



Santa Clara County
SCHOOLS' INSURANCE GROUP



Financial Policies & Procedures Manual

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1.1. CAPITAL TARGET FUNDS

1.1.1. WORKERS' COMPENSATION PROGRAM

It is the policy of the Schools' Insurance Group to fund the self-insured Workers' Compensation Program each year at the 80% confidence level as actuarially established. Funding components shall include estimated ultimate claims costs and estimated claims administration fees, less anticipated investment income. In addition, in order to protect the assets of the pool, the program may hold additional funds in the Capital Target Account which, if needed, will be determined annually.

Funds in excess of the amounts needed to fund prior years, and the Capital Target Account shall be returned to the members in accordance with the approved Equity Distribution Formula.

1.1.2. PROPERTY/LIABILITY PROGRAM

It is the policy of The Schools' Insurance Group to fund the self-insured Property/Liability Program at the 90% confidence level as actuarially established each year. Funding components shall include estimated ultimate claims costs, and estimated claims administration fees, less anticipated investment income. In addition, in order to protect the assets of the pool, the program may hold additional funds in the Capital Target Account which, if needed will be determined annually.

Funds in excess of the amounts needed to fund prior years, and the Capital Target Account, shall be returned to the members in accordance with the approved Equity Distribution Formula.

1.1.3. DENTAL/VISION PROGRAMS

It is the policy of The Schools' Insurance Group to hold the equivalent of two and one-half months of claims expense in the Dental and Vision Programs Capital Target Account, to be used for claims fluctuation as needed. The amount shall be determined annually.

Funds in the Capital Target Accounts in excess of the two and one-half months of claims expense, if any, shall be returned to the members in accordance with the approved Equity Distribution Formula.

Revised: 2/12/15

Revised: 6/18/20

1.2. PROCEDURES TO ACHIEVE CAPITAL TARGET

1. Annually, before June 30th of a fiscal year, the amount of undesignated reserve for each program shall be projected and compared to the 90% Confidence Level, as determined by this policy.
2. This comparison shall result in establishing the dollar amount of undesignated reserves needed to achieve the 90% Confidence Level and to determine if additional for the Capital Target Account.
3. If the projected undesignated reserve is at the 90% Confidence Level, as actuarially established is sufficient, no further action is needed.
4. If undesignated reserves exceed the 90% confidence level, the Executive Director shall recommend to the Executive Committee the disposition of the surplus undesignated reserve. Disposition may include, but not be limited to, the return of the undesignated surplus as a dividend.
5. If the undesignated reserves amount to less than required at the 90% confidence level, the Executive Committee shall consider appropriate action to bring the undesignated reserve amount to the required level and the period of time (e.g. number of years) over which this action will occur. This would include additional funding for the Capital Target Account and/or the development of a Recovery Plan that may be adopted by the Executive Committee which may include an increase in contribution for the following year(s), or some other form of assessment(s) of the members including the possibility of transfer of equity distributions from other sources to this fund.

Revised: 2/12/15
6/18/20



Santa Clara County SCHOOLS' INSURANCE GROUP



Santa Clara County Schools' Insurance Group (SCCSIG) Property & Liability Program (SCCSIGPL)

Capital Target and Return of Net Equity Policy

It shall be the policy of the Authority (SCCSIGPL) to collect and maintain adequate funds to meet the financial obligations of SCCSIGPL in a timely fashion, prior to the returning of any monies back to the members.

SCCSIGPL will use the following practices to help ensure the goals of this policy are achieved.

1) Determining the Capital Target Level:

Will be reviewed and revised, as needed, by the Executive Committee (EC), annually, with the completion of the actuarial study which is used to establish reserves of the program for outstanding claim liabilities. The program's Actuary will provide estimates of the amounts of additional reserves that will provide 70%, 80%, and 90% probability level margins. The EC will consider the actuarial estimates and choose a capital target margin funding level that assures the Authority's financial stability.

Recommended:

Capital Target will be the actuarially determined 90% probability level plus an additional claim margin contingency reserve of \$2 million.

Capital Target: \$2,723,000

2) Return of Net Equity or Collection of Deficit Assessments:

Annually, in the spring, the EC will consider a return of net equity or, if needed, an assessment, for funding of past program year deficits. Only net equity that exceeds the capital target established by the EC can be declared surplus and thus be eligible for return to the members. In addition, the amount in excess of the capital target available for potential return to the Members shall not include any surplus funds from the past (most recent) five (5) years, plus the current year. The return of net equity available to each member will be based upon each member's pro rata participation, by program year. And will be available in the Equity Report, for review annually by the EC after finalization and approval of the independent financial audit report.

3) Utilization of Distribution:


Upon the declaration of a distribution the Member's authorized representative shall:

- a. Advise SCCSIGPL Executive Director to utilize their distribution in one of the following ways:
 - i. Direct Return
 - ii. Use as offset for next year's premium
 - iii. Transfer funds for utilization in Workers' Compensation Safety Credit Fund (if member of this part of this program)
 - iv. Transfer funds for paydown of Workers' Compensation Deficit – not optional if deficit has occurred in the Workers' Compensation program. Member must offset deficit prior to direct return (i) or offset to next year's premiums (ii).

Date Adopted:

Date of Last Revision:

Yeas: 6 Nays: 0 Abstains: 0 Absent: 0

Signed the 18th day of June, 2020 by 

Investment Policy

1.23 INVESTMENT

Santa Clara County Schools' Insurance Group (hereinafter referred to as the "Insurance Group") is a joint powers authority formed pursuant to Section 6500 of the California Government Code. The purpose of the Insurance Group is to serve participating local public educational agencies by cooperatively managing and acquiring prudent protection against risk, and reducing and stabilizing costs over time. The Insurance Group is committed to providing leadership in pro-active risk management, loss control, legal compliance issues, program evaluation and reporting, and financial management. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the Insurance Group. All funds will be invested in accordance with the Insurance Group's Investment Policy, the California Government Code, and the California Education Code.

This policy was endorsed and adopted by the Executive Committee of Santa Clara County Schools' Insurance Group on May 26, 2005. This Investment Policy replaces any previous Investment Policy or Investment procedures of the Insurance Group.

SCOPE

It is intended that this policy cover all funds and investment activities under the direction of the Insurance Group, including but not limited to funds designated for the property and liability program, workers' compensation and dental/ vision programs.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balance relative to the total pooled balance in the investment portfolio. Interest earnings shall be distributed to the individual funds on a monthly basis.

