



New Jersey Schools Insurance Group

6000 Midlantic Drive, Suite 300 North
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(609) 386-6060 • FAX (609) 386-8877
www.njsig.org

Board of Trustees Meeting of June 15, 2016 Board of Trustees Meeting Minutes of May 18, 2016

New Jersey Schools Insurance Group's Board of Trustees Meeting of May 18, 2016 at the Group's Mount Laurel office.

ATTENDEES

Trustees: Thomas F. Connors, James Jencarelli, Jr., Kevin Kitchenman, Irene Le Febvre, Steven Robinson, Chris Russo, and Anthony Tonzini, Jr.

Participants: Joe Porch, Sub Fund Administrator representing BACCEIC and ERIC South, Frank Domin, Jr., Sub Fund Liaison representing BACCEIC, Neal Schonhaut, Esquire representing Archer & Greiner, and Dave Ritch representing Willis Towers Watson.

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Staff: William Mayo, Executive Director; Michele Carosi, Comptroller; Jeffrey Cook, Information Technology Manager; Jill Deitch, Chief Legal Officer; Anthony Jones, Loss Control Manager; Kelly Machu, Client Relations and Underwriting Manager; Anthony Ruggeri, Interim Claim Manager; Chai Respes, Human Resource Manager; and Renee Johnson-Payne, Executive Assistant.

ITEM #1 CALL TO ORDER

With a quorum present, the meeting was called to order at 4:06 p.m. In accordance with the Sunshine Law, due notice of all pending meetings was given to the *Atlantic City Press*, *Newark Star Ledger*, and *Trenton Times* on April 29, 2016. Copies of these notices are on file with the New Jersey Secretary of State.

ITEM #2 ROLL CALL

Thomas F. Connors, Ph.D.	√	Steven K. Robinson	√
James J. Jencarelli, Jr.	√	Christopher Russo, Ed. D	√
Irene Le Febvre	√	Tyler Seville	A
Kevin Kitchenman	√	Anthony N. Tonzini, Jr.	√

Anthony Tonzini, Chairman, introduced and welcomed the new Trustee James Jencarelli.

ITEM #3 ACCEPTANCES OF THE PUBLIC AND EXECUTIVE SESSION MINUTES OF MARCH 16, 2016.

Action Taken: *M (Le Febvre)\ S (Connors)\ Abstentions (Jencarelli, Russo, Robinson)\ Carried (Affirmative Votes Connors, Kitchenman, Le Febvre, Tonzini) to accept the March 16, 2016 Public and Executive Session Board of Trustees Meeting Minutes.*



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ITEM #4 PUBLIC PARTICIPATION

Action Taken: M (Kitchenman)\ S (Russo)\ Carried (Affirmative Votes Connors, Jencarelli, Kitchenman, LeFebvre, Robinson, Russo, Tonzini) to open the public session for public participation.

Action Taken: M (Connors)\ S (LeFebvre)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, LeFebvre, Robinson, Russo, Tonzini) to close the public session for public participation.

ITEM #5 SUB FUND LIAISONS – Reports/Comments

Frank Domin, Jr., BACCCEIC Liaison reported BACCCEIC and ERIC South will participate in a joint Training Day scheduled for June 3, 2016.

Anthony Tonzini, Jr., Chairman reported that ERIC North and MOCSSIF had their joint Training day on May 6, 2016 and it was enlightening. They talked a lot about personal insurance, homeowners, and things like that. It was scary. If you have a child in college, you had better look into upgrading your homeowners' policy or getting some kind of separate policy for their property.

Steven Robinson, Trustee participated in the NJEIF Training day on May 13, 2016. He gave kudos to the training session and John H. Geaney, Esquire.

ITEM #6 REPORTS

Executive Director, William Mayo, highlight a couple of things. One, he put in a new format with this most recent report. He will use his report to point out the highlights of each department. That is where the real work is taking place. He will include any comments as appropriate, of course, and things he wants to draw to your attention.

