

**SCHOOLS EXCESS LIABILITY FUND
BOARD OF DIRECTORS MEETING
Friday, January 19, 2007 - 8:30 a.m.**

**SELF Office - 1531 "I" Street, Suite 300
Sacramento, CA 95814**

MINUTES

BOARD MEMBERS PRESENT

Michael Gregoryk, Chair	Area I
Charlene Minnick, Vice Chair	Area VI
Nancy Anderson	Area VI
Wes Combes	Area II
Diane Crosier, Alternate (for Smith)	Area VI
John Falappino	Area IV
Peter Hardash	SCC
Lynn April Hartline	Area VI
Eric Johnston	Area VI
Sandra Lepley	Area V
Eva Lueck	Area VI
Scott Miller	NCC
Larry Risinger	Area IV
Travis Steagall	Area V
Paul Tanguay	Area VI

ALTERNATES PRESENT

John Didion	SCC
Jan Keller	Area II
Toan Nguyen	Area VI
Michelle Schlack	CSU
Becky Slaughter	Area IV

BOARD MEMBERS ABSENT

Clifton Anderson	Area I
Teresa Scott	NCC
Denise Smith	Area VI

SELF STAFF

John Wilson	Interim Executive Officer
Pat Moody	Chief Fiscal Officer
Steve Schempp	Director of Workers' Compensation
Lois Gormley	Director of Communications

SELF CONSULTANTS

Mike Hall	Ralph Andersen & Associates
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John LaPlante
Michael Lawson
Randy Rendig
Heather Renschler
Robin Stewart

LaPlante, Spinelli & Donald
Ralph Andersen & Associates
George Hills Company
Ralph Andersen & Associates
Kronick, Moskovitz, Tiedemann & Girard

OTHERS PRESENT

Marcia Kelly
Graham Grice

Foothill DeAnza Community College District
Keenan & Associates

I. CALL TO ORDER

Gregoryk called the meeting to order at 8:30 a.m. and welcomed everyone. He asked Alternate Diane Crosier to vote in place of Board Member Denise Smith.

II. INTRODUCTIONS

Participants took turns introducing themselves.

III. AGENDA - JANUARY 19, 2007

A. AMENDMENTS/ADJUSTMENTS

Wilson noted that when Scott Miller became a Board member, one NCC Alternate position became vacant. Miller has nominated Tom Kesey to fill the vacant alternate position. He proposed adding approval of this appointment to the Consent Calendar as Item V.A.

Under Item IX.D, Wilson said the exhibit for the workers' compensation withdrawal was not included in the packet but was distributed earlier. He advised there is an issue about Fullerton Joint Union High School, and he suggested adding discussion of this as Item E.

Gormley pointed out the letter from Lancaster High School District. Wilson proposed adding this as Item F.

Moody suggested adding SELF's response to the audit report as Item G.

Gregoryk suggested discussing the correspondence from Sean Smith, Keenan & Associates. Wilson recommended including this as Item X.F.

B. APPROVAL

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

Vote: Unanimous.

IV. MINUTES - BOARD OF DIRECTORS MEETING - DECEMBER 1, 2006

A. AMENDMENTS/ADJUSTMENTS

Hartline noted that she should be listed as absent.

B. APPROVAL

Tanguay made a motion, seconded by Steagall, to approve the December 1 minutes as amended.

Vote: Unanimous.

V. CONSENT CALENDAR

A. APPOINTMENT OF TOM KESEY AS NCC ALTERNATE

A motion was made and seconded to appoint Tom Kesey as alternate for the Northern Community Colleges.

Vote: Unanimous.

VI. PUBLIC COMMENTS

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

VII. TIME CERTAIN

None.

VIII. COMMITTEE REPORTS/ACTION

A. EXECUTIVE COMMITTEE

1. Agenda - January 4 and 5, 2007
2. Committee Report - January 4 and 5, 2007

Gregoryk reported that the Executive Committee interviewed four CEO candidates on January 4 and 5. He noted all four individuals

were impressive, but the committee narrowed the list to two candidates, who will be introduced and interviewed during the Closed Session.