OBJECTIVES

The principal investment objectives of the Insurance Group are:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. Conformance with all applicable State statutes and Federal regulations.

DELEGATION OF AUTHORITY

The management responsibility for the investment program is delegated annually to the Treasurer pursuant to California Government Code Section 53607. The Treasurer has in turn, delegated to the Executive Director authority to manage, monitor, and review all investments in a manner consistent with this Investment Policy. The Executive Director may delegate the

authority to conduct investment transactions and manage the operation of the investment portfolio to other specifically authorized staff members. The Executive Director shall maintain a list of persons authorized to transact securities business for the Insurance Group. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Executive Director shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the Insurance Group's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the Insurance Group.

The Insurance Group may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the Insurance Group's financial resources.

PRUDENCE

The standard of prudence to be used for managing the Insurance Group's assets shall be California Government Code Section 53600.3, the prudent investor standard which states, "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."

The Insurance Group's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Insurance Group recognizes that no investment is totally riskless and that the investment activities of the Insurance Group are a matter of public record. Accordingly, the Insurance Group recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of security is in the best long-term interest of the Insurance Group.

The Executive Director and authorized staff members acting in accordance with this investment policy, written procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviation from expectations are reported in a timely fashion to the Executive Committee and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICT OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which

could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Treasurer any material financial interests they have in financial institutions that conduct business with the Insurance Group and they shall subordinate their personal investment transactions to those of the Insurance Group.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the Insurance Group shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Any revisions or extensions of these sections will be assumed part of this Investment Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Investment Policy and past Insurance Group investment practices, the Insurance Group may delay adherence to the new requirements when it is deemed in the best interest of the Insurance Group to do so. In such instances, after consultation with the Insurance Group Attorney, and the Investment Advisory Committee, a recommended course of action will be presented to the Insurance Group Executive Committee for approval.

The Insurance Group has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, and strips with maturities not exceeding five years from the date of purchase.
2. Federal Agency debentures and mortgage-backed securities with a stated final maturity not exceeding five years from the date of purchase issued by the Government National Mortgage Association (GNMA).
3. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callables, step-ups, and securities with stripped principal or coupons with a final maturity not exceeding five years from the date of purchase issued by the following only: Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA).
4. Obligations of the State of California and any local agency within California,

including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency, rated at least AA or the equivalent by a nationally recognized statistical rating organization (NRSRO), with maturities not exceeding five years from the date of purchase. The aggregate investment in such obligations cannot exceed 25% of the Insurance Group's total investable funds.

5. Repurchase Agreement with maturities of one year or less collateralized only by U.S. Treasury Obligations and Federal Agency and Instrumentality Securities listed in items 1, 2 and 3 above with the maturity of the collateral not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the

Insurance Group's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance of the value of the underlying securities is brought back up to 102% no later than the next business day. Collateral shall be held in the Insurance Group's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the market daily.

Repurchase Agreements shall be entered into only with dealers who have executed Insurance Group approved Master Repurchase Agreement with the Insurance Group and who are recognized as Primary Dealers by the Federal Reserve Bank of New York. Primary Dealers approved as Repurchase Agreement counter parties shall have a short-term credit rating of at least A-1 or the equivalent by a NRSRO and a long-term credit rating of at least A or the equivalent by a NRSRO. The Executive Director shall maintain a copy of the Insurance Group's approved Master Repurchase Agreement along with a list of the broker/dealers who have an executed Master Repurchase Agreement with the Insurance Group.

6. Prime Commercial Paper with a maturity not exceeding 270 days from the date of purchase with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:
 - A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars (\$500,000,000) and (3) have debt other than commercial appear, if any, that is rated "A" or higher by a NRSRO.
 - B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated "A-1" or

higher, or the equivalent, by a NRSRO.

Purchase of eligible commercial paper may not represent more than 10% of the outstanding paper of an issue corporation, no more than 10% of the Insurance Group's total investable funds may be invested in commercial paper of any one issuer, and the aggregate investment in commercial paper cannot exceed 25% of the Insurance Group's total investable funds.

7. Eligible Bankers Acceptance with maturities not exceeding 180 days from the date of purchase, issued by a state or national bank which as combined capital and surplus of at least \$250 million, whose deposits are insured by the FCIC, and whose senior long-term debt is rated at least A or the equivalent by a NRSRO at the time of purchase. No more than 10% of the Insurance Group's total investable funds may be invested in Bankers acceptances of any one issuer, and the aggregate investment in Bankers Acceptances cannot exceed 25% of the Insurance Group's total investable funds.
8. Medium Term Notes of domestic corporations and depository institutions with maturities not exceeding five years from the date of purchase, and rated at least A or the equivalent by a NRSRO. No more than 5% of the Insurance Group's total investable funds may be invested in Medium Term Notes of any one issuer and the aggregate investment in Medium Term Notes cannot exceed 25% of the Insurance Group's total investable funds.
9. Negotiable Time Certificates of Deposit with maturities not exceeding five years from the date of purchase, in state or nationally chartered banks or savings banks which are insured by the FDIC and have debt if any, that is rated "A or higher by a NRSRO, subject to the limitations of California Government Code Section 53638. The aggregate amount invested in Certificates of Deposit, negotiable and non-negotiable, cannot exceed 25% of the Insurance Group's total investable funds.
10. Non-negotiable Time Certificates of Deposit and savings deposits with maturities not exceeding five years, in state or nationally chartered banks or savings banks that are insured by the FDIC or collateralized. All such deposits must be insured and/or collateralized pursuant to California Government Code Sections 53649, 53651, and 53652. The aggregate amount invested in Certificates of Deposit, negotiable and non-negotiable cannot exceed 25% of the Insurance Group's total investable funds.
11. Any mortgage pass through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, with a final maturity not exceeding five years from the date of purchase. Securities eligible for investment under this section shall be issued by an insurer having an A or higher rating for the insurer's debt as provided by a nationally recognized rating service and the security shall be rated at least AA or its equivalent by a NRSRO. Purchase of securities authorized by this section cannot exceed 20% of the Insurance Group's total investable funds.
12. State of California's Local Agency Investment Fund (LAIF), pursuant to California

