Counsel List.

A motion was made to approve the proposed revisions to the Defense Counsel Selection Admin P&P A-9.

MOTION: Bruce Cline SECOND: Catrina Olson MOTION CARRIED

J. INFORMATION ITEMS

J1. PARMA Conference (February 9 – 12, 2014)

J2. NCCSIF Organizational Chart

The meeting was adjourned at 2:30 p.m.

NORTHERN CALIFORNIA CITIES SELF INSURANCE FUND
MINUTES OF NCCSIF SPECIAL CLAIMS COMMITTEE MEETING
WEDNESDAY, SEPTEMBER 4, 2013

MEMBERS PRESENT: John Lee, City of Lincoln
Catrina Olson, City of Nevada City
Liz Ehrenstrom, City of Oroville
Russell Hildebrand, City of Rocklin
Paula Islas, City of Galt

MEMBERS ABSENT: Andy Heath, City of Auburn

CONSULTANTS: Johnny Yang, Alliant Insurance Services
Carolee Kilduff, Angelo Kilday & Kilduff
Steve Rudolph, City of Galt
Bernard Sarmiento, York Risk Service Group, Inc.
Jennifer Nogosek, York Risk Services Group, Inc.

A. Call to Order

The Claims Committee was called to order at 10:10 a.m.

B. Public Comment

There were no public comments made.

C. Closed Session – The Claims Committee went into closed session in accordance with Government Code Section 54956.95 at 10:10 a.m. and discussed the following claims:

Liability

1. Jeffries vs. City of Galt

The Committee came out of closed session at 10:34 a.m.

D. Adjournment – The meeting was adjourned at 10:34 a.m.



Agenda Item F.1.

**QUARTERLY FINANCIAL REPORT FOR PERIOD
ENDING SEPTEMBER 30, 2013**

ACTION ITEM

ISSUE: The Executive Committee receives a quarterly report on the financial status of NCCSIF. James Marta & Company will present the Financials for Quarter ending September 30, 2013.

RECOMMENDATION: Receive and file the Quarterly Financials as presented and discuss any other financial items as needed.

FISCAL IMPACT: None.

BACKGROUND: Each quarter the Executive Committee reviews the quarterly financial for accuracy and refers questions for follow-up, or receives and files the report as presented.

ATTACHMENT(S):

1. Draft Quarterly Financial Report as of September 30, 2013 (Handout)
2. Check Register at September 30, 2013 (Handout)
3. Utilization Report for Safety Grant Funds as of September 30, 2013 (Handout)
4. Budget to Actual Report as of September 30, 2013 (Handout)



Agenda Item G.1.

MPN SERVICES

ACTION ITEM

ISSUE: NCCSIF currently has a *non-functioning* MPN through Professional Dynamics (PDI). We have access to their Healthsmart Provider Network, but it is not being utilized. At the time of the signing of the contract with PDI, NCCSIF did not elect to include the option of having PDI get the first reports of injury so that they would provide a copy of the MPN notification to the injured worker. At that time, York (then Bragg) agreed to provide this information to the worker thus saving NCCSIF \$50 per claim. But this step fell out of use over time and eventually stopped.

We began our MPN shortly after the legislation for this option was passed. I believe because of that our initial roll out had problems. Most police and fire personnel designated physicians or chiropractors so they would not be included. Additionally, we initially had poor match ups with the physicians and service providers in our smaller cities and those in the network and getting the correct parties added was problematic.

Because we have had good claims adjusting staff and an effective Utilization and Bill Review program through Wellcomp, the impacts to NCCSIF of not having an active MPN were minimal. Now the MPN Network that we are part of has over 20,000 physicians. They also have a history of having a good working relationship with York on other JPA accounts. One difference is that they are involved from the first notice of injury.

The Program Administrator was directed by the NCCSIF Board of Directors to review MPN options and to report back to the Executive Committee with a recommendation to go forward with again implementing an MPN. We are reporting back with options from PDI and from Wellcomp.

RECOMMENDATION: Moving to an MPN Program will likely cost NCCSIF MORE per claim. Savings will be less than currently received from the WellComp utilization and bill review program. In practice, other JPA's have seen that the duration of claims is less with an MPN program. It is not known if that would be the case also for NCCSIF. Some of the Members have expressed a desire to utilize an MPN as that will allow for greater and more consistent control of the medical process.

It is the **recommendation of the Program Administrators that NCCSIF enter into a one year agreement with Wellcomp**, to be reviewed after six months. This Agreement would include a new rollout of the new MPN program with all cities and active work with NCCSIF staff, NCCSIF Members, York and WellComp to take the appropriate steps to maintain an active network.



Northern California Cities Self Insurance Fund
Executive Committee Meeting
November 14, 2013

FISCAL IMPACT: The current agreement with PDI is a \$1,000 monthly fee for maintenance of the Medical Provider Network. WellComp would charge a, one time, \$1,500 filing fee for the MPN filings with the State of California. The new agreement with WellComp has two fee options:

Option #1: A fee of \$60 per claim for the MPN Notification. NCCSIF has an average of 390 claims per year over the past five years. This would be an additional cost of \$23,400 which would be charged against the claims file as an expense.

Additionally, WellComp would charge 50% of savings below the fee schedule. For the past two years the PPO savings shown on the Bill Review Summaries attached are about 2-3% of savings to the regular costs and would result in additional costs (through reduction of savings) of \$60,000 - \$80,000 annually.

Example: Total Billed Charges for 2011-12 were \$5,411,962. Bill review and correction down to the fee schedule reduced those costs by \$3,460,213. Additionally, there are PPO savings of an additional \$122,357. Under the WellComp MPN the last number would be shared 50% with WellComp and 50% would remain as savings.

The rates negotiated with the MPN are different than those negotiated with the PPO network, so this is not an exact comparison.

Option #2: A \$5 per bill fee. This works better with claims with fewer than 12 bills. Plus 15% of the contract discount for the network not WellComp. This is the same way the Bill Review program works, but we pay \$10.50 per bill for that service. Marcus Beverly advises that the average number of bills per claim is 13. So this may or may not be of benefit to NCCSIF. This would still have the additional charge of 50% of savings below the fee schedule.

The fees proposed from PDI are \$50 per first report of injury and \$1,000 per month for network maintenance. There is no fee for savings below the fee schedule.

BACKGROUND: During this review process staff asked several key questions from both MPN providers and also other JPA's. We Need to address TWO Questions:

- ❖ **Would NCCSIF benefit from an active MPN program?**
- ❖ **What are our savings without using an MPN Program?**

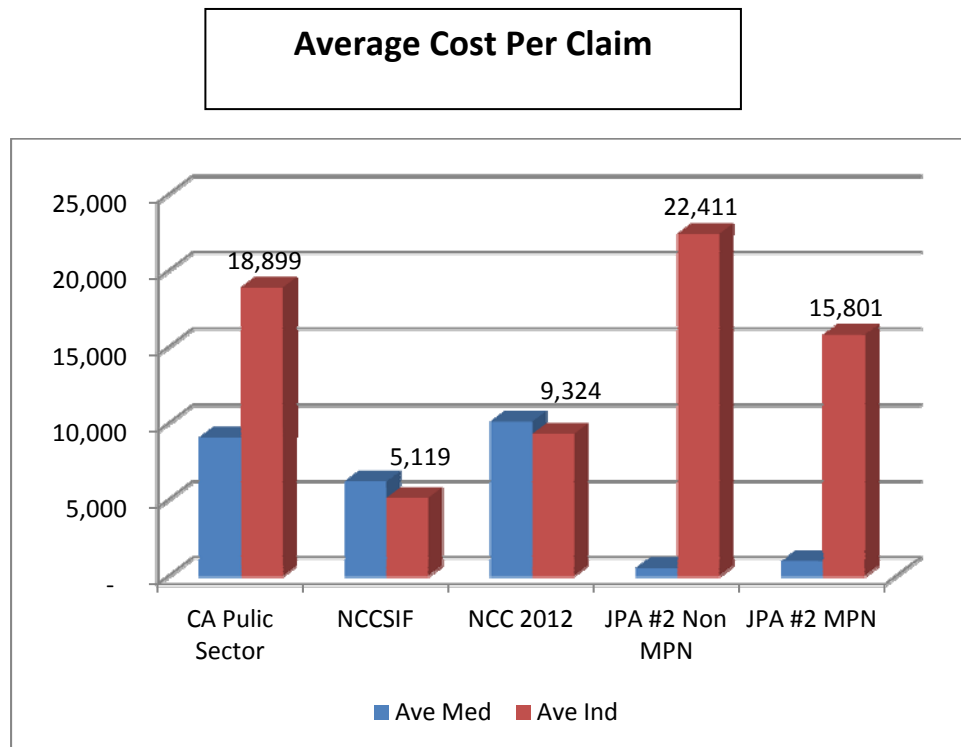
As you can see from the attached Bill Review reports from the past two years NCCSIF has had savings of \$3,491,409 for 2011-2012 and \$3,540,808 for 2012-2013. These savings are from Preferred Provider Savings and Bill Review savings. These services are provided by WellComp.



Northern California Cities Self Insurance Fund
Executive Committee Meeting
November 14, 2013

- The attached Utilization Review reports from the past two years NCCSIF has had savings of \$179,126 for 2011-2012 and \$762,347 for 2012-2013. These services are provided by WellComp.
- Are there additional savings to be had from an MPN? Probably not as the current savings from the PPO network are higher than the savings under the MPN.
- We would not know for sure unless NCCSIF commits to this and tries it for six months either with PDI or WellComp.
- Marcus Beverly from York has advised that using the Well Comp MPN network rather than the PPO network may provide less savings because the MPN network:
 - ✓ Requires reporting timely and to reports to MPN standards;
 - ✓ Has more specialists than the PPO network;
 - ✓ Is easier to manage for maintaining good rather than all physicians;
 - ✓ The PPO network savings are based on volume while the MPN network is also based on adherence to standards.
 - ✓ Savings for the MPN generally average about 8% under the Formulary Schedule. Our savings for Bill Review and Utilization Review are shown from Total Fees not from the Formulary Schedule, so the two are not able to be compared.
- ❖ What other benefits result from the usage of an MPN?
 - One of the other JPA's managed in the Alliant offices recently did a report on the advantage of an MPN. Some of these figures are for the State of California and not a specific JPA.
 - Employer medical control for the "life of the claim"
 - Earlier return to work - California average Non-MPN is 34% higher indemnity costs
 - Lower medical costs - California average Non-MPN is 17% higher medical costs
 - Limited provider change once in program
 - Limits initial provider selection. Employee risks suspension of compensation benefits if treatment received from a non-network physician
 - This JPA found that their average non MPN claims duration was 142 days and MPN claims duration was 117 days.
 - This JPA also found that average cost for MPN claims was \$2,521 compared with non MPN claims average \$9,541

- Here is their chart of average costs per claim for 2012 with NCCSIF Data added for the past five years and for the highest of those five years:



As you can see NCCSIF average claims costs per claim are much less than this JPA and also the State of California, so the MPN advantage they cite is not necessarily relevant to NCCSIF.

ATTACHMENT(S):

1. WellComp Proposal (NCCSIF)
2. WellComp Proposed Scope of Services
3. NCCSIF BR Summary 11-12
4. NCCSIF BR Summary 12-13
5. NCCSIF UR Summary 11-12
6. NCCSIF UR Summary 12-13



Medical Provider Network

WellComp Managed Care Services offers the WellComp™ Medical Provider Network, a network specifically designed for increased medical control and cost containment.

WellComp was created exclusively for California employers with handpicked providers who understand the impact that their medical care, decisions, and reports have on a claim and an injured worker. WellComp is designed to complement claims administration programs and work in concert with existing medical cost containment services to reduce workers' compensation costs.

WellComp is a network of 2,900 first care facilities and 3,200 medical specialists. We built our network through defense attorney, claims examiner, risk manager, and client referral nominations. Each provider was thoroughly analyzed in an effort to create the most effective network for California employers.

This is in sharp contrast to large networks that have 20,000+ providers and are rebranded HCOs or PPOs that were not designed for the California workers' compensation system. And, the larger the network, the more indistinguishable it is from others. Networks of this size not only decrease employer control but actually provide little to no control.

MPNs are not created equally. The effectiveness of a network also depends on the quality of the physicians in that program, and physicians' compensation in a network is an important factor. Deep discounts below fee schedule result in poor physicians in a network. And, good doctors demand equitable pay. Historically, large networks with the deepest discounts have resulted in inferior outcomes and lack of control.

The WellComp philosophy is that a customized, exclusive, and controllable MPN results in superior medical care and better medical outcomes, which in turn results in improved return-to-work results, reduced litigation, and greater employee satisfaction. We believe that the best providers will ultimately help contain workers' compensation costs.



Medical Provider Network Fees

The WellComp Network was designed so that direct savings negotiated in our proprietary contracts considerably offset the fees associated with network access. We have negotiated contracts below fee schedule to be allocated as direct savings for our clients.

Direct fees paid for access to the WellComp Network include a one-time \$60 per claim (for the life of the claim) access fee.

To share the cost of administering the network, we have negotiated some discounts below fee schedule with certain providers. Discounts are shared equally and are paid to WellComp as consideration for providing physicians with access into the network. Because we strive to attract and retain the best medical provider in WellComp, our maximum discount below fee schedule is 8%.

WellComp Price and Savings Summary

Administrative Filing Fee

- \$1500.00 one-time State filing fee, includes one material modification per year
- WellComp will file all required material with the Administrative Director and ensure approval of your plan.
- WellComp will assist with termination of your existing plan, if necessary.

Direct Costs to NCCSIF

- \$60 per claim entering the MPN for life of claim or contract

Direct Savings to NCCSIF

- 50% share of contractual discounts below the Official Medical Fee Schedule
- Physician contracts up to 8% below the California Official Medical Fee Schedule

Long-Term Savings

- Improved control of claim
- Reduced medical and litigation costs
- Controlled indemnity benefits

Physician's Reimbursement to WellComp

- 50% share of discounts below Official Medical Fee Schedule



Developing the NCCSIF Medical Provider Network

WellComp anticipates providing the following services to NCCSIF

Provider Network Access

Proprietary Contracts. WellComp will provide NCCSIF with access to medical providers. Our contracts with medical providers are specific to the promulgated emergency regulations in accordance with C.C.R. Title 8 Sections 9767.3(d)(8)(C), (D) and (E). A competitive advantage of our MPN contracts is that they are specific to workers' compensation; in our contracts, providers have agreed to abide by certain workers' compensation requirements, including utilization review, continuity of care, continuing education, and reporting requirements.

Customization. NCCSIF undoubtedly has critical partnerships with certain medical providers, which you will nominate for NCCSIF's MPN. After undertaking its own diligence and cross checking Member nominations, WellComp will contract directly with these medical providers for inclusion within the MPN.

Credentialing. WellComp will credential each medical provider participating in the WellComp MPN at a frequency of no less than every two years to verify that each provider is licensed, registered and/or certified by its respective board or agency, if that licensure, registration or certification is required by law.

Data manipulation and administration. WellComp will compile medical provider information, Member information, e.g. longitude and latitude of each facility location, and other data required for filing and administration of a validly organized medical provide network pursuant to Labor Code Section 4616 et seq.

Employee notice. WellComp will provide the NCCSIF with an employee notice as required under the requirements of C.C.R. Title 8 Section 9767.12 and shall assist the NCCSIF, as requested, in (i) the distribution of the employee notice to covered employees and (ii) working with the NCCSIF to produce affidavits that the employee notice was distributed. We recommend initially stocking two employee notices for each employee on your payroll.

MPN application. WellComp will prepare, on behalf of the City, the MPN application to be filed with the Administrative Director of the California Division of Workers' Compensation, and all attachments, required for the filing for a validly organized medical provider network pursuant to Labor Code Section 4616 et seq. WellComp also agrees to prepare and file on behalf of the City up to one amendment of the MPN application per each 12 months at no cost.

Website access. WellComp has constructed www.wellcomp.com to enhance the usability and attractiveness of WellComp for injured workers, NCCSIF, and claims examiners.

Data compilation and reporting. WellComp will provide reports on all data (including provider usage rates, saving rates, etc.) collected in the ordinary course of business at



the reasonably request of NCCSIF The goal of this data is assist NCCSIF's understanding of how their MPN is reducing costs and increasing control.

Member education and training. WellComp will help train NCCSIF on how to utilize the medical provider network, including training activities such as providing educational materials, on-site and regional trainings, and teleconferences.

Information services. WellComp will publicize and monitor a toll free telephone number that is available to injured workers, who may call to learn more about the WellComp MPN.

Patient services. WellComp will coordinate patient services with NCCSIF and claims examiners. Consultant shall be responsible for developing and distributing materials, such as a provider directory, that may reasonably be requested by injured workers.

Member services. WellComp will be responsible for developing and mailing informational and training materials and provider directories as reasonably requested by NCCSIF

Medical provider services. WellComp will be responsible for communication with medical providers within the MPN.

On-going administration. WellComp will perform such acts as required for the on-going administration of the MPN, including any such acts as may reasonably be requested by NCCSIF and as are required by statute or regulation.