3. Recommendations to the Board

None.

B. FINANCE COMMITTEE

1. Agenda - January 18, 2007
2. Committee Report - January 18, 2007

Falappino said the committee met on January 18 and approved the financial statements for September, October, and November 2006, and developed a recommended assessment for the 2006-2007 workers' compensation program. He advised that the committee is recommending an assessment of approximately \$11 million, to be collected over 15 years.

Moody clarified that the \$11 million is in addition to the \$66 million deficiency, so the total declared deficiency will be \$77 million. Falappino confirmed that SELF's total long-term assessment receivable would be about \$77 million, of which about \$3 million will be collected this year.

Falappino reported that the Finance Committee also approved mid-year budget adjustments after reviewing each item thoroughly.

As a topic for discussion at the Board retreat, Falappino noted, the Finance Committee would like to review the entire process for approving budget revisions.

Wilson informed Board members that a special Board meeting will be held at 1:30 p.m. on February 7 at the Seascape Resort in Aptos.

Falappino said the Finance Committee reviewed and discussed the proposed response to the audit report and made a few minor changes. He recommended Board approval.

Gregoryk proposed amending the agenda to include the response to the auditors as an action item.

Falappino made a motion, which was duly seconded, to add the

response to the audit report as Item IX.G.

Vote: Unanimous.

3. Recommendations to the Board
 - a. Approve Financial Statements September, October and November 2006
 - b. Approve Assessments - Excess Workers' Compensation Program
 - c. Approve Mid-Year Budget Adjustments

C. LIABILITY CLAIMS AND COVERAGE COMMITTEE

None.

D. WORKERS' COMPENSATION CLAIMS AND COVERAGE COMMITTEE

None.

E. MEMBER SERVICES AND COMMUNICATIONS COMMITTEE

None.

IX. ACTION ITEMS

A. APPROVE MID-YEAR BUDGET ADJUSTMENTS

Lueck made a motion, seconded by Lepley, to approve the mid-year budget adjustments proposed.

Vote: Unanimous.

B. APPROVE/CONSIDER ASSESSMENTS - EXCESS WORKERS' COMPENSATION PROGRAM

Lueck made a motion, seconded by Combes, to approve the assessment for the excess workers' compensation as proposed.

Gregoryk clarified that SELF will be billing \$3 million this year.

Vote: Unanimous.

C. APPROVE FINANCIAL STATEMENTS - NOVEMBER 2006

Hartline made a motion, seconded by Johnston, to approve the November 2006 financial statements.

Vote: Unanimous.

D. RESOLUTIONS FOR WITHDRAWAL FROM SELF JPA AND/OR INDIVIDUAL PROGRAMS

Wilson drew attention to the list of members who had submitted withdrawal notices.

F. LANCASTER HIGH SCHOOL DISTRICT (Out of Order)

Wilson noted that when a member withdraws from SELF, the Board representative from that district is considered resigned, effective the date of the notice. He said that when he notified Herb Bartelt, Bartelt was surprised to find out Lancaster was withdrawing. Wilson drew attention to the letter in the meeting packet clarifying Lancaster's position.

Wilson said SELF also has a resolution approved by the Lancaster board. He welcomed direction as to how to respond.

Gregoryk clarified that Lancaster wanted to withdraw its notice after the fact. Johnston asked if SELF had allowed withdrawing members in the past to change positions. Gregoryk responded that the withdrawal was considered final.

Minnick noted the notice is called a "notice of intent to withdraw," but it is treated as a notice of withdrawal. She said SELF has advised withdrawing members that they will need to reapply and agree to a three-year commitment.

Falappino commented that SELF had received a signed board resolution, which was contradicted by the recent letter from the superintendent of business services. He said notices from the board should carry much more weight than instructions from a district employee.

Hartline agreed. She said only the school board has the authority to decide whether to remain a member of SELF or withdraw. She noted

SELF is likely to receive many similar notices, so it would be prudent to have a policy in place to deal with these situations.

