

**MINUTES OF THE CSURMA
EXECUTIVE COMMITTEE MEETING
MAY 9, 2014
LONG BEACH, CALIFORNIA
8:30 AM**

MEMBERS PRESENT

George V. Ashkar, CSU Office of the Chancellor, Treasurer
Dwayne Brummett, California Polytechnic State University, AORMA Chair (via teleconference)
Lisa Chavez, CSU Los Angeles (via teleconference)
Robert De Wit, Forty-Niner Shops, Inc., AORMA Vice-Chair
Lori Gentles, San Francisco State University
Linda Hawk, CSU San Marcos, Vice-Chair
Mike Lee, Sacramento State University (via teleconference)
Michael Thorpe, CSU Chico

MEMBERS ABSENT

Cynthia Teniente-Matson, CSU Fresno, Chair

STAFF, GUESTS & CONSULTANTS

Christina Bau, TCW/MetWest
Kelly Cox, CSU Office of the Chancellor
Robert Eaton, CSU Financing and Treasury, Secretary-Auditor
Zachary Gifford, CSU Office of the Chancellor
Jim Hoffman, CSU Office of the Chancellor, CPDC
Daniel Howell, Alliant Insurance Services, Inc.
William Hsu, CSU Office of General Counsel
Andrew Jones, CSU Office of General Counsel
AliceKim, CSU Office of the Chancellor
Myron Leavell, Alliant Insurance Services, Inc.
Robert Leong, Alliant Insurance Services, Inc.
Mimi Long, Alliant Insurance Services, Inc.
Patrick Moore, TCW/MetWest
Rebecca Skidmore, CSU Office of the Chancellor
Kirtland Stout, Sacramento State University
Susan Westover, CSU Office of General Counsel

A. CALL TO ORDER

The meeting was called to order at 8:31 a.m. by Vice-Chair, Linda Hawk.

A1. Approval of the Agenda

A motion was made to approve the order of the agenda as presented.

MOTION: George Ashkar
SECOND: Michael Thorpe

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

A. PUBLIC COMMENTS - None

B. CONSENT CALENDAR

C1. Approval of Minutes – March 20 & 21, 2014

C2a. Receipt and Review of the Draft Financial Statements at March 31, 2014

C2b. Treasurer’s Report at March 31, 2014

A motion was made to approve the items on the consent calendar as discussed at today’s meeting with the noted correction to the meeting minutes of March 20, 2014.

MOTION: Michael Thorpe
SECOND: Robert De Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

D. GENERAL ADMINISTRATION

D1. Approval of Member Loan

George Ashkar reviewed the item with the Executive Committee. CSU Sacramento has requested a five years Line of Credit for the safety retrofit and renovation project in Sacramento State’s Chemistry Labs.

Pursuant to CSURMA Policy and Procedure No. 10 – Member Loans - allows for the JPA to offer member loans provided certain requirements are met. The CSURMA Treasurer has reviewed the background, and finds that the request meets the requirements of the Policy and Procedure, and recommends approval of the Line of Credit; which will be estimated at \$4,000,000. The LOC will be fully amortized, with payment due quarterly. CSURMA will earn interest based on the rate of return on CSURMA investments.

A motion was made to approve the Line of Credit (LOC) to CSU, Sacramento for five years as described above.

MOTION: George Ashkar

SECOND: Michael Thorpe

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

D8. Overview of Investment Update

Robert Eaton reviewed the item with the Executive Committee. He then introduced Christina Bau and Patrick Moore of TCW/ Metropolitan West Asset Management, LLC (MetWest); who presented an overview of CSURMA’s Fixed Income Portfolio to the Executive Committee.

A key piece of the update was the review of the benchmark used for management of the portfolio by Metropolitan West Asset Management, LLC (MetWest). The portfolio is currently benchmarked against Barclays U.S. Intermediate Government-Credit (G/C) Index, and is comprised of U.S. Government, Agency and Investment Grade Credit securities. The CSURMA

portfolio guidelines permit these investments as well as Agency Mortgage-Backed securities (MBS), and Asset-Backed securities (ABS). Investments in non-government related assets are limited to a rating of A or better for Corporations and AAA for ABS. The high quality orientation of the CSURMA portfolio precludes an allocation to BBB-rated securities, which comprise 14% of the benchmark but are absent from the CSURMA portfolio.

MetWest recommended that the benchmark be changed to the Barclays U.S. Intermediate Government-Credit (G/C) – A or Better Index, which limits its construction to securities with a minimum rating of A- and would provide a closer alignment to CSURMA’s investment policy which limits the overall investments in the portfolio to securities rated A or better.

As a result, this change in benchmark would allow an opportunity to take on some additional risk and explore longer duration instruments, within policy guidelines.