13. A County Investment Pool, pursuant to California Government Code Section 53684 (a).
14. Mutual Funds registered under the Investment Company Act of 1940 which (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) invest in the securities and obligations authorized in 1) through 9) of this section and (3) have a rating of AAA, or the equivalent by at least two NRSROs. No more than 10% of the Insurance Group's total investable funds may be invested in mutual funds of any one issuer, and the aggregate investment in mutual funds and money market funds cannot exceed 20% of the Insurance Group's total investable funds. Investment in mutual funds is pursuant to California Government Code Section 53601(k)(1). Any investment in commercial mutual funds must have prior approval by the Insurance Group's Executive Committee.
15. Money Market Funds registered under the Investment Company Act of 1940 which (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) invest in the securities and obligations authorized in 1) through 9) of this section and (4) have a rating of AAA, or the equivalent by at least two NRSROs. No more than 10% of the Insurance Group's total investable funds may be invested in money market funds of any one issuer, and the aggregate investment in money market funds and mutual funds cannot exceed 20% of the Insurance Group's total investable funds. Investment in money market funds is pursuant to California Government Code Section 53601(k)(2).

It is the intent of the Insurance Group that the foregoing list of authorized securities be strictly interpreted. The Executive Director must preapprove any deviation from this list in writing.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The Insurance Group will not invest in securities maturing more than five years from the date of purchase, unless the Executive Committee has granted authority to make such an investment at least three months prior to the date of investment.

SELECTION OF BROKER/DEALERS

The Executive Director shall maintain a list of authorized broker/dealers approved for investment purposes, and it shall be the policy of the Insurance Group to purchase securities only from those authorized firms. To be eligible, a firm must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code, and:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York, or

2. Report voluntarily to the Federal Reserve Bank of New York, or
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Executive Director will select broker/dealers on the basis of their expertise in public cash management and their ability to provide services for the Insurance Group's account.

Each broker/dealer that has been authorized by the Insurance Group shall be required to submit and annually update an Insurance Group approved broker/dealer Information Request form, which includes the firm's most recent financial statements. The Executive Director shall maintain a list of the broker/dealers that have been approved by the Insurance Group, along with each firm's most recent broker/dealer Information Request form. Broker/Dealers shall attest in writing that they have received and reviewed a copy of this Policy. Annually, a copy of this Investment Policy shall be sent to approved broker/dealers and they shall attest in writing that they have received and reviewed a copy of the Policy.

The Insurance Group may purchase Commercial Paper from direct issuers even though they are not on the approve broker/dealer list as long as they meet the criteria outlined in Item 6 of the Authorized Securities and Transactions section of this Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the Insurance Group. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the Insurance Group is offered a security for which there is no other readily available competitive offering, then the Executive Director will document quotations for comparable or alternative securities.

When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

SELECTION OF BANKS AND SAVINGS BANKS

The Executive Director shall maintain a list of authorized banks and savings banks that are approved to provide banking services for the Insurance Group. To be eligible for authorization, a bank must be a member of the FDIC and shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5.

Banks that in the judgment of the Executive Director no longer offer adequate safety to the Insurance Group, shall be removed from the Insurance Group's list of authorized banks.

SAFEKEKEPING AND CUSTODY

The Executive Direct shall select one or more financial institutions to provide safekeeping and custodial services for the Insurance Group, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the Insurance Group shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the Insurance Group's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. It is the intent of the Insurance Group that all securities be perfected in the name of the Insurance Group. Sufficient evident to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except negotiable and non-negotiable Certificates of Deposit, Money Market Funds, Mutual Funds and Local Government Investment Pools, purchased by the Insurance Group will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by an Insurance Group approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the Insurance Group shall be evidenced by a safekeeping receipt or a customer confirmation issued to the Insurance Group by the custodian bank stating that the securities are held in the Federal Reserve system in a customer account for the custodian bank which will name the Insurance Group as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt of evidencing that the securities are held for the Insurance Group as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank or its correspondent bank and the custodian bank shall issue a safekeeping receipt to the Insurance Group evidencing that the securities are held for the Insurance Group as "customer."

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the Insurance Group's investments shall be compared to the average yield on the U.S. Treasury Security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of the Insurance Group's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

The Executive Director shall report quarterly to the Executive Committee on the status of the investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, investments and funds.
2. A description of the funds, investments, and programs managed by outside investment advisors.
3. A market value as of the date of the report and the source of the valuation.
4. A statement of compliance with this Investment Policy or an explanation for non-compliance.
5. A statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why money will not be available if that is the case.

POLICY REVISIONS

The Executive Director shall annually review this Investment Policy for compliance with current federal, state, and local investment statutes. This Investment Policy shall be presented annually

by the Executive Director or specifically authorized staff members to the Executive Committee for review pursuant to Section 53646(a)(2) of the California Government Code. The Executive Committee may amend this Policy as conditions warrant.

Revised: 2/12/15

Investment Procedures

1. Investment Transaction: Maturities

- 1.1. Monitor Securities for maturities
- 1.2. When a security is about to mature, use the following steps to transfer maturing securities from Wells Fargo Money Market, where all maturities are automatically transferred, to the Santa Clara County Treasury account for the Santa Clara County Schools' Insurance Group (SCCSIG).
- 1.3. Complete Wells Fargo transfer request, including two signatures (see attached sample fax).

All transfers must have two of the following signatures for processing.

1. President
 2. Vice President
 3. Secretary/Treasurer
 4. Executive Director
- 1.4. Fax transfer request to Wells Fargo Bank Minnesota by the first business day before the transaction settles.

Contact Information:
Julie Clark at Wells Fargo Bank Minnesota
Phone: 800 424 8022
Fax: 800 424 8066

- 1.5. Complete County of Santa Clara Affidavit and Record of Deposits (see attached sample)
- 1.6. Deliver to the County Office by the date of the transfer for deposit posting to SCCSIG account.

County of Santa Clara, Treasury Unit
County Government Center
East Wing, 6th Floor
70 West Hedding Street
San Jose, CA 95110-1705

- 1.7. Verify that funds are transfer between Wells Fargo Money Market account and the County of Santa Clara Treasury account to the SCCSIG account.
- 1.8. Record transaction in the SCCSIG Great Plains accounting system.