There is an RFP for banking services to be discussed that bears comment. Great lengths have gone into the preparation of this RFP with help from Archer & Greiner and Jill Deitch, Chief Legal Officer.

Executive Director, William Mayo, reported Client Relations and Underwriting has been very active in looking at additional members to the Group with expansion of lines of coverage for existing members. He has great expectations for the upcoming renewal season, although we budgeted flat.

The Information Technology Department will provide a demonstration, which is an example of the direction the Group is taking toward the increased use of analytics. There are some great tools available through Willis Tower Watson. The program being

6/6/16



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demonstrated was developed internally by a new employee, Shadi Hermina, Data Analyst. It really enhances our internal controls and the way the Group does business. It is a much more professional approach.

Loss Control has seen some great results from the once controversial issue of the generic email. The process of applying for the Safety Grant was simplified since automating the Safety Grant process and we are also able to track who's in and who's not, which until now has been impossible. William Mayo gave kudos to Tony Jones with assistance from Jeff Cook, and the IT staff.

Executive Director, William Mayo, Claims, commended Tony Ruggeri on his excellent job of standing in for Lou Giannetto. William Mayo visited and had lunch with Lou Giannetto on May 16, 2016 he's on the road to recovery. In Lou Giannetto's absence, Tony Ruggeri has instituted a number of changes very successfully. Staff is much more collaborative in nature, in terms, of the meetings. It's a visible improvement, thanks to Tony Ruggeri's efforts.

Last year William Mayo, Executive Director, advocated for two positions, Shadi Hermina, Data Analyst, and Jill Deitch, Chief Legal Counsel. Both new positions have worked out as excellent finds. The new employees really ups our game in all aspects of our operations with these two new tools that are remarkably different from anything the Group has done before in a good sense of the direction we're headed. One of the five open positions, we recently filled. That was as a result of financial auditor's recommendation to move the accounting for payroll into the Comptroller's office, and that is underway. Chai Respes, Human Resource Manager, is actively training this new employee. When she is appropriately trained, she will begin to work out of the Accounting Department, but the responsibilities will be transferred over to the Comptroller in accordance with our financial auditor's recommendation.

William Mayo, Executive Director, reported Jill Deitch, Legal Department, has been through many compliances issues, including purchasing, she's very instrumental in our new travel and expense policy. She has tackled defense panel issues and made some notable improvements there. She is at the tail end of the coverage analysis by coverage counsel. She has dealt with Human Resource issues, improving claim procedures, OPRA and open public meeting requirements and protocols, and most importantly and currently, the contracting. The banking RFP is the first of a series of RFP's she will be working on immediately after the renewal period that includes our brokerage for reinsurance, chief on that list, but also our managed care provider. There are about five or six in total that will be going out shortly.

Michele Carosi, Comptroller, reported that the next annual fiscal year-end audit is coming soon. Nisovocchia usually begins the audit at the end of July. Traditionally we have offered



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the Trustees the opportunity to do a pre-audit meeting where all concerns can be addressed.

Kelly Machu, Client Relations and Underwriting Manager, reported that there are about 225 renewable submissions and 90 quotes are with the brokers/members. It is common to be waiting for renewal applications to arrive at this time of year. There is no cause for concern.

Kelly Machu, Client Relations and Underwriting Manager, also reported Client Relations will be attending the NJ Charter School Conference, Atlantic City next week. The Group has not attended the Charter School Conference in the past two years. Many Charter Schools knock on our door for terms because they know we have the best coverage available for them, so we thought it was a great idea to go out and get our new marketing material out there and introduce ourselves to some of these charter schools that are in need of an insurance company. So that's what we'll be doing next week.

William Mayo, Executive Director, reported he'll be speaking to Charter Schools about participating in a feasibility study for a health insurance fund. They appear to be the best recipients for the benefits of that approach, if it works for them, it will set a tone, maybe for the school districts that are interested to participate in a feasibility study.

