

POLICIES & PROCEDURES OF THE SHASTA-TRINITY SCHOOLS INSURANCE GROUP JOINT POWERS AUTHORITY

I. MEDICAL/DENTAL/VISION

1.0 COVERED EMPLOYEES/GROUPS/BOARD MEMBERS

1.0.1 Employee Groups

The term "Employee Group" in these policies is defined as follows:

- a. Any group defined under existing applicable collective bargaining laws.
- b. The Board, the Superintendent, Management Employees, Confidential Employees, Classified Employees, Certificated Employees, and Retirees are considered individual Employee Groups even in districts where there are no organized bargaining groups.
- c. Retired employees generally follow the group they would belong in if they were active employees. Districts may, however, treat all retirees from all groups as one group and offer a single benefit plan for all retirees (see "Retirees").

1.0.2 Full-Time Employees

Each participating district is responsible for the payment to the JPA of a full medical, dental, and vision premium of the plans offered to the individual's Employee Group (see "Employee Groups") for every full-time employee of the district that is in a paid status or for any employee where the bargaining agreement requires a full premium.

If more than one family member is a full-time employee of a participating district then a premium must be paid for each position and plan offered to the Employee Group.

Full-time employees *may not*, however, be given the option of opting out of medical, dental, or vision plans in exchange for other benefits.

1.0.3 Less-Than-Full-Time Covered Employees

Less-than-full-time employees may elect not to participate in any/all benefits (medical, dental, and vision programs). Such election must be in writing.

New less-than-full-time employees have 30 days to enroll (from the date they become eligible).

Less-than-full-time employees who initially elect not to participate may enroll during a subsequent open enrollment period. However, once enrolled in the program, no employee can opt-out of a program and later re-enroll during open enrollment without meeting underwriting criteria (see "Break in Coverage"), unless conditions of employment change. Each participating district is responsible for payment of the premium of all employees electing to participate.

An "employment change" occurs when an employee's hours or work-year change sufficiently to affect the amount of premium self-paid by the employee or changes the employee from an ineligible to an eligible status.

The Two-Tiered Anchor Bronze PPO Plan is for variable hour, temporary, seasonal and "other" employees. The two tiers are employee-only and employee-plus child(ren). Spouses and domestic partners are not eligible for this plan. A district contribution is not required for participation. Employees in this class must complete an enrollment or declination within two weeks from the date of hire or during open enrollment. If an employee in this class declines coverage, they may not enroll until the next open enrollment period.

1.0.4 Board Members

Coverage for board members is at the option of each district.

If provided by the district, new board members have 30 days from the date of taking office to elect coverage.

Board Members who initially elect not to participate may enroll during a subsequent open enrollment period. Once enrolled in the program, no board member can opt-out of the program and later re-enroll without satisfying the conditions described in Section 1.7, "Break in Coverage."

1.0.5 Declination of Coverage

Any employee enrolled in MediCal or Tri-Care for Life may opt-out of benefits with proof of the other coverage. Any employee enrolled in Covered California and receiving a subsidy may opt-out of benefits with proof of enrollment and the subsidy. All eligible employees for medical, dental, and vision benefits that decline any or all coverage must complete a Declination of Coverage. This completed form can remain at the districts.

1.1 Retirees

Retiree or retired employee is defined as a former classified, certificated or other paid employee who has retired from active working. Former board members may be defined as a retiree, if the district allows board member participation.

Continued coverage for retired employees is at the option of each district. Premiums may be paid by the retiree or the district. Retirees and covered spouses and registered domestic partners must secure Medicare Parts A & B, if eligible. The JPA plan will pay benefits after subtracting benefits available from Medicare Parts A&B, whether or not a retired employee and/or spouse or registered domestic partner is actually enrolled in Medicare Parts A&B, unless they are not yet eligible. Retirees that discontinue coverage may not re-enroll in any plan. This includes during open enrollment.

1.2 Coverage & Rate Setting

The Board reviews and approves all Program coverages and rates annually. Board-approved coverages and rates as set forth in Exhibit A, as it may be amended from time to time, are incorporated herein by this reference.

Plan provisions are guaranteed only for the plan year (October through September). Authority policy is to not make changes to existing plans that reduce benefits but the Authority legally reserves the right to do so on a year by year basis with the approval of the Board of Directors (on which every member district is represented).

1.3 Eligibility

1.3.1 Districts may set eligibility standards for those who receive coverage. Those covered may include board members, employees, dependents, and retirees. Dependent eligibility for all plans match the medical dependent eligibility. Termination for

dependents from medical, dental, and vision benefits will be on the last day of the month after their 26th birthday. Per California Education Code 7000 (AB 528), districts must offer lifetime benefits to the surviving spouse/domestic partner of a certificated employee. Section 7000 does not apply to dental and vision benefits. The standards set by the districts must not conflict with the regulations established in this manual. The districts remain responsible for HIPAA notices required for all employees who are eligible for coverage, even those who may decline coverage.

- 1.3.2 The person who is named as "the insured" must be an employee; board member; retired employee or board member; or surviving spouse or surviving registered domestic partner of a deceased retired employee or board member.
- 1.3.3 An "employee" must meet the IRS definition of an employee and must be on the district payroll.
- 1.3.4 Individuals who are on a contract for services not paid through the normal district payroll are not eligible for coverage as an employee.
- 1.3.5 Effective date of coverage for employees is the first of the month following date of hire.
- 1.3.6 New insureds, and their dependents, may be added during open enrollment and in response to a qualifying event, as further discussed in Policy 1.5.
- 1.3.7 *Reserved for Underwriting Policy*

1.4 Negotiations

- 1.4.1 Members contract with the Authority for plan benefits, but members may negotiate benefit levels with employee groups. Members must ensure that the language in their bargaining contracts does not grant benefits that are not provided or allowed under the Authority's Policies.
- 1.4.2 No member can bind through its own negotiations any future decisions of the Authority. For example, Authority plans are not tied to specific carriers (such as Blue Cross); references to such carriers should be avoided in bargained contracts.
- 1.4.3 Members' changes to the plan benefits offered to their insureds can only take effect as of the beginning of a plan year.