Compliance with Labor Code Section 4616

The WellComp MPN is designed so that your MPN fully complies with Labor Code Section 4616 and related regulations under California Code of Regulations (C.C.R.). Specifically, WellComp MPN has been reviewed by WellComp's in-house general counsel, as well as outside counsel. Compliance includes:

- A description of the number of employees expected to be covered by the MPN Plan;
- The geographic service area within the State of California to be served;
- The name, license number and other information as required for each physician who will be providing occupational medicine services;
- The name, license number, taxpayer identification number, specialty, type of service and location of each ancillary service being provided;
- Description of the compliance requirements for second and third opinion process pursuant to the requirements of Title 8, C.C.R., §9767.7;
- A description of the mechanism of compliance with the goal of 25% physician participation whose practice is primarily engaged in the treatment of non-occupational injuries;



- A description of coverage for employees temporarily outside the MPN's geographic service area;
- A description of the provision of ancillary services;
- Description of the mechanism of compliance with all access standards pursuant to Title 8, C.C.R., §9767.5;
- A description of the notification process, including both an English and Spanish sample of the employee notification documentation pursuant to Title 8, C.C.R., §9767.12(a) and (b);
- A copy of the written Policies and Procedures for Continuity of Care Plan Policy pursuant to Title 8, C.C.R., §9767.10 and Labor Code §4616 and/or §4616.2;
- A written description of the Transfer Ongoing of Care Policy pursuant to Title 8, C.C.R., §9767.9;
- A copy of the MPN Policies and Procedures on Economic Profiling pursuant to Labor Code Sections 4616, 4616.1 and Title 8, C.C.R., §9767.11;
- A copy of the information concerning physician compensation pursuant to Title 8, C.C.R., §9767.3: by this clause the undersigned affirms that the MPN physician compensation is not structured to achieve the goal of reducing, delaying or denying medical treatment or restricting access to medical treatment;
- A description of the mechanisms to ensure that only licensed physicians competent to evaluate specific clinical issues will modify delay or deny request for authorization of medical treatment pursuant to Title 8, C.C.R., §9767.3;
- A description of the Policies and Procedures in compliance with Title 8, C.C.R. §9767.6 on Treatment and Change of Physicians within the MPN;
- A copy of the Policies and Procedures concerning Modification of the Medical Provider Network Plan pursuant to Title 8, C.C.R., §9767.8; and
- Other steps, actions, policies and procedures as may be required for a validly organized medical provider network.

Provider Economic Profiling

After careful consideration, WellComp selected not to use economic profiling with our MPN offering. Because of our strategy of building the WellComp MPN from the ground up with client, examiner, and defense attorney recommendations, we did not want to give unwanted providers access to our network. By using economic profiling, these excluded physicians could demand access to our MPN simply based on our applied economics. Our MPN options are designed to give control to the employer. Finally, by avoiding economic profiling, we can avoid poor physician MPN access as well as the creation of any liability, which would be historically customary when profiling is utilized.



We will constantly analyze client satisfaction as well as the outcomes of employees' medical care to ensure that our medical provider network or a customized network is performing up to not only our standards but the employers as well.

Employee Notice and Promotion

Covered employees will receive the Employee Notice after NCCSIF receives approval of the MPN plan from the Administrative Director of the Division of Workers' Compensation. We will work with NCCSIF to determine the most effective distribution channels; for example, inclusion within a payroll stuffer. Because applicants' attorneys have already signaled that one of their first attacks on an MPN will be the employee notice requirement, we are recommending the NCCSIF have management personnel sign an affidavit that the employee notice has been distributed to all employees. Under the "mail box" rule, we have been advised that inclusion of the employee notice with payroll information or other important information will be presumed to have been received.

Covered employees may access WellComp providers by name, medical group, medical specialty, locations, geographical distance from home or office, or employer at the WellComp web-site. The website is publicized in the Employee notice and through your staff, claims examiner, or the WellComp Patient Services Department toll free telephone number. Should an injured employee require a copy of the provider list or other assistance accessing the network, the WellComp Patient Services is available for assistance.

Upon injury, the employee notice must be distributed along with form DWC-1. This is a critical component to the defensibility of a Member's MPN, which is why member education and training is critical.

Navigating the MPN

Upon receipt of notice that the injured worker is in dispute of either the diagnosis or treatment plan made by the treating physician within the MPN, the claims examiner will make immediate contact with a Member's injured employee. This will be in coordination with a WellComp service representative. The purpose of that contact will be to ensure access to another provider is facilitated immediately, in order to keep employer control and avoid litigation. The claims representative will (i) work with the initial medical provider to transfer medical records and (ii) schedule a timely appointment with another provider, and (iii) facilitate the proper documentation to all parties to ensure that the employer, injured worker and counsel are aware of the injured worker's movement within the MPN.

WellComp has developed notice letters in compliance with the labor code ensuring that at all times the injured worker is advised of his rights as well as the options and freedom provided through the MPN including his rights to an Independent Medical Review, IMR. These letters are sent to the injured employees as appropriate.



Medical Provider Training

Beyond the quality of medical care, one of our primary screening criteria is whether a provider understands the impact her decisions and reports have on a workers' compensation claim. Because we have already conducted rigorous screening, we believe that providers in our network understand the workers' compensation system, including AMA and ACOEM.

We believe that improvements and continuing education will be necessary in the future especially as MPNs are challenged and as AMA and ACOEM evolve. This has become increasingly important with the new 2005 Permanent Disability Rating Schedule, which is not well understood by medical providers. Providers in the WellComp Network have agreed within our proprietary contracts to attend classes or seek continuing education with respect to workers' compensation billing and/or Company's procedures and policies.



PROFESSIONAL DYNAMICS INC. – Proposed Scope of Services

Medical Provider Network Management Services including but not limited to the following:

- Maintenance of Medical Provider Network list(s).
- Provide and update internet accessible directories for employee to access to view MPN, as required.
- Upon receipt of First Report of Injury (FROI/5020), PDI will provide a copy of the MPN notification document to the injured worker.
 - First Report of Injury reports can be submitted:
 - Via e-mail: MPNAdmin@professionaldynamics.com
 - Via Fax: 1-800-591-5502 with a cover letter labeled: Attn: MPN Administrator
- Assist employees, claims examiners and nurse case managers in obtaining MPN providers names and contact information, as well as out of network referrals.
- Documentation and distribution of all MPN activities will be provided to designated parties.
- Documentation and distribution of provider change through the nomination and grievance process.
- Assist with Continuity of Care and Transfer of Care issues.
- Work with all parties to improve the quality of the network and its providers.
- MPN Maintenance and Administration Services
 - \$1,000.00/flat fee per month
- Re-notification
 - \$50.00/flat fee per FROI received

WellComp also has an established network, with two fee options available to NCCSIF. One includes a per claim fee of portion of the savings obtained which York estimates may be up to 8% less than the current bill review savings.

Bill Review Activity Summary

Employer: **NCCSIF**
 Activity Period: **07.01.11 – 06.30.12**
 Data Valued: **10.31.13**

Summary

Bills	
Bills (net)	7,561
Lines (net)	18,354
Gross Charges	\$7,124,889.87
Duplicates/Excl. Chgs	\$1,712,927.88

Net Charges \$5,411,961.99

Recommended Allowances \$1,829,392.03

Savings Detail

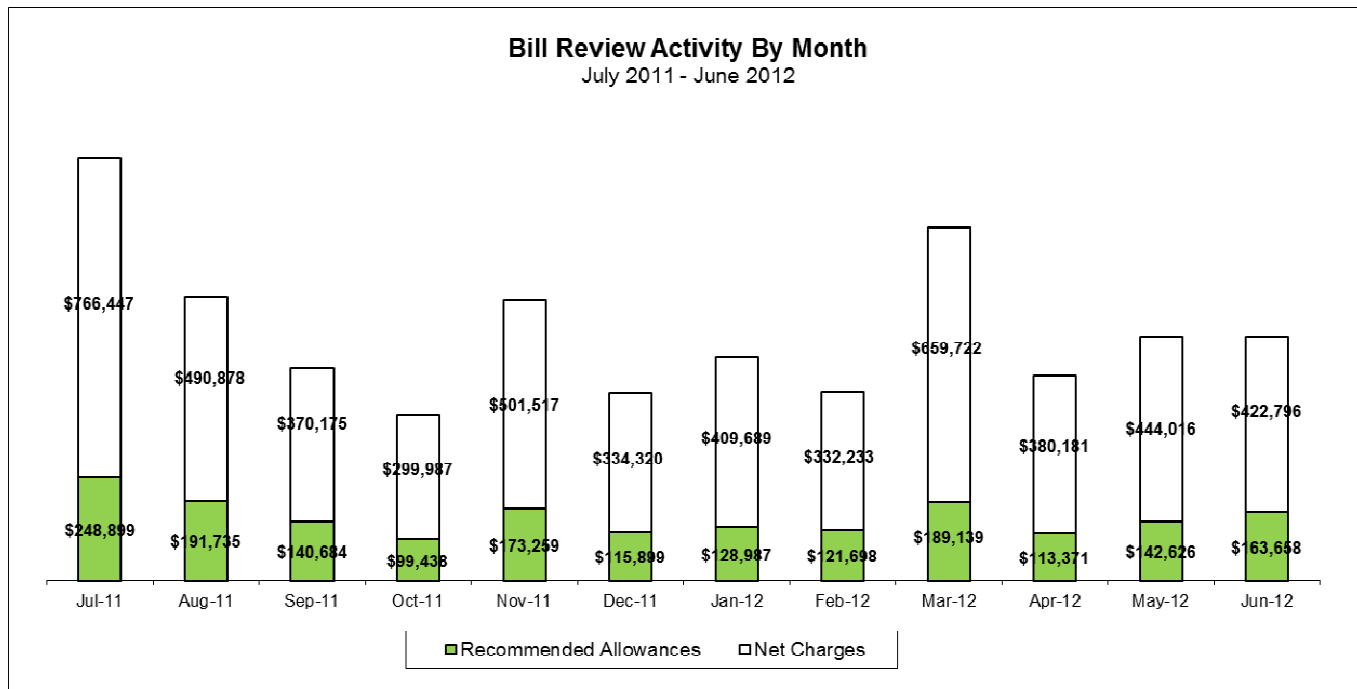
Savings:	
Bill Review (net)	\$3,460,213.20
PPO Network	\$122,356.76

Gross Savings Total \$3,582,569.96 66%

Fees

Bill Review Services \$91,161.42

Net Savings Total \$3,491,408.54



Bill Review Activity Summary

Employer: **NCCSIF**
 Activity Period: **07.01.12 – 06.30.13**
 Data Valued: **10.31.13**

Summary

Bills	
Bills (net)	7,924
Lines (net)	18,933
Gross Charges	\$7,287,014.22
Duplicates/Excl. Chgs	\$1,857,183.91

Net Charges \$5,429,830.31

Recommended Allowances \$1,786,158.41

Savings Detail

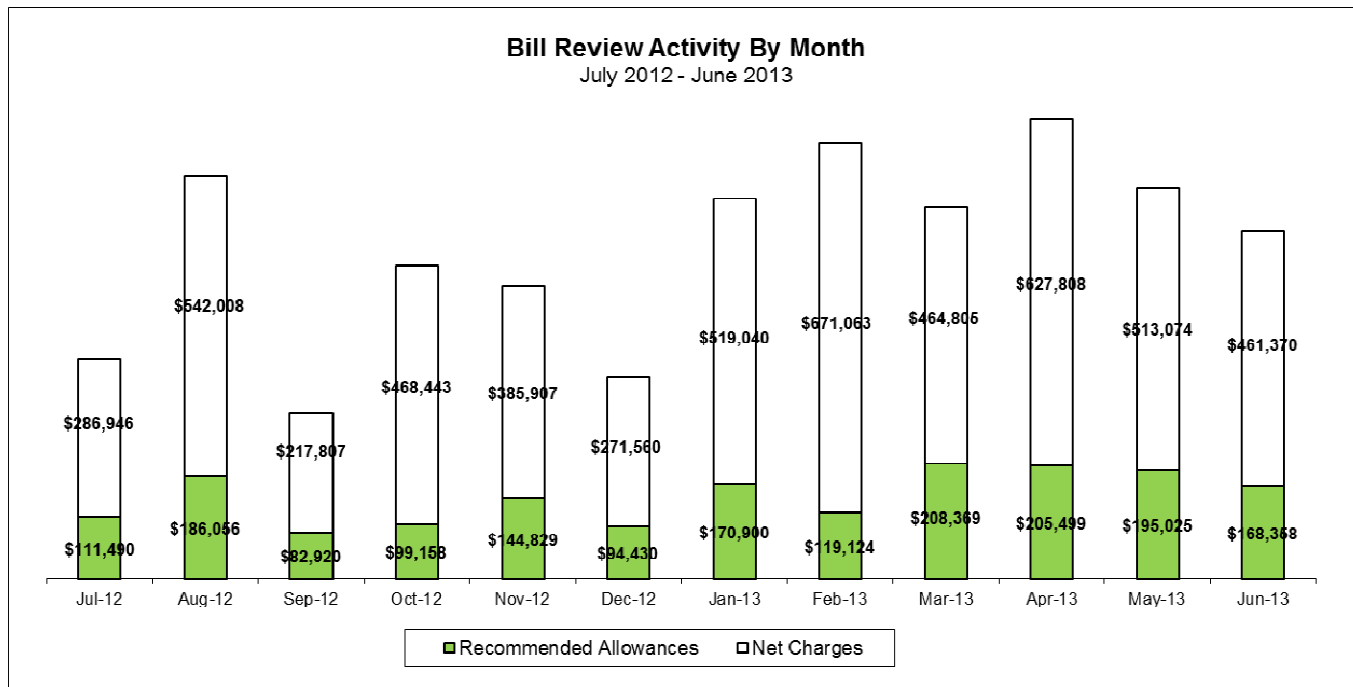
Savings:	
Bill Review (net)	\$3,482,861.10
PPO Network	\$160,810.80

Gross Savings Total \$3,643,671.90 67%

Fees

Bill Review Services \$102,862.83

Net Savings Total \$3,540,809.07



Utilization Review Activity Summary

Employer: **NCCSIF**
 Activity Period: **07.01.11 – 06.30.12**
 Data Valued: **10.31.13**

Summary

Claims

Indemnity:	156
First Aid:	0
Medical Only:	30
Future Medical:	148

Activity

Number of Events	703	
Authorized	442	
MD Approved	89	76%
<hr/>		
MD Appeal Reviews	7	
MD Delay	0	
Denied/Modified	164	23%

Savings Detail

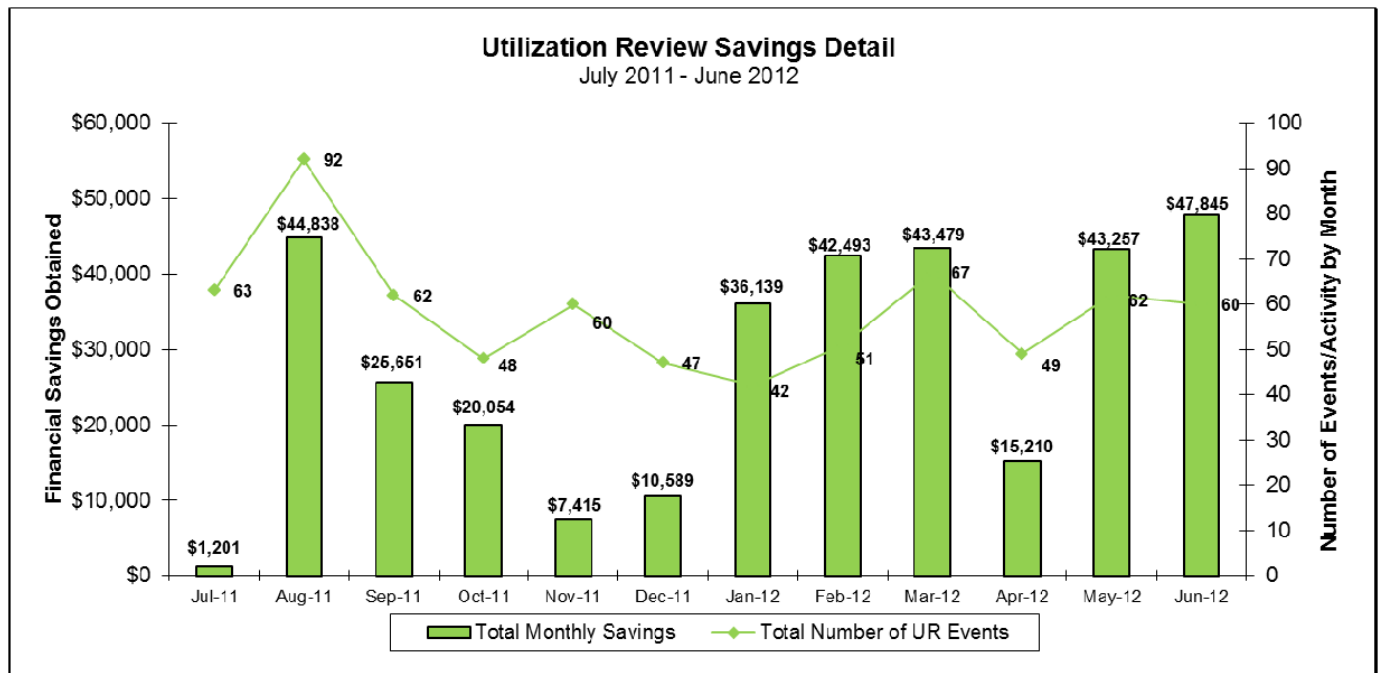
Medical Savings:	\$277,749.27
Indemnity Savings:	\$60,602.18

Gross Savings	\$338,351.45
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Fees

Utilization Services	\$91,325.00
Physician Review	\$67,900.00

Net Savings	\$179,126.45
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Utilization Review Activity Summary

Employer: **NCCSIF**
 Activity Period: **07.01.12 – 06.30.13**
 Data Valued: **10.31.13**

Summary

Claims

Indemnity:	180
First Aid:	0
Medical Only:	30
Future Medical:	116

Activity

Number of Events	749	
Authorized	522	
MD Approved	67	79%
<hr/>		
MD Appeal Reviews	6	
MD Delay	0	
Denied/Modified	153	20%

Savings Detail

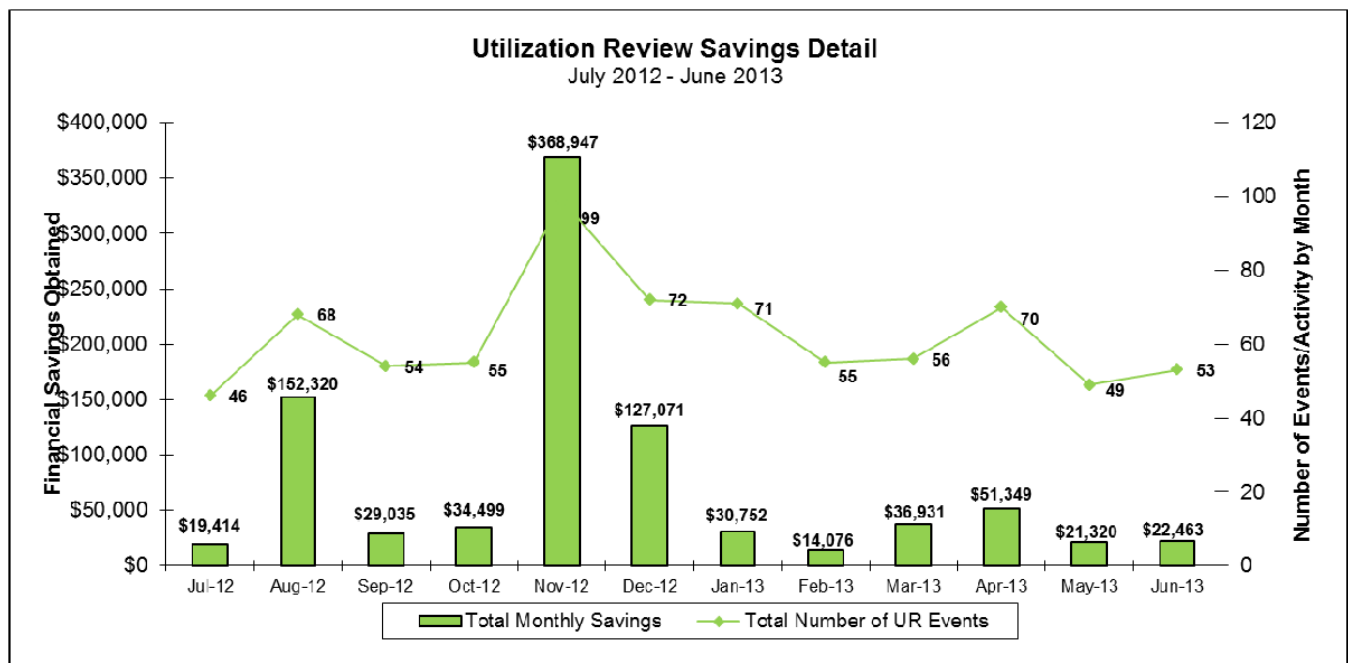
Medical Savings:	\$787,830.46
Indemnity Savings:	\$120,346.60

Gross Savings	\$908,177.06
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Fees

Utilization Services	\$86,090.00
Physician Review	\$59,740.00

Net Savings	\$762,347.06
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Agenda Item G.2.

