

Approved – May 2, 2024

**CALIFORNIA HOUSING WORKERS' COMPENSATION AUTHORITY
(CHWCA)**

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF MAY 4, 2023**

A regular meeting of the Board of Directors was held on May 4, 2023, at the Monterey Plaza Hotel & Spa.

MEMBERS PRESENT:

Ken Kugler, President
Tulare County Housing Authority
Gustavo Becerra, Vice President
Regional Housing Authority
Cheryl Churchill, Treasurer
Eureka City/Humboldt County Housing Authority
Janet Basta
Alameda City Housing Authority
Filippo De Luca (Alternate)
Alameda City Housing Authority
Kurt Wiest (Alternate)
Alameda County Housing Authority
Julie Peterson
Benicia City Housing Authority
Larry Guanzon (Alternate)
Butte County Housing Authority
Charlene Calica
Contra Costa County Housing Authority
Dustin Wiesner
Eureka City/Humboldt County Housing Authority
Jeff Cardell
Fresno Housing Authority
Sandra Jackson-Bobo
Kings County Housing Authority
Michele Rodrigues (Alternate)
Kings County Housing Authority
Renee Wright
Madera City Housing Authority
Betty Gonzalez
Madera City Housing Authority
Kimberly Carroll (*Arrived during Agenda Item 2*)
Marin County Housing Authority
Cynthia Fardanesh (Alternate)
Paso Robles City Housing Authority

MEMBERS PRESENT:

Cindy Ramsey
Plumas County Community Development
Commission
Susana Jackson
Sacramento Housing & Redevelopment Agency
Jennifer Dawson
San Bernardino County Housing Authority
Suket Dayal
San Diego Housing Commission
Tracy Bryson (Alternate)
San Diego Housing Commission
Rob Fredericks
Santa Barbara City Housing Authority
Robin Young
Santa Clara County Housing Authority
Dawn Bonsu
Stanislaus Regional Housing Authority
Amy Powell (Alternate)
Tulare County Housing Authority

MEMBERS ABSENT:

Stephen Pelz
Kern County Housing Authority
Rosa Vasquez
Merced County Housing Authority
James Maynard-Cabrera
Monterey County Housing Authority
Lynn Scott
San Joaquin County Housing Authority
Scott Smith
San Luis Obispo City Housing Authority
Raymond Hodges
San Mateo County Housing Authority
Roxanne Robinson-Jones
Ventura County Housing Authority
Jim Gillette
Yolo County Housing Authority

OTHERS PRESENT:

Rob Kramer, Executive Director
Katie Sullivan, Board Secretary
Jackie Miller, Workers' Compensation Program Manager
Tony Pasquarello, Finance Manager
Ignacio Barrios, Risk Control Manager
John Burdette, Sedgwick
Julia Lew, Esq., Board Counsel
McCormick, Kabot, Jenner, and Lew
Lisa Miller, Innovative Claims Solutions (ICS)
Jason Dawson, Innovative Claims Solutions (ICS)
Bessie Olano, Santa Clara County Housing Authority

OTHERS PRESENT: Greg Helzerman, Safety Award Winner
Sacramento Housing & Redevelopment Agency

1. CALL TO ORDER

Ken Kugler, President, called the meeting to order at 1:34 p.m.

2. INTRODUCTIONS

Introductions were made and it was determined there was a quorum present.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Renee Wright moved to approve the agenda as posted. Robin Young seconded the motion. The motion passed unanimously.

4. PUBLIC COMMENT

None.

5. CONSENT CALENDAR

Jeff Cardell moved to approve the following items: A) Minutes – May 5, 2022, Board of Directors Meeting; B) 2023 Operating Budget; C) Member Entity List; D) Lag Reports as of September 30, 2022, and December 31, 2022; and E) Workers’ Compensation Market Update from PRISM. Jennifer Dawson seconded the motion. The motion passed unanimously.

6. ICE BREAKER

The Board of Directors took 15 minutes to get to know each other through an icebreaker.

7. STATE OF THE JPA

A. State of the JPA Overview – Rob Kramer, Executive Director

Rob Kramer, CHWCA’s Executive Director, provided a program update to the Board which included pertinent highlights, current implementations of the program, and offered some thoughts about the future of the JPA.