2. Investments Transaction: Purchases

- 2.1. Determine availability of excess funds in the County of Santa Clara Treasury or LAIF for investment in light of cash flow needs and adherence to all SCCSIG Policies.
- 2.2 Obtain approval from the SCCSIG's Executive Committee to pursue investment opportunities, per the Investment Policy guidelines.
- 2.3 Obtain investment opportunity information from Santa Clara Treasurer's Office or External Investment Advisor.
 - 2.3.1. Contact County of Santa Clara Treasurer (County Treasurer) regarding investment opportunities.
 - 2.3.2. Contact contracted Investment Advisor.

The SCCSIG's contract with MBIA will be terminated effective June 30, 2005. The SCCSIG will not make any further purchases of securities through MBIA. The SCCSIG does not have any other Investment Advisor contacts.

- 2.4. Obtain approval of Executive Director or Treasurer, if investment is recommended. All transfers must have two of the signatures listed in item 1.3. under Investment Transactions: Maturities.
- 2.5. Confirm the Transaction with the County Treasurer.

The County Treasurer will prepare a Transaction Report with all of the information pertinent to the purchase or sale of the investment and send it to the Insurance Group representative.

- 2.6 The County Treasurer will settle the transaction and act as the Safekeeping Account holder for the SCCSIG security.
- 2.7. The County Treasurer will transfer funds from the SCCSIG's commingled pool funds for any security purchases.

Adopted by: Santa Clara County Schools' Insurance Group, Executive Committee

Date: 5/26/05

Revised: 2/12/15

1.4 DELINQUENT CONTRIBUTIONS/LATE PAYMENT PENALTIES

Contributions paid by member districts to each designated fund are intended to cover all claims related costs, in addition to the daily operation of the SCCSIG. The funds are kept in short-term interest-bearing accounts or invested for a higher rate of return. The SCCSIG has limited cash flow and has assumed the responsibility of processing payments through the County Office of Education and the County Treasury for our members, thus delaying receipt of member contributions. Therefore, it shall be the policy of SCCSIG to charge interest on late payments. As adopted by the SCCSIG Executive Committee the SCCSIG charges a 1% late fee.

1.4.1 Workers' Compensation:

Advance Payments and Transfers: Due monthly in advance on the first day of the month (July 1st through June 1st). Transfer authorizations are due prior to July 1st each fiscal year.

Reconciling Invoices and Transfers: Due on the posted date on the invoices the last business day of the month or 25 days from the invoice date, whichever is sooner.

There is no grace period for Workers' Compensation premiums.

1.4.2 Property & Liability:

Premiums are due on the posted due date on the invoice, with a grace period not to exceed the last business day of the month or 25 days from the invoice date, whichever is sooner.

1.4.3 Benefits: Wellness Plan, Vision and Dental:

Premiums are due on the first day of the covered month with a grace period of 10 days. Late fees are applied on the 11th day of the covered month.

Adopted: 5/15/14

1.5 DISTRIBUTION OF EQUITY FROM OTHER SOURCES

It is the Policy of SIG that all unallocated equity returned to SIG from other sources may be added to SIG's Capital Target Accounts for the purpose of maintaining the Fund, if need.

Revised: 2/12/15

1.6. EQUITY DETERMINATION POLICY

It shall be the policy of the Santa Clara County Schools' Insurance Group (SCCSIG) to assure that the cash assets held and contributions collected for retained claim liabilities are adequate to fund the liabilities of the SCCSIG.

Each program year shall "stand on its own". That is, the financial results of each program year will accrue to the members who participated in that program year. The financial results whether they include a surplus of funds or a deficit shall be allocated to the covered parties according to the determination of member equity made by the Executive Committee, in either of the following ways at the discretion of the Executive Committee: (a) in proportion to the members total contributions for retained losses in each program year (hereinafter, "pro rata method"); or (b) as the net of total contributions in excess of loss payouts ("the loss history method"). The method decision shall include consideration of the following:

Workers' Compensation Program

It is the policy of the SCCSIG to fund the self-insured Workers' Compensation Program each year at the 80% confidence level as actuarially established. Funding components shall include the estimated ultimate claims costs and estimated claims administration fees, less anticipated investment income. In addition, in order to protect the assets of the pool, the program may hold additional funds in the Capital Target Account, which if needed will be determined annually.

Property and Liability Program

It is the policy of the SCCSIG to fund the self-insured Property/Liability Program each year at the 80% confidence level as actuarially established. Funding components shall include the estimated ultimate claims costs and estimated claims administration fees, less anticipated investment income. In addition, in order to protect the assets of the pool, the program, may hold additional funds in the Capital Target Accounts which, if needed will be determines annually.

Should a deficit position for the program year be declared, the Executive Committee shall assign a retrospective contribution adjustment either in the form of a special assessment or in the form of a surplus balance reduction in other program years. Special retrospective premium adjustments or dividends may be enacted to allow for changes in anticipated costs due to changes in the law, unanticipated losses, etc. In such cases, the members will be given as much advance notice as possible.

The policy of the SCCSIG shall be to strive to return any and all equity (or collect any assessments) that are above (or below) the SCCSIG adopted funding level, for all closed out program years that are (6) years or older as of the end of the preceding program year.

The Executive Committee may elect to return funds to the covered parties or retain funds in the programs to assure the SCCSIG's financial stability.

Revised: 2/12/15

1.7. EQUITY DISTRIBUTION POLICY

It shall be the policy of Santa Clara County Schools' Insurance Group (SCCSIG) to release future undesignated equity in the workers' compensation and property and liability programs to the eligible covered parties upon approval by the Executive Committee. Undesignated equity is defined as any capital not contributing to the "Capital Target Account" and in excess of the 80% confidence level for each program year.

Upon the Executive Committee's declaration of any undesignated equity payable to an eligible covered party, the covered party's undesignated equity will be distributed as follows:

1. An eligible covered party may utilize their undesignated equity payable from the SCCSIG in one of the following ways.
 - A. In the form of a credit toward next year's contribution.
 - B. In the form of a refund check.
2. Within the designated fiscal year that equity has been determined by the Executive Committee, the total amount of the member's undesignated equity must be used when exercising option 1.A or 1.B above. Members will not be permitted partial withdrawals.
3. The member's officially designated Representative or Alternate to the Joint Powers Board must exercise their option, in written form, to the SCCSIG by May 1st of the fiscal year in which the undesignated equity is declared. Should the member's officially designated Representative or Alternate not express their option, then the SCCSIG will automatically select option 1.B (refund check).
4. Undesignated equity funds will not accrue interest.