1.4.4 An updated copy of each member's eligibility language for each bargaining unit must be forwarded to the Authority's Executive Director annually. Changes in eligibility must be approved in writing by the Authority prior to implementation.

1.4.5 No Authority Policy is intended to restrict or mandate which Authority policies are available through members' negotiation processes.

1.5 Entrance into Plans, Movement Between Plan Levels, Open Enrollment

1.5.1 Where a new member allows employee choice of endorsed plans, the employee must select a plan within a member-specific enrollment window established by the Authority for new members.

1.5.2 Employees of existing members must remain in their chosen plan(s) until the next open enrollment period or until the employee experiences a qualifying event. All eligibility changes (new enrollments, termination, or qualifying events) must be submitted to the JPA by the 12th of the month. Retroactive terminations are allowed back two calendar months.

1.5.3 Open enrollment shall begin August 1 of each year and end on the second Friday of September.

1.5.4 Qualifying events include the following: Change in marital status; change in employee's number of dependents; change in employment status of employee/ spouse or registered domestic partner that affects eligibility for coverage (including a change from part-time to full-time status); dependent satisfies or ceases to satisfy eligibility requirements; change in the residence of an employee, spouse, registered domestic partner or dependent that effects eligibility or coverage options; change in availability of coverage from other sources (e.g., if coverage through a spouse or registered domestic partner is altered, if public benefits such as Medicare or Medicaid are either secured or lost); or a change to the products available, or to the costs of coverage available, through the Authority.

1.6 Withdrawal

1.6.1 If any Authority member withdraws or is terminated from a Health & Welfare Program of the Authority, and is entitled to dividends as set forth in Section 2.6 of the Bylaws, the Authority will pay the requisite dividend according to the following schedule:

- a. Fifty (50%) percent of the estimated excess by no later than January 1 next following the close of the fiscal year after the member withdraws or its participation is terminated.
 - b. The balance of the excess by no later than January 1 of the second fiscal year after the close of the fiscal year after the member withdraws or its participation is terminated. This balance may reflect adjustments by the Board based upon recalculation of the necessary reserves, taking into account claims paid since the calculations referred to above were made, using generally accepted accounting and actuarial principles.
- 1.6.1.1 If the withdrawing or terminating member is required to make contributions under Section 2.6, it shall make such contributions to the Authority according to the following schedule:
 - a. Fifty (50%) percent by no later than January 1 next following the close of the fiscal year after the member withdraws or its participation is terminated.
 - b. The balance of the excess by no later than January 1 of the second fiscal year after the close of the fiscal year after the member withdraws or its participation is terminated. This balance may reflect adjustments by the Board based upon recalculation of the necessary reserves, taking into account claims paid since the calculations referred to above were made, using generally accepted accounting and actuarial principles.

1.7 Break In Coverage

- 1.7.1 A break in coverage occurs whenever an employee elects to drop coverage for any length of time for any reason. (This may occur, for example, when a less than full-time employee discontinues coverage).
- 1.7.2 Following a break in coverage, an employee may only re-enroll during Open Enrollment or following a Qualifying Event, as discussed in Policy 1.5.
- 1.7.3 There are two exceptions:

- 1) An employee (and the qualified dependents of an employee) who is a member of any military reserve unit or national guard unit that is activated (and who is granted a leave of absence from his/her district) may resume coverage under all STSIG plans without presenting a Health Statement providing that:
 - a) the employee and dependent(s) are covered by the Government during the leave, and
 - b) the employee returns to work for his/her district within thirty days after release from active duty. (Note that STSIG Plans do not cover "injury or illness resulting from war or any act of war, armed invasion or aggression.")

AND

- 2) An employee (and the qualified dependents of an employee) on an approved leave of absence from a district may be reinstated immediately after the leave without a Health Statement.

1.8 Termination of Employment

Members – rather than the Authority – retain responsibility for meeting all legal obligations relative to their employees and former employees' COBRA benefits and conversion rights upon termination of employment.

1.9 Section 125 Plan

Districts may offer a variety of "cafeteria plans" or Section 125 plans to employees. Section 125 plans may be used to provide a selection of other non-Authority benefits or to provide an option to allow employees to pay for premiums or other benefits on a pre-tax basis. IRS regulations must be adhered to when offering this type of plan.

1.10 Adoption and Implementation of New Benefit Plan(s)

The Board may elect to offer new benefit plans for adoption as an option for members. Before action is taken to provide a new benefit plan, the carrier must submit a plan summary detailing the coverages, application of deductibles/copays, and exclusions.

1.11 Disputed Claims: Appeals Process

All Authority medical plans will include language that provides a right of appeal on disputed claims.

First-stage appeals of a medical plan's decision must be submitted to the subject plan.

If a medical plan denies an appeal, a second-stage appeal may be made to the Executive Director. If the value of the claim subject to such appeal exceeds \$50,000, the appeal will be forwarded to the Executive Committee. If the value of the claim subject to such appeal exceeds \$150,000, it will be forwarded to the Board of Directors for consideration (including a review of any recommendations by the Executive Committee).

Appeals of any decisions by the Executive Director or the Executive Committee may be submitted for final consideration by the Board of Directors.

1.12 Authority Re-Insurance

The Authority maintains reinsurance coverage to protect the agency in case of denial of entire or partial claims filed by members' employees.

All re-insurance purchased for the Authority must have a minimum rating of A- or better.