8. RISK CONTROL

A. Annual Risk Control Program Review – Ignacio Barrios, Risk Control Manager

Since the creation of the CHWCA Risk Management Committee in 2005, CHWCA has developed and implemented many innovative programs, as well as increased the risk control resources offered to its members.

Ignacio Barrios, CHWCA's Risk Control Manager, informed the Board in 2022, members received customized services, an enhanced Safety Award Program, the Virtual Safety Manager program, and an extensive selection of safety resources.

B. Presentation of the 2022 Safety Awards – Ignacio Barrios, Risk Control Manager

In 2022, the *Cash for Culture* Safety Award Program continued to award agencies as well as agency employees. The program's goal is to promote a positive safety culture by recognizing and rewarding agencies for proactive safety efforts and employees who take an active role in the agency's safety program. During the December 2022 Risk Management Committee (RMC) meeting, employee and agency award winners were selected.

Mr. Barrios reviewed the winners for the 2022 CHWCA Cash for Safety Culture as follows:

Employee Awards

Most Outstanding Suggestion - \$500

Greg Helzerman- Sacramento Housing and Redevelopment

Outstanding Suggestions - \$250 each

Ana Monjaras, Eureka City/Humboldt County Housing Authority

Dustin Wiesner, Eureka City/Humboldt County Housing Authority

Magdalena Saldaña, Sacramento Housing and Redevelopment Agency

Magdalena Saldaña, Sacramento Housing and Redevelopment Agency

Ryan Harvey, Eureka City/Humboldt County Housing Authority

Sarah Thomas, Sacramento Housing and Redevelopment Agency

Agency Awards

Most Outstanding Award - \$6,000

None Submitted for 2022.

Outstanding Award – \$3,000

None Submitted for 2022.

Mr. Barrios stated there were 75 employee and 0 agency submissions received in 2022. The RMC approved the award selections and directed staff to send award checks and certificates to the award winners.

Greg Helzerman, Sacramento Housing and Redevelopment and winner of the Most Outstanding Employee Submission, was present and reviewed his submission with the Board.

There was no Most Innovative Agency submission for 2022.

9. WORKERS' COMPENSATION

A. Status Report Regarding Workers' Compensation Claims from Innovative Claims Solutions (ICS) and Report by Workers' Compensation Program Manager – Lisa Miller, ICS, and Jackie Miller, Workers' Compensation Program Manager

Management of the Workers' Compensation program is provided by Innovative Claim Solutions (ICS) for claims administration services, and Workers' Compensation Oversight is provided by Sedgwick with updates on the program and claim servicing provided at each Board meeting.

Jackie Miller, Workers' Compensation Program Manager, presented the annual overview of the Workers' Compensation program and Lisa Miller of ICS provided the annual claims report as of December 31, 2022.

B. Innovative Claims Solutions Technology Update – Jason Dawson, Innovative Claims Solutions (ICS) CEO

ICS provides benefit administration services to CHWCA with staff focused on benefit delivery, developing a positive rapport with injured workers, and moving cases to resolution quickly and appropriately.

Jason Dawson, ICS CEO, provided an update on the continued technology planned for CHWCA in 2023-2024.

Mr. Dawson noted an item of significant importance is that the claims software has been enhanced, allowing for the download of file documents and the ability to review files electronically.

C. CarivaCare Update – Jackie Miller, Workers' Compensation Program Manager

Ms. Miller provided a brief update of the CarivaCare program. She reminded the Board CarivaCare is a service provided through CHWCA for all members and use of CarivaCare services are optional. CHWCA began utilizing these services July 1, 2022, which included a Nurse Triage and Mobile First Aid program.

Ms. Miller stated the benefits of nurse triage include providing employees with access to a medical professional early on, discussing their injury or illness, providing guidance on self-care or direction to selected medical facilities, as well as other ancillary benefits such as early claims reporting, etc. In many cases, the use of this program may result in an actual claim not being filed, as the employee will not seek medical care.

During the first 9 months of this service, 12 CHWCA members were set for participation. CHWCA currently has 15 members registered for the program, resulting in 4 calls to nurse triage involving 3 members with only 2 claims reported.