Approved: 12/6/05

1.8. ACTUARIAL REPORTS**WORKERS' COMPENSATION AND PROPERTY AND LIABILITY**

It is the policy of SIG to have an independent actuarial study performed annually to determine the adequacy of reserves and establish the appropriate funding level for anticipated losses in the self-insured workers' compensation program.

It is the policy of SIG to have an independent actuarial study completed annually to insure sound fiscal funding levels for SIG's Property and Liability loss fund.

ACTUARIAL STUDIES – SELF-FUNDED BENEFIT PROGRAMS

Actuarial studies establishing the adequacy of reserves and the appropriate funding level for anticipated future losses shall be performed every 3 years in accordance with Section 39602 of the Education Code. For the intervening years between those studies, the amount to be set aside for reserves and the funding level for each year shall be recommended to the Executive Committee by the Fringe Benefits Advisory Committee based on trend information and suggested rates provided by the Consultant and the Executive Director of SIG.

Revised: 2/12/15

1.9. UNDERWRITING POLICY

Objective

Santa Clara County Schools' Insurance Group has established underwriting criteria for the purpose of marketing to prospective members. Underwriting information is also used for rate making/premium calculation, measuring member performance, and calculating dividends or assessments based upon equity levels. Underwriting standards and guidelines are outlined in various governing documents, including the JPA Agreement, By-Laws and SCCSIG Policies. This Underwriting Policy provides a summary and highlights much of the criteria utilized to complete the underwriting process.

Underwriting Function/Mission

Establishing underwriting criteria ensures that all SCCSIG coverage programs are analyzed for risk exposures, funding requirements, dividends and assessment calculations, risk retention levels, compatibility between members and serviceability by staff. Adherence to these Executive Committee approved standards and guidelines promotes (guarantees) the continued financial viability and security of SCCSIG.

New Members

The guidelines for admittance of new members to SCCSIG are set forth in the Joint Powers Agreement and By-Laws. Any public educational agency in the State of California is eligible for membership subject to the limitations contained in the Bylaws, including Section III, and should be in a geographic area reasonably serviceable from Santa Clara County. Approval by two-thirds of the Executive Committee is required. The applicant agrees to participate as a member for a minimum of three consecutive years.

Application Process

An applicant for membership must complete a Risk Questionnaire/Underwriting Application. It solicits specific information to assess the applicants risk exposure, such as:

- a. Underwriting data for the current year, including ADA, payroll, number of employees, audited financial statements, budget and other financial data requested;
- b. Payrolls for the previous five years;
- c. Loss history for the previous ten years;

- d. Any recent claim or actuarial studies completed for the coverage programs for which the applicant applies.
- e. Provide census data for Benefit Programs.

In addition, the applicant may be required to submit to an actuarial study in the format required by SCCSIG which may require an application fee as determined by the Executive Committee.

Underwriting Guidelines

Any prospective member, including existing members not participating in a program, must meet the following minimum underwriting guidelines:

- a. Have a loss rate calculated for the past three years that does not exceed the average loss rate of the current members;
- b. Demonstrate a commitment to support risk management and safety programs to control or prevent claims;

Rate Setting/Funding Requirements

The Property/Liability and Workers Compensation programs will be fully funded each year after completion of an independent actuarial study. Rates are established based upon multiple factors, including:

- Payroll exposure
- Loss rates
- Excess rates
- Administrative expense

Although SCCSIG's coverage programs are based upon risk sharing among its members, to encourage accountability for losses, premiums for certain programs are adjusted after the application of an experience modification factor calculated by an actuary.

Dividend/Assessment

The Joint Powers Agreement authorizes the distribution of dividends or collection of assessments based upon the financial position of each fund at the close of the fiscal year. The Executive Committee has adopted Policies that governs the minimum equity balances required before consideration of any dividend. The Policy also requires a program year be at least seven years old before being considered for a dividend distribution.

Periodic Review

This Underwriting Policy is hereby established as set forth above, and will be periodically reviewed by the Executive Committee at least once every three years.

Revised: 3/19/15

1.10. POLICY FOR CLAIMS AUDITS

It shall be the policy of the Santa Clara County Schools' Insurance Group to contract for independent claims audit services to ensure that all claims are properly set up, reserved, reviewed, settled and/or litigated at appropriate levels and in the best interest of Santa Clara County Schools' Insurance Group as follows:

- | | |
|----------------------------------|---------------------------------------|
| 1. Workers' Compensation Program | No less frequently than every 3 years |
| 2. Property/Liability Program | No less frequently than every 3 years |

Approved:

Revised: 2/12/15

1.11. BORROWING AGAINST PROGRAM EQUITY

It is the policy of SIG that no member district shall borrow money, either directly from or against any existing or future equity, from any SIG Program or Plan.

If program reserves fall below the Actuarial level required and the Executive Committee approves a plan to assess members over a period of time (not more than 4 years), such a plan will not be considered “borrowing” as contemplated by this policy.

Revised: 2/12/15

1.12. BORROWING BETWEEN SIG PROGRAMS

Santa Clara County Schools' Insurance Group administers more than one Program on behalf of its members, and no two Programs have the same membership. Because membership in each Program is different, it is the Policy of SIG that no Program may borrow funds from another Program for any purpose.

Revised: 5/26/06

1.13. STALE DATING OF CHECKS

Schools' Insurance Group maintains several checking accounts in order to serve its members. Reconciliation of these accounts is performed monthly, and outstanding checks can be substantial. In order to make the reconciliation of these accounts as practical as possible, it is the policy of the Schools' Insurance Group to void all checks more than six (6) months old.

During the bank account reconciliation process, all checks outstanding, as of the bank statement date must be listed individually. At this time, the issue date of these checks should be reviewed. If it is determined that the issue date is greater than six months from the date of review, the following steps should be taken to staledate the check(s):

GENERAL ADMINISTRATION

Notify the payee (if possible) that the check is going to be voided. (Notification to a vendor is not required.) If it is determined that the check should be reissued it will be placed in the normal payable schedule. No hand issues will be done to replace a staledated check without the Executive Director's written authorization. If the check was issued from a claims trust account, the claims adjuster will be notified that the check is to be staledated. The adjuster is responsible for contacting claimants, vendors, etc., to determine if the check should be reissued and is to notify SIG accounting of that determination.