The Board reviews appropriate levels of reinsurance at least once each year.

II. WORKERS' COMPENSATION ADMINISTRATION

2.0 Covered Employees/Individuals/Volunteers

- 2.0.1 All members' employees injured in the performance of their designated duties, when injuries arise out of facts occurring during membership in the Authority.
- 2.0.2 Individuals working at a member's facility but paid by another agency are not covered (examples: YMCA, Work Alternative Program and people performing services by court order).
- 2.0.3 ROP students are covered in a ROP class or at a job site.
- 2.0.4 Volunteers may be covered at the discretion of the member's governing body.
- 2.0.5 Student teachers are to be covered by the state college contracting with the member.
- 2.0.6 When a member agency accepts non-paid personnel assigned by agreement with another agency to work at the member's sites, the placing agency will be responsible for coverage.

2.1 Applicable Law

Workers' Compensation coverages shall be provided and administered in accordance with applicable federal and State laws.

2.2 Member Contribution Rates - Workers' Compensation Program

- 2.2.1 Each year, the Board will select the contribution rates appropriate for the self-insured Workers' Compensation program based on an Experience Modification Plan performed at the direction of the Board on an annual basis. The Experience Modification Plan shall be based upon an actuarial study of members' historical payrolls, premiums, and incurred losses using a cap set at the Program's self-insured retention. The confidence level used in the Plan must be set by the Board of Directors.
- 2.2.2 The Experience Modification Plan (as it shall be amended from time to time) is attached as Exhibit A to these Policies and is incorporated herein as if set forth in full.

2.3 Workers' Compensation Claims Handling

- 2.3.1 Report of Occupational Injury or Illness

A State of California Employer's Report of Occupational Injury or Illness form should be completed in triplicate.

2.3.2 Settlement Authority - Self-Insured Claims

The Workers' Compensation Program administrator will be authorized to negotiate any Workers' Compensation settlement for self-insured claims up to and including \$50,000, providing the administrator receives prior concurrence from the Authority's Executive Director for any settlement over \$15,000.

Any settlement over \$50,000 and up to \$150,000 will require concurrence by the Authority's Workers' Compensation Committee. Any settlement over \$150,000 will require a recommendation by the Workers' Compensation Committee and approval by the Board of Directors.

2.4 **Withdrawal**

2.4.1 If any Authority member withdraws or is terminated from the Workers' Compensation Program, and is entitled to dividends as set forth in Section 2.6 of the Bylaws, the Authority will pay the requisite dividend according to the following:

- a. Fifty (50%) percent of the estimated excess by no later than November 1 next following the close of the fifth fiscal year after the member withdraws or its participation is terminated.
- b. The balance of the excess by no later than November 1 of the seventh fiscal year after the close of the fiscal year after the member withdraws or its participation is terminated. This balance may reflect adjustments by the Board based upon recalculation of the necessary reserves, taking into account claims paid since the calculations referred to in Section 2.6 of the Bylaws were made, using generally accepted accounting and actuarial principles.

2.4.2 If the withdrawing or terminating member is required to make contributions under Section 2.6, it shall make such contributions to the Authority according to the following schedule.

- a. Fifty (50%) percent of the estimated excess by no later than November 1 next following the close of the fifth fiscal year after the member withdraws or its participation is terminated.

- b. The balance of the excess by no later than November 1 of the seventh fiscal year after the close of the fiscal year after the member withdraws or its participation is terminated. This balance may reflect adjustments by the Board based upon recalculation of the necessary reserves, taking into account claims paid since the calculations referred to above were made, using generally accepted accounting and actuarial principles.

III. ADMINISTRATION

3.0 Legal Actions against Shasta-Trinity Schools Insurance Group

The President of the Authority is designated as the officer of record for service of all legal action against STSIG. The Executive Director has been designated as the agent for service.

3.1 Policies and Procedures for the Purchase or Lease of Equipment, Supplies, and Real Property, and for Service and Construction Contracts

3.1.1 Purchase of equipment and supplies

a. Purchases Less than and Including \$50,000

When the estimated cost of equipment or supplies is at or below \$50,000, the Executive Director, with appropriate approval by the Executive Committee (as set forth in Section V, below), may award the contract or purchase order. If the estimated cost is less than \$10,000, the Executive Director shall attempt to secure the best value for the Agency, but need not solicit quotes or bids. If the estimated cost is between \$10,000 and \$25,000, the Executive Director shall solicit informal quotes from at least two vendors. If the estimated cost exceeds \$25,000, but is not over \$50,000, the Executive Director shall solicit formal written quotes from at least three vendors, but need not formally advertise for the solicitation of bids.

b. Purchases Over \$50,000

All contracts over the amount of \$50,000 shall be submitted to the Board of Directors for approval. When the estimated cost of equipment or supplies is over \$50,000, the Executive Director shall solicit formal written bids and award the contract to the lowest responsible bidder who shall give security as the Board requires, or else reject all bids. All such contracts shall be formally advertised.

c.. Leasing of Equipment

Leasing or renting of equipment is permitted if advantageous to STSIG. If the total rental payments due under a lease are not over \$50,000, the Executive Director shall follow the procedure in Section 3.1.1.a. If the total

rental payments due under a lease more than \$50,000, the Executive Director shall follow the procedure in Section 3.1.1.b.

d. Specialized Equipment

Rather than seek competitive bids, STSIG may use competitive negotiation when the Board makes a finding that a procurement is for computers, software, telecommunications equipment, microwave equipment, or other related electronic equipment and apparatus and authorizes the use of competitive negotiation for such equipment. Competitive negotiation shall not be used to contract for construction or for the procurement of any product that is available in substantial quantities to the general public. All such procedures must follow the competitive negotiation requirements set forth in the Shasta County Office of Education Board Policy Section AR 3311, Business and Noninstructional Operations, as it may be amended from time to time.

e. Reporting

The Executive Director shall report to the Board of Directors on all contracts or leases entered into under Section 3.1.1.a or 3.1.1.c at the next meeting of the Board.

f. General

The Executive Director is authorized to purchase equipment and supplies through the State of California cooperative purchasing program authorized by Public Contract Code Section 10298, California Multiple Awards Schedule (CMAS). If the cost of such purchase is expected to exceed \$50,000, the Executive Director shall obtain Board approval before participating in the CMAS procurement.