Gregoryk stated that he had been receiving calls from some community college districts that plan to reapply to SELF once the rates for next year are released. He emphasized the need to have a clear and consistent policy. Gregoryk remarked that the situation would have been different if SELF had received a communication from the board rescinding its resolution. He said he saw no way SELF could honor the assistant superintendent's request.

Tanguay pointed out that SELF would not accept an employee's notification of withdrawal either, so this interpretation would be consistent. Board members agreed that Lancaster should reapply if that was the board's intent.

Hartline noted Lancaster appears on the list of withdrawing districts, and the letter requests that SELF table action on Lancaster.

Anderson said Lancaster is not rate-shopping, like the community college districts described by Gregoryk, and their intent is to remain a member. She suggested giving consideration to members who misunderstood the notice of withdrawal or its implications, and taking into account how quickly they seek to rescind their actions. Gregoryk pointed out there might not have been a board meeting in the necessary time frame.

Lepley suggested accepting the superintendent's letter, pending receipt of a board resolution. After some discussion, the Board asked the staff to notify Lancaster that the bylaws require a formal resolution from the board to make any changes.

Hartline recommended that the Board develop a policy for handling withdrawing members. She noted Board members could meet with districts in their areas to encourage them to remain with SELF, but if they are unable to rejoin easily, that effort would be futile.

Robin Stewart advised that members wishing to rejoin can reapply, and SELF has the discretion to accept their applications immediately.

Lepley said SELF needs to establish some cutoff date to allow accurate rate-setting for next year. Gregoryk noted that the actuary will be presenting some preliminary numbers at the strategic planning session. He added that he expected to have firm rates to approve in March.

Keller suggested streamlining the application process for members who left the program within the past three months. She recommended accepting a board resolution rejoining SELF, but not requiring the actuarial data and loss runs that would otherwise be required of new members.

Gregoryk agreed that SELF should maintain a receptive and helpful attitude to make the reapplication process as easy as possible for returning members. Lepley suggested it might be helpful to send a communication to withdrawing members to encourage them to return.

Didion asked if SELF has any provisions for rescinding a withdrawal, and Stewart answered that there were no such provisions. Didion expressed concern about creating a special procedure now that could cause problems in the future.

Hartline suggested that SELF consider waiving the three-year commitment for members who reapply before the expiration of their membership, treating these reapplications as a continuation rather than a new application.

Minnick noted SELF might want to adopt a one-time-only policy and establish a cutoff date of March for rescinding withdrawals without triggering a three-year commitment.

Hardash recalled that SELF has consistently denied past requests to waive the December 31 notification date, and he expressed concern about setting a precedent that will have long-term implications. He advocated consistency.

Lepley said requiring a three-year commitment promotes stability, a benefit for all members.

After some discussion, Board members decided to table this topic and agendaize this topic for discussion at the strategic planning session.

E. FULLERTON JOINT UNION HIGH SCHOOL DISTRICT (Out of Order)

Wilson reported that the Fullerton board provided a resolution authorizing the director of human resources to make decisions with respect to its program, and that director signed a letter seeking withdrawal from the

workers' compensation program.

The Board members agreed that the resolution combined with the director's letter gave a clear picture of the district's intent.

D. RESOLUTIONS FOR WITHDRAWAL FROM SELF JPA AND/OR INDIVIDUAL PROGRAMS (Continued)

Wilson noted that Fullerton should be added to the list of districts withdrawing from the Excess Workers' Compensation program.

Johnston made a motion, seconded by Combes, to accept the withdrawal resolutions.

Vote: Unanimous.

Wilson said he would notify Bartelt of the Board's decision regarding Lancaster.

Board members clarified that the withdrawing districts' representation on the Board ended when their notices of withdrawal were received.

Hartline noted that Bartelt is no longer an alternate, and even if his district rejoins SELF, Bartelt may not necessarily be the designated alternate at that time. Gregoryk asked the staff to inform Bartelt that he will not be eligible to attend the strategic planning session as an alternate.