After notification of the adjuster, contact the bank to; a) confirm that the check has not yet cleared the bank and, b) arrange for a stop payment order to be issued. Confirmation of a stop payment will arrive from the bank usually within three days. Payment may not be reissued until confirmation of the stop payment has been received from the bank.

After the stop payment process is completed, pull the check copy from the accounts payable/claims file and indicate on the check copy that it was voided. Also be sure to enter this information into the accounts payable system if appropriate. (If the amount of the check to be staledated is \$100 or less, no stop payment notice will be filed to avoid the fee; however, the check will be voided and the related account payable and expense reversed.)

WORKERS' COMPENSATION

After the Executive Director identifies which checks are to be staledated, they will be listed separately, indicating check number, check amount, claim number and payee. The Executive Director will refer to the claims manager for signature. If the check was to a vendor/medical provider, the assistant will verify the mailing address, after which they will reverse the payment in the system and reissue it. If the staledated check was made payable to a claimant for benefits, the assistants will inform the claims examiners. The examiners will then verify the mailing address with the claimant and immediately reissue.

Revised: 2/12/15

1.15. PETTY CASH POLICY and PROCEDURES

Policy

Santa Clara County Schools' Insurance Group has established a petty cash fund in the amount of \$150 for small miscellaneous cash payments that require immediate cash outlays. The disbursements/reimbursements are subject to the approval of the Executive Director.

The money is kept in a locked petty cash box with the petty cash custodian (the Administrative Assistant). When the cash fund runs low, it must be replenished and brought back up to the established sum. The Executive Director is responsible for the petty cash reconciliation. The petty cash check is made out to the petty cash fund custodian.

Procedures

Petty cash funds may be used to make small purchases of supplies, postage, parking meters, miscellaneous (under \$100) etc. Petty cash funds may not be used for personal (non-business) purpose, nor may it be used to:

- Purchase (register) for any workshop/seminar activities. **
- Provide travel reimbursements. **
- Purchase business meals. **
- Cash personal checks.
- Provide cash advances.

Note: ** Employees are required to use Santa Clara County Schools' Insurance Group expense reimbursement claim forms or request for purchases forms for workshops.

Disbursement/reimbursement of petty cash from the fund must be supported by an original store receipt and petty cash voucher. The custodian will keep petty cash log to record the activity of the petty cash fund.

At the end of the month, the receipts and vouchers are totaled and the remaining cash is counted. At any point in time, the total of receipts and vouchers plus the remaining cash must always equal the petty cash fund. The Executive Director will present all receipts to the Executive Director for review and approval.

If an expenditure is not approved:

- The amount to be replenished is reduced.
- Reimbursement must be sought from the person who received the funds for the unapproved expenditure.

To replenish petty cash, a journal entry is made to debit various expense accounts and credit cash. The petty cash documents are turned in to the Executive Director by the petty cash custodian to provide support for the journal entry.

Revised: 2/12/15

1.17. WORKERS' COMPENSATION SAFETY CREDIT PROGRAM

The purpose of the Safety Credit Program is to provide funds to members to improve EMPLOYEE SAFETY within their districts, as it relates to workers' compensation. It should also be used to enhance the implementation and maintenance of safety related programs, as they relate to workers' compensation.

All Safety Credit Reimbursements shall be reviewed and approved by the designated member Authorized Representative to the SCCSIG.

It is not necessary for members to belong to the Safety Credit Program through Santa Clara County Schools' Insurance Group (SCCSIG). Every year, each member will have an opportunity to decide if they wish to participate in the program. Members will be able to participate at 5%, 10% or a higher level as determined by the needs of the member. Participation election may not be changed mid-year.

EXAMPLES FOR SAFETY CREDIT USE

I. EMPLOYEE SAFETY EDUCATION

- A. Pay fees for seminars and conferences for outside training.
- B. Pay fees for consultants coming in-house for employee safety training.
- C. Purchase or rental of audio-visual material, posters, books, pamphlets on job hazards and exposures.
- D. Payroll stuffers.
- E. District Safety Newsletters, published outside or inside.
- F. Substitute time OR Employee salary, but not both, when an employee attends Safety Training/Education.
- G. Substitute pay for employees participating in the Return to Work Program who are on restricted duty and the district is unable to accommodate.
- H. Funding for Safety Personnel. The job description for this position needs to include employee safety responsibilities.
- I. Funding for First Aid Only Program for work related injuries.
- J. Mileage to and from seminars, if out of district.

II. SAFETY SUPPLIES/MATERIALS/CONSULTATION

A. Personal Protective Materials for Employees

1. Safety glasses
2. Steel-toed shoes
3. Hand protection for chemicals
4. Face protection
5. Respirators and Medical surveillance
6. Hearing protection and baseline testing

B. District-wide Safety Programs

1. Hazard Communications, AHERA 3-year inspections, and School inspections by an outside contractor, Support/Training for Safety Committees, Industrial Hygiene Testing and Reporting.
2. Disaster preparedness programs and supplies.
3. Chemical sweeps
4. Hazardous waste clean up.

C. Correcting Cal-OSHA, Life Safety Code violations

1. Machine guarding, ventilation/fume exhausters, eye wash/showers in Chemical Storage rooms, flammable liquid cabinets.
2. Medical surveillance for employees working with Asbestos or wearing respirators, eye exams for bus drivers.

D. Preventive Programs

1. Wellness programs
2. Workshops on stress control or ergonomics
3. Health Fairs

III. SAFETY INCENTIVES AND MOTIVATION

A. Awards/Recognition for Safety Suggestions from Employees for Employee Safety.

B. Bulletin Boards for Safety posters, news, and worker compensation lost workdays notification.

C. Recognition items for the Safety Committee

IV. OTHER SAFETY RELATED ITEMS

A. As determined by the Authorized Representative.

V. REIMBURSEMENT OF EXPENDITURES

- A. To receive reimbursement, members will submit an invoice with back up information documenting the expenditure, including written certification that funds were spent in accordance with the guidelines, and send to the SCCSIG Member Services Manager.

VI. RELEASE OF SAFETY CREDIT FUNDS

Cash Withdrawal

- A. Based on the needs of the member, the total safety credit funds, or a portion of funds, within a members account may be withdrawn any time once a fiscal year. The Authorized Representative would be required to submit a request to the SCCSIG Executive Director in writing by June 30th of each fiscal year indicating the amount to be withdrawn for submittal to the member.