3.1.2 Purchase or lease of real property

Any contract for the purchase of real property must be submitted to and approved by the Board of Directors.

Any lease or sublease of real property, including any renewal or extension of an existing lease or sublease, must be submitted to and approved by the Board of Directors.

3.1.3 Contracts for services

Contracts for services in which the maximum compensation payable does not exceed \$50,000 may be entered into by the Executive Director. All other contracts shall be submitted to and approved by the Board of Directors. When the estimated cost of non-professional services, including repair and maintenance services, is over \$50,000, the Executive Director shall solicit formal written bids and award the contract to the lowest responsible bidder who shall give security as the Board of Directors requires, or else reject all bids. When the estimated cost of professional services is over \$50,000, the Executive Director shall solicit formal written bids/proposals through means and methods which he or she determines to be most cost-effective, which may include advertisement in a newspaper of general circulation in Shasta and Trinity Counties. The contract shall be awarded to the proposer whose proposal provides the best value to the agency, with pricing and other relevant factors taken into consideration. All services contracts estimated to exceed \$50,000 shall be formally advertised.

3.1.4 Contracts for construction

Any contract for construction shall require approval of the Board of Directors. Construction contracts up to \$45,000 may be let by negotiated contract or purchase order; construction contracts greater than \$45,000 and up to \$175,000 shall be let by the informal bidding procedures set out in the California Uniform Public Construction Cost Accounting Act (discussed below); and construction contracts valued at more than \$175,000 shall be let by the formal bidding procedures set out in the California Uniform Public Construction Cost Accounting Act. All such bidding procedures must follow the bidding requirements set forth in the Shasta County Office of Education Board Policy Section AR 3311, Business and Noninstructional Operations, as it may be amended from time to time.

3.1.5 Executive Director authority

- a. The Executive Director may make purchases of up to \$10,000. All expenditures over \$10,000, up to and including \$25,000, must be approved by at least two officers of the Executive Committee. All expenditures over \$25,000, up to and including \$50,000, must be approved by the Executive Committee. All expenditures over \$50,000 must be approved by the Board of Directors.

- b. The Executive Committee will assure that purchases contemplated are within the approved budget and that they provide the maximum value for the Authority within the framework of law, policy, and sound business practice.
- c. Contracted services approved by the Board within the authorized budget will be approved for payment by one of the officers of the Executive Board.

3.1.6 Waiver

The Board of Directors may suspend or waive the requirements of this Policy in any instance when the Board deems it in the best interest of STSIG to do so.

3.2 **Conflict of Interest Code** (as approved by the Fair Political Practices Commission on April 24, 2015, to become effective on May 24, 2015)

The Political Reform Act (Government Code Sections 81000, et seq.) requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations Section 18730) which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached Appendix in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the Conflict of Interest Code of the Shasta-Trinity Schools Insurance Group Joint Powers Authority (the Authority).

Individuals holding designated positions shall file their statements of economic interests with the Authority, which will make the statements available for public inspection and reproduction (Gov. Code Section 81008.) All statements will be retained by the Authority.

APPENDIX A

Designated Positions

Designated Positions

Disclosure
Category

| | |
|----------------------------------|-----|
| Loss Prevention Manager | All |
| Insurance Broker | All |
| Third Party Claims Administrator | All |
| Consultants/New Positions* | All |

Note: The positions of Insurance Broker and Third Party Claims Administrator are filled by outside consultants, but act in a staff capacity.

* Consultants/New Positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitation: the Executive Director may determine in writing that a particular consultant or new position, although a "designated person," is hired to perform a range of duties that are limited in scope and thus is not required to comply with the disclosure requirements described in this section. Such determination shall include a description of the consultant's or new position's duties, and based upon that description, a statement of the extent of disclosure requirements. The Executive Director's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interest code. (Gov. Code Sec. 81008.)

The following positions are not covered by the conflict of interest code because they manage public investments. Individuals holding such positions must file under Government Code Section 87200 and are listed for information purposes only:

Members of the Board of Directors
Alternate Members of the Board of Directors
Executive Director
Consultants who manage public investments

APPENDIX B

Disclosure Categories

Designated positions must disclose pursuant to the categories below.

1. Investments and business positions in business entities, and income (including receipt of loans, gifts, and travel payments), from sources of the type of contract with the Authority to supply goods, materials, services, or supplies.

2. Investments and business positions in business entities, and income (including receipt of loans, gifts, and travel payments), from sources that are engaged in the performance of work or services of the type utilized by the Authority, including but not limited to, insurance companies, carriers, holding companies, underwriters, brokers, solicitors, agents, adjusters, claims managers and actuaries.
3. Investments and business positions in business entities, and income (including receipt of loans, gifts, and travel payments), from sources that have filed a claim, or have a claim pending that is reviewed or administered by the Authority.
4. Investments and business positions in business entities, and income (including receipt of loans, gifts, and travel payments), which are financial institutions including banks, savings and loan associations and credit unions.