STATUS OF 2013 LIABILITY CLAIMS AUDIT

INFORMATION ITEM

ISSUE: The Liability Claims Audit was requested late this year. As a result we have a verbal, but no physical report. The details of the verbal report are included in the BACKGROUND section below. The final report will be received prior to Thanksgiving. If desired, the claims auditor can make a formal presentation to the Board of Directors at the meeting on December 12th.

RECOMMENDATION: Since this is a status report there is no recommendation. There are no recommendations from the auditor requiring response from York.

FISCAL IMPACT: The all inclusive cost of the audit will be \$5,625. This is within the amount budgeted this year for the claims audit.

BACKGROUND: The NCCSIF claims administrators are audited every two years. This year the liability claims audit has been performed. The Liability Claims Auditor is Ken Maiolini with Risk Management Services. This is the third liability claims audit Ken has performed for NCCSIF. On Wednesday, November 6, 2013 Ken provided the following information verbally to Marilyn Kelley. Ken performed a pre audit interview with Jennifer Nogosek and do to the fact that York is now paperless he was given access to the files electronically. Ken audited 66 open files including all open files with a reserve in excess of \$50,000 and 20 closed files. Ken had an exit interview with Jennifer Nogosek on November 6, 2013.

CLAIM LOADS – NCCSIF has the right mix of adjusters and claim loads are reasonable. Claims adjusters are spread out somewhat, but Ken was advised this is to enable adjusters in different locations to handle claims physically, if needed for inspections, witness interviews, emergencies, etc. For 80% of claims the average experience of the adjusters is around 20 years. This includes all larger claims.

INVESTIGATIONS – The files reflect that investigations are being done appropriately. York is proactive and initial and ongoing investigations are evident in the files.



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RESERVING – York recognizes cases that have potential exposures to the City and NCCSIF. York reserves those cases in an appropriate manner for both damages and legal costs. Ken has cited only one case for inadequate expense reserves. York increased the reserve in that case as they spoke.

LITIGATION MANAGEMENT - York is proactive with claims especially on recent claims within the past few years. York appropriately will bring in legal before litigation for sensitive claims, such as police shootings. Ken noted timely status reporting from law offices and noted a good natural flow in the communications. There were no warning letters or repeated requests for information visible in the files reviewed.

Bill review is thorough. Bills are reviewed by the adjuster and also by a supervisor prior to be approved for payment. There were no aberrations in billings. The files show a proactive case management by adjusters with correspondence with legal actively looking for ways to resolve claims early, if possible.

LIABILITY AND DAMAGE EVALUATION - York does a good and reasonable evaluation of all claims aspects, including: physical damages, medical costs current and future, wage loss, property damage, etc. Communications with the claims committee was evident in the claims files and the reporting to the claims committee adequately addressed potential exposures, claims activity and reserves. *No changes were recommended.*

FILE MANAGEMENT – York has adopted a paperless system. Ken noted that with some older adjusters there is sometimes a tendency to resist being paperless. But he noted this does not seem to be the case with York. All case files reviewed showed a consistent use of the system with complete scanning of attachments:

- NCCSIF Claims Committee reports;
- CJPRMA correspondence;
- Legal correspondence;
- E-mails;
- Bills;
- Investigation reports

All were present and easily accessible. The files show that York adjusters maintain communication with legal and do not give up the cases to the defense firms, but active work with them to resolve cases. There is evidence of supervisor activities in the files. Management oversight is active. The files also show good communication with the Cities.



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CJPRMA COMMUNICATION - Ken noted that reporting and communication with CJPRMA is good. Communication with Craig Schweikhard at CJPRMA is proactive. Ken has the CJPRMA role with two other JPA's and felt that communication was up to par with what he requires in the same type of circumstances.

NEGOTIATION PRACTICES – York actively tries to resolve cases early. The files noted that prior to mediation York and the attorneys work to have a good strategy and game plan in place before the mediation takes place. The results are evident in the files in good settlement results. *Property losses are resolved quickly with timely repair and replacement. Risk transfer opportunities are reviewed clearly.*

CLOSED CLAIMS – The closed claim files reviewed were closed on a timely basis with financial issues, releases, closing reports etc. all evident in the files. Releases show, overall good settlements and resolution of claims. York files also show good communication with the Cities on closed claims.

OVERALL – NCCSIF claims are handled in a manner that meets or exceeds claims handling standards, particularly those of NCCSIF and CAJPA. *There was only one minor reserve issue noted. No other issues to report.* Marilyn Kelley did not ask the auditor to comment on the property recovery program, so no comments on that service are given. Marilyn Kelley asked Craig Schweikhard if he had any additional comments and he advised:

“I agree with Ken’s evaluation. I have a unique relationship with York and I therefore find it very easy to communicate with them. They are responsive and timely in their reporting and recently we worked together (York-Alliant-CJPRMA) to resolve a problem with an attorney who was not reporting. Although I miss working with Craig Wheaton I have found Jennifer equally as responsive. The folks are doing an excellent job as always. As to reportable claims I do not doubt that all claims are reported.” - Craig Schweikhard, CJPRMA - Claims Administrator

ATTACHMENT(S): None.



Agenda Item G.3.

**APPROVAL OF CHANGES TO TERMS OF OFFICERS AND CHANGES TO
THE EXECUTIVE COMMITTEE ROTATION SCHEDULE**

ACTION ITEM

ISSUE: There is discussion whether the NCCSIF Bylaws be amended to change the term of office for the President, Vice President and Secretary from one year to two years and should the office of Past President be eliminated; and whether the NCCSIF Executive Committee rotation schedule be amended so that the current member terms are extended for one additional year.

We would need to amend the Bylaws to allow the number of members on the Executive Committee to fluctuate between six and seven depending on the regions, as well as amend the number of regions for Executive Committee service rotation from the current six to seven.

RECOMMENDATION: It is the recommendation of the Program Administrators that the NCCSIF Bylaws be amended so that the office of Past President is eliminated, and that the terms office of President, Vice President and Secretary be changed from one year to two years. The number of the Executive Committee would be amended from 7 to 6-7.

The President, a Member of the green region that would have transitioned to Past President will instead serve a second year as President. The Vice President will begin service as President as his Pink region rotates off the Executive Committee. The current Vice President has agreed to this extended term. Finally, the Program Administrators are recommending approval of the revised rotation schedule with 7 regions.

FISCAL IMPACT: None.

BACKGROUND: The past Presidents of NCCSIF have expressed the opinion that NCCSIF would be better served with the Presidents serving two year terms rather than the current one year terms. Most have commented that they just get used to how the organization and programs work and then they are out of office.

In order to accomplish this change NCCSIF would need to approve to change the term of Vice President to two years and then progress to President for an additional two years. This would mean that whoever is selected to serve as Vice President would serve four years rather than the current three; the current Vice President is in the pink territory. Their term as President would begin when all the Members from their region rotate off the Executive Committee.

- Both the current President and Vice President have agreed to serve an additional year.
- Change the term of the Secretary to two years. A new Secretary would be selected from the orange territory.



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- In order to accomplish this and enable all Members to have the potential to serve as officers, the rotation schedule needs to be amended from six regions to seven regions. Please see graph attached and new and old rotation schedule maps.

To accomplish these changes both Section 4 and Section 5 of the Bylaws would be amended. Amended language is below.

NCCSIF BYLAWS

SECTION 4

Executive Committee

A. - Membership. The Executive Committee shall be composed of ~~six to eight (6-8) seven voting and~~ and two (2) non-voting members of the Board of Directors or their alternates. The President, Vice President, ~~immediate Past President~~ and Secretary shall serve as voting members on the Executive Committee. The remaining ~~three (3) voting~~ members shall be elected by the Board of Directors on a member rotation basis, as established by the Board of Directors. The two (2) non-voting members shall be comprised of the Treasurer and the CJPRMA Board Representative. The President shall act as Chairman.

B. - Term. The terms of all members of the Executive Board shall be two (2) years, except for those of the President, Vice President, ~~immediate Past President~~ and Secretary, who shall all serve their terms ~~for two (2) years irrespective of the member rotation for one (1) year~~. A member may be reappointed to serve on the Executive Committee, ~~except for the immediate Past President~~.

C. - Powers, Duties and Responsibilities.

1. The Executive Committee shall conduct, direct and supervise the day-to-day business of the Authority and in doing so shall exercise the powers expressly granted to it by the Agreement, these Bylaws and as otherwise delegated by the Board of Directors.

2. The following duties and responsibilities shall be assumed and carried out by the Executive Committee, which shall have all powers necessary for those purposes:

- a. Provide general supervision and direction to the Program Director;
- b. Authorize payment of claims against the Authority; provided, however, that with respect to claims arising under coverage programs operated by the Authority, claim settlement authority shall be in accordance with the policies and procedures governing the particular program;
- c. Enter into contracts, within budget limits;
- d. Make payments pursuant to previously authorized contracts, within budget limits; this Authority includes the power to authorize and reimburse expenses incurred for budgeted activities, within budget limits;



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- e. Review and recommend a budget to the Board no later than seventy-two (72) hours prior to the spring meeting of the Board;
- f. Act as Program Director in the absence of the Program Director;
- g. Recommend policies and procedures to the Board for implementation of the Agreement, the Bylaws and the operation of specific coverage programs; and
- h. Appoint a nominating committee for each election of officers and members of the Executive Committee.
- i. Amend annual budget in an amount not to exceed the contingency account.

3. Subject only to such limitations as are expressly stated in the Agreement, these Bylaws or a resolution of the Board of Directors, the Executive Committee shall have and be entitled to exercise all powers which may be reasonably implied from powers expressly granted and which are reasonably necessary to conduct, direct and supervise the business of the Authority.

D. - Meetings

- 1. **Regular Meetings.** Regular meetings shall be held at times, as the Executive Committee deems appropriate.
- 2. **Special Meetings.** Special meetings of the Executive Committee may be called by the Chairman or a majority of Executive Committee members, in accordance with the provisions of California Government Code Section 54956.
- 3. **Public Meetings.** All meetings of the Executive Committee shall be open to the public, except as provided by law.
- 4. **Quorum.** Four (4) members of the Executive Committee shall constitute a quorum for the transaction of business. Except as otherwise provided, no action may be taken by the Executive Committee except by affirmative vote of not less than a majority of those Executive Committee members present. A smaller number may adjourn a meeting.
- 5. **Removal From Executive Committee.** A member may be removed from the Executive Committee in the following ways:
 - a. Death of a Committee member;
 - b. Voluntary resignation;



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c. Absence from three (3) consecutive meetings without a valid reason, in which case the Chair may recommend to the Executive Committee that member be terminated from Executive Committee membership. If the Executive Committee recommends to the Board of Directors that an Executive Committee member be terminated, the Board of Directors shall vote on the matter at its next regularly scheduled meeting.

d. When a vacancy occurs under the above provisions, a replacement shall be made from among the Board of Directors.

SECTION 5

Officers of the Authority

A. The officers of the Authority shall be a President, Vice President, Secretary, and Treasurer Officers so appointed shall serve at the pleasure of the Board of Directors. The president shall chair meetings to the Board of Directors and Executive Committee; the vice president shall act in the place of the president in the president's absence. The secretary shall keep and maintain minutes of the Board meetings and Executive Committee meetings, or to direct the keeping and maintaining of such minutes, and to promptly report minutes of meetings to all members as soon as practicable after the meeting has concluded. The treasurer's duties are as described in Sections 11 and 12 of the Bylaws. Other responsibilities may be set forth by the Board of Directors.

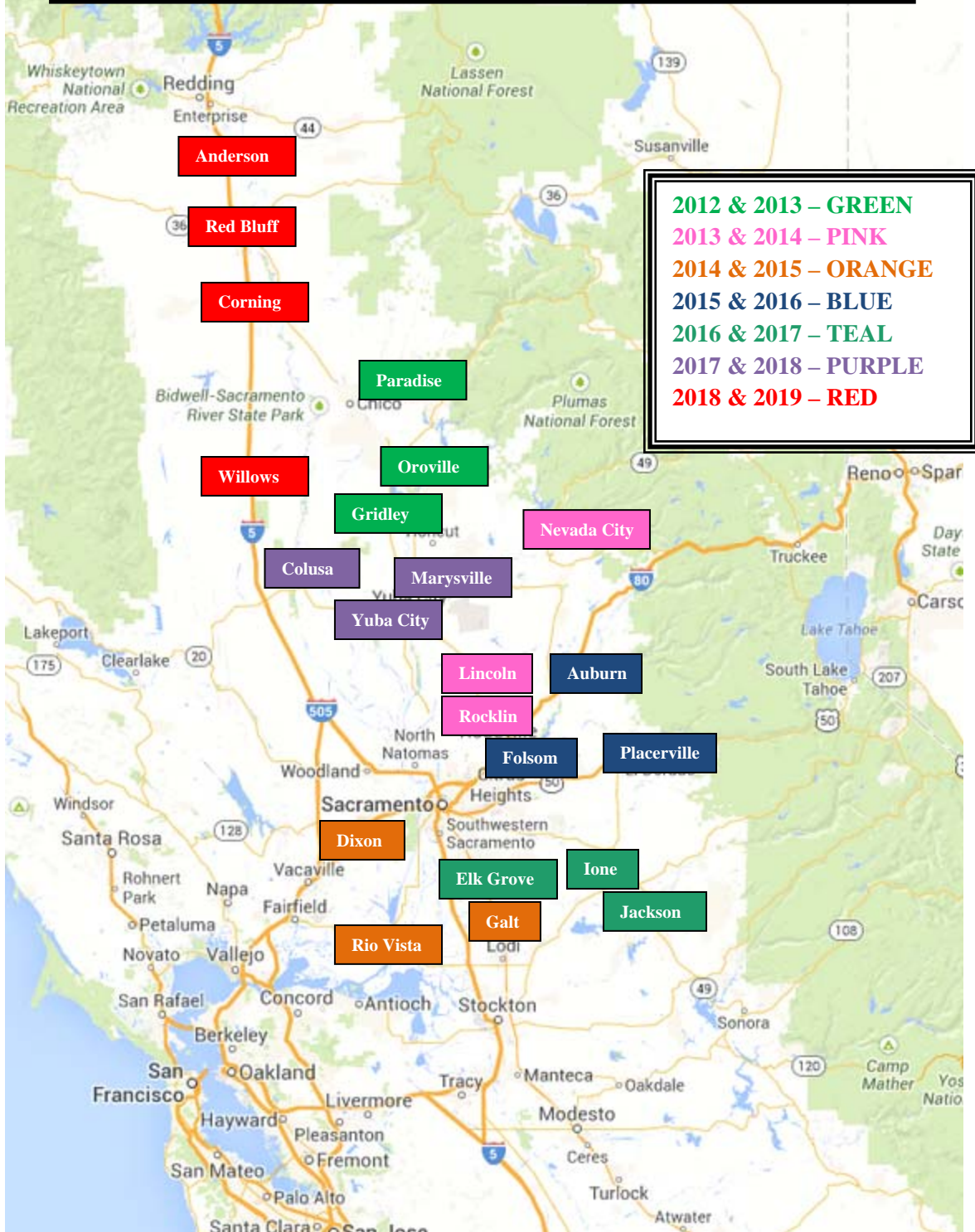
B. The President, Vice President and Secretary shall be elected by the Board of Directors and shall serve two (2) ~~one (1)~~ year terms. No officer shall serve for more than two (2) complete consecutive terms in his or her respective office. The terms of each office will ordinarily commence on January 1st of each calendar year, except that if an election has not been conducted by that date, the terms shall commence as soon as the election has been held. The terms of each office shall end on December 31st of the calendar year, except that if the election of the officers to serve the next succeeding term has not been conducted, the incumbent officers shall continue to hold their offices until the election has been conducted.

C. The Treasurer shall be appointed annually by the Board of Directors and, unless the Board of Directors determines otherwise, the Treasurer shall serve at the Board of Directors' pleasure. The Treasurer shall be an officer or employee of a Member Entity or a Certified Public Accountant.

