



BOARD OF DIRECTORS

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**Meeting Location:
Tulare County Employee Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93921
February 21, 2014 9:00 AM**

AGENDA DATE: February 21, 2014

ITEM NUMBER: 10

SUBJECT: Direction on SJVIA Administration & Staff

REQUEST(S): That the Board receive an update on the administration of the SJVIA and direct staff based on recommendations.

DISCUSSION:

The SJVIA was founded upon the principles of securing or offering insurance at more favorable rates “*and administering such programs with greater efficiency*” than each founding entity could otherwise obtain on their own. To that end, the SJVIA has maintained favorable administrative costs as a percentage of total premium. On average, all SJVIA plans have maintained administrative costs in the range of 10% of total premium.

Since the creation of the SJVIA in 2009 by the County of Fresno and Tulare, the oversight and administration of the entity has been handled jointly by staff at both Counties. Pursuant to Article 10 of the “[Amended & Restated Joint Exercise of Powers Agreement Creating the San Joaquin Valley Insurance Authority](#)”, the SJVIA Manager and Assistant Manager shall administer the business and activities of the SJVIA. The agreement stipulates that the Manager and Assistant Manager shall be either the Director of Personnel Services or Employee Benefits Manager from the County of Fresno (COF) or the Human Resources Director from the County of Tulare (COT). The Manager and Assistant Manager have typically been appointed to serve 2 years before alternating roles as approved by your Board. However, when Tim Huntley (COT) retired, Paul Nerland (COF) was appointed in January 2011 and served two years before Jeff Cardell (COT) was appointed in January 2013. When Jeff Cardell left the County of Tulare, Paul Nerland (COF) was again appointed in

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July 2013 and is scheduled to serve until July 2014 when Rhonda Sjostrom (COT) will serve as Manager. Although the role of Manager and Assistant Manager alternate, the majority of administrative functions are maintained at either the County of Fresno or Tulare regardless of the change in Manager/Assistant Manager. In practice, the Manager and Assistant Manager continue to share the workload and maintain administrative oversight of certain functions at one location (rather than alternating back and forth) contributing to stability and continuity of operations. For example, item 7 on today's agenda shares the results of an external audit performed by Price Paige & Company. The summary letter indicates a "clean" audit with no significant findings and speaks to the continuity provided by having certain functions maintained at one location.

In addition to the Manager & Assistant Manager, your Board appointed Vicki Crow from the County of Fresno as the SJVIA's Auditor-Treasurer. The Auditor-Treasurer has the custody of and disperses all SJVIA funds, oversees funds and accounts, and contracts with a CPA to conduct an annual audit of all accounts.

Since the creation of the SJVIA, it has grown from two entities in 2010 to 13 entities in 2014. The budget of the entity has increased from approximately \$60 million in 2010 to \$94 million in 2014. Additional lines of coverage have expanded insurance offerings from originally only offering health insurance through Anthem Blue Cross to now also offering health coverage through Blue Shield and Kaiser, dental coverage through Delta Dental, pharmacy coverage through US Script, and vision coverage through VSP. Additionally, the SJVIA currently manages over 40 agreements.

With the increasing administrative needs of the SJVIA, each County has spent the necessary additional time to maintain proper oversight and operational efficiency. However, the additional time required, without adding additional resources, takes time away from other County functions. Although each County charges the SJVIA for time spent, there are only so many hours in one day managing all functions. Recently, the County of Fresno Board of Supervisors considered adding a position to the Personnel Services Department, Employee Benefits division partially (25-50%) to help with the additional time spent on the SJVIA and to assist with the additional workload. Since this related to the operation of the SJVIA, it was recommended that this issue be discussed with the SJVIA Board.

In considering the administration needs of the SJVIA, the option of hiring staff for the authority has been considered. Although it would be ideal to eventually hire or contract with independent staff for the SJVIA, it is not recommended at this time. The cost of hiring an Administrator and becoming an "employer"

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would certainly threaten the efficiency achieved to date by adding the additional mandated costs. Additionally, the SJVIA would be forced to pay one rate of pay for any level of service no matter how much time was actually spent on administration. Currently, the County of Fresno and Tulare invoice the SJVIA only for actual services performed. Although the SJVIA Manager and Assistant Manager put in significant time, other County staff at lower rates of pay also contribute to the administration. For example, the review and approval of claims invoices, clerical support for the SJVIA Board meetings and website, review and approval of each entities monthly payment transmittal, recordkeeping of all agreements and payments, coordination of the conflict of interest statements (form 700) with the Fair Political Practices Commission (FPPC) is handled by staff at lower hourly rates. This method of administration has achieved efficiency through economies of scale and by charging at the appropriate rate.

Based on the efficiencies referenced above, it is recommended that the SJVIA maintain the continuity of operations by using staff at the County of Fresno and Tulare. The County of Fresno's recent consideration of additional staff to support the SJVIA (25-50%) is recommended as it allows additional support to the Authority, maintains continuity of operations and ensuring that each County is able to meet its own obligations. Staff recommends that your Board review and consider the administration of the SJVIA at least once every year at the first meeting of the calendar year.

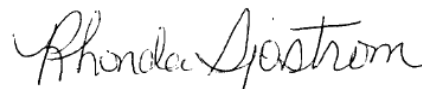
FISCAL IMPACT/FINANCING:

The SJVIA currently receives \$2.00 per employee per month for administration and an additional \$2.00 per employee per month for non-founding entities. The revised FY 13-14 budget administration line item is approximately \$216,000. The SJVIA Quarterly Financial Report through December 31, 2013 indicates \$161,640 in costs for the administration line item.

ADMINISTRATIVE SIGN-OFF:



Paul Nerland
SJVIA Manager



Rhonda Sjostrom
SJVIA Assistant Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Direction on SJVIA Administration & Staff

RESOLUTION NO. _____
AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY
DIRECTOR _____, THE FOLLOWING WAS ADOPTED BY
THE BOARD OF DIRECTORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: _____

* * * * *

That the Board received an update on the administration of the SJVIA and directed staff based on recommendations.