Tony Jones, Loss Control Manager, reported one of the summer training classes for defensive driving is at capacity. He also reported the Group was recognized by WeTip for outstanding work in school safety and crime prevention.

Tony Ruggeri, Interim Claims Manager, reported that our claims have been down. Much of that is through our being able to close a lot of files and clean out some of the pendings, redistribute those pendings, so that there are manageable case loads for all of our adjusters, and I can't take total credit because property losses have been down drastically over the last few months. That has helped our bottom line and, you know, reduced our overall pending. As you can tell, we're down from last year, primarily due to the lack of property claim and we're very close to settling one of hurricane Sandy's. One is in litigation.

ITEM #7

DEMONSTRATION:

A. Client Relations Dashboard Demonstration

Jeff Cook, Information Systems Manager, introduced Data Analyst, Shadi Hermina.

Shadi Hermina explained that the Client Relations Dashboard was developed in-house. He demonstrated all of the impressive functionality of the new Client Relations Dashboard.



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ITEM #8 DISCUSSION ITEMS:

A. 2016/2017 Draft Budget

Executive Director, William Mayo, offered to answer any specific questions regarding the 2016/2017 budget.

B. 2016/2017 Plan of Risk Management

Executive Director, William Mayo, explained the draft plan of risk management is an articulation of how the Group does business. It is filed with the Department of Banking and Insurance for their approval. There are minimal changes in this Plan of Risk Management that are meaningful. The property insurance limits went from \$400 million to \$450 million. That was done, thank you Dave Ritch, at no additional premium this year. It is up from \$350 million a year ago. There was one new change beginning July 1, 2016 this was installed in the plan last year to be effective July, where under there is standard broker compensation. The third thing that is articulated this year, because it's also effective July 1, all members will be represented by a broker and the most important reason for that, and, by the way, all, but four or five of them are, so it's not a big change for our population, if there is not a broker in place, there's a missing ingredient that falls on this Group and that's called professional liability, errors and omissions, malpractice, whatever you want to call it. Brokers, Mr. Porch carries a significant limit for errors and omissions. So if there is a failing on the part of designing the coverage, it's the broker's responsibility and the broker has malpractice policy to cover for any errors. In the absence of a broker, there is no said shield, that would likely fall back on us. We are not staffed or positioned to function as brokers. So we would really have to add 50 people to staff to do that effectively. So, given that we don't have that capability and we don't want that capability, we are insisting on brokers. Those are the key changes this year. Everything else is the same.

C. Banking, Custodial and Asset Management RFP

Michele Carosi, Comptroller offer to answer questions and receive suggestions regarding the RFP. She reported the current custodial agreement with TD Wealth was not compliant with the enabling legislation, and they refused to change the custodial agreement. They put our backs up against the wall, that we had no other choice, but to look for another organization that will comply with the language that we needed for the custodial agreement. We are also looking to possibly change our bank. Bill and I both feel that we could potentially get more competitive rates. We've had a historical relationship with TD Bank, going back to when they were Commerce Bank, and, you know, we feel that it might be, it might be advantageous for us to look at other banks for their interest



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rates, and then thirdly, we're also looking for a financial analysis investment advisor. The State Investment Council and the Department of Banking and Insurance have been petitioned for alternative investments. Right now we're pretty much tied to US Treasury and CD's, which do not give very high return and if you look at our historical financials, our investments have significantly decreased over the past five years. I continue to reach out to them on, you know, somewhat of regular basis, but we also feel that if in our best interest to have an outside advisor making those decisions on what investments to make that's also in compliance with our enabling legislation and what the state investment council says that we can invest in. So those are the three reasons that we're going out for RFP

D. DOBI Exam Report and Management Report

Executive Director, William Mayo, reported the banking relationship with TD Wealth, was noncompliant due to the lack of an indemnity agreement. TD will not give us that indemnity agreement, even though it's a statutory requirement. TD's other argument was, we have an exact same program with Department of Banking and Insurance and we don't give them that indemnification. The auditors found everything to be in good order. Their interest, by the way, is financial solvency. So they're not looking, necessarily at expense reports and internal controls to a degree. They were mostly focused on our solvency. Do we have adequate capital and the findings are good, which was important because of that GASB 68. \$12 Million was reserved last year. The Group received a very clean audit from banking insurance. We have the final report in the board package.