Credit toward Workers' Compensation Premium Renewal

- A. A credit can be taken towards the renewal of a member's worker's compensation premium with funds in a member's safety credit account. The Authorized Representative would be required to submit a request to the SCCSIG Executive Director in writing by June 1st of each fiscal year indicating the amount to be credited toward their renewal of their workers' compensation premium.

CERTIFICATION

SAFETY CREDIT ACCOUNT REIMBURSEMENT

I certify that the safety credit funds being reimbursed to (Member Name)_____ were spent in accordance with the Safety Credit Program Policy of the Santa Clara County Schools' Insurance Group.

SIGNED: _____

TITLE: _____

DATE: _____

1.18. PROPERTY/LIABILITY SETTLEMENT POLICY

1. The Executive Director shall have settlement authority for general liability claims at or below \$50,000 (new money).
2. All general liability settlements above \$50,000 (new money) will require prior approval from the Executive Committee.
3. Property claims which are not disputed will not require prior approval of the Executive Committee (i.e., fire, third party auto damage, etc.)

Revised: 2/12/15

1.19. WORKERS' COMPENSATION SETTLEMENT AGREEMENT PROCEDURE

- The Executive Director shall have Workers' Compensation authority up to and including a value of \$50,000 for an Award of new money.
- All settlement (new money) above \$50,000 will require authorization from the Executive Committee.

The settlement agreement process is as follows:

1. The Claims Examiner will make a written request for settlement after reviewing the claim with the respective school district representatives. The Claims Supervisor will review the settlement request and sign the form. This will be forwarded to the Executive Director with supporting documents (summary rating, QME or AME medical report, pertinent defensive attorney correspondence, etc.) A courtesy copy will be sent to the respective school district representative.
2. Once a determination is made, the Executive Director will ratify the settlement request and return the necessary documents to the Claims Examiner.

Revised: 2/12/15

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP

1.20. CONFLICT OF INTEREST CODE

The Political Reform Act, Government Code Section 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 Regs. Section 18730, which contains the terms of a standard conflict of interest code. Therefore, the terms of Title 2, California Code of Regulations, Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, together with the text below specifying designated positions and disclosure categories, are hereby incorporated by reference and constitute the Conflict of Interest Code of the Santa Clara County Schools' Insurance Group (SCCSIG).

Contents of and Period Covered by Statements of Economic Interests

All persons required by this Conflict of Interest Code to file statements of economic interests shall comply with the provisions of 2 California Code of Regulations, section 18730 (and as that section may be amended), which contains detailed instructions regarding the contents of statements and manner of reporting. Information on this regulation can be found on the California Fair Political Practices Commission website.

Filing of Statements

Persons holding a designated position shall file statements of economic interests with the Santa Clara County Schools' Insurance Group's filing official. If a statement is received in signed paper format, the filing official shall make and retain a copy and forward the original of this statement to the filing officer, the County of Santa Clara Clerk of the Board of Supervisors. If a statement is electronically filed using the County of Santa Clara's Form 700 e-filing system, both the filing official and the County of Santa Clara Clerk of the Board of Supervisors will receive access to the e-filed statement simultaneously. The Santa Clara County Schools' Insurance Group shall make the statements available for public inspection and reproduction pursuant to Government Code section 81008.

Designated Positions

Santa Clara County Schools' Insurance Group officials who manage public investments, as defined by 2 California Code of Regulations section 18700.3 (b), are not subject to this conflict of interest code, but are subject to the disclosure requirements of the Political Reform Act, Government Code section 87200, et seq. It has been determined that the following Santa Clara County Schools' Insurance Group positions manage public investments and are subject to filing pursuant to Cal. Gov. Code§ 87200:

JPA Board Member

The following are the designated positions subject to the Santa Clara County Schools' Insurance Group's conflict of interest code:

Designated Position	Disclosure Category
Executive Director	1
Consultant	2
Newly Created Position	*

* Newly Created Positions

A newly created position that makes or participates in the making of decisions that may foreseeably have a material effect on any financial interest of the position-holder, and which specific position title is not yet listed in the SCCSIG's conflict of interest code is 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 SCCSIG may determine in writing that a particular newly created position, although a "designated position," is hired to perform a range of duties that are limited in scope and thus is not required to fully comply with the broadest disclosure requirements, but instead must comply with more tailored disclosure requirements specific to that newly created position. Such written determination shall include a description of the newly created position's duties and, based upon that description, a statement of the extent of disclosure requirements. The SCCSIG'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 Section 81008.)

As soon as the SCCSIG has a newly created position that must file statements of economic interests, the SCCSIG shall contact the County of Santa Clara Clerk of the Board of Supervisors Form 700 division to notify it of the new position title to be added in the County's electronic Form 700 record management system, known as eDisclosure. Upon this notification, the Clerk's office shall enter the actual position title of the newly created position into eDisclosure and the SCCSIG's filing official shall ensure that the name of any individual(s) holding the newly created position is entered under that position title in eDisclosure.

Additionally, within 90 days of the creation of a newly created position that must file statements of economic interests, the SCCSIG shall update this conflict-of-interest code to add the actual position title in its list of designated positions, and submit the amended conflict of interest code to the County of Santa Clara Office of the County Counsel for code-reviewing body approval by the County Board of Supervisors. (Gov. Code Sec. 87306.)

Disclosure Categories

Category 1: Persons in this category shall disclose:

(1) all investments, business positions, and income (including gifts, loans and travel payments) from:

- (a) sources that provide leased facilities, goods, or services, including training or consulting services, of the type utilized by the SCCSIG;
- (b) sources of the type to receive monies from or through the SCCSIG; and

(2) all interests in real property located entirely or partly within the boundaries of the SCCSIG, or within two miles of its boundaries, or of any land owned or used by the SCCSIG.

Category 2: Consultants, as defined for purposes of the Political Reform Act, shall disclose pursuant to the broadest disclosure category in the conflict of interest code subject to the following limitation: The SCCSIG may determine in writing that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements of the broadest disclosure category, but instead must comply with more tailored disclosure requirements specific to that consultant. Such a determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. All such determinations are public records and shall be retained for public inspection along with this conflict of interest code.