Robert Eaton briefly reviewed the SWIFT Portfolio with the Executive Committee. Per the Investment Policy, The Executive Committee recognizes that the SWIFT Portfolio and the SWIFT Investment Policy are under the control of the CSU and are not under the Executive Committee’s ability to modify.

Kelly Cox reviewed the Loan Portfolio with the Executive Committee, as the loans are a portion of CSURMA’s investment program. The loan portfolio consisted of three (3) loans

No action was taken at this time.

D2. Underwriters’ Meeting Report

Robert Eaton reviewed this item with the Executive Committee. CSU representatives met with CSURMA’s program underwriters in London on April 2 and April 3, 2014. The CSU team was comprised of Dr. Timothy P. White, Chancellor of the CSU, Robert Eaton, CSURMA Secretary-Auditor, and Dan Howell, Alliant Insurance Services. Each meeting included the Chancellor’s review of the position and mission of the CSU as well as the future outlook. Particular attention was paid to the renewal of leadership at the systemwide and campus levels. CSU’s financial position and capital plans were reviewed as well as the State’s reinvestment in the CSU with the Governor’s four year funding commitment.

Over the two day period there were 11 meetings with 18 London market participants.

The main goals of the meetings were:

- Demonstration of CSU leadership’s commitment to risk management
- Discussion on CSU leadership renewal
- Review of the financial position of CSU and its direction
- Discussion on technical points of insurance placements and renewal expectations

Robert Eaton stepped through his report on the individual meetings with the various markets.

No action was taken at this time.

D3. Student Insurance Programs Rating Plans Task Group

Robert Leong reviewed this item with the Executive Committee. He thanked the Student Insurance Programs RPTG members: Michael Thorpe, Lisa Kao, Kirtland Stout, Zachary Gifford and Stacey Weeks for their efforts.

Rob then stepped through the Task Group's recommendations with the Executive Committee:

CAMPUS INSURANCE PROGRAMS

1. FUNDING POLICY

- FP-1.** The Campus Programs RPTG finds that the goals of the CSURMA Policy and Procedure No. 7 – “Self-Insured Program Funding” have been achieved. Upon review of the policy, no changes to the policy are recommended at this time.
- FP-2.** The Campus Programs RPTG recommends that future program years continue to be funded in accordance with Policy and Procedure No. 7.

2. RATING PLANS

LIABILITY

- L-1.** The Campus Programs RPTG recommends that the Liability Deductible credits should be adjusted per the Actuary's recommendation dated November 1, 2013. The task group affirms that self supporting funds should continue to have a \$35,000 deductible regardless of the campus selected deductible. The effect of the new deductible credit factors would increase FY 2014/15 Liability program funding by \$552,738 – at present campus deductible selections.
- L-2.** As an assignment for the next rating plans review, the Campus Programs RPTG recommends a re-evaluation of the rating tiers used to determine Creditability Factors based on campus size. The assignment is to analyze and identify natural tiers among CSU campuses to define campus size into categories such as Small, Medium, Large which are, or may be, in use by Analytic Studies or others within the Chancellor's Office for systemwide reports.

WORKERS' COMPENSATION

- WC-1.** The Campus Programs RPTG recommends the elimination of funding for claims with industrial injury dates occurring prior to July 1, 1999 since the Workers' Compensation Risk Pool is fully-funded per the actuary's recommendation at the

70% confidence interval (which exceeds expected loss funding defined to be 50-55% confidence). The effect of this recommendation reduces total deposit by \$1,556,520.

IDL/ NDL/ UI

IDL-1. The Campus Programs RPTG recommends maintaining the current rating plan with no modification necessary.

PROPERTY

P-1. The Campus Programs RPTG discussed the addition of an Experience Modification factor to the Property program cost allocation formula, and recommends against implementation at this time. The relative loss rate of campuses should be monitored by the Systemwide Risk Management and acted upon in the future as the Executive Committee may deem appropriate.

P-2. The Campus Programs RPTG recommends maintaining the current rating plan with no modification necessary.

AUTO LIABILITY (VELSIP)

AL-1. The State of California Motor Vehicle Liability Self-Insurance Program cost has been included in CSURMA program costs based on the vehicle count reports tabulated by the state Department of General Services and rates established by the state Office of Risk & Insurance Management (ORIM). The Campus Programs RPTG recommends that this practice be continued and that the Systemwide Office of Risk Management observe the relative loss rates and recommend an experience modification factor if warranted.

AL-2. The Campus Programs RPTG recommends maintaining the current rating plan with no modification necessary.