3.3 Records Retention and Destruction Policy

3.3.1 Policy Statement

Shasta-Trinity Schools Insurance Group (STSIG) has an obligation to create and maintain records and information in accordance with accepted records management practices and standards. The purpose of this policy is to provide guidelines to staff regarding the retention or disposal of STSIG records; provide for the identification, maintenance, safeguarding, and disposal of records in the normal course of business; ensure prompt and accurate retrieval of records; and ensure compliance with legal and regulatory requirements.

The term “record” as used in this policy shall mean: Any writing, including electronic mail (email), containing information relating to the conduct of the public’s business prepared, owned, used, or retained by the STSIG. For the purposes of this policy, electronic records, including, but not limited to, email, must be analyzed and retained in the same manner and to the same extent as paper records. However, because older emails may periodically be deleted through automated system maintenance, email users must take measures to preserve emails and attachments whose contents are subject to retention under this policy.

The Board authorizes the Executive Director to interpret and implement this policy and to cause to be destroyed any and all records, papers, and documents that meet the specifications of

this section. Authority regarding retention periods for the documents referenced herein is derived from the California Government Code, and the Local Government Records Retention Guidelines (June 2002), issued by the California Secretary of State.

This policy may be amended from time to time as laws and regulations change, and as documents, records, reports and other media not contained herein are added.

3.3.2 General Guidelines

The following general guidelines apply to all STSIG records:

- a. The STSIG generally shall retain all documents in their original form for **two years** unless otherwise provided for in this policy. The Executive Director may authorize the destruction of any duplicate records, including duplicates less than two years old, if no longer needed.
- b. Except where a longer retention period is required hereunder, after two years, the STSIG, with the Executive Director's approval, may destroy any original document without the STSIG retaining a record or copy of these documents.
- c. The STSIG shall retain indefinitely original records that are essential to:
 1. resume and/or continue operations;
 2. re-create the legal and financial status of the STSIG in case of a disaster; or
 3. fulfill obligations to bondholders, customers, and/or employees.
- d. The STSIG shall retain any record that is the subject of a pending request made pursuant to the California Public Records Act, whether or not the STSIG maintains that the record is exempt from disclosure, until the request has been granted or two years have elapsed since the STSIG provided written notice to the requester that the request has been denied. (Gov't Code § 60201(d)(5).)

- e. The Executive Director shall prepare and maintain a Records Retention Manual for use in classifying records and scheduling their retention.

3.3.3 Types of Records and Their Required Retention Periods

| <u>TITLE</u> | <u>RETENTION PERIOD</u> |
|--|--|
| <u>Claims, Litigation Legal Action:</u> | |
| All Records constituting a government tort claim against STSIG, litigation records in which STSIG is or was a party, or records containing evidence relevant to such claim or litigation matter. | 5 years following resolution of claim or litigation. (This assumes that the claim or pending litigation is known prior to the end of the regular retention period for the document in question.) |
| Attorney Correspondence Regarding Claims/Litigation | 5 years following resolution of claim or litigation |
| Claims Audits | Current + 5 years |
| Worker's Comp Claim Files | Permanent |
| <u>Board and Committee Meeting Minutes and Packets</u> | Permanent |
| Taped Proceedings of Boards/Committees | Destroy after <u>written</u> Minutes approved |
| <u>Resolutions</u> | Permanent |
| <u>Conflict of Interest Code</u> | Current + 7 years |
| <u>Statements of Economic Interest (FPPC Form 700)</u> | 7 years from filing |
| <u>Recordings of Telephone and Radio Communications</u> | 100 days |
| <u>General Correspondence</u> | 2 years |

Roster of Public Agency Filing

Permanent

Records stored on Microfilm or Other Electronic

Media:

May destroy original
immediately

The original record from which the electronic file is derived may be destroyed immediately, if the electronic files are such that they cannot be altered, are accurately and fully reproduced on the electronic media, and are stored in accessible files.

Reports:

Incident Reports

Closed + 3 years

In the event that the incident addressed in any accident/occurrence records are subject to claims or litigation involving STSIG, they shall be preserved for five years following resolution of the claim or litigation.

Financial Records:

| | |
|--|-----------------|
| Audit Reports and Adopted Budget Documents | Permanent |
| Bank Reconciliation | Audit year + 5 |
| Bank Statements | Audit year + 5 |
| Checks | Audit year + 5 |
| Check and Wire Registers | Audit year + 4 |
| Budget Adjustments, Journal Entries | Audit year + 2 |
| Deposit Receipts | Audit year + 4 |
| Employee Time Sheets | Audit year + 6 |
| Investment Statements/Reports/Transactions | Permanent |
| Purchase Orders | Audit year + 4 |
| Salary Records | Termination + 3 |
| General Ledger | Permanent |
| Invoices | Audit Year + 2 |
| Tax Records | Audit year + 4 |
| Accounts Payables | Audit year + 4 |
| Accounts Receivable | Audit year + 4 |
| Account Transfers | Audit year + 2 |
| Member Invoices | Audit year + 4 |
| Signature Authorization | Permanent |
| PERS Employee Deduction rReports | Termination + 4 |
| Payroll | Audit year + 5 |
| Payroll Adjustments | Audit year + 4 |
| Payroll Tax Reports | Audit year + 4 |
| Property & Equipment Schedule | Audit year + 4 |

Legal Advertising:

| | |
|--|---------------------|
| Notices of Public Hearings, IFBs, RFPs, etc. | Current Year plus 4 |
|--|---------------------|

Contracts and Agreements:

| | |
|--------------------------|------------------------|
| For Capital Improvements | 4 years after closeout |
| Memoranda of Coverage | Permanent |
| | Permanent |