D. The Board of Directors may create such other offices and appoint such other officers as it deems necessary and advisable.

ATTACHMENT(S): None.

Northern California Cities Self Insurance Fund Executive Committee Rotation List



NCCSIF

Progression of Officers with 7 regions.

	2014	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Regions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Green	Pres														
Pink	VP	Pres	Pres												
Orange															
Blue		VP	VP	Pres	Pres										
Teal															
Purple				VP	VP	Pres	Pres								
Red															
Green						VP	VP	Pres	Pres						
Pink															
Orange								VP	VP	Pres	Pres				
Blue															
Teal									VP	VP	Pres	Pres			
Purple															
Red												VP	VP	Pres	Pres
Green															
Pink														VP	VP
Orange															

Exsecutive Committee Rotation

Red	Green	Pink	Orange	Blue	Teal	Purple
2018-19	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18



Agenda Item G.4.

2014 NOMINATING COMMITTEE AND NOMINATION OF OFFICERS

ACTION ITEM

ISSUE: Membership on the NCCSIF Executive Committee rotates annually and each member serves for a two-year term. The Cities of Oroville, Gridley and Paradise are scheduled to rotate off the Executive Committee on December 31, 2013. The January 1, 2014 to December 31, 2014 term for the Executive Committee will include the following members:

2014 NCCSIF Executive Committee

Lincoln	John Lee
Rocklin	Russell Hildebrand
Nevada City	Catrina Olson
Dixon	Steve Johnson
Galt	Paula Islas
Rio Vista	Joe Tanner

Non-Voting Members

City of Willows	Tim Sailsbery (Treasurer)
City of Galt	Paula Islas (CJPRMA Representative)

Historically, the newly-elected officers (President, Vice President, Secretary and Treasurer) are nominated by the Executive Committee, acting as the Nominating Committee. The officers are chosen from the Executive Committee and are elected for a two-year term. Historically, the President is selected from the second-year members (often the current Vice President) and the Vice President is generally selected from the first year members. The Secretary is selected from either group of members. The Treasurer is selected from the program members at large and is the only officer not limited to a one-year term.

Executive Committee office is held by the specific assigned Board Member, not the City. This means that if an Executive Committee member is unable to attend a scheduled meeting, the Board Alternate for that City, while welcome to attend the meeting, may not vote.

FISCAL IMPACT: None.



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RECOMMENDATION: The Program Administrator recommends that the Executive Committee appoint itself to act as the Nominating Committee and make recommendations to the Board of Directors for the positions of President, Vice-President and Secretary.

BACKGROUND: The Executive Committee is a standing committee of the Board of Directors and is comprised of seven to nine voting members and two non-voting members. The President of the Board of Directors serves as the Chair of the Executive Committee. The President, Vice-President, Secretary, Past President and three-five other Board of Directors members act as the seven-nine voting members. The two non-voting members are the Treasurer and the Representative to the CJPRMA Board of Directors.

Section 5 of the NCCSIF Bylaws describes the duties and responsibilities of the Officers of the Authority.

ATTACHMENT(S): Section 5 of the NCCSIF Bylaws

shall be made from among the Board of Directors.

SECTION 5

Officers of the Authority

A. The officers of the Authority shall be a President, Vice President, Secretary, and Treasurer Officers so appointed shall serve at the pleasure of the Board of Directors. The president shall chair meetings to the Board of Directors and Executive Committee; the vice president shall act in the place of the president in the president's absence. The secretary shall keep and maintain minutes of the Board meetings and Executive Committee meetings, or to direct the keeping and maintaining of such minutes, and to promptly report minutes of meetings to all members as soon as practicable after the meeting has concluded. The treasurer's duties are as described in Sections 11 and 12 of the Bylaws. Other responsibilities may be set forth by the Board of Directors.

B. The President, Vice President and Secretary shall be elected by the Board of Directors and shall serve one (1) year terms. No officer shall serve for more than two (2) complete consecutive terms in his or her respective office. The terms of each office will ordinarily commence on January 1st of each calendar year, except that if an election has not been conducted by that date, the terms shall commence as soon as the election has been held. The terms of each office shall end on December 31st of the calendar year, except that if the election of the officers to serve the next succeeding term has not been conducted, the incumbent officers shall continue to hold their offices until the election has been conducted.

C. The Treasurer shall be appointed by the Board of Directors and, unless the Board of Directors determines otherwise, the Treasurer shall serve at the Board of Directors' pleasure. The Treasurer shall be an officer or employee of a Member Entity or a Certified Public Accountant.

D. The Board of Directors may create such other offices and appoint such other officers as it deems necessary and advisable.

SECTION 6

Committees

Committees may be formed as necessary by either the Board of Directors or the Executive Committee for the purposes of overseeing any functions that the Board or Executive Committee has authority to control, such as, but not limited to, administration and policy direction, claims administration, investments, safety/loss control, etc.

SECTION 7

Program Director and Other Staff

A. The Board of Directors shall appoint a Program Director who shall be responsible for the general administration of the business and activities of the Authority as directed by the Executive Committee.



Agenda Item G.5.

RESOLUTION 14-01 AUTHORIZING INVESTMENT OF MONIES IN LAIF

ACTION ITEM

ISSUE: The Executive Committee will review Resolution 13-01 to be approved by the Board of Directors at the December 12, 2013 meeting, authorizing the President, Vice President and Treasurer to order the deposits or withdrawal of monies in LAIF.

FISCAL IMPACT: No new fiscal impact is anticipated.

RECOMMENDATION: It is the recommendation of the Program Administrator that the Executive Committee recommend to the Board of Directors approval of Resolution 14-01, authorizing the newly elected President, Vice President and Treasurer, authority to order the deposits or withdrawal of monies in LAIF.

BACKGROUND: On an annual basis, records are updated with the Local Agency Investment Fund (LAIF) to reflect the newly elected officers of NCCSIF.

ATTACHMENT(S): Proposed NCCSIF Resolution 14-01



RESOLUTION 14-01

RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer, and

WHEREAS, The Northern California Cities Self Insured Fund (NCCSIF) Board of Directors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purposes of investment stated therein is in the best interest of Northern California Cities Self Insurance Fund.

NOW THEREFORE, BE IT RESOLVED, that the NCCSIF Board of Directors does hereby authorize the deposit and withdrawal of Northern California Cities Self Insurance Fund monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16428.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following Northern California Cities Self Insurance Fund officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund effective immediately:

- NCCSIF President - _____
- NCCSIF Vice President – _____
- NCCSIF Treasurer – _____
- NCCSIF Financial Consultant – _____

I hereby certify that the foregoing is a full, true and correct copy of Resolution No. 12-01 duly and regularly adopted and passed at a regular meeting of the Board of Directors of the Northern California Cities Self Insurance Fund held on the 12th day of December 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

NCCSIF President

NCCSIF Secretary



Agenda Item G.6.

NCCSIF ADMINISTRATIVE SURPLUS

ACTION ITEM

ISSUE: The Fiscal Year 2012-2013 year end report advises that the year end administrative equity for the Liability program is: \$223,959 and for the Workers' Compensation program is: \$564,121. \$310,555 of the WC administrative equity is allocated to Safety Grants. This leaves a total of \$477,525. What, if anything should NCCSIF do with this surplus?

FISCAL IMPACT: A potential credit of up to \$238,763 could be applied to next year's budget to offset some of the administrative budget costs. The administrative surplus would be reduced by 50% leaving \$238,763 of unrestricted equity.

RECOMMENDATION: Historically, over time, NCCSIF has a tendency to build up an administrative surplus. Usually, when this has occurred, a portion of the administrative surplus is used to offset some of the next year's administrative fiscal costs. It is the recommendation of staff that 50% of the administrative surplus, not including funds for 2013-2014 and not otherwise allocated, be utilized for the 2014-2015 Fiscal Year to offset the administrative costs proposed for that year.

Staff would be directed to verify that the declared equity does not have outstanding potential costs associated with it and if so to verify the unrestricted equity funds.

BACKGROUND: Pages 10 and 14 of the 6/30/13 Financial Report are provided showing the year ending equity in both funds. The ADA and Safety Grant funds are also provided.

ATTACHMENT(S):

1. NCCSIF Combining Statement of Revenues as of June 30, 2013

Northern California Cities Self Insurance Fund
(Governmental Enterprise Fund)
Combining Statement of Revenues, Expenses and Changes in Members' Equity - Liability
For the Twelve Months Ended June 30, 2013

	L Shar	L Admin	City of Anderson	City of Auburn	City of Colusa	City of Corning	City of Dixon	City of Folsom	City of Galt	City of Gridley	City of Ione
Operating Income											
Administration Deposit	\$ -	\$ 497,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Banking Layer Deposit	-	-	54,049	61,207	21,079	16,591	50,400	416,317	90,475	26,030	11,424
Shared Risk Layer	1,237,225	-	-	-	-	-	-	-	-	-	-
Excess Deposit/Premium	800,000	-	-	-	-	-	-	-	-	-	-
Property/Crime Insurance Income	776,581	-	-	-	-	-	-	-	-	-	-
Banking Layer Assessment	-	-	-	-	5,552	10,822	-	-	-	-	2,565
Shared Risk Refund	(414,401)	-	-	-	-	-	-	-	-	-	-
Shared Risk Layer Assessment	647,199	-	-	-	-	-	-	-	-	-	-
Banking Layer Refund	-	-	(34,854)	(12,726)	-	-	(41,090)	(203,715)	(23,778)	(29,901)	-
Dividend Income	414,401	-	-	-	-	-	-	-	-	-	-
Total Operating Income	3,461,005	497,225	19,195	48,481	26,631	27,413	9,310	212,602	66,697	(3,871)	13,989
Operating Expenses											
Claims Paid	3,397,803	-	3,364	144,659	19,243	19,348	23,107	313,281	94,273	2,536	5,097
O/S Liability adj.	(1,860,327)	-	(6,326)	(55,849)	6,757	(14,242)	(11,124)	240,324	(25,200)	42,151	16,965
Consultants	-	101,954	-	-	-	-	-	-	-	-	-
Administration-Other	-	146	-	-	-	-	-	-	-	-	-
Safety Service	-	179,258	-	-	-	-	-	-	-	-	-
Claims Administration	-	20,900	-	-	-	-	-	-	-	-	-
Program Administration	-	178,608	-	-	-	-	-	-	-	-	-
Board Expenses	-	5,234	-	-	-	-	-	-	-	-	-
Excess Insurance	642,003	-	-	-	-	-	-	-	-	-	-
Property/Crime Insurance Expense	777,750	-	-	-	-	-	-	-	-	-	-
Total Operating Expense	2,957,229	486,100	(2,962)	88,810	26,000	5,106	11,983	553,605	69,073	44,687	22,062
Operating Income (Loss)	503,776	11,125	22,157	(40,329)	631	22,307	(2,673)	(341,003)	(2,376)	(48,558)	(8,073)
Non-Operating Income											
Change in Fair Market Value	(52,598)	(4,421)	(5,828)	(8,836)	(2,594)	(2,361)	(11,763)	(76,314)	(13,135)	(7,515)	(1,038)
Interest Income	60,540	4,836	5,880	9,338	2,637	2,333	11,599	76,059	12,856	7,311	934
Total Non-Operating Income	7,942	415	52	502	43	(28)	(164)	(255)	(279)	(204)	(104)
Change in Members' Equity	511,718	11,540	22,209	(39,827)	674	22,279	(2,837)	(341,258)	(2,655)	(48,762)	(8,177)
Beginning Members' Equity	(865,191)	212,419	84,301	81,861	(7,594)	(28,935)	130,672	1,039,976	25,150	136,050	(1,802)
Ending Members' Equity	\$ (353,473)	\$ 223,959	\$ 106,510	\$ 42,034	\$ (6,920)	\$ (6,656)	\$ 127,835	\$ 698,718	\$ 22,495	\$ 87,288	\$ (9,979)

See Accompanying Accountant's Report

Northern California Cities Self Insurance Fund
(Governmental Enterprise Fund)
Combining Statement of Revenues, Expenses and Changes in Members' Equity - Workers' Compensation
For the Twelve Months Ended June 30, 2013

	WC Shar	WC Admin	City of Anderson	City of Auburn	City of Colusa	City of Corning	City of Dixon	City of Folsom	City of Galt	City of Gridley	City of Ione	City of Jackson
Operating Income												
Administration Deposit	\$ -	\$ 534,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Banking Layer Deposit	-	-	109,635	89,708	35,387	72,177	264,646	955,744	211,828	54,342	29,228	73,811
Shared Risk Layer	1,958,283	-	-	-	-	-	-	-	-	-	-	-
Excess Deposit/Premium	602,733	-	-	-	-	-	-	-	-	-	-	-
Banking Layer Assessment	-	-	-	13,413	-	3,460	-	-	-	-	-	-
Shared Risk Refund	(1,370,228)	-	-	-	-	-	-	-	-	-	-	-
Shared Risk Layer Assessment	22,635	-	610	(916)	47	(1,304)	371	(8,279)	3,455	(2,137)	(368)	(1,382)
Banking Layer Refund	-	-	(25,697)	-	(11,844)	-	(125,720)	(594,228)	(29,121)	(95,465)	(18,417)	(34,074)
Risk Management Grants	-	174,207	-	-	-	-	-	-	-	-	-	-
Other Income	350	-	-	-	-	-	-	46	24	-	-	-
Total Operating Income	1,213,773	709,132	84,548	102,205	23,590	74,333	139,297	353,283	186,186	(43,260)	10,443	38,355
Operating Expenses												
Claims Paid	792,412	-	120,680	133,431	55,180	67,606	96,157	508,760	155,270	26,543	304	106,683
O/S Liability adj.	1,475,023	-	172,205	303,234	22,812	41,416	32,454	433,227	295,912	135,858	(3,103)	17,550
ULAE	170,277	-	14,214	24,523	2,251	3,921	4,917	45,094	25,417	10,513	(203)	1,990
Consultants	-	31,434	-	-	-	-	-	-	-	-	-	-
Administration-Other	-	11,008	-	-	-	-	-	-	-	-	-	-
Safety Service	-	243,111	-	-	-	-	-	-	-	-	-	-
Claims Administration	-	163,590	14,152	14,248	8,677	10,816	24,432	126,152	30,650	7,670	148	8,064
Program Administration	-	153,606	-	-	-	-	-	-	-	-	-	-
Board Expenses	-	5,324	-	-	-	-	-	-	-	-	-	-
Excess Insurance	623,053	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	3,060,765	608,073	321,251	475,436	88,920	123,759	157,960	1,113,233	507,249	180,584	(2,854)	134,287
Operating Income (Loss)	(1,846,992)	101,059	(236,703)	(373,231)	(65,330)	(49,426)	(18,663)	(759,950)	(321,063)	(223,844)	13,297	(95,932)
Non-Operating Income												
Change in Fair Market Value	(456,003)	(17,068)	(13,725)	(21,079)	(6,171)	(5,444)	(27,695)	(180,338)	(31,035)	(17,964)	(2,431)	(9,980)
Interest Income	416,981	16,026	12,995	20,856	5,876	5,069	25,640	168,650	28,510	16,356	2,056	9,813
Total Non-Operating Income	(39,022)	(1,042)	(730)	(223)	(295)	(375)	(2,055)	(11,688)	(2,525)	(1,608)	(375)	(167)
Change in Members' Equity	(1,886,014)	100,017	(237,433)	(373,454)	(65,625)	(49,801)	(20,718)	(771,638)	(323,588)	(225,452)	12,922	(96,099)
Beginning Members' Equity	4,125,549	464,104	90,435	215,091	67,802	(18,012)	256,729	2,212,176	235,469	411,974	47,156	152,755
Ending Members' Equity	\$ 2,239,535	\$ 564,121	\$ (146,998)	\$ (158,363)	\$ 2,177	\$ (67,813)	\$ 236,011	\$ 1,440,538	\$ (88,119)	\$ 186,522	\$ 60,078	\$ 56,656

See Accompanying Accountant's Report



**Northern California Cities Self Insurance Fund
Executive Committee Meeting
November 14, 2013**

Agenda Item G.7.

2014 NCCSIF MEETING CALENDAR

ACTION ITEM

ISSUE: The Executive Committee will review and approve the proposed 2014 Meeting Calendar. The Meeting Calendar was presented to the Board of Directors on October 10, 2013 for their approval. Staff has not received any requests to change the dates due to conflicts.

FISCAL IMPACT: None.

RECOMMENDATION: It is the recommendation of the Program Administrator that the Executive Committee review and approve the proposed 2014 NCCSIF Meeting Calendar.

BACKGROUND: Annually, the Executive Committee reviews and approves the meeting calendar for NCCSIF Board, Executive, Risk Management, Claims, Police Risk Management and Finance Committee meeting.

The NCCSIF Bylaws do not specify when the meetings are to take place. They do specify that the Board hold at least one (1) regular meeting during the year. The Executive Committee meetings shall be held at times as the Executive Committee deems appropriate.

ATTACHMENT(S): 2013 NCCSIF Board and Committee Meeting Calendar

2014 MEETING CALENDAR

BOARD OF DIRECTORS 12:00 p.m.	EXECUTIVE COMMITTEE 10:30 a.m.	CLAIMS COMMITTEE 12:30 p.m.
April 24	March 13	March 13
June 12	May 29	May 29
October 9	September 18	September 18
December 11	November 13	November 13*

RISK MANAGEMENT COMMITTEE 9:30 a.m.	POLICE RISK MANAGEMENT COMMITTEE 10:30 a.m.	FINANCE COMMITTEE 10:30 a.m.
January 9	January	As Needed
April 24	April	
June 12	August	
October 9	November	
December 11		

ALL MEETINGS ARE SCHEDULED ON THURSDAYS

Risk Management Committee meetings are scheduled for 9:30 a.m.

Board of Director Meetings will start at 12:00 p.m.