ITEM #9 ACTION ITEMS:

A. Cash Management Plan

Action Taken: *M (Robinson)\ S (Le Febvre)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to approve the NJSIG Cash Management Plan for the period of 07/01/2015 through 09/30/2016.*

B. First Policy Reading:

1. Employee Bonding Policy 3201

Action Taken: *M (Kitchenman)\ S (Russo)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to approve the Employee Bonding Policy 3201 as a first reading.*



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2. Trustee Expense Policy 3210

Action Taken: M (Kitchenman)\ S (Russo)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to approve the Trustee Expense Policy 3210 as a first reading.

3. Discretionary Settlement Authority Policy 7680

Action Taken: M (Connors)\ S (Le Febvre)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to approve the Discretionary Settlement Authority Policy 7680 as a first reading.

C. Second Policy Reading:

1. Expenditures/Expending Authority Policy 3200 Staff Reimbursement of Expenses Policy 3220

Action Taken: M (Le Febvre)\ S (Jencarelli)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to approve the Expenditures/Expending Authority Policy 3200 and Staff Reimbursement of Expenses Policy 3220 as a second reading.

D. Checking Accounts & New Claims Ratification

Action Taken: M (Russo)\ S (Robinson)\ Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to approve and ratify the checks and new claims which have been issued from accounts XXXX392 (operating account) and XXXX555 (claim account) for the period of 3/1/2016 to 4/30/2016.

ITEM #10 NEW BUSINESS

There was no new business.

ITEM #11 EXECUTIVE SESSION

EXECUTIVE SESSION

EXECUTIVE SESSION RESOLUTION

WHEREAS, N.J.S.A. 10:4-6 et. seq., (“the Open Public Meetings Act”), authorizes public entities to meet in executive session under certain circumstances; and



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WHEREAS, the Open Public Meetings Act requires that the Group adopt a resolution at a public meeting to go into private session; now, therefore,

BE IT RESOLVED by the Board of Trustees of the New Jersey Schools Insurance Group, that it is necessary to meet in executive session to discuss certain items involving:

- 11A. Litigation;
- 11B. Matters involving attorney client privilege regarding personnel;

BE IT FURTHER RESOLVED that any discussion held by the Board of Trustees which need not remain confidential will be made public as soon as feasible. The minutes of the executive session

FURTHER RESOLVED that the Board of Trustees will return to open session to conduct business at the conclusion of the executive session.

Action Taken: M (Jencarelli)\ S (Le Febvre)\ C (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to make a motion to close open session at 4:58 p.m. and move meeting into executive session.

Action Taken: M (Connors)\ S (Russo)\ C (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to close executive session at 6:50 p.m. and move meeting into public session.

PUBLIC SESSION

ITEM #4 ACTION ITEMS:

Action Taken: Motion (Connors)\ Second (Kitchenman)\ Abstention (Robinson)\ Roll Call Vote Carried (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Russo, Tonzini) to approve the increase of the Executive Director's salary to the minimum salary for the position, effective January 19, 2016.

Action Taken: M (Connors)\ S (Russo)\ C (Affirmative Votes = Connors, Jencarelli, Kitchenman, Le Febvre, Robinson, Russo, Tonzini) to adjourn meeting at 6:54 p.m.

William Mayo

William M. Mayo, CPCU, ARM
Executive Director