Human Resources:

| | |
|--------------------------------------|--------------------------------------|
| Benefit Plan Claims | Permanent |
| Denied Benefit Plan Enrollments | 4 years after closure |
| Disability Claims | Permanent |
| Unemployment Claims | Permanent |
| Employee Handbooks | 2 years after superceded |
| Hourly Employees | 6 years after termination |
| Medical Leave | 30 years after closure |
| Job Applications | 3 years after recruitment closure |
| Pension Records | Permanent |
| Time Cards | Audit Year + 6 |
| Withholding Exemption Certificates | Audit Year + 4 |
| Workers' Compensation Reports | CU + 2 |
| W-2 Forms | Audit Year + 4 |
| Employee enrollment and change forms | 4 years after completion |
| Rate Sheets | Audit Year + 6 |
| Recruitment | 3 years after recruitment closure |
| Post Hire Screenings | Termination + 2 |
| Employee Records | CU + 2 |
| Termination and Severance Records | Termination + 2 |
| Health and Welfare Records | CU + 2 |

Administration:

| | |
|--|------------------|
| General Orders, Policies/Procedures | Superceded + 2 |
| Committee and Board Agendas | Current Year + 2 |
| Applications to Committees | |
| Selected | Termination + 5 |
| Not selected | Closed + 2 |
| Roster and mailing lists | CU + 5 |
| Officer Elections | Expiration + 5 |
| JPA entry Resolution and letters | Permanent |
| JPA withdrawal Resolution and letters | Permanent |
| JPA Representative Appointment Resolutions | Permanent |
| Membership correspondence | CU + 4 |
| Bylaws | Permanent |
| JPA Agreement and amendments | Permanent |
| State Filings: Rosters, amendments, etc. | Permanent |
| Accreditation | Permanent |

Public Information:

| | |
|---|----------------|
| Brochures, publications, newsletters, schedules | Superceded + 2 |
|---|----------------|

Fixed Assets/Property:

| | |
|---------------------------|------------------------|
| Inventory | Audit year + 4 |
| Surplus Property Disposal | Audit year + 4 |
| Appraisals | Permanent |
| Damage Reports | Permanent |
| Deeds | Permanent |
| Maintenance and Repair | Closure/Completion + 2 |
| Plans and Specifications | Closure/Completion + 2 |
| Purchases | Permanent |
| Sales | Permanent |
| Taxes | Audit Year + 4 |

Training Records/Notices:

| | |
|------------|-------------------|
| Safety | Current + 2 years |
| Non-Safety | Current + 7 years |

Duplicate Records

Destroy any time

**Documents not prepared pursuant to State
statute:**

2 years

*Questions regarding whether or not any document
not otherwise specified here was prepared pursuant
to state statute shall be referred to legal counsel.*

3.4 Brokers of Record & Administrators

The Board of Directors shall appoint Brokers of Record for the Authority's reinsurance, Health & Welfare and Workers' Compensation policies, and may appoint other entities to administer such program(s), or specified elements thereof, as often as shall be required to ensure professional performance and comply with applicable procurement laws and policies.

IV. FINANCIAL POLICIES

4.0 Budget Policy

4.0.1 General

The budget shall be designed to meet the annual objectives of the STSIG Board of Directors. The budget, therefore, must be carefully organized and planned to insure adequate understanding of the financial needs of STSIG. The final budget will be adopted by the Board by the end of the preceding fiscal year.

4.0.2 Adjustments to the Budget

Adjustments to the budget shall be approved by the Board. Included with the adjustment will be a description of the reason for the adjustment, and the resulting balance in the account adjusted. Actions approved by the Board resulting in increases or decreases to revenue or expenses will be automatically adjusted in the budget the following month.

4.1 Investment Policy

4.1.1 Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

The investment policies and practices of Shasta-Trinity Insurance Group ("the Group") are based on state law and prudent money management. All funds will be invested in accordance with the Group's Investment Policy.

4.1.2 Scope

It is intended that this policy cover all funds (except retirement funds) and investment activities under the direction of the Group.

4.1.3 Prudence

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering

the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard, which states that:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

This standard shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.1.4 Objectives

The primary objectives, in priority order, of the investment activities of the Group shall be:

- a. Safety. Safety of principal is the foremost objective of the investment program.
- b. Investments of the Group shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
- c. Liquidity. The investment portfolio of the Group will remain sufficiently liquid to enable the Group to meet its cash flow requirements.
- d. Return on Investment. The investment portfolio of the Group shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

4.1.5 Delegation of Authority

The management responsibility for the investment program is hereby delegated to the Treasurer who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The Group may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as provided.

4.1.6 Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could either conflict with proper execution of the investment program or impair their ability to make impartial decisions.

4.1.7 Permitted Investment Instruments

Where this Policy specifies a percentage limitation for a particular security type or issuer, that percentage is applicable at the time the security is purchased. No more than 5 percent of the Group's portfolio may be invested in any one issuer except for U.S. Treasuries, Federal Agencies, supranationals, and pooled investments such as LAIF, County pools, local government investment pools, and money market funds. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. The Group may from time to time be invested in a security whose rating is downgraded. In the event a rating drops below the minimum required rating, the Executive Director shall immediately notify the Executive Committee and will report to the Committee, at their next regularly scheduled meeting, both the downgrade and the action that has been taken.

1. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

3. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency. Eligible investments shall be rated "A" for long-term, "A-1" for short-term, their equivalent, or better by one or more nationally recognized statistical rating organization.

4. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Eligible investments shall be rated "A" for long-term, "A-1" for short-term, their equivalent, or better by one or more nationally recognized statistical rating organization.

5. Banker's acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Eligible investments shall be rated "A-1," its equivalent, or better by one or more nationally recognized statistical rating organization.

Purchases of Banker's Acceptances shall not exceed 180 days maturity or 40 percent of the Group's investment portfolio.

6. Commercial Paper of prime quality rated in the highest short-term rating category, as provided by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars (\$500,000,000). (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization.