GENERAL RECOMMENDATION

G-1 The Campus Programs RPTG recommends that a comprehensive review of the rating plans be initiated in the Spring 2016 so that appropriate changes can be considered before adoption of the rates for FY 2017/18.

STUDENT INSURANCE PROGRAMS

CLUB SPORTS INSURANCE PROGRAM (CSIP)

CS-1. The task group recommends the current rating plan be continued until there is sufficient experience to evaluate program cost.

- CS-2.** The task group recommends the Coverage Summary include a definition of the coverage territory, particularly as respects off-campus activities including out-of-state and foreign countries.
- CS-3.** After sufficient history per recommendation CS-1, the task group recommends a review of club/intramural/recreational sports by Hazard Group be initiated to consider development of rates by hazard group.

STUDENT PROFESSIONAL LIABILITY INSURANCE PROGRAM (SPLIP)

- SP-1.** The task group recommends the current rating plan be continued with no change.
- SP-2.** The task group recommends the Coverage Summary be amended to include a definition of the coverage territory, particularly as respects out-of-state internships or in foreign countries.

STUDENT ACADEMIC FIELD EXPERIENCE for CREDIT LIABILITY INSURANCE PROGRAM (SAFECLIP)

- SC-1.** The task group recommends the current rating plan be continued with no change.
- SC-2.** The task group recommends the Coverage Summary be amended to include a definition of the coverage territory, particularly as respects out-of-state internships or in foreign countries.

STUDENT TRAVEL ACCIDENT INSURANCE PROGRAM (STAIP)

- TA-1.** The task group recommends the current rating plan be continued until there is sufficient experience to evaluate program cost.
- TA-2.** The task group recommends the Coverage Summary be amended to include a definition of the coverage territory, particularly as respects school-sponsored activities occurring out-of-state, including foreign countries.
- TA-3.** The task group recommends the Coverage Summary be amended to state the maximum duration of trips that can be covered (currently 14 days).

FOREIGN TRAVEL INSURANCE PROGRAM (FTIP)

- FT-1.** The task group recommends the current rating plan be extended to include travel up to 365 days with rate segments based on duration of travel. A sample rating plan proposed for FY 2014/15 is included in the Appendix.
- FT-2.** The task group recommends that FTIP create an “overlay coverage” to cover gaps in insurance coverage at a rate to be determined to reconcile duplicate cost and redundant coverage concerns arising from CSU approved independent study abroad program vendors who require their participants to purchase insurance provided by their programs. “Overlay coverage” would be limited to CSU-approved independent study abroad programs.

- FT-3.** The task group recommends the Coverage Summary be amended to include a definition of the coverage territory, including coverage limitations as respects travel to “high risk” territories.
- FT-4.** The task group recommends a review of foreign travel by risk factors such as the U.S. Department of State travel warnings.

GENERAL RECOMMENDATIONS

- G-1** The Student Insurance Programs RPTG recommends that a comprehensive review of the rating plans be initiated in Spring 2016 so that appropriate changes can be considered before adoption of the rates for FY 2017/18.

A motion was made to approve the RPTG’s findings by acceptance of the presented draft report and to recommend for adoption to the Board of Directors; and if adopted, the changes become effective for the coverage programs beginning in the next fiscal period, FY 2014/15.

MOTION: George Ashkar
SECOND: Michael Thorpe

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

D4. Extension of Emergency Services Contract with Witt-O’Briens

Zachary Gifford reviewed the item with the Executive Committee. Witt O’Brien’s provides emergency services consulting for the California State University System under an agreement between CSURMA and Witt Group Holdings, LLC. The current term of the agreement is from July 1, 2012 to July 1, 2014, and renewable for successive two-year periods subject to adjustments of costs and fees to be agreed upon in writing.

The presented scope of work for the upcoming term consisted of the following projects:

Task A: Evaluation of all CSU campus Emergency Operations Plans (EOPs)	\$75,000
Task B: Council of President’s Emergency Management Training Seminar	\$55,000
Task C: Chancellor’s Office System-Wide Coordination Plan	\$35,000

Task D: Chancellor’s Office Emergency Preparedness Plans	\$50,000
Task E: CSU Campus Training and Exercise Opportunities	\$45,000
Tasks F: CSU Campuses Behavioral Threat Assessment Program Review and Evaluation (initial tasks ONLY)	\$15,000
Task G: System-Wide Emergency Management Program Review (initial tasks ONLY)	\$15,000
Task H: Provide strategic advisory, representation, and technical Services (as needed)	\$10,000
Total	\$300,000

A motion was made to approve the renewal of the service agreement with Witt O’Brien’s proposed service agreement for FY 2014/15 and FY 2015/16 and to delegate authority to the Secretary – Auditor to execute the agreement at an amount not to exceed \$300,000.

