SCHOOLS EXCESS LIABILITY FUND
SPECIAL BOARD OF DIRECTORS MEETING
MINUTES

Time: Thursday, June 18, 2020, 9:00 A.M.

Webinar Meeting Location: Pursuant to Executive Order: N-35-20

Log-In Information: https://us02web.zoom.us/meeting/register/tZ0lf-qqrD8oH9L06H7opjRvS_GBDIO1DVDO

MEMBERS

Peter Hardash, Chair	Southern California Community Colleges Representative
Renee Hendrick, Vice Chair	Area VI Representative
Toan Nguyen, Comptroller	Area VI Representative
Craig Schweikhard, Member-at-Large	Area V Representative
David Flores	Area II Representative
Ryan Robison	Area III Representative
Nancy Anderson	Area VI Representative
Tony Nahale	Area VI Representative
Steven Salvati	Area VI Representative
Bernata Slater (joined at 9:07 a.m.)	Northern California Community Colleges Representative

ALTERNATES

Cindy Wilkerson	Area III Representative
Terese McNamee	Area V Representative
George Landon	Area VI Representative
Stephan Birgel	Area VI Representative
Joe Sanchez	Area VI Representative
Christina Aragon	Area VI Representative
Wael Elatar	Area VI Representative
Lisa Bailey	Southern California Community Colleges Representative

GUESTS

Mark Priven	Bickmore Actuarial

SELF STAFF

Dave George	Chief Executive Officer
Phil Brown	Chief Fiscal Officer
Lois Gormley	Director of Communications and Member Services
Jimmy Rowe	Director of Claims
Susan Casey	Executive Assistant

I. CALL TO ORDER

Board Chair Peter Hardash called the meeting to order at 9:00 a.m. Executive Assistant Susan Casey called the roll and confirmed the presence of a quorum.

Hardash thanked participants for accommodating the special meeting. He said the primary purpose of the meeting was to discuss application of the relativity factor to the AB218 funding plan.

II. AGENDA –June 18, 2020

A. Amendments/Adjustments

Hardash noted that Item V.A.1., the application of Los Angeles Community College District, should be removed from the agenda.

Chief Executive Officer Dave George explained that the district was unable to complete its governance approval process in time for this meeting.

B. Approval

Flores made a motion, seconded by Anderson, to adopt the agenda as amended.

Vote: Hardash -yes
Hendrick – yes
Nguyen – yes
Schweikhard – yes
Flores – yes
Robison – yes
Anderson – yes
Nahale – yes
Salvati – yes
Slater – absent during voting.

Motion passed.

III. PUBLIC COMMENTS

There were no members of the public who wished to address the Board.

IV. ACTION ITEMS

A. Approve AB218 Resolution

George recapped the Board's decisions at the March and May meetings. He said the AB218 funding initiative comprises two components: first, reserves already on the books, and second, actuarially estimated liabilities. He noted the Board approved total funding of $46.6 million, to be invoiced over three years, and with annual reviews during the three-year open windows. George reported that SELF recently received 6 new claims in addition to the 12 previously reported, for a total of 18 claims. He clarified that the first year funding is based on what was reported as of February 29; any additional claims and actuarial estimates will be addressed next year and subsequent years. He noted that the actuarial estimate will be based on the data available as of October 31 the prior year.

George indicated that SELF will conduct an annual review by March 1 so any adjustments can be timely communicated to member districts for budgeting purposes.

George said SELF introduced a relativity factor in 2011/12 to recognize the risk differential between K-12 and community college members, and the relativity factor has been applied to the rates. He noted that up until 2019, the actuaries looked at the relativity factor each year, and he presented a slide showing the actuarially determined relativity factor for each coverage year. He pointed out that the factor is the same for the last two years because the Finance Committee determined that the relativity factor should be examined every three years, and the rate approved by the Board in March is the third year of the three-year cycle.

George displayed a slide showing how the relativity factor is applied to rates at a 75 percent confidence levels. He indicated that SELF applies the relativity factor up to the first $25 million, and a flat rate for the $30 million excess of $25 million layer regardless of class.

George invited Mark Priven, Bickmore Actuarial, to discuss actuarial projections of relativity factors for the 21/22 year.

Priven presented slides illustrating how SELF applies the relativity factor to rates. He remarked that SELF's relativity factors are similar to experience modification factors reflecting differences in claims history and exposure. He noted that instead of applying the relativity factors on a per-member basis, SELF applies them on a class basis, with one factor for all K-12 members and one for community college members.

Priven explained how the relativity factors are calculated. He said the actuaries combine all K-12 experience as one group, and all community college experience as a second group. He clarified that the analysis only covers the claims experience of current members, and it looks at three different layers: first, $100,000 to $1 million; second, $4 million excess of $1 million; and excess of $5 million. He observed that there is scant data on claims over $5 million, so the actuaries use the lower layers to provide an indication of what might happen in excess layers.

Priven indicated that the actuarial analysis of the relativity factors is based on losses as of December 31, 2019, although there have been some new losses in SELF's layer since then. He said the analysis methodology was the same used in prior years.

Hardash recalled that at the last meeting, the Board asked Priven to recalculate current relativity rates. He noted that the same relativity factor has been used for the past three years because SELF wanted to smooth out year-to-year fluctuations.