(2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the

equivalent, by a nationally recognized statistical rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. No more than 25 percent of the Group's portfolio may be invested in eligible commercial paper, and the Group may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

7. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term corporate notes shall be rated "A," its equivalent, or better by a nationally recognized statistical rating organization.

Purchase of medium-term corporate notes may not exceed 30 percent of the Group's investment portfolio.

8. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53561, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o) of California Government Code Section 53601. The Group, at its discretion and by majority vote of the Executive Committee/Board, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

9. Negotiable certificates of deposit issued by a nationally or state- chartered bank, a state or federal savings and loan association, or a federally- or state-licensed branch of a foreign bank. Eligible investments shall be rated "A" for long-term, "A-1" for short-term, their equivalent, or better by one or more nationally recognized statistical rating organization.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the Group's investment portfolio.

10. State of California's Local Agency Investment Fund. Investment in LAIF may not exceed \$50 million and should be reviewed periodically.

11. Shasta County Investment Pool and Trinity County Investment Pools.

12. Insured savings or bank money market accounts. In accordance with California Government Code Section 53635.2, a financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation in order to be eligible to receive local agency deposits.

13. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 20 percent of the investment portfolio of the Group.

14. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities must be rated, by a nationally recognized statistical-rating organization, as "AA" or higher, and the issuer of the security must have an "A" or higher rating for its debt as provided by a nationally recognized statistical rating organization. No more than 20 percent of the agency's surplus funds may be invested in this type of security.

15. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to

(o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

16. Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA-", its equivalent, or better by an NRSRO.

Purchases of supranationals shall not exceed 30 percent of the investment portfolio of the Group. Supranationals will be permitted by California Government Code § 53601 (q) and this Policy effective January 1, 2015.

4.1.8 Ineligible Investments

The Group shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

4.1.9 Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Group to meet all projected obligations.

The maximum maturity will be no more than five years from purchase date to maturity date, unless the Board has granted

express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

4.1.10 Reporting Requirements

The Executive Director shall annually render to the Board a statement of investment policy, which the Board must consider at a public meeting. Any changes to the policy shall also be considered by the Board at a public meeting.

Since investment authority has been delegated to the Executive Director, the Executive Director shall render a monthly report of investment transactions to the Board.

The Executive Director shall render a quarterly investment report to the Board. The report shall include the following information for each individual investment:

- Description of investment instrument
- Issuer Name
- Maturity date
- Purchase price
- Par value
- Current market value and the source of the valuation

The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the Group's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the Group to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be submitted within 30 days following the end of the quarter covered by the report.

4.1.11 Safekeeping and Custody

The assets of the Group shall be secured through the third-party custody and safekeeping procedures. All investment transactions will be conducted on a delivery versus payment basis (DVP). Bearer instruments shall be held only through third-party institutions.

4.2 Stabilization & Reserve Policies

4.2.0 It is the policy of STSIG to comply with the following stabilization and reserve guidelines:

4.2.1 Medical Program

- Fully fund losses incurred but not reported (IBNR) to level outlined in annual actuarial study
- Provide a stabilization fund equal to two months of claim payments plus related costs
- Review stabilization policy annually

4.2.2 Dental Program

- Fully fund IBNR to level outlined in annual actuarial study
- Provide a stabilization fund equal to three weeks of claim payments plus related costs
- Review stabilization policy annually

4.2.3 Vision Program

- Fully fund IBNR to level outlined in annual actuarial study
- Provide a stabilization fund equal to three weeks of claim payments plus related costs
- Review stabilization policy annually

4.2.4 Workers' Compensation – Self Insured (2003 to present)

- Fully fund IBNR to level outlined in annual actuarial study
- Provide a stabilization fund equal to minimum of twice the self-insured retention (The current STSIG self-insured retention is \$1 million).
- Review self-insured retention levels on an annual basis for adequacy and market conditions

4.3 Audits/Actuarial

4.3.1 The Board of Directors shall provide for an annual financial audit of the STSIG by an independent certified public accountant.

- 4.3.2 The Board of Directors may provide for an independent claims audit at least every three years. The Claims Auditor will be independent of the JPA and the third party administrator. The audit will determine whether or not claims payments were accurate and appropriate. The Executive Director shall negotiate and recommend the contract with the Claims Auditor for approval to the Board.
- 4.3.3 The Board of Directors shall provide for an actuarial study at least once every three years by an Enrolled Actuary who has been approved by the Joint Board for the Enrollment of Actuaries to perform actuarial studies required under the Federal Employee Retirement Income Security Act (ERISA) of 1974. The final report shall be presented at a regularly scheduled meeting of the Board.

V. PERSONNEL AND OFFICE SPACE

5.0 Injury and Illness Prevention Program - STSIG Office

5.0.1 Responsibility For Implementing The Program

- a. The Board of Directors delegates the authority and responsibility for implementation of the injury and illness prevention program to the Executive Director of STSIG.
- b. The Executive Director will monitor the effectiveness of the program and report to the Executive Committee as appropriate.

5.0.2 Program Communication

- a. Injury and illness prevention has a high priority in the operation of the STSIG program.
- b. Employees are expected to carry out their work tasks in a safe manner and to avoid risks which may compromise their safety or their well-being in the accomplishment of their work.
- c. Hazards identified in the office should be reported to the Executive Director. Corrective action should be taken as appropriate to mitigate the hazard as soon as possible. Follow-up action will be instituted, including contact with the building manager if indicated, to effect a permanent solution. Discussion of safety issues will be encouraged at weekly staff meetings.

5.0.3 Equipment

- a. Employees are to carefully review the safety information contained in the manuals supplied on all equipment they operate. They are to review this information before first operation of any new equipment.
- b. Malfunctioning equipment will be disconnected from power source, and appropriate service representatives contacted.
- c. In the case of an equipment fire, an attempt to obtain control will be made by using the fire extinguisher attached to the wall by the side door. If this is not successful, call 911 at once.