MOTION: George Ashkar

SECOND: Robert De Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

D5. Minors on Campus Training

Zachary Gifford reviewed the item with the Executive Committee. At the January 2014 meeting, the Executive Committee delegated authority to the Secretary-Auditor to execute the Praesidium, Inc. contract for services after a presentation to CABO for its support. CABO has not reviewed the item as of yet. Lori Gentles also reached out to Human Resource Officers for their support with little response.

As minors are due to arrive on campuses shortly for summer programs, and in an effort to limit CSURMA’s exposure for this risk, the Executive Committee made a recommendation to execute the contract after a full review by the Office of General Counsel.

The cost for the online self-assessment tool and the three online training sessions is \$2,000 per program, up to a maximum of \$50,000 annually. The cost is included in the operating budget.

A motion was made to execute the Praesidium contract after a review by the Office of General Counsel. Authority was previously delegated to the Secretary-Treasurer to execute the agreement.

MOTION: Michael Thorpe

SECOND: Robert De Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

D6. Cyber Risk Insurable Exposure Project

Daniel Howell reviewed this item with the Executive Committee. CSURMA’s insurance program includes \$5 million of coverage for Cyber Risks. Coverage includes protection for loss of personal information, privacy notifications, copyright infringement, data and systems restoration, and claim response services.

At the March meeting, the CSURMA Executive Committee delegated authority to retain Farallon, an independent consultant, to prepare a study report on the exposure of the University and auxiliary organizations from cyber risks. The report will be used to help define the type and amount of coverage needed by the CSURMA.

The draft report was recently received by CSURMA and is currently being reviewed by staff and counsel. Due to the sensitive nature of the report, it is not for distribution in its current form.

The study project’s cost is \$15,000 with up to \$2,500 for travel expenses.

D7. Review of 2014/2015 Long Range Action Plan

Daniel Howell reviewed the 2014/2015 Long Range Action Plan with the Executive Committee, which presented the following items of focus for 2014/2015:

- Development of “An Introduction to CSURMA” PowerPoint presentation for new staff.
- Evaluate CSU’s Unemployment Insurance claim trends and establish methods to improve results.

- Develop and implement plan to reduce Workers’ Compensation claims liability with specific goals to improve claims settlement and closure of very old claims.
- Re-evaluate Primary Workers’ Compensation Reinsurance as a vehicle to mitigate CSU’s cost of WC claims funding.
- Develop process and establish timeline to renew the OCIP covering CSU’s capital construction.
- Develop and implement coverage plan to cover CSU’s liability arising from the ownership and operation of UAV’s (drones) used for research activities.
- Implement more master insurance and indemnity agreements with key hosting partners.

A motion was made to accept the draft Long Range Action Plan as presented.

MOTION: Robert DeWit
SECOND: Michael Thorpe

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Dwayne Brummett	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles	X			
Linda Hawk	X			
Ming Tung (Mike) Lee	X			
Cynthia Teniente-Matson				X
Michael Thorpe	X			

MOTION CARRIED

E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS

E1. AORMA Programs Update

The AORMA report was tabled as the item appears on the agenda of the Board of Directors meeting being held later today.

F. CLOSED SESSION

There were no items for Closed Session at today’s meeting.

G. INFORMATION ITEMS

G1. Litigation Report from the Office of General Counsel

Andrew Jones, Associate Vice-Chancellor and Deputy General Counsel presented a summary of matters that the Office of General Counsel litigated over the past year.

G2. Fitting the Pieces Together Conference 2015

Zachary Gifford reviewed this item with the Executive Committee. CSURMA sponsors the Fitting the Pieces risk management conference that is developed and delivered by the Chancellor's Office Systemwide Office of Risk Management. The historical schedule has been once every 18 months. The last conference was held in November 6-8, 2013 in Sacramento.

The Chancellor's Office has begun work on the next conference with tentative dates of Monday, April 27 through Wednesday, April 29, 2015 at the San Diego Sheraton Hotel & Marina. Those dates would incorporate CSURMA's regular Board of Directors and Executive Committee meetings to minimize travel expenses and time commitments.

G3. CSURMA Administrative Service Calendar

Daniel Howell reviewed the item with the Executive Committee. The document sets out the scope of administrative work to be performed in a calendar format.

G4. CSURMA 2014 Meeting Calendar

The CSURMA Meeting calendar was included in the agenda for the Executive Committee's review.

G5. CSURMA Executive Committee & Staff Contact List

The Executive Committee reviewed the Contact List and was advised to inform the Program Administrators of any needed updates or corrections to the information presented.

H. ADJOURNMENT

A motion was made to adjourn the meeting.

The meeting adjourned at 10:25 AM.