Stewart cautioned that if SELF receives a notice of withdrawal by December 31, and then sets dates for members to rescind the notices, the effect is moving the December 31 deadline further into the fiscal year. She questioned what that will accomplish, other than reacting to members' indecisiveness. Stewart emphasized the need for SELF to maintain the integrity of its programs and adhere to its rules, but pointed out that this still leaves open the possibility of working with returning members to ease the reapplication process.

G. RESPONSE TO AUDITORS

Lueck made a motion, seconded by Johnston, to approve the response letter to the auditors as proposed.

Vote: Unanimous.

X. INFORMATION/DISCUSSION ITEMS

A. POTENTIAL IMPACT OF WITHDRAWALS ON 2007/2008 RENEWALS

Wilson referred to exhibits in the meeting packet showing the impact of the withdrawals on 2007/2008 renewals.

B. RESIGNATION OF BOARD OR ALTERNATE MEMBERS WHO WITHDRAW FROM SELF

Gregoryk observed that that this topic had already been discussed.

Hartline recommended noting that Eloy Oakley's service as an alternate had also terminated.

C. SELF INVESTMENT REPORTS FOR NOVEMBER, DECEMBER 2006

Gregoryk drew attention to the November and December investment reports.

D. INVESTMENT REVIEW - THIRD QUARTER 2006

Moody said the Finance Committee discussed having the staff provide summary information in the future and posting the full investment reports on the Web. Board members expressed support for this idea.

E. CALIFORNIA PUBLIC RECORDS ACT REQUEST

Gormley referred to the correspondence in the packet. She said SELF has been requesting documents from Keenan & Associates for several months without a response, and she asked for direction from the Board.

Crosier asked why SELF wanted the information. Gormley responded that members had asked for some basic information about the Keenan pools.

Board members discussed possible next steps.

F. KEENAN CORRESPONDENCE

Gregoryk drew attention to the letters from Sean Smith, Keenan & Associates. He asked the subcommittee to work with the staff and legal

counsel to draft an appropriate response.

XI. EXECUTIVE DIRECTOR'S REPORT

None.

XII. CLOSED SESSION

At 9:24 a.m., Minnick made a motion, seconded by Hartline, to enter Closed Session for the purpose of discussing pending claims and personnel matters.

Vote: Unanimous.

A. LIABILITY CLAIMS

1. Winter, et al. v. Downey USD
2. Cross v. Huntington Beach USD

B. WORKERS' COMPENSATION CLAIMS

1. CCCSIG v. SELF
2. Garden Grove School District v. SELF

C. PERSONNEL: PUBLIC EMPLOYEE RECRUITMENT/INTERVIEW CANDIDATES FOR CHIEF EXECUTIVE OFFICER

At the conclusion of the closed session at 11:30 a.m., Tanguay made a motion, seconded by Minnick, to leave closed session and resume the open session.

Vote: Unanimous.

Gregoryk reported that during the Closed Session, the Board provided direction to claims staff and Ralph Andersen & Associates.

XIII. CHAIR'S REPORT

None.

XIV. AGENDA ITEMS/NEXT MEETING

February 7, 2007 - 1:30 p.m.
Special Board of Directors meeting
Seascape, Aptos

February 7-9, 2007

Strategic Planning Session
Seascape, Aptos

March 2, 2007 - 8:30 a.m.
Board of Directors
SELF Office

April 6, 2007 - 10:00 a.m.
Executive Committee
SELF Office

May 4, 2007 - 10:00 a.m.
Executive Committee
SELF Office

May 31, 2007 - 10:00 a.m.
Finance Committee
SELF Office

June 1, 2007 - 10:00 a.m.
Executive Committee
SELF Office

June 22, 2007 - 8:30 a.m.
Board of Directors
SELF Office

VIII. ADJOURNMENT

There being no further business, Tanguay made a motion, seconded by Minnick, that the meeting be adjourned. The motion was carried unanimously and the meeting was adjourned at 11:34 a.m.