Ms. Miller encouraged each member to consider the CarivaCare program and to contact her with any questions or concerns.

D. Legislative Updates

Ms. Miller presented the Board with Legislative changes and activity within the workers' compensation industry.

- Assembly Bill 1213 Temporary Disability Extension/ IMR Decision
 - Introduced 02/16/23 AB 1213 proposes to EXCLUDE any Temporary Disability payments made during a dispute regarding medical treatment that is overturned by the Independent Medical Review (IMR) process.

10. FINANCE

A. Financial Overview of CHWCA – Tony Pasquarello, Interim Finance Manager

CHWCA is now in its 32nd year of operations and continues to be in an excellent financial position. Interim Finance Manager, Tony Pasquarello was in attendance to provide a financial overview of the CHWCA program.

CHWCA's past fifteen years have been reflective of the effect of California workers' compensation legislative reforms, resulting rate fluctuations, the pandemic, and varying insurance market conditions, as well as prudent and conscientious strategic planning and goal setting by the CHWCA's Executive Committee.

From a financial perspective, CHWCA, when facing a deficit position in 2002, began a concerted effort to increase its retained earnings position. Specific financial steps taken over the last 20 years include:

- The adoption of a Financial Stability Plan in November 2003, which outlined the strategy to ensure CHWCA's financial stability;
- Assessments levied in 2002 and 2003 to bring the program to a positive equity position;

- An increase to the confidence level funding to 70% in 2003, and to 80% in 2007;
- An increase to a higher Self-Insured Retention (SIR): \$500,000 in July 2004;
- A revision to the Financial Stability Plan in April 2007, to include the provision for the issuance of dividends, and applying conservative means to ensure a continuance of a strong positive retained earnings base;
- Joining the California Asset Management Program (CAMP) JPA, administered by Public Financial Management, Inc. (PFM) to provide investment management services for the pool in June 2008;
- Decreasing the discount factor for both funding rates and liabilities to be sensitive to the challenging investment market, from 3.5% in 2010 to 3.0% in 2012 and to 2.0% in 2013;
- Implementing a Mid-Layer Pool on January 1, 2012, which decreases member premiums as well as providing the benefit of an additional fully-funded layer;
- Changing the investment benchmark used by the investment portfolio manager in 2013 to realize greater earnings on CHWCA's portfolio;
- Implementing an internally rated ex-mod methodology in 2015, replacing the historical WCIRB method;
- Increasing Mid-Layer Pool coverage layer from \$500,000 to \$750,000;
- Adjustments to the ex-mod methodology so that the credibility factor is based upon the entire pool's result instead of the largest member; and
- Consideration to implement an alternative annual member contribution formula to provide more fairness amongst members by utilizing CHWCA's actual loss experience.

B. Consideration of Update to CHWCA's Annual Contribution Formula – Tony Pasquarello, Interim Finance Manager, and Rob Kramer, Executive Director

Most Joint Powers Authorities (JPAs) in California periodically review their annual contribution formulas. Most often, the governing bodies are balancing both the "consistency and stability" of the formula as well as the relative "fairness" of the formula as applied to the membership.

Mr. Kramer informed the Board at the November 18, 2021, Executive Committee meeting, the Committee created a separate Ad Hoc Committee to review the current formula in greater detail with staff and the actuary. The Ad Hoc committee has met on five separate occasions to determine the best course of action.

Current Contribution Formula Method

Mr. Kramer reviewed the current methodology, stating CHWCA currently collects payroll data which is then used by the actuary to calculate rates for the CHWCA risk-sharing contributions, as well as by the excess carrier.

To determine funding rates by class code, the actuary currently uses class code relativity factors. The relativity factor selected for the rates differ significantly from the Workers' Compensation Insurance Rating Bureau of California (WCIRB) factors and the indicated factors based upon the actuary's analysis of the CHWCA losses. Due to the significant variability in the three sets of class code factors, the actuary, to achieve consistency in rates, gives a 15% weight to indicated factors by class code and an 85% weight to prior factors.

Mr. Kramer continued by stating the actuarial funding rates per class code are then multiplied by each member's estimated payroll and ex-mod to determine the member's annual loss premium. This calculation method, although it keeps annual premiums relatively stable from year-to-year, does not reflect CHWCA's actual current loss experience, and the ex-mod's also do not reflect CHWCA's actual loss experience.

Alternative Contribution Formula Method

Mr. Kramer noted given the shortfalls of the current annual contribution formula, staff worked with the Ad-Hoc Committee to develop an annual contribution formula process that represents a more common pooling premium calculation methodology.

The alternative contribution formula method switches from each class code having different rates to having one singular pooled rate and ex-mods based on CHWCA's actual loss experience. He stated this proposed change would eliminate the need to rely on class code relativities.

In addition, for the next 3-5 years, as a means to allow the annual premiums to remain reasonably stable during the transition to a new contribution formula methodology, staff, the Ad-Hoc Committee, and the Executive Committee recommended the premiums be capped to not exceed a determined percentage increase from the prior year.

C. Workers' Compensation Program Dividend Calculation – Tony Pasquarello, Interim Finance Manager, and Rob Kramer, Executive Director

Any distribution of funds is subject to the stipulations of CHWCA's Financial Stability Plan. CHWCA's Financial Stability Plan, Resolution No. 2016-02, states:

“Annually, the Executive Committee shall review the funding of the program to determine whether dividends may be issued. If the aggregate equity for all program years exceeds the 90% confidence level, the Executive Committee may consider declaring a dividend from program years that are at least five years old.”

Mr. Pasquarello informed the Board of the retained earnings at December 31, 2022, are \$14,157,454 at the expected confidence level, and \$9,484,457 at the 90% confidence level.

To summarize the calculation:

- If the CHWCA program is funded at the 90% confidence level, \$3.75 million is subtracted from that balance to arrive at the amount that is “available” for release.
- The second part of the calculation looks to the program years. The cumulative fund balance at the 70% confidence level is determined for program years that are a full five years old.
- If any current year(s) that are less than five years old have negative equity at the 70% confidence level, the negative equity at the 70% confidence level from those year(s) must be included in the calculation to arrive at the final “eligible” aggregate dividend.

Mr. Kramer stated following the guidelines of the Financial Stability Plan, the Executive Committee has approved the following dividends to CHWCA’s membership:

- \$2,258,931 in April 2008.
- \$2,335,329 in April 2010.
- \$2,250,000 in April 2011.
- \$160,117 in February 2015, based on the 2013 dividend calculation.
- \$207,411 in April 2015, based on the 2014 dividend calculation.
- \$474,772 in May 2016, based on the 2015 dividend calculation.
- \$718,058 in May 2017, based on the 2016 dividend calculation.
- \$755,966 in May 2018 based on the 2017 dividends calculations.
- \$765,576 in May 2019 based on the 2018 dividends calculations.
- \$640,564 in May 2020 based on the 2019 dividends calculations.
- \$861,428 in May 2021 based on the 2020 dividends calculations.
- \$1,121,974 in May 2022 based on the 2021 dividends calculation

Mr. Kramer informed the Board the Executive Committee approved a release of \$1,078,419 at their meeting on May 3, 2023, based on the 2022 dividends calculation. He reported the Executive Committee, based on staff’s recommendation, elected not to fund CHWCA’s mid-layer pool at this time.

D. Review and Approval of the 2022 Financial Audit – Michael Manduca, James Marta & Company, LLP

Michael Manduca, Manager at James Marta & Company, LLP, was in attendance to present the financial audit for the program year ended December 31, 2022.

The financial audit was conducted in March 2023, with the assistance of CHWCA staff. There are three sections to the audit report:

- Section One: the independent auditor's report which states the auditor's opinion. The opinion on the financial audit report is **unmodified**, which means that the financial statements are presented fairly.
- Section Two: the Management Discussion and Analysis (MD&A) which is written by the CHWCA management team. MD&A is a very informative section as it provides analysis and discussion about what transpired during the year.
- Section Three: the Basic Financial Statements which contains Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and Notes to the Basic Financial Statements.

Robin Young moved to approve the Financial Audit. Jeff Cardell seconded the motion. The motion passed unanimously.

11. ADMINISTRATION

A. Consideration of Appointment of CHWCA Finance Manager - Rob Kramer, Executive Director

Mr. Kramer informed the Board on March 29, 2023, Rhianna Blanko, CHWCA's Finance Manager, notified the team she was accepting another job opportunity and her last day with Sedgwick would be April 7, 2023.

Sedgwick recently hired Tony Pasquarello in February 2023 as the new Finance Director. Mr. Pasquarello comes to Sedgwick with extensive experience in insurance with Blue Shield of California, and more recently oversaw the finance and accounting operations for the El Dorado Irrigation District. He received his BBA from Sacramento State and his MBA from UC Davis.

Mr. Pasquarello has been appointed by Sedgwick to fill the Finance Manager vacancy with CHWCA left by Ms. Blanko; therefore, staff is asking the Board of Directors to formally appoint Mr. Pasquarello as CHWCA Finance Manager.

Jeff Cardell moved to approve Tony Pasquarello as CHWCA Finance Manager. Robin Young seconded the motion. The motion passed unanimously.

B. Staff/Service Provider Evaluation Survey - Katie Sullivan, Board Secretary

Sedgwick staff and the service providers contracted by CHWCA continuously strive to provide state-of-the-art, professional service and greatly value the opinions of all member agencies. Evaluation surveys are sent to the members of

CHWCA to collect feedback regarding member satisfaction levels with services being provided to the JPA.

Katie Sullivan, CHWCA Board Secretary, reminded the Board at the request of the Executive Committee in 2018, the evaluation survey will be distributed immediately following the Annual Board Meeting and Workshop to the Board Representatives, Alternate Representatives, Safety Contacts, and Payroll Contacts. She reminded the Board, staff encourages each individual who has contact with any member of CHWCA staff to participate in the survey and requests the survey be forwarded to any individual not included in the initial distribution.

Ms. Sullivan advised results from this year will be compiled and presented to the Executive Committee for their review at their August 2023 meeting.

12. COMMITTEE ELECTIONS & APPOINTMENTS

A. Executive Committee Elections – Ken Kugler, Tulare County Housing Authority

CHWCA's Bylaws charge the Board with electing members to the CHWCA Executive Committee. This year it will be necessary for the Board of Directors to elect three (3) Executive Committee positions due to expiring terms.

Mr. Kramer reviewed with the Board the expiring seats on the Executive Committee, as follows:

- Category C: North (Geographical Location), currently held by Cheryl Churchill, Eureka City/Humboldt County Housing Authority;
- Category C: Central (Geographical Location), currently held Jeff Cardell, Fresno Housing Authority; and
- Category D: At or Above Median Actual Reported Payroll, currently held by Ken Kugler, Tulare Housing Authority.

Ms. Churchill, Mr. Cardell, and Mr. Kugler have expressed interest in being re-elected in their respective categories.

The Board opened up the floor for nominations, to which no additional nominations were received.

Suket Dayal motioned to appoint Ken Kugler to fill Category D, Jeff Cardell to fill Category C: Central, and Cheryl Churchill to fill Category C: North, to the Executive Committee. Kimberly Carrol seconded the motion. The motion passed unanimously.

B. Appointment of Risk Management Committee Members – Ken Kugler, Tulare County Housing Authority

In August 2014, revisions to the CHWCA Bylaws were approved, in particular Section G.1., which reflects the configuration of the Risk Management Committee to be comprised of no fewer than five and no more than twelve members.

Mr. Kramer informed the Board this item is included in the agenda to provide an opportunity for CHWCA members to express interest in serving on the Risk Management Committee. He noted scheduled meetings of the Risk Management Committee occur in conjunction with the Executive Committee meetings and the next scheduled meeting is August 10, 2023, at 9:00 a.m. and will be held via teleconference.

No additional appointments to the Risk Management Committee were made.

13. CLOSING COMMENTS

A. Board of Directors

None.

B. Staff

Ms. Sullivan reminded everyone of the upcoming events for the rest of the evening and the morning of Friday, May 5th.

14. ADJOURNMENT:

The May 4, 2023, Board of Directors meeting was adjourned at 4:51 p.m.



Katie Sullivan, Board Secretary