Aragon asked if the relativity analysis will be used just for the assessment or for 2020/21 rates as well. Hardash said SELF already set next year's rates. He noted that the Board previously decided to keep relativity factors the same as the past two years for the 2020/21 rates.

George clarified that the current actuarial update is intended to give Board members a "sneak peek" ahead of the end of the three-year cycle. He said relativities calculated based on October 31 data will be used for next year's rate setting.

Nguyen asked if the current relativity factor or the new factor identified in the actuarial update would be applied to the AB218 assessment. He said he thought the purpose of Priven's update was to apply the new factor to the assessment.

Anderson stated that she requested an update of the relativity factor at the last meeting because community colleges were coming forward to point out that their exposure for AB218 claims was lower than K-12 members and to question whether they were paying a fair share. She observed that community college populations are mostly adults, although there has been an increase in minors on campuses in recent years. She said she understood that the vast majority of AB218 claims are coming from the K-12 environment. Anderson added that the purpose of the actuarial study was to demonstrate that the assessment was being charged equitably.

Schweikhard said his understanding was that the adjusted relativity factor would be applied to the AB218 assessment.

Hardash encouraged discussion of whether the new relativity factor indications should be applied to the assessment.

Hendrick spoke in favor of using the old relativity factor to demonstrate that SELF is trying to be fair to community colleges. She suggested adjusting the factor next year.

Salvati agreed and recommended sticking with the current three-year plan. He noted that after Priven completes his analysis based on October 31 data, the new relativity factor should be applied to both 2021/22 rates future AB218 assessment, if needed.

Elatar expressed support for sticking to the three-year plan.

Schweikhard said he approved of using the three-year rate but questioned the purpose of the update.

Anderson commented that the update represents a small cost for something that will be helpful in transmitting a strong message to community college members that SELF is committed to ensuring equitable rates for all members. She expressed support for keeping the current relativity factors.

Schweikhard remarked that relativity factors are not as important for excess layers as primary layers. He observed that community colleges still have exposure to large claims, and it would be prudent to prepare for that risk.

Hardash agreed, and noted that SELF does not apply the relativity factors to the higher excess layers.

Flores said he shared Anderson's perspective that requesting the actuarial update was part of SELF's due diligence in preparing for AB218 claims and ensuring the most equitable treatment for all members.

Hardash observed that there appeared to be consensus that the current relativity factor should be applied to the AB218 assessment.

George displayed a chart showing application of the relativity factors to the years before and after 2012, as well as the transition from a $1 million to a $5 million attachment in 2010.

George indicated that the staff will be reviewing year-by-year allocations over the summer to make sure they are consistent with JPA agreements, by-laws, and other governance documents.

Salvati expressed support for the approach proposed by the staff as the way of best allocating the risk.

Chief Fiscal Officer Phil Brown stated that the staff calculated the assessment amount pursuant to the JPA agreement, which calls for individual contributions relative to total contributions.

George said the staff will work with outside accountants and legal counsel during the summer to complete a year-by-year allocation, and the matter will come back to the Finance Committee and Executive Committee in September, with invoicing projected for November.

George recommended that the Board approve a resolution stating that an assessment has been declared, the amount, and that the relativity factor of .535 will be applied to higher-education members for all claim years back to 1986.

Hardash clarified that the proposed resolution authorizes the assessment, and provides that the staff will complete more detailed member-by-member and year-by-year calculations and come back to the Finance Committee and Executive Committee before sending invoices. George said the detailed calculations can be presented to the Board for review in October.

Hendrick asked if members will have the option of paying in full or paying over three years. George responded that while the initial round of invoices will only be for the first year, full payment will be an option. He added that one or two pools have expressed an interest in paying all up front as well

Nguyen asked what SELF will be communicating to members from a budgeting perspective. He noted that assessment invoices will not be going out until November, and members should know what to expect.

George stated that the total amount and range of numbers has not changed since the March meetings, and that information has been communicated to all members, beginning in March. He indicated that the staff developed a set of frequently asked questions and budget indicators for both current and former members and hosted two webinars for pool directors and individual members. He added that the staff will send an update after this meeting.

George said the staff recommends Board approval of a resolution assigning $46.6 million in assessment, outlined in the ranges shown in the resolution, and with application of relativity factors to all years.

Nguyen made a motion, seconded by Hendrick, to approve the resolution as proposed.

Vote: Hardash – yes
Hendrick – yes
Nguyen – yes
Schweikhard – abstain
Flores – yes
Robison – yes
Anderson – yes
Nahale – yes
Salvati – yes
Slater – yes

Motion passed.

Wilkerson said she appreciated SELF's willingness to look at options for pools to pay on behalf of their members. She noted that aggregating the payment can provide SELF with some funding in advance. She added that SELF may want to reconsider assessment amounts for prepaying members.

VI. ADJOURNMENT

Hardash thanked everyone for participating.

There being no further business, Salvati made a motion, seconded by Flores, that the meeting be adjourned.

Vote: Hardash -yes
Hendrick – yes
Nguyen – yes
Schweikhard – yes
Flores – yes
Robison – yes
Anderson – yes
Nahale – yes
Salvati – yes
Slater – yes

Motion passed. The meeting was adjourned at 10:05 a.m.