**This meeting will follow the EC meeting, as the Claims Committee members will be selected at that meeting.*

CJPRMA 2014 MEETING DATES –

EXECUTIVE COMMITTEE	BOARD OF DIRECTORS
January 16	March 20
April 17	May 13,14 & 15
July 17	October 23
September 19	December 18
November 20	



2014 NCCSIF SERVICE CALENDAR

ACTION ITEM

ISSUE: On an annual basis, a *Service Calendar* is provided to the Executive Committee showing a timeline of the annual activities to be completed on behalf of the organization.

FISCAL IMPACT: No fiscal impact is anticipated.

RECOMMENDATION: It is the recommendation of the Program Administrator that the Executive Committee review then receives and files the 2014 NCCSIF Service Calendar.

BACKGROUND: None.

ATTACHMENT(S): 2014 NCCSIF Service Calendar.



2014 NCCSIF SERVICE CALENDAR

AS = Alliant Insurance Services Staff
 CA = Claims Auditor
 FA = Financial Auditor
 JM = Jim Marta, CPA Staff
 York = York Insurance Services Group Staff
 BM = Bickmore

EC = Executive Committee
 BD = Board of Directors
 RM = Risk Management
 PRM = Police Risk Management
 FC = Finance Committee
 PA = Property Appraiser

Date	Activity	Completed by
JANUARY 2014		
TBD	PRMC Agenda – mailed for January Meeting	AS/BM
TBD	PRMC Meeting	AS/BM
01/05/14	Statement of Facts – Roster of Public Agencies - file with State & County	AS
01/02/14	RMC Agenda – mail for 01/09/14 meeting	AS
01/09/14	RMC Meeting	RM/BD
01/10/14	Form 700 – mail to BD and Committee members – deadline 03/21/13	AS
01/10/14	4 th quarter (as of 12/31) DE-6 – request from Members	AS
01/10/14	Request Loss data (as of 12/31) from York	AS
01/14/14	Property Program – prepare specifications	AS
01/14/14	Liability/WC – renewal loss information – deadline for receipt from York	AS
01/24/14	Loss and Renewal Instructions - send to actuary	AS
01/31/14	4 th quarter DE-6 Reports (as of 12/31) - send to CJPRMA	AS
FEBRUARY 2014		
02/04/14	Annual Service Provider Performance Evaluations - send to members - reviewed by BD President	AS
02/9-12/14	PARMA Annual Risk Management Conference – San Jose CA	
02/14/14	Crime Program – prepare and send applications to Members	AS
02/21/14	Reminder – Form 700s to Board and Alternate Members	AS
02/26/14	Actuarial Study – Receive draft &s to James Marta	AS
MARCH 2014		
03/01/14-3/14/14	Banking and Shared Risk Layer Program Deposits - prepare preliminary worksheets, and Shared Risk layer adjustments for FY 2014/2015	AS
03/07/14	Request Banking Layer adjustments from Jim Marta	AS
03/06/14	Claims & EC Agendas - mail for 03/13/14 meetings	AS/York
03/13/14	Claims & Executive Committee Meetings	EC
	4 th quarter Investment Reports (as of 12/31) - submit for review	EC
	4 th quarter Financials (as of 12/31) - submit for review	EC
	Review and approve actuarial studies	EC
	Preliminary FY 2014/15 Budget - submit for review	EC
	Liability & WC Banking & Shared Layer – preliminary deposit calculation for review	EC
	Claims Committee - select members	EC
	Service Provider Performance Evaluations - submit responses for review	EC
03/21/14	Form 700s - receive from Board Members and Alternates	AS



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 FC = Finance Committee
 PA = Property Appraiser

Date	Activity	Completed by
03/31/14	Renewal Certificates List to members	AS
APRIL 2014		
04/01/14	Form 700s - file with FPPC	AS
04/07/14	Request Crime Renewal Quotations	AS
04/11/14	Alliant begins contact with various contractors regarding renewal terms	AS
04/11/14	1 st Quarter DE-6 (as of 03/31) - request to members	AS
April 2014	PRMC Agenda – mail for April meeting	AS/BM
April 2014	PRMC Meeting	AS/BM
04/17/14	RMC & BOD Agenda - mail for 04/25/14 meetings	AS
04/15/14	Send annual renewal certificate spreadsheets to members – 2 nd Request	AS
04/18/14	1 st quarter Losses - receive from York (as of 03/31)	JM
04/24/14	RMC & BOD Meeting	BD
	4 th quarter Investment Reports - submit for approval	BD
	4 th quarter Financials (as of 12/31) - submit for approval	BD
	Preliminary FY 2014/15 Budget - submit for review	BD
	Liability WC Banking & Shared Risk Layers-deposit calculations for review (excess WC & Liability & Admin costs pending)	BD
	Banking Plan Fund Adjustments - submit for approval	BD
	Shared Risk Layer Plan Fund Adjustments - submit for approval	BD
	Actuarial Study - submit for approval	BD
04/29/14	1 st quarter DE-6 reports (as of 03/31) to CJPRMA	AS
04/30/14	Crime Renewal App to Market	AS
MAY 2014		
05/02/14	Banking and Shared Risk Layer Adjustments/Assessments - mail to JM for distribution to members	AS
05/02/14	WC Renewal Quotations - receive preliminary (if any)	AS
05/15/14	Annual certificate renewal reminder to members – Final Request	AS
05/19/14	Property Program - receive preliminary renewal quotation & submit to members	AS
05/22/14	Claims & EC Agendas - mail for 05/29/14 meetings	AS/York
05/29/14	Claims & Executive Committee Meetings	EC
	1 st quarter Financials (as of 03/31) - submit for approval	EC
	1 st quarter Investment Reports (as of 03/31) - submit for approval	EC
	Liability and WC Program Deposits - review 2014 revisions	EC
	FY 2014/15 Budget - submit for review	EC



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 FC = Finance Committee
 PA = Property Appraiser

Date	Activity	Completed by
	Claims Auditor - evaluate and consider RFP (Liability odd years/WC even years)	EC
	Program Administration Contract - submit for approval (as needed)	EC
	Safety & Risk Control Services Contract - submit for approval (as needed)	EC
	Liability Claims Administration Contract - submit for approval (as needed)	EC
	WC Claims Administration Contract - submit for approval (as needed)	EC
	Accounting Services Contract - submit for approval (as needed)	EC
	Legal Services Contract - submit for approval (as needed)	EC
	Conflict of Interest Code-submit for approval (every even-numbered year)	EC
	Property renewal status review & Preliminary Allocations	EC
	Crime renewal quotations review	EC
	Liability Memorandum of Coverage FY 2014/15 – submit for approval	EC
	WC Memorandum of Coverage FY 2014/15 – submit for approval	EC
05/25/14	Obtain necessary signatures to finalize contracts with consultants	AS
JUNE 2014		
06/13/14	Renewal certificate spreadsheet to CSAC and CJPRMA	AS
06/05/14	RMC & BOD Agenda - mail for 06/12/14 meeting	AS
06/12/14	RMC & BOD Meeting	RM & BD
	Approve Risk Management Budget	RM
	Claims analysis (as of 12/31)	RM
	1 st quarter Investment Reports (as of 03/31) - submit for approval	BD
	1 st quarter Financials (as of 03/31) - submit for approval	BD
	FY 2014/15 Budget - submit final for approval	BD
	Liability and WC FY 2014/15 Banking & Shared Risk Layer Program Deposits - submit final for approval	BD
	Liability Memorandum of Coverage FY 2014/15 - submit for approval	BD
	WC Memorandum of Coverage FY 2014/15 - submit for approval	BD
	Conflict of Interest Code - submit for approval (every even year)	BD
	Property Program - provide report and allocations on renewal quotes	BD
	Crime Program – provide report and allocations on renewal quotes	AS
Mid-June	Preparation of Accreditation (2014 and every 3 years thereafter)	AS
06/27/14	Send certificates to Certificate Holders and Members	AS
06/27/14	Send Auto ID Cards to Members	AS
JULY 2014		
07/01/14	NCCSIF Joint Powers Authority - 34 th Anniversary	ALL



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Date	Activity	Completed by
07/01/14	Send renewal binders to Members	AS
07/10/14	Request Certificate of Insurance from Contractors	
07/10/14	Request loss data as of 06/30 from York for Claims Audit	AS
07/15/14	Liability MOC, Declarations and Summary – send to Members	AS
07/15/14	WC MOC, Declaration and Summary – send to Members	AS
07/15/14	Property Summary – send to Members	AS
07/15/14	Crime Summary – send to Members	AS
07/15/14	Final FY 2014/15 WC Payroll – request from members	AS
07/21/14	Upon receipt of loss data begin semi annual loss charts for RM meeting in October and to be sent to Members	AS
07/29/14	Send 2 nd quarter DE-6 (as of 06/30) to CJPRMA	AS
AUGUST 2014		
08/01/14	NCCSIF Financial Audit – begin preparation of documents	AS/JM/FA
Aug 2014	PRMC Agenda – mail for Aug meeting	AS/BM
Aug 2014	PRMC Meeting	AS/BM
08/04-08/14	Send Claims Audit RFP's, if needed (Deadline 08/26)	AS
08/25/14	Send CSAC-EIA renewal applications to Members – deadline one month	AS
08/29/14	Finance Committee Agenda - mail for 09/04/14 meeting	AS
SEPTEMBER 2014		
09/04/14	Finance Committee Meeting	FC/JM/FA
	Review audit or DRAFT	FC/JM/FA
	Investment portfolio – review	FC/JM/FA
	Investment policy – review	FC/JM/FA
09/12/14	1 st Installment of Assessments - begin collecting	JM
09/11/14	Claims & EC Agendas - mail for 09/12/14 meetings	AS/York
09/18/14 – 09/21/14	2013 CAJPA Fall Conference and Training Seminar – South Lake Tahoe	
09/18/14	Claims & Executive Committee Meetings	EC
	Status of CAJPA Accreditation (2011 and every 3 years thereafter)	EC
	2 nd quarter Investment Reports (as of 06/30) - submit for approval	EC
	2 nd quarter Financials (as of 06/30) - submit for approval	EC
	Financial Audit - review status	EC
	Review audit or DRAFT	EC
	Investment portfolio – review report from Finance Committee	EC
	Investment policy – review report from Finance Committee	EC
	Review of Claims Audit Proposals and/or selection of claims auditor	EC



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Date	Activity	Completed by
TBD	PRMC Agenda - mail for 09/29/13 meeting	AS
TBD	Police Risk Management Committee Meeting	PRM
OCTOBER 2014		
10/03/14	CSAC-EIA WC Renewal Applications to members (2 week deadline)	AS
10/03/14	Annual Report of Financial Transactions - file	JM
10/03/14	Public Self Insurer's Annual Report for JPA & Members - file	AS/York
10/10/14	3 rd quarter DE-6 (as of 09/30) – request from Members	AS
10/02/14	RMC & BOD Agenda - mail for 10/09/14 meeting	AS
10/09/14	RMC/BOD Meeting	BD
	Investment Policy – submit for approval	BD
	2 nd quarter Investment Reports - submit for approval	BD
	2 nd quarter Financials (as of 6/30) - submit for approval	BD
	FY 2013/14 Financial Audit - submit for approval	BD
	Loss Analysis charts (as of 06/30)	RM
	Select outside training for 2014/15	RM
10/15/14	CSAC-EIA WC Renewal Applications from members	AS
10/17/14	Claims Audit - perform GL (<i>odd numbered years</i>) or WC (<i>even numbered years</i>) audit	CA
10/27/14	CSAC-EIA WC Renewal Applications to CSAC EIA	AS
10/31/14	3 rd quarter DE-6 Reports – send to CJPRMA (as of 09/30)	AS
NOVEMBER 2014		
Nov 2014	PRMC Agenda – mail for November meeting	AS/BM
Nov 2014	PRMC Meeting	AS/BM
11/07/14	Claims & EC Agendas - mail for 11/13/14 meetings	AS/York
11/14/14	Property (location schedules), Liability & WC Programs (estimated payroll) - request renewal specifications for the next fiscal year, if needed	AS
11/14/14	Property Schedules to Members for review – deadline 30 days	AS
11/13/14	Claims & EC Committee Meetings	EC
	3 rd Quarter Financials (as of 09/30) – submit for approval	EC
	2014 Meeting Calendar - submit for approval	EC
	2014 Service Calendar – submit for approval	EC
	2014 EC Rotation Schedule - submit for approval	EC
	2014 Nominating Committee – select & nominate	EC
	Officers for 2015 – select & recommend to Board of Directors	EC



2014 NCCSIF SERVICE CALENDAR

AS = Alliant Insurance Services Staff
 CA = Claims Auditor
 FA = Financial Auditor
 JM = Jim Marta, CPA Staff
 York = York Insurance Services Group Staff
 BM = Bickmore

EC = Executive Committee
 BD = Board of Directors
 RM = Risk Management
 PRM = Police Risk Management
 FC = Finance Committee
 PA = Property Appraiser

Date	Activity	Completed by
	Claims Audit (<i>GL odd years, WC even years</i>) - review and provide recommendations to BD	EC
	Investment Policy - review & recommend to BD	EC
	FY 2014/15 Marketing Plan & Renewal Timeline – submit for approval	EC
	Select outside training for 2014	
DECEMBER 2014		
Dec	Strategic Planning Session (2012 and every 3 years thereafter)	BD
12/05/14	RMC/BOD Agenda - mail for 12/11/14 meeting	AS
12/11/14	Board of Directors Meeting	BD
	3 rd quarter Investment Reports (as of 09/30) – submit for approval	BD
	3 rd quarter Financials (as of 09/30) – submit for approval	BD
	2015 Meeting Calendar – submit for approval	BD
	2015 Service Calendar – submit for approval	BD
	2015 EC Rotation Schedule - submit for approval	BD
	2015 Calendar Year Officers - submit for election, Treasurer (every year), President and Vice President (every even year)	BD
	Target Equity Presentation	AS
	Loss Analysis Charts (06/30/14)	AS
	CAJPA Final Accreditation report (2014 and every 3 years thereafter)	BD
	Marketing Plan & Renewal Timeline - submit for approval	BD
	Claims Administration Audit (<i>GL odd years, WC even years</i>) - submit for approval – Auditor makes presentation	BD
	Program Manual to Members	AS
	Annual Report to Members	AS
12/15/14	Receive Property Schedules from members	AS
12/15/14	2 nd Installment of Assessments – begin collecting	JM
12/30/14	Financial Audit - mail to State and Counties of members	JM



Agenda Item G.9.

2014/15 INSURANCE MARKET UPDATE AND MARKETING PLAN

INFORMATION ITEM

ISSUE: The Board of Directors annually reviews the insurance market update and approves or amends the renewal marketing plan for the coming fiscal year. Attached is a *draft* of that document. It will be updated future in advance of the upcoming Board meeting on December 12th and will follow a Powerpoint presentation regarding the general State of the Marketplace 2014.

FISCAL IMPACT: Potential fiscal impact is unknown at this time.

RECOMMENDATION: At the present time, the Program Administrators believe the following should occur with NCCSIF Programs

- **Workers' Compensation:** Renew coverage with CSAC EIA. Traditional Excess WC Insurance carriers in California are still not competitive with our program through CSAC EIA.
- **Liability:** Continue participation in CJPRMA; this has been a strong partner and valuable alternative to traditional excess insurance.
- **Property:** The PEPiP program re-evaluates carriers annually, with carriers being added or deleted depending on market conditions. The program renews in July for all members. Two years ago Alliant marketed the Property program and found that the current program provided members with the broadest coverage's and the lowest cost; this continues in today's environment.
- **Crime:** We have remained with AIG, in part, because the Alliant Crime program (ACIP), would not provide an alternative. We are going to approach at similar program through CSAC EIA this year for competitive pricing and higher limits.

BACKGROUND: The NCCSIF Market Update and Renewal Marketing Plan is reviewed annually at the November Executive Committee meeting then finalized for review at the December Board of Directors meeting in an attempt to keep members apprised of the current market situations with each group purchase program as well as commercial insurance options.

ATTACHMENT(S): Market Update and Renewal Marketing Plan.



NCCSIF Market Update and Renewal Marketing Plan

WORKERS' COMPENSATION: As a result of the CSAC EIA program, which purchases excess insurance over their limit of \$5 million, market conditions continue to have minimal impact on our rates. Excess coverage is written on a year to year basis, but with the high attachment level those rates are not expected to fluctuate significantly. More important for NCCSIF is the fact that CSAC EIA rates members on an experience modification basis and so the results of NCCSIF when compared to the results of other members of the program are significant. The formula for calculating the CSAC EIA experience modification was amended in 2011 to use higher level losses and use losses over a seven year period compared to five years previously used. The new formula is almost complete in its phase in this year.

NCCSIF's Workers Compensation excess coverage remains with CSAC EIA for its 8th year. While workers' compensation reforms do not stabilize the excess layer costs as significantly as those of the lower coverage layers, there is still a decrease among all public agencies in claims frequency that has resulted in some stabilization of excess rates. For NCCSIF's layer medical costs are increasing annually at a rate of about 10%. The Program Administrators do not expect a decrease in JPA rates, and are optimistic that the rates will remain below 10% of the current rates.

There is still no commercial coverage available under \$1 million for municipalities with police and fire exposures. Additionally, those that are participating at \$1 million are still charging rates substantially higher than those available through CSAC EIA at \$500,000.

- We should anticipate the CSAC EIA limit remaining at Statutory and being shared with other CSAC EIA members whose total payroll is now over \$47 billion.
- We anticipate retaining our SIR at \$500,000.
- Renewal rates increased last year from \$0.397 to \$0.454. At this time CSAC EIA tells us to expect an increase around 10%. Usually, increases are less than the initial indications.



Northern California Cities Self Insurance Fund
Executive Committee Meeting
November 14, 2013

LIABILITY: In 2010 CJPRMA decreased Members' program costs using a revised rating methodology. They did this to meet competition from other excess pools. The long-term impact is the reduction of annual Liability excess costs. Another result is that dividends from CJPRMA, currently used to reduce NCCSIF Liability Program costs, will be reduced over time. CJPRMA will be proposing their FY2014/15 rates and dividends at an upcoming Board meeting to be held December 19, 2013. Their proposed rates will be consistent with the 2013/14 rates. In the chart below, please note that NCCSIF's premium increased last year due to our change of SIR to \$500,000. The 2013/14 dividend will be used to offset the 2014/15 premium from CJPRMA.

	Premiums	Dividends
2010/2011	\$846,221	\$502,233
2011/2012	\$848,701	\$304,007
2012/2013	\$330,996	\$414,401
2013/2014	\$579,467	TBD

PROPERTY: Superstorm Sandy generated insured losses in excess of \$25 Billion (and an equal number of un-insured property related losses. This is on top of another \$50 Billion in other global natural disasters. That being said, California property losses remained relatively low until the recent RIM Fire near Yosemite.

Alliant is holding meetings with underwriters from the major carriers and from London participants in the PEPiP program to work on the expectations for next year's property renewal. We will hope to be able to report to the Board the forecast from those meetings.

Appraisals are being reviewed and Property schedules will be sent to Members Mid-November; please watch for them. It will be extremely important for property schedules to be returned to NCCSIF by the deadlines established, and clearly no later than Mid-January.



**Northern California Cities Self Insurance Fund
Executive Committee Meeting
November 14, 2013**

Agenda Item G.10.

DECEMBER 12, 2013 TRAINING DAY ITINERARY

ACTION ITEM

ISSUE: The Executive Committee should review the December 12, 2013 Training Day Itinerary and make any suggestions as needed. Staff has reached out to members for training day topics to be discussed at this meeting. Staff has also obtained a venue at The Westin in Sacramento to hold the Training Day Session as well as the Board of Directors meeting.

RECOMMENDATION: Program Administration recommends review and approval of the Draft December 12, 2013 Training Day Itinerary.

FISCAL IMPACT: \$2,000 - \$2,500.

BACKGROUND: At the October 10, 2013 Board of Directors meeting, the Board decided to go forward with a Training Day prior to the December 12, 2013 Board of Directors meeting. For the past three years NCCSIF has held a Long Range Planning to address various items concerning the organization.

ATTACHMENT(S): Draft December 12, 2013 Training Day Itinerary.

Draft December 12, 2013 Training Day/BOD Agenda Itinerary

8:30 ******BREAKFAST******

9:00 Introductions of Participants Liz Opens

9:15 Quick History of NCCSIF Mike Simmons

9:30 Board Governance & Leadership Marcus Beverly

10:15 What Makes a Better Pool Mike Simmons
(Is Comparing NCCSIF to others Valuable)

10:30 ******BREAK******

10:45 The Importance of Risk Pool Johnny Yang
Policies & Procedures (w/ Mike Simmons Backup)
(A General review Governing Docs and ALL P&P)

11:15 Understanding Pool Equity & Funding Jim Marta

NOON ******LUNCH******

12:45 General Discussion: Liz Facilitates Discussion
What Makes a Pool Great? *(Benefits desired as an NCCSIF Member)*

1:15 Rating Plan OPTIONS Mike Simmons & Jim Marta

2:00 ******BOARD MEETING******

4:00 ******ADJOURN******



DISCUSSION OF LUNCHTIME PRESENTATIONS FOR 2014

ACTION ITEM

ISSUE: The Executive Committee will be asked to discuss and approve the topics for the lunchtime presentations for the Board of Directors Meetings in 2014. In reaching out to members for the ideas on Training Day/Long Range Planning Items members suggested the following.

- Risk Management topics
 - Defensive Driving
 - First line Supervisor Training
- Funding / Cost Effectiveness
 - How does NCCSIF continue to keep premiums down during time of “hard” and/or volatile markets?
- Value Propositions/Services
 - What are the benefits to Members of staying with NCCSIF and not another insurance pool?
 - Could/Should smaller cities share a rotating, dedicated Risk Management professional for a few hours a month?

RECOMMENDATION: Staff recommends the Executive Committee decide on topics which touch on the topics suggested above.

FISCAL IMPACT: TBD.

BACKGROUND: Topics recommended for 2013 were as follows:

- Alliant Special Events Program
- Bickmore Risk Control Presentation Items
- ADA Issues
- Risk Management Perspectives from other agencies
- York presentation of Risk Transfer Best Practices
- Investment Report from Chandler
- Alliant presentation; “Emerging Risks – Things to Think about for the Future”

ATTACHMENT(S): None.



NCCSIF SERVICE PROVIDER EVALUATIONS UPDATE

INFORMATION ITEM

ISSUE: A NCCSIF Service Provider Evaluation has been conducted, via survey monkey, and has been sent out to members. Staff has received 8-9 responses for each survey. Survey results have been included for the Executive Committee's review and discussion as necessary. Ms. Liz Ehrenstrom will also provide the survey results for the Program Administration Service Provider Evaluation.

RECOMMENDATION: None. This is an information item only.

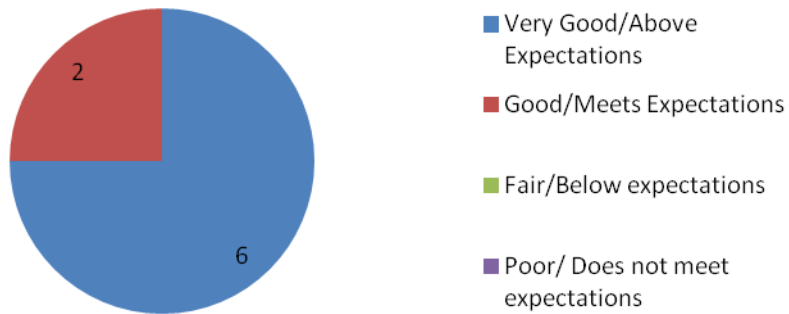
FISCAL IMPACT: None.

BACKGROUND: At the October 10, 2013 Board of Directors meeting, the Board directed staff to send out vendor surveys, via survey monkey, to be completed by member cities and their employees for review at the December 12, 2013 Board of Directors meeting.

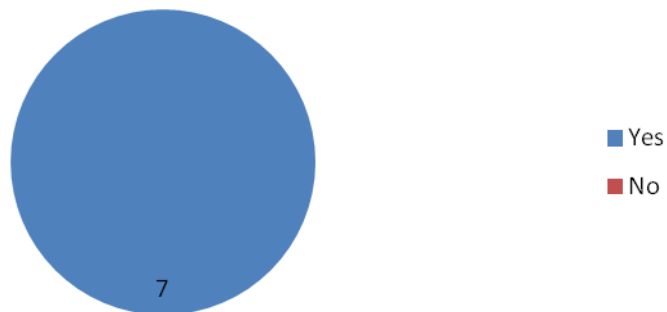
ATTACHMENT(S): NCCSIF Service Provider Evaluations Results.

Bickmore Service Provider Evaluation Survey Results

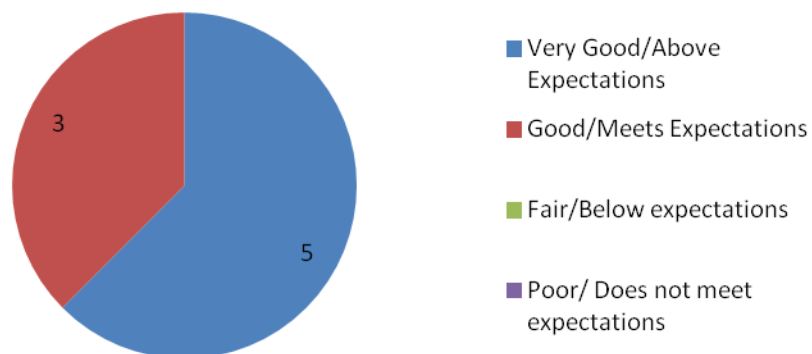
Bickmore is responsive to your needs and concerns, and responds promptly to inquiries and requests.



Bickmore maintains good contact and keeps members apprised on all important and pertinent risk management matters.

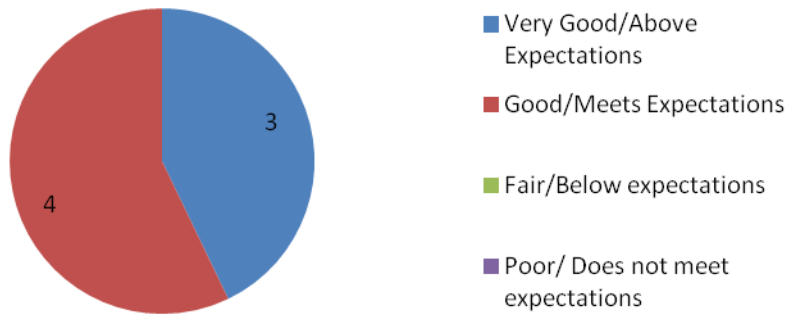


Bickmore staff is knowledgeable and experienced in handling member inquiries and requests.

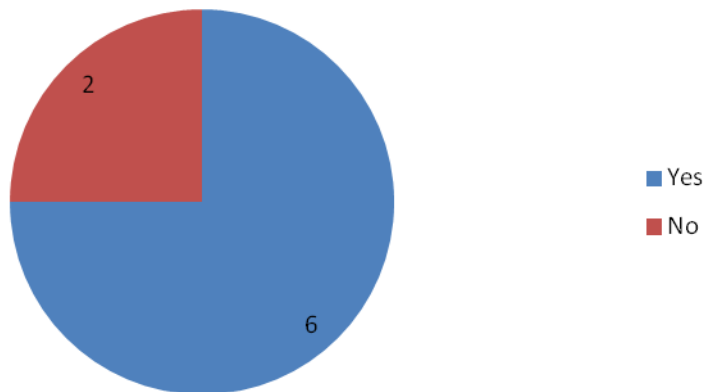


Bickmore Service Provider Evaluation Survey Results

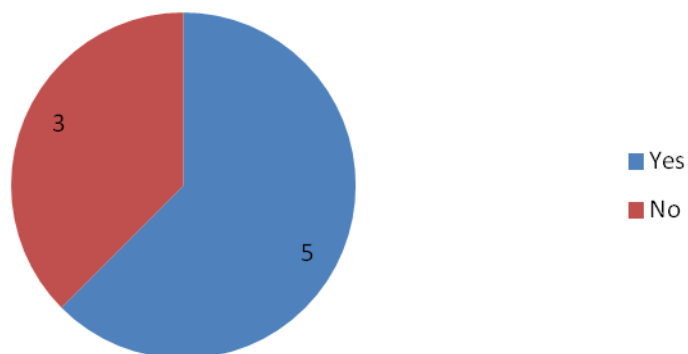
Risk Assessments are provided timely and provides sufficient information to support member cities in making informed decisions.



Do you use the Employee Safety Training Matrix?

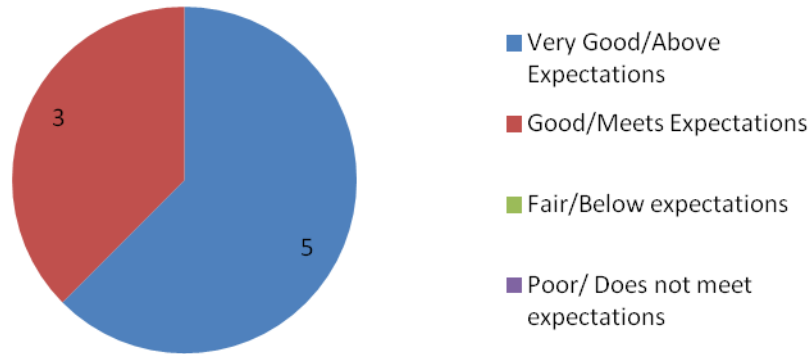


Do you use the Employee Risk Management Vendor Matrix?

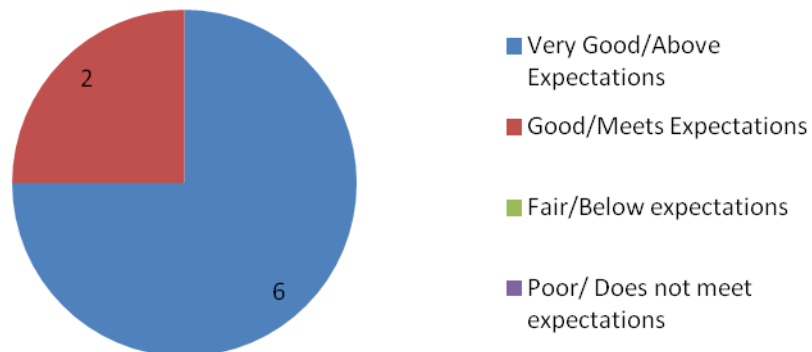


Bickmore Service Provider Evaluation Survey Results

Bickmore accomplishes goals and objectives as well as provides additional value to the JPA.



How would you rate your overall satisfaction with Bickmore as the risk control provider.

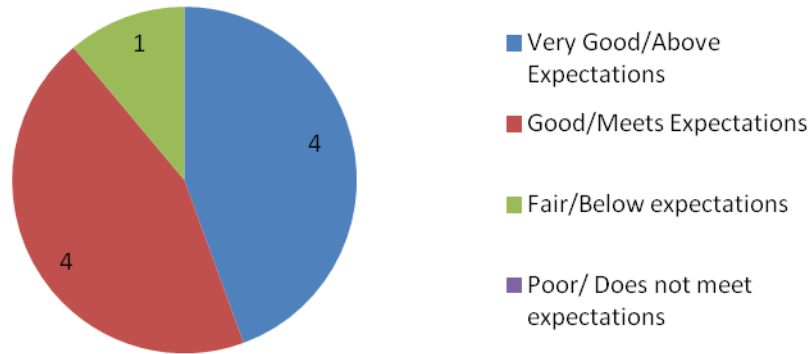


Additional Comments

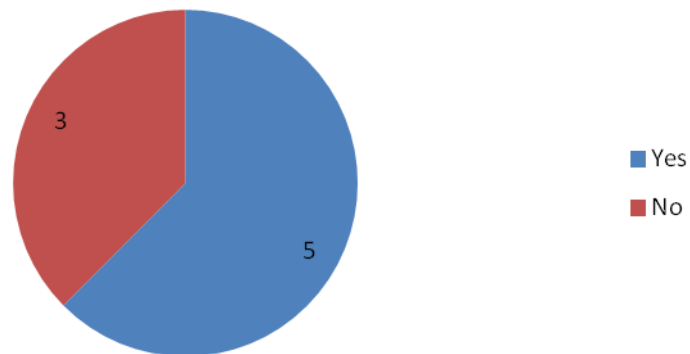
1. I wish Bickmore would get to the action plan following the evaluation of each City. Seems like it is taking forever!
2. Thanks to Henri
3. Henri Castro is an excellent Risk Administrator, and I am delighted that Bickmore is NCCSIF's contract Risk Administrator.

York (Liab) Service Provider Evaluation Survey Results

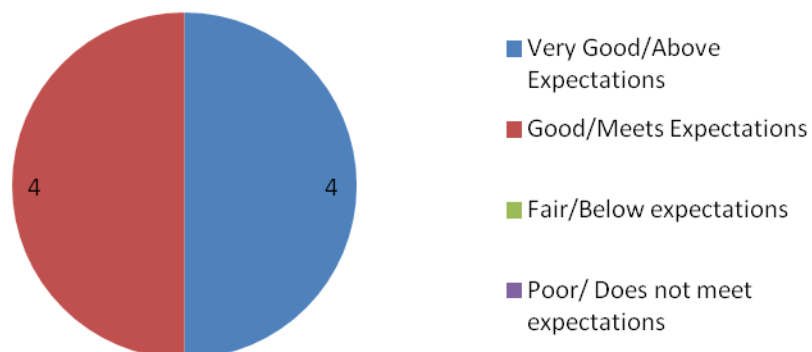
York (Liab) controls the claim handling process well.



Have you had a claims review with York in the past quarter?

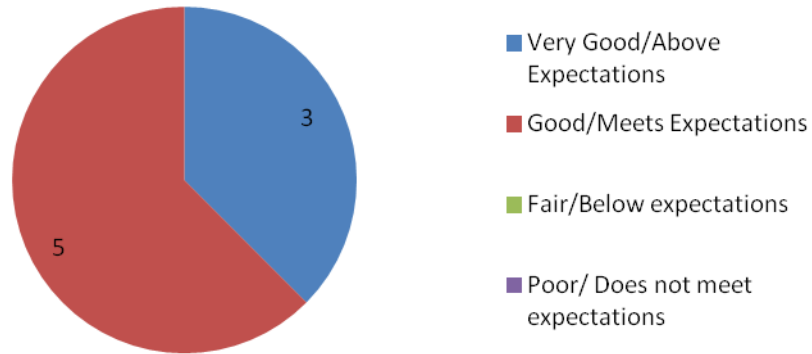


Reserves are placed on claims within what you consider to be reasonable.

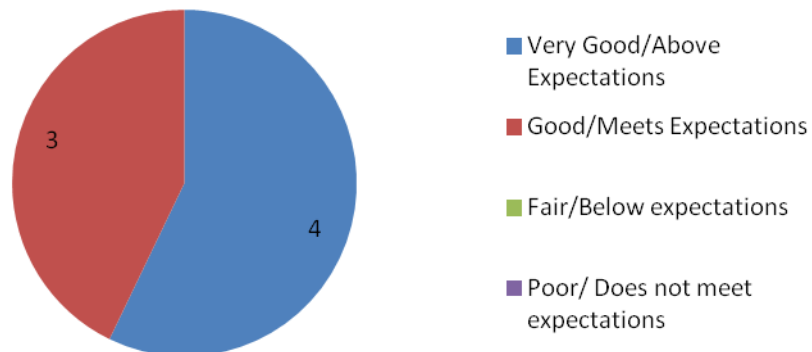


York (Liab) Service Provider Evaluation Survey Results

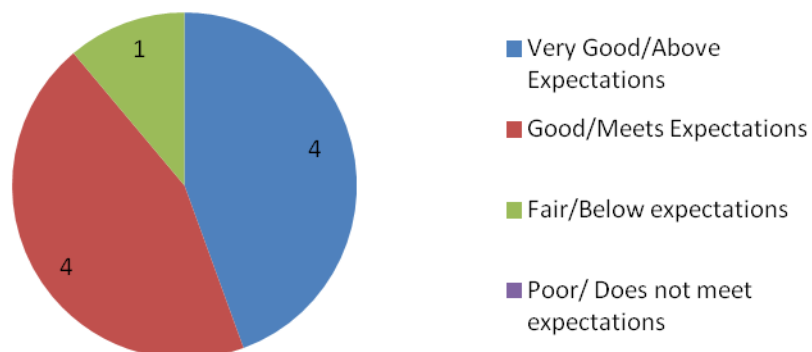
Written Status Reports are submitted in a timely manner.