5.0.4 Emergencies

- a. A first aid kit is maintained in the supply closet.
- b. All emergency situations are handled by calling 911.

5.0.5 Fire And Earthquake

- a. Report fires by calling 911.
- b. In the event an evacuation is necessary, the STSIG office may be exited at the front entrance or side door. The front entrance is preferred as it has a direct entrance to the outside.
- c. In the event of an earthquake, seek shelter under desks or tables until the shocks dissipate. In a severe earthquake, if the office building remains intact, it would be best not to attempt to evacuate until there is more information on the extent of damage exterior to the building.

5.0.6 Records

- a. A record will be kept of all safety problems and corrective action. These records will be maintained for three years.
- b. The Executive Director or other designated employee, will complete a safety inspection check list on the office conditions on a quarterly schedule. These records will be maintained for three years.

5.0.7 Training

New and existing employees will receive periodic training on safety issues relating to their positions.

5.1 Employee Handbook

5.1.1 STSIG will follow the Employee Handbook adopted April 24, 2015, as it may be amended from time to time.

EXHIBIT A: Experience Modification Plan



Monday, March 21, 2011

Mr. Michael Strech
Executive Director
Shasta-Trinity Schools Insurance Group
6724 Lockheed Dr., Suite 3A
Redding, CA 96002

Re: Experience Modification Plan for the Self-Insured Workers' Compensation Program
Current Approved Plan

Dear Mr. Strech:

As you requested, we have completed the experience modification plan for the self-insured workers' compensation program for program year 2011-12. The factors included in this report are derived using the Group's current approved plan based upon data provided by the Group, including historical payrolls, premiums, and incurred losses valued as of December 31, 2010. The attached exhibits detail the calculations using incurred losses capped at \$1,000,000, which is the pool retention.

The experience modification factor (x-mod) for each member represents the relationship between the experience of the member and the experience of the pool as a whole. Generally, a factor greater than 1.00 indicates that the member's expected loss rate is worse than the pool average. Conversely, a factor less than 1.00 indicates that the member's expected loss rate is better than the pool average.

This plan uses losses capped at \$1,000,000 per claim, which essentially does not limit individual losses since no individual claims exceed that amount. A lower loss cap would reduce the impact of single large fortuitous losses, and make the plan more sensitive to the frequency of claims, a measure that is typically easier for the member to control. A large cap such as this introduces more volatility in the factors from year to year, but encourages the members to contain large losses to the extent possible. The annual change in the x-mod is also capped at +/- 0.5 from the prior year, while the x-mod for members with less than \$1,000,000 in annual payroll is a maximum of 1.5.

800.541.4591
www.BRSrisk.com

1831 K Street, Sacramento, CA 95814
916.244.1100 PHONE 916.244.1199 FAX

3760 Kilroy Airport Way, Suite 360, Long Beach, CA 90806
562.508.4400 PHONE 562.508.4399 FAX

SHASTA-TRINITY SCHOOLS INSURANCE GROUP JOINT POWERS AUTHORITY
POLICIES & PROCEDURES
APPROVED BY THE BOARD ON OCTOBER 11, 2013
LAST AMENDED BY THE BOARD ON OCTOBER 6, 2016

The calculation of the x-mod is based upon the latest four years of premiums and incurred loss experience. The last four years (2006-07 through 2009-10) of premium and losses are summed by member, and the losses are divided by premiums to calculate a raw loss ratio by member, and for the Group in total. A relative ratio is calculated by dividing the member loss ratio by the Group loss ratio. The uncapped x-mod is then determined by looking up the relative ratio in the following table:

| <u>Relative Ratio</u> | <u>X-Mod</u> |
|-----------------------|--------------|
| Ratio < 0.80 | 0.80 |
| 0.80 <= Ratio < 1.00 | 1.00 |
| 1.00 <= Ratio < 1.50 | 1.25 |
| 1.50 <= Ratio < 2.00 | 1.50 |
| 2.00 <= Ratio < 2.50 | 1.75 |
| 2.50 <= Ratio < 3.00 | 2.00 |
| Ratio >= 3.00 | 3.00 |

Finally we cap the x-mod at +/- 0.5 from the prior year for each member, and members with less than \$1,000,000 in payroll for the 2009-10 year have the x-mod capped at 1.50. The plan is not balanced.

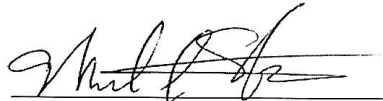
The following table shows a sample x-mod calculation for Lewiston Elementary School District:

| | |
|--|-----------|
| (A) 2006-07 through 2009-10 premium: | \$94,749 |
| (B) 2006-07 through 2009-10 loss: | \$402,483 |
| (C) Member loss ratio: (B) / (A) | 4.248 |
| (D) Group loss ratio: | 0.644 |
| (E) Member relative ratio: | 6.591 |
| (F) Indicated X-Mod: (From Table) | 3.00 |
| (G) Current X-Mod: | 1.50 |
| (H) Indicated Change: | +1.50 |
| (I) Capped Change: | +0.50 |
| (J) Capped X-Mod: | 2.00 |
| (K) Small Member Max X-Mod: (2009-10 payroll \$485,537 < \$1,000,000) | 1.50 |
| (L) Final X-Mod: | 1.50 |

As always, it has been a pleasure working with you on this project. Please feel free to call Mike Harrington at (916) 244-1162 with any questions you may have.

Sincerely,

Bickmore Risk Services

A handwritten signature in black ink, appearing to read "Mike Harrington", with a horizontal line drawn underneath it.

Mike Harrington, FCAS, MAAA
Director, Property and Casualty Actuarial Services, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries