

San Joaquin Valley Insurance Authority

BOARD OF DIRECTORS

SUSAN B. ANDERSON

JUDITH CASE

MIKE ENNIS

ALLEN ISHIDA

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PETE VANDER POEL

Meeting Location:
FCERA-Fresno County Employee
Retirement Association
1111 H Street
Fresno, CA 93721
April 20, 2012 9:00 AM

AGENDA DATE: April 20, 2012

ITEM NUMBER: 5 (e)

SUBJECT: SJVIA Investments

REQUEST(S): Receive and file update on SJVIA Investments

DESCRIPTION:

On January 20, 2012, your Board approved the SJVIA Investment Policy, permitting investment of funds in certain investment vehicles. This board item serves as an update on how the SJVIA funds are invested.

Effective January 1, 2012, the SJVIA became a true pooled risk agency, with both Tulare and Fresno County transferring their total premiums, including their reserves for incurred but not reported claims (IBNR) into the newly created Claims Reserve account. Previously, Tulare held their premiums in their investment pool and Fresno held their premiums in a separate bank account.

The SJVIA currently has three bank accounts; Claims Funding account, Fixed Cost account and Claims Reserve account. Both the Claims Funding and Fixed Cost accounts function as clearing accounts; transfers in are made to cover the exact costs being paid from those accounts, maintaining a small account balance depending on the timing of when the vendor payments clear. These two accounts will not be invested in any other investment vehicle. The Claims Reserve account will typically maintain a cash balance, the amount depending on the claims experience and the IBNR.

Premiums paid by both Tulare and Fresno County are transferred into the Reserve and Fixed Cost accounts. Cash is transferred from the Reserve account to the Claims Funding account as needed. Vendor and medical claim expenses are paid from the Fixed Cost account and Claims Funding account.

Attached is the monthly Schedule of Cash Flows for all three accounts. At the end of

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February, the Reserve account had a \$6 million balance. We will continue to monitor the cash balances and payment activity of all three accounts, but will focus on the Reserve account for opportunities to invest and maximize investment earnings. However, we currently do not have enough data to know how much cash is available for investment purposes.

Our primary goal is to keep the cash safe and maintain sufficient liquidity to pay bills. With only two months of data, we do not recommend moving cash into an investment vehicle at this time. The bank does provide earnings credit allowances on cash balances, which minimizes our banking costs. However, investment opportunities will certainly provide greater interest earnings than what the bank would offer in earnings credit allowances. Our current earnings credit allowance is .35%.

We will provide the Schedule of Cash Flow by Month on a quarterly basis and will add investment information to that schedule when investments are made. Additionally, we are performing an analysis of cash balance earnings credits allowance versus investment opportunities which will provide projections for interest earnings. This will be part of the Cash Flow and Investment report for the next SJVIA Board meeting.

FISCAL IMPACT/FINANCING:

None.

ADMINISTRATIVE SIGN-OFF:



Vicki Crow, CPA
SJVIA Auditor-Treasurer

SJVIA
 Schedule of Cash Flow by Month
 For the Eight Months Ended February 29, 2012

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE													
Claims Funding Account-844535294	515,991	863,985	347,465	479,849	391,098	724,633	760,192	675,346					515,991
Fixed Cost Account-844535120	591,016	630,210	635,904	672,277	117,889	680,212	425,291	461,101					591,016
SJVIA Claims Reserve Account-428255819	-	-	-	-	-	0.00	2,000,361	7,233,120					
Total Beginning Balances	1,107,007	1,494,195	983,370	1,152,126	508,987	1,404,845	3,185,844	8,369,567					1,107,007
RECEIPTS:													
Claims Funding Account-844535294	3,584,451	3,963,540	3,689,572	2,810,397	3,322,194	3,046,750	2,234,334	3,415,519					26,066,757
Fixed Cost Account-844535120	1,656,007	2,344,316	2,353,832	1,128,280	1,480,513	2,193,973	1,539,608	1,596,572					14,293,102
SJVIA Claims Reserve Account-428255819	-	-	-	-	-	2,000,361	7,060,106	3,349,816					12,410,283
TOTAL RECEIPTS	5,240,457	6,307,856	6,043,404	3,938,678	4,802,707	7,241,084	10,834,048	8,361,908					52,770,142
DISBURSEMENTS:													
Claims Funding Account-844535294	3,236,456	4,480,060	3,557,188	2,899,148	2,988,659	3,011,191	2,319,180	2,997,178					25,489,060
Fixed Cost Account-844535120	1,616,813	2,338,621	2,317,459	1,682,669	918,190	2,448,895	1,503,799	1,618,026					14,444,471
SJVIA Claims Reserve Account-428255819	-	-	-	-	-	-	1,827,347	4,060,818					5,888,165
TOTAL DISBURSEMENTS	4,853,269	6,818,681	5,874,647	4,581,817	3,906,849	5,460,086	5,650,325	8,676,022					45,821,697
ENDING CASH BAL.													
Claims Funding Account-844535294	863,985	347,465	479,849	391,098	724,633	760,192	675,346	1,093,688					1,093,688
Fixed Cost Account-844535120	630,210	635,904	672,277	117,889	680,212	425,291	461,101	439,647					439,647
SJVIA Claims Reserve Account-428255819	-	-	-	-	-	2,000,361	7,233,120	6,522,118					6,522,118
Total Ending Balances	1,494,195	983,370	1,152,126	508,987	1,404,845	3,185,844	8,369,567	8,055,453					8,055,453