Recommendations concerns claims settlement or denials are generally accepted.

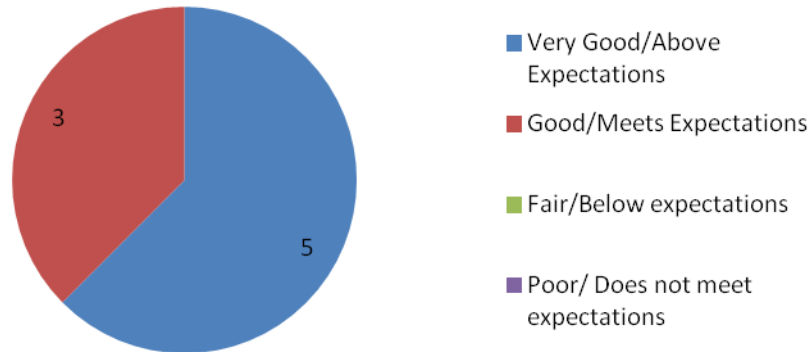


York (Liab) maintains contact and keeps members apprised on all pertinent matters.

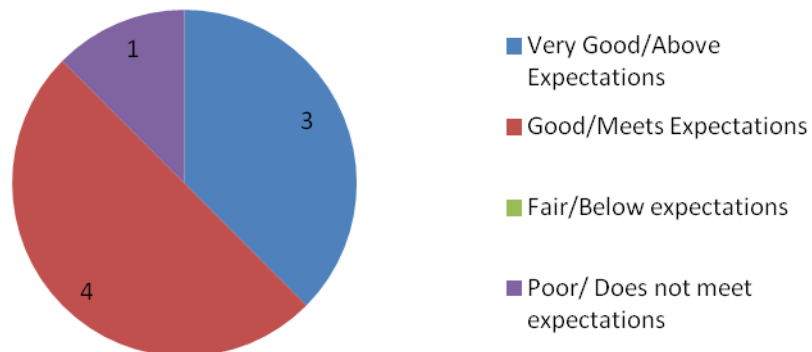


York (Liab) Service Provider Evaluation Survey Results

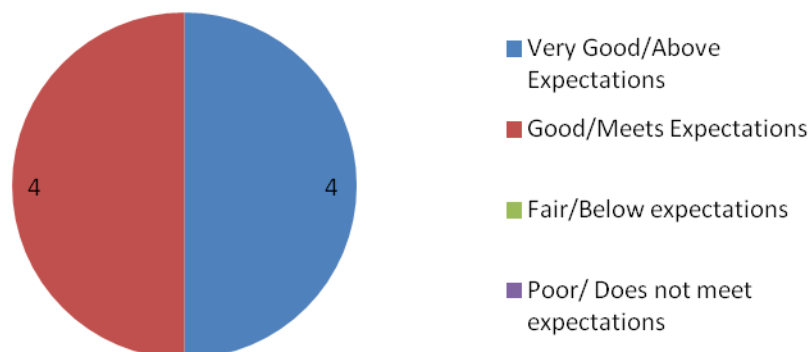
York (Liab) provides high quality advice and assistance.



York (Liab) communicates well both orally and in writing.



York (Liab) accomplishes goals and objectives and also provides additional value.



York (Liab) Service Provider Evaluation Survey Results

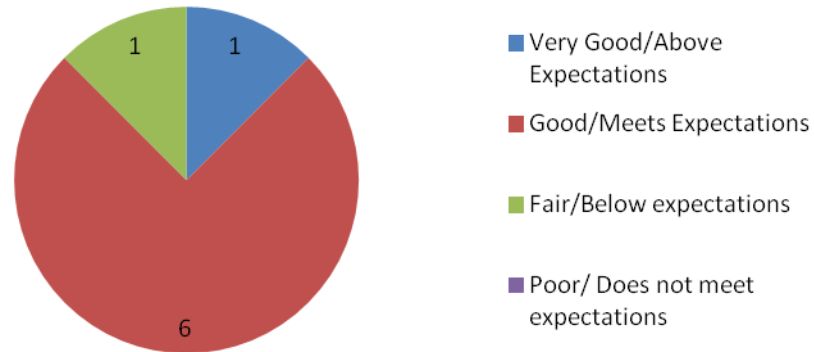


Additional Comments

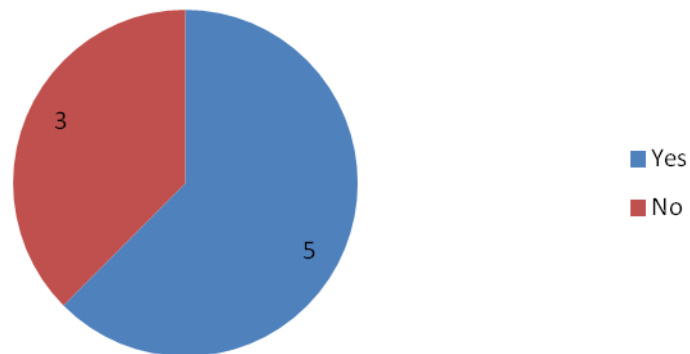
1. Thanks to Dan Lamb for his work with Jackson
2. I am very happy with our General Liability claims management. It is prompt and accurate. John Tucker, Tom Baber and Craig Wheaton are excellent York representatives.

York (WC) Service Provider Evaluation Survey Results

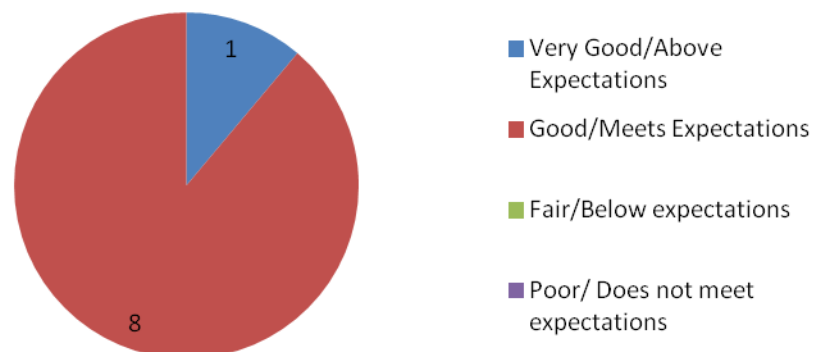
York (WC) controls the claim handling process well.



Have you had a claims review with York in the past quarter?

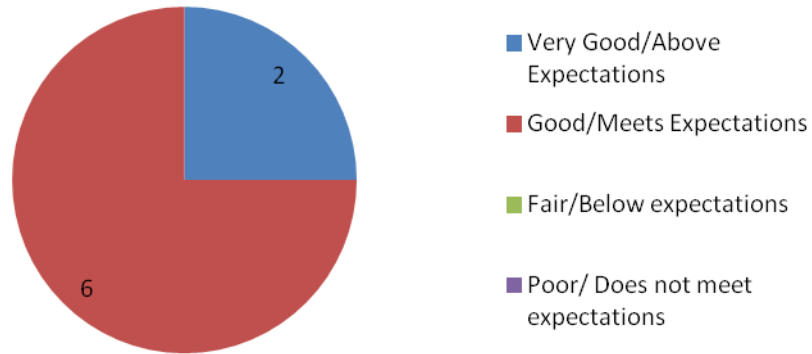


Reserves are placed on claims within what you consider to be reasonable.

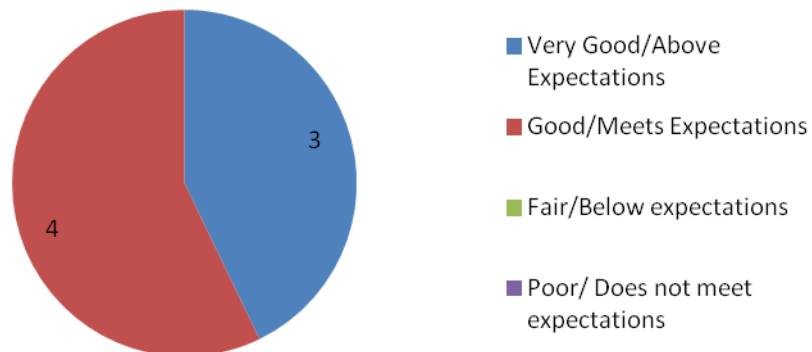


York (WC) Service Provider Evaluation Survey Results

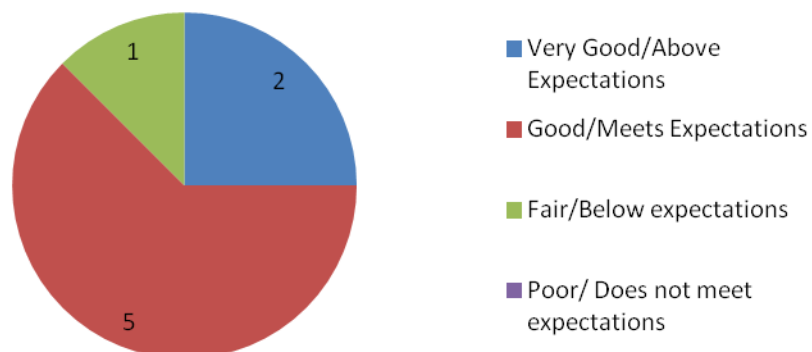
Written Status Reports are submitted in a timely manner.



Recommendations concerns claims settlement or denials are generally accepted.

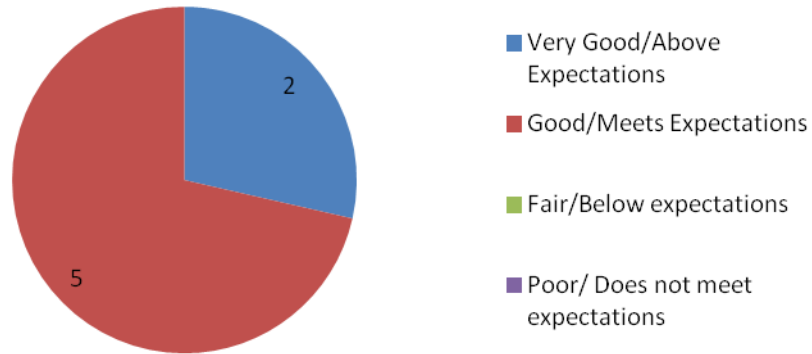


York (WC) maintains contact and keeps members apprised on all pertinent matters.

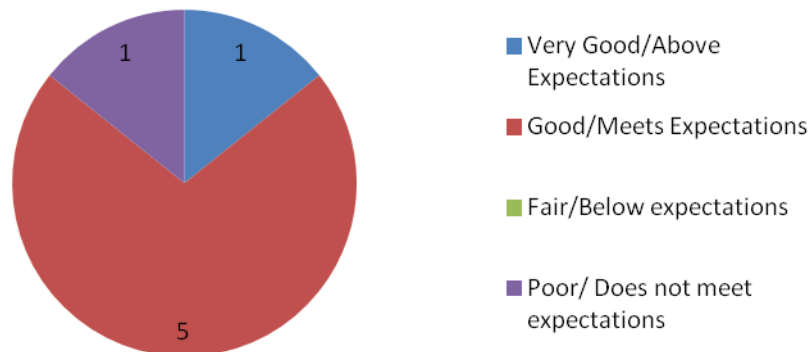


York (WC) Service Provider Evaluation Survey Results

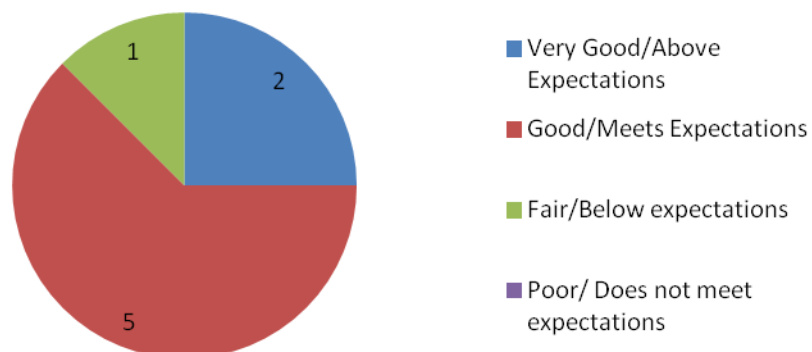
York (WC) provides high quality advice and assistance.



York (WC) communicates well both orally and in writing.



York (WC) accomplishes goals and objectives and also provides additional value.



York (WC) Service Provider Evaluation Survey Results



Additional Comments

1. Tom Baber and Craig Wheaton are excellent representatives for York. The Workers Compensation adjustors need to stay for more than 1-2 years.
2. Tom Baber and Craig Wheaton are excellent representatives for York. The Workers Compensation adjustors need to stay for more than 1-2 years.
3. much better than prior years.

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October 17, 2013



Weekly Law Resume

A Newsletter published by Low, Ball & Lynch
Edited by Linda Meyer

Issue By: Kevin P. Allen

TORTS – PUBLIC ENTITIES - IMMUNITY FOR NATURAL CONDITIONS

Meddock v. County of Yolo

California Third District Court of Appeal
September 10, 2013 (Published on October 4, 2013)

There are certain sections of the Government Code that provide immunities to public entities as a matter of public policy. This case considered the extent of immunity for natural conditions under Government Code § 831.2

On March 21, 2009, plaintiff Dwight Meddock was on a paved parking lot in a park along the Sacramento River. He was there to go boating. Trees lined the river. Many of those trees leaned away from the river and over the parking lot, and some of the trees were diseased. While in the parking lot, one of the diseased trees fell on him.

Meddock sued the County of Yolo for personal injuries. In its Answer to the Complaint, the County pled Section 831.2 as an affirmative defense. The provision states, in full: “[n]either a public entity nor a public employee is liable for an injury caused by a natural condition of any unimproved public property, including but not limited to any natural condition of any lake, stream, bay river or beach.”

The County moved for summary judgment based on Section 831.2, and the trial court granted it. Meddock appealed.

The Court’s ruling turned upon the meaning of Section 831.2. Meddock argued that for the immunity to apply, the injury must also occur on unimproved property. Because his injury occurred on improved property (the paved parking lot) Meddock argued that Section 831.2 was inapplicable.

The Third District Court of Appeal firmly rejected this argument. “Because Meddock’s injuries were caused by decaying trees located on unimproved property, the County is immune from liability.” In reaching this conclusion, the appellate court meticulously reviewed (1) the rules for statutory construction; (2) the history of Section 831.2 immunity; (3) appellate and Supreme Court precedent; and (4) the public policy for public land-related immunities. All supported the Court’s ruling.

Upcoming Events

Annual Sacramento Seminar

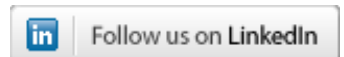
Join us on Thursday **November 7, 2013** at the Hilton Sacramento Arden West MCLE credits will be available.

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COMMENT

When a provision contains straightforward language -- such as "an injury caused by a natural condition" -- a party cannot read his/her own meaning into it. The opinion also affirms the scope of Section 831.2 immunity. As long as the injury is caused by a natural condition of unimproved property, regardless of where the injury occurs, immunity will apply.

For a copy of the complete decision, see:

<http://www.courts.ca.gov/opinions/nonpub/C070262.PDF>

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“You’re Tearing Me Apart” James Dean—Rebel Without a Cause

The calamity of misgovernance that just played out yet again in Washington reminds me of the classic 1955 movie *Rebel Without A Cause*, starring James Dean. The President, the House, and the Senate embarked upon a game of chicken reminiscent of the drag racing scene between two disaffected youths, one being our “rebel” James Dean. In the scene, Dean has been challenged by a bully named Buzz to drag race their old jalopies toward the edge of a cliff. The first one to bail out of their car will be deemed a chicken. As the engines roar, a young woman signals and the race is on!

On Capitol Hill, our legislators dropped the flag on their own drag race toward the debt ceiling and barreled toward potential default with all the drama and tension of a Hollywood movie. As I write, the Senate and the House have just approved another temporary budgetary resolution, government workers are returning to work, and the race is likely on, once again, toward the debt ceiling cliff. The “rebel” in this most recent Congressional remake was played by the Republicans, embodied by the likes of John Boehner, who was trapped in a game of chicken within a game of chicken by Senator Ted Cruz and the Tea Party, who were hell-bent in their desire to defund the Affordable Care Act. Facing off against the Republicans in the other lane of this drag race were the equally combative Democrats. The result was stalemate and legislation that just Ping-Ponged back and forth between the House and Senate. The horrifying spectacle had the whole country asking one question: who will blink first?

In the original movie, as Dean and his rival speed down the road, they each test the resolve of the other with steely-eyed glances. As they approach the cliff, you can see beads of sweat collect on each of their brows. They are now impossibly close to the edge of the cliff. Buzz begins to chicken out and reaches for the door handle. Dean, with the hood of his car almost at the edge, throws himself from the door and rolls along the dirt road. Buzz tries to do the same but, to his horror, his jacket is caught on the door handle, preventing him from bailing. Screams are heard as his car plummets from the cliff.

There is a moral here for Congress to heed. While we understand the political motivations for this game of chicken, our members of Congress must realize there is a real danger of cutting it too close and sending investor confidence, and possibly the economy itself, over a cliff. While we have conviction that the United States will not default on its debt, policymakers must realize that repeatedly taking the nation to the fiscal edge without a clean long-term escape plan will hurt consumers, investors, and business confidence, thereby depressing our already saggy GDP. Our view is that hitting the debt ceiling and defaulting—were that ever to happen—would make the Lehman moment seem quaint by comparison. The confidence destroyed by even a temporary default would lower our credit rating and raise our borrowing costs, forcing us to pay the price for years.

The more likely outcome of “rolling the debt ceiling along” for a few weeks at a time would also hurt business, consumer, and investor confidence in a way that risks sinking GDP to below 2%. Yet, with all the potential risk, the markets remained relatively calm. We have seen this movie before. The difference this time, however, is that the market’s forbearance may perversely allow our politicians to take us closer to the edge than ever before. Have we been conditioned to trust that politicians will always pull back from the brink at the final moment? Is a complacent market providing too much room for politicians to bicker?

The recent episode of political theater is further evidence in support of our call, made at the beginning of the year, (see my 2013 outlook “Because That’s What Scorpions Do”) that 2013 would see us break out of what we termed the Volatility Phase, which was the third phase of our multiyear projection, and into the fourth phase: Self-Sustaining Recovery. We predicted that 2013 would witness the end of wild swings in markets as severe tail risks around the world abated. Perhaps the markets have heard us, because markets have become less and less volatile. That said, we believe a continuous “rolling” of the debt ceiling date will get tiresome and will ultimately test the patience of the market—an event we hope to avoid. As Senate and House budget negotiators now begin talking with one another again, perhaps a deal with real teeth, like the sequester, will be put in place on entitlements and taxes. A 2.0 version of the sequester should be equally painful for Republicans and Democrats and should have an automatic trigger occur before the 2014 elections. That way, if a better deal is not worked out before then, we can vote the irresponsible players out of office immediately. That should get their attention!

Oh and by the way, at least Dean risks his own jalopy in the movie. The “jalopy” Congress is playing with is our future—so they have even less of a right to trash it and hopefully they return it without a big dent!!

Third Quarter Review

The third quarter certainly provided its share of surprises. There were two major drivers of import this quarter, leading to rising rates and moderately volatile spreads. The biggest driver, in our view, was a double-cross of markets by the Fed. The Fed first surprised the market in May by letting us believe that tapering could begin as early as September. Rates blew out in response to the news, giving us the tumultuous “taper tantrum” that sent rates sharply higher in one of the biggest jumps in over a decade. As we approached the September FOMC meeting, market participants felt virtual certainty that a moderate taper would be announced. When no such announcement was made, markets were surprised and, some could say, double-crossed. This move was a “taper caper” in our minds because it robbed the markets of a degree of certainty. In our opinion, the taper caper robbed us of what could have been a move

in the right direction. Indeed, we believe that a moderate taper was already embedded in market levels and that, had the Fed begun to taper, we likely would have seen higher stocks and stable interest rates because, as we all know, markets crave certainty.

As for the large jump in yields in May and June, when the 10-year Treasury approached 3%, we believe this was driven by a “fright from quality” trend, now that rates have bottomed and begun to rise. As we have said in the past, the beginning phases of this rate rise cycle are not driven by inflation fears—there simply is no apparent inflation threat to our system today. Rising rates are being driven by a resetting of real yields. We believe the significant jump in real yields during May and June spooked the Fed away from tapering. Real yields jumped by roughly 150 basis points in a very short time. In an economy still levered to the housing market and low mortgage rates, and with businesses seeing revenue growth flattening out, a stiff jump in real yields risks slowing borrowing and investing activity too much.

Portfolio Review

As for our portfolios, we held fast to our belief that rates would rise and hence started the year with portfolios constructed to be defensive against rising rates. With this view in mind, we made allocations to floating rate securities and moderate overweights to higher yielding sectors such as bank and finance. We had the rate call right but we did not derive much benefit from the spread allocations. Why is that?

Following the taper talk, spread levels exhibited a wrong-way correlation with rates. Typically rates and spreads exhibit an inverse relationship; however, in May and June they were both moving the same way: rates and spreads both increased. Because we remain convinced of the positive path of economic recovery and because we are steadfast in our philosophy of taking the “long view”, we believe it was the surprise jump in rates that lead to this atypical, wrong-way correlation. We held firm with our risk overweights in select sectors and opportunistically added a moderate amount of additional risk into the selloff. We watched high yield and bank and finance bond spreads begin to compress as correlations normalized later in the third quarter.

Like many market participants, we underappreciated how wide the ripples would be sent as the Fed tossed the taper pebble into the global pond. It ended up sending waves crashing against the shores of emerging markets. Emerging market assets performed poorly in the days following Chairman Bernanke’s taper talk, as liquidity was sucked back to our shores. That said, our longer term view is that select, high quality emerging market corporates represent a prudent allocation decision. Our long-term belief that China will continue to be stable led us to exposures in select metals and mining credits in Latin America. While we own world-class names, volatility in spreads as capital flowed out of emerging markets led to modest

spread widening in some names we hold. Again, both our long view on China’s prospects and recovering world growth support our expectation that holding these world-class credits will pay off.

Our initial view that the economy would continue to grow, rates would rise, and select higher yielding sectors like bank and finance and high yield would benefit, has largely been vindicated throughout the year. Overweights to these select areas have paid off in portfolio investment performance. Overall, we are satisfied with our year-to-date performance.

Fourth Quarter Outlook

Readers of my quarterly CIO letters will be familiar with Cutwater’s “long view” approach to determining our market outlook and portfolio construction themes. As we have reiterated throughout the year, we continue to believe that we are in the beginning of the fourth phase of our multi-year forecast: the Self-Sustaining Recovery phase. Our view is predicated on the belief that consumers will continue to benefit from improving household balance sheets and the tepid but recovering job market. We believe the business sector will benefit from more confident consumers and growing world GDP, which the IMF expects to grow by 3.6% in 2014 (versus a projected 2.9% in 2013). Indeed, with China growing at near 7.5%, the U.S. ticking upwards beyond 2%, Japan benefitting from Abenomics, and Europe turning the corner from stagnation to growth, we now have over 65% of world GDP either stable or growing. While the global economy is far from reaching its maximum capacity, the trend continues to improve.

A strengthening economy *should* ultimately result in the gradual removal of monetary accommodation. We agreed with the Fed’s initial assessment that economic improvement suggests that tapering should be nigh. Indeed, the markets’ initial reaction to the prospect of tapering typifies the commonly held view that good news is bad news (i.e. economic strength begets dreaded tapering), but we believe this view will eventually fade as people come to recognize good news as good news.

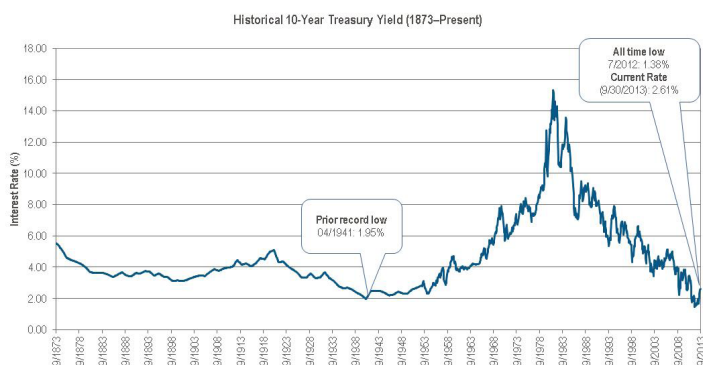
It is unfortunate, but the biggest risk to our view is manmade: Congressional gridlock that prevents cohesive policy development. Congress has grown adept at restraining growth by creating too much uncertainty around spending, taxes, healthcare...the list goes on. As our fourth President, James Madison, once said “the circulation of confidence is better than the circulation of money.” Hear, hear! Despite the current, confidence-sapping Congressional headwind, we remain optimistic that improving consumer balance sheets and a growing global economy will provide enough stability for U.S. GDP growth to regain an annual pace north of 2%. Given our belief in an improving economy, we see three major implications

for investors going forward. The third implication is subtle but powerful. We call it The Other Great Rotation.

First, *interest rates will continue to rise*. To build an appropriate portfolio, however, the questions we must ask ourselves are at what pace, and how high? We discussed our general view on interest rates in my last CIO letter “You Can’t Handle the Truth,” but I will recap here. Admittedly, recent correlation between GDP and nominal rates has been sloppy, but over the long run, nominal rates follow nominal GDP. Nominal interest rates equal real interest rates plus inflation. Over long periods of time, real rates follow real GDP. So, given our expectation that real GDP for 2014 will be between 2 and 2.5% and that inflation will be near 1.75%, nominal 10-year Treasuries should gravitate to around 3.5 or 4% by the end of 2014. We also expect perhaps another half percent increase for 2015 as the economy continues to grow in its checkmark-like recovery pattern. This would put the 10-year at a level near where it has averaged (about 4%) for many decades (See chart below). This is intuitively satisfying because longer-term nominal GDP and interest rates rhyme with our view of where we are headed. That said, we expect both interim rate volatility and perhaps a lag effect on real rates rising to real GDP levels given the deleveraging of banks and consumers still has a way to go. And while we believe rates will rise, we don’t see them pushing high enough to knock the recovery off track.

So, how high will rates ultimately go? Many of us likely feel a bit of psychological anchoring to the idea that since rates came down from nearly 20% in the 1980s that they must be going back up to double digits. We, however, will stick to our framework that envisions rates following real GDP and inflation with moderate rate increases as described above.

Can you spot the anomaly?



Second, *we expect a significant flattening* of the 10- to 30-year Treasury bond spread as rates rise. As rates rise, typical correlations and mean reversion would support this thesis. We believe there is another subtle but powerful new dynamic that will be

in play over the next few years, however. This is a matter of limited supply and growing demand driven by a vast pool of pension capital poised to shift asset allocation toward long duration bonds. A typical corporate defined benefit (“DB”) plan has about 50% allocated to equities, 40% to bonds, and 10% to other risk-seeking assets such as alternatives. This allocation has served DB sponsors well this year as equities rose and higher rates lowered the present value of plan liabilities. This has led to a significant decrease in pension funds’ funding gaps. If we are correct, and a recovering economy causes rates and stocks to continue to rise, gaps will continue to contract, leading more DB plans to de-risk by turning to long duration fixed income to better match their liabilities. Equities can help close funding gaps, but once assets and liabilities are close, equities are not the best match for long-dated liabilities. So, while the market awaits the Great Rotation of retail players from bonds to stocks, we are watching for the Other Great Rotation by pensions from stocks into long duration bonds. With close to \$5 trillion in assets now held by corporate and public DB pension plans, versus only \$2.25 trillion of supply on the long end of the yield curve, the potential impact of pension demand on yields for long-dated paper is tremendous.¹ We see the current 100+ basis point spread between 10- and 30-year treasuries flattening to 50 basis points over the next 12 to 18 months. We are also pondering where this spread might go in the long-term. It is possible this spread could go flat over the longer term and we point to the UK where similar dynamics compressed the GILT 10/30 spread to inversion. We will be writing more on this topic in missives to come.

Third, we expect that *spreads will continue to compress* moderately as absolute yields become more attractive and corporate fundamentals are supported by an economy that continues on its checkmark-like recovery. Yield strategies that soften the blow of rate increases will dominate.

Portfolio Implications

Volatility is likely to continue due to uncertainty over Fed policy and the future path of rates but, given our fundamental view, we see near-term bouts of volatility as opportunities to tactically add to risk positions. In general, we believe the significant performance we have generated over the past year by overweighting beta through select sector and subsector quality overweights has largely played out. After all, various corporate sectors have performed very well over the past few years, but with the Barclay’s Credit Index at approximately 135 basis points, general credit is no longer as systemically cheap as it was. We do think there is still a bit of a “beta play” left in high yield at 450 basis points of spread, but perhaps only 50 basis points or so of “beta value”. We also still favor the Bank sector, despite the strong performance, we see yields as attractive in a world where bank de-levering will continue to favor the bond holder. We believe we are now in the part of the cycle

¹ Source: Barclays PLC

where we must view the landscape less as a bond market and more as a market of bonds. We are at the phase of the economic cycle and relative valuations where it is paramount to focus on issue selection and underwriting credit and structure from the bottom up.

With the economy entering its fifth year of expansion, corporate leverage creeping up, covenant-lite loans growing, and interest rates poised to climb, we believe it is time to derive performance not from adding to beta, but rather by old fashioned idiosyncratic bond selection. As rates rise, we see higher-yielding securities in general as a source of return and cushion against the corrosive price impact of duration. For example, we are underweighting U.S. Treasuries and higher quality, low spread bonds that have become duration proxies and we are overweighting subordinated issues with yield, such as bank hybrids. The deleveraging story and increased regulatory oversight of banks will continue to play out and should support stable to tighter spreads.

Another key element of our strategy includes using rate-defensive bond structures to combat higher rates. Specifically, we are emphasizing floating rate structures but have also rotated further down the capital structure to pick up a reasonable spread. After all, a LIBOR+25 basis points instrument is not likely to be of much help as longer rates rise and short rates stay put. Especially since the Fed will likely have its foot on the neck of the front end of the yield curve for the next two years. We prefer to give liquidity in CLOs at AA and A levels to earn a solid coupon while we wait for short end rate increases to play out.

Individual subsector allocations and idiosyncratic name selection will likely provide the opportunity set going forward. At Cutwater we are carefully making our security choices as a lender would—from the bottom up. As an example, we are focusing on single borrower deals in CMBS where we can underwrite the leases, location, competition, sponsors, and deal structures with transparency and specificity. The added effort is justified by a comfortable margin of safety and rewarded by added yield.

While on the theme of CMBS, we also believe that with M&A and event risk likely to continue to increase in corporate America, that rotating more of our portfolio allocation toward select ABS and structured securities and away from unsecured credit makes sense. We prefer the added safety of carefully underwritten structure to event prone unsecured credit, such as in industrials. If we are right, and spreads continue to compress, we would expect to continue this cross sector rotation theme.

Outlook – Taking the Long View

Before we stretch out our telescope for distance viewing, let us first put on the monocle and attempt to inspect the six months to come. Given the amount of issues that face us in the short term it's a wonder our monocle didn't crack! There are many obstacles to

overcome: the debt ceiling and budget resolutions, the confirmation of a new Fed governor, taper concerns, and European bank stress tests, to name a few. As we look out six months, we don't believe the U.S. will have defaulted, the government will have reopened, there will be new Fed chair (she will be a dove), and tapering will likely have commenced. Therefore, we believe the wall (or "fall") of worry we face will not knock us off our expectation of a continuing checkmark-like GDP growth of roughly 2%. And so we keep to our "true north" position of a checkmark-like recovery theme.

Again, our base case expectation is that the budget imbroglio shall eventually pass without too much confidence-sapping damage. Again, we invoke the words of President James Madison for emphasis: "the circulation of confidence is better than the circulation of money." Indeed, this must be true today because the money supply has grown 350% while velocity of money remains on the floor. I couldn't agree with President Madison more. My sneaking suspicion is that we will get through the "fall of worry" with our confidence generally intact. The fundamentals of the checkmark-like recovery, broadening consumer confidence, and growing exports are all offsetting the divots Washington has thrown in our way.

As we look beyond this year out to the next two or three years, we can't help but think we are perhaps in the sixth or seventh inning of this economic cycle. Attempting to peg our position is admittedly difficult but it is critical to understanding whether we are being offered enough compensation for the risks we are taking. After all, if we were actually in the bottom of the ninth, we certainly would not say the compensation is fair at the moment. As we look into our crystal ball for longer-term trends, we can identify at least four with implications for fixed income investors:

- Investment grade credit leverage is already nearing its pre-crisis peak and likely will continue to grow. While interest coverage remains acceptable, we are keeping a keen eye on this metric as well as the impending "maturity wall" of 2015 and 2016.
- Interest rates are headed up and, while the Fed will be a slow mover, defensive positioning is warranted.
- Many asset prices are near fair value but are likely headed higher, given an improving economy and a still generally accommodative monetary stance.
- M&A activity is picking up in a drive for earnings growth; this is a classic 6th or 7th inning development.

Despite these trends we have been watching, we are not yet too fearful. Interest coverage levels remain acceptable, policy is still accommodative, the housing market continues to recover, and global GDP is still pegged north of 3% for the coming year. Perhaps most importantly, the "animal spirit" warning signals associated with market tops are not yet evident to us. These are typically signaled

by tighter bond spreads, higher stock P/E ratios, higher velocity of money, etc.

It is worth noting that stock price-to-earnings ratios, now at about 16, are not yet close to levels associated with previous cycle peaks of 20 or more times earnings. High yield spreads, currently at 450 basis points, are also not yet in the red zone. That said, we note that the average age of post-war cycles has been around five and a half years. If the average were to hold true this time, the current cycle would end around one year from today! We are not forecasting this outcome, however, primarily because we think that after the amount of scarring of consumer and business psyches during the Great Recession, we are missing the one key ingredient needed to take a cycle to its peak: unbridled animal spirits. We see many signs that the wounds are healing, but we have yet to sense the euphoria of “this time is different” that will, eventually, drive us to the ninth inning. While we remain on guard, we believe now is the time in the cycle to remain overweight to risk, but cautiously so, and to build portfolios through idiosyncratic bottom-up selections—i.e.

our “market of bonds” versus a “bond market” approach. Again, we believe the biggest risk to our economic forecast is Congress; which brings me to a final contemplation for the quarter.

Concluding Thoughts

My concluding thought brings us back to the movie and that game of chicken that cost Buzz so dearly. In another scene in *Rebel Without a Cause*, during a fight with his parents a distraught Dean yells: “You’re tearing me apart! You, you say one thing, he says another and then you both change back again!”

Perhaps we citizens and investors are more like Dean and the politicians are more like the parents who switch positions constantly after having promised us everything, including the unaffordable. At the end of the movie, we all come to realize the game of chicken was a meaningless show of bravado with no winners to be found. Perhaps letters to our legislators should be signed at the bottom... “Just ask Buzz.”

About the Author



Clifford D. (Cliff) Corso is CEO and CIO of Cutwater Asset Management, a fixed income investment management firm with a distinct focus on the long view.

With over 25 years in the industry, Cliff directs the investment of \$25.9 billion in assets belonging to state and local governments, sovereign governments, pension funds and large institutional investors. Throughout his career, he has managed a wide array of fixed income products, including corporate, asset-backed, government, mortgage and derivative products. Cliff received his bachelor’s degree from Yale University and a master’s degree from Columbia University. He holds his Series 7, 24, and 63 licenses from the Financial Industry Regulatory Authority (FINRA).

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Catrina	Olson	EC	City of Nevada City
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