Approved: September 23, 2004

Revised: January 29, 2009
September 19, 2010
December 9, 2010
October 16, 2014
August 18, 2016
June 27, 2023

Reviewed: November 30, 2017
December 7, 2018
December 6, 2019
December 3, 2021

1.21. AUXILIARY ORGANIZATIONS

Auxiliary organizations and PTOS will be required to purchase liability and/or crime coverage such as the Evergreen Program, PTA Insurance, or other commercially obtained coverage with the following minimum limits: \$1,000,000 limit for liability on a per occurrence basis with a \$2,000,000 aggregate limit. Annually, Auxiliaries and PTO's will also be required to provide their "parent" Districts with a renewal Certificate of Insurance for liability purposes. Those auxiliaries/PTO's that choose to serve alcohol will also be required to purchase Liquor Liability insurance at limits NOT less than \$1,000,000 per occurrence. In the event a claim occurs that has not been covered by required commercial insurance, it will be considered an uninsured loss.

Approved: 09/23/04

1.22. DEFENSE COUNSEL POLICY

The Santa Clara County Schools' Insurance Group (SCCSIG) is legally classified as a Joint Powers Authority. SCCSIG is a governmental entity controlled by a Board of Directors. The Board is composed of representatives from the various member districts in Santa Clara County that provide educational services to public school students.

The General Liability Program is funded by contributions from the member school districts. These member school districts have an average daily attendance of approximately 69,000 students. SCCSIG self-insures the first layer of coverage at \$100,000. Excess coverage is purchased from \$100,000 to \$5 million and additional layers from \$5 million to \$30 million.

Due to the layering of coverage, SCCSIG maintains its coverage under the self-insured retention of \$100,000 to be consistent with the excess insurance policy coverages above the \$100,000 layer so there are no gaps in coverage.

SCCSIG has the sole authority to control the defense of claims incurred by its member districts. The members will be kept informed of their active cases, but the ultimate decision making authority rests with SCCSIG. Covered claims against member school districts are adjusted by SCCSIG utilizing a third-party claims administrator.

Our third-party administrator administers, negotiates and settles claims and lawsuits against member districts. Additionally, SCCSIG provides information about property and liability issues to the districts, arranges legal counsel and determines whether coverage exists under our property/liability memorandum of coverage.

Defense counsel is determined by the Executive Director in consultation with the third party claims administrator.

Revised: 2/12/15

1.23. DATA SECURITY and BACK-UP PROCEDURE

1. All Santa Clara County Schools' Insurance Group accounting data will be stored on the Accounting Computer.
2. Periodic back-ups are made during the week during crucial activities (i.e., payroll, check runs, etc.) and stored on the Accounting Computer. A CD back up of the Accounting computer will be generated at the end of every week.
3. The completed CD back up will be removed from the office by the SCCSIG Executive Director and stored in a safe deposit box.
4. Backups will be maintained in the safe deposit box on the following schedule:
 - a. Weekly backups stored until quartered.
 - b. Quarterly back-ups stored until after year-end is complete.
 - c. Year-end back-ups are kept indefinitely.
5. All other electronic files are backed-up daily onto the server and onto a separate removable hard drive.
6. Hard copy claim files, insurance policies and JPA Resolutions and minutes will be stored in fire-rated cabinets. The fire rating will meet the UL rating of class 350 (350% Fahrenheit).
7. Non electronic data/documents (originals) are warehoused at a secure location separate from the SCCSIG office, until destroyed in accordance with the SCCSIG's Records Retention Policy No. 1.24.
8. SCCSIG's electronic data/documents must be handled by all providers in a secure environment in accordance with the following processes, policies and standards:
 - A. Establish and maintain a comprehensive General Computing and Security Policy that:
 - Clearly states the responsibilities of personnel with regard to appropriate use and care for the SCCSIG's data;
 - Clearly define a strong password policy and supporting standard;
 - All personnel must attend security awareness training.
 - B. Maintain appropriate security checks and balances for the environments through:
 - Complete Security assessment and remediation, by an industry respected third party;
 - Annual computer system vulnerability assessments;
 - Appointed Compliance Officer and Information Security Team;

- Maintaining SCCSIG's documents in an imaged and OCR indexed system with searchable database.
 - Protection of data as required by the Health Insurance Portability and Accountability Act of 1996 (HIPPA), as applicable.
- C. Maintain secure operations involving SCCSIG's data by:
- Using only secure file transfer protocols and/or PGP encryption for any external file transfers of "sensitive" data;
 - Deploy and maintain hard drive encryption on all desktop and laptop endpoints;
 - Make secure email (encrypted mail) services available for transfers of sensitive information via email;
 - Maintain Secure Network perimeter and Firewalled DMZ (demilitarized Zone);
 - Have an Intrusion Detection/Prevention System (IDS/IPS);
 - Network Monitor and escalation with 24/7 response;
 - A secured computer facility.
- D. Maintain adequate Business Continuity Plan (BCP) and Disaster Recovery (DR) plan for IT systems
- A security system with restricted access
 - An adequate fire suppression system (Gas)
 - An uninterruptable Power System (battery failover)
 - Adequate cooling and HVAC systems
- E. Data Back-up and Recovery
- Maintain encrypted backup tapes;
 - Utilize secure off-site services for encrypted back-up tape protection;
 - Bar-coded encrypted back-up tapes and database for expeditious retrieval.
- F. Evidence of Compliance
- To ensure that all processes, policies and standards outlines in this policy have been address by providers, a Letter of Assurance shall be submitted as an evidence of compliance.

Revised: 2/12/15

1.24. RECORDS RETENTION POLICY

The goal of the Records Retention Policy is to provide efficient retrieval and use of information while keeping record maintenance costs to a minimum.

Records typically have a four-stage life cycle. First is creation, when the data or information is generated. Second is the period of active use, which can range from a few days to several years. During this period, users frequently reference the record, so they need quick access to it. Therefore, the record should be maintained in the office area.

The third period in the cycle is inactivity, when the record is in storage. During this period, the record is kept either because of legal reasons or because of infrequent reference needs. Some records have no inactive period, while others may remain in this stage for several years or even permanently.

The final stage in the cycle is destruction, which occurs when the organization no longer needs the record and is no longer required by law to keep it. With confidential or proprietary records, special attention must be taken to ensure that destruction is total and that records can in no way be re-created.

The following schedule is intended to serve as a framework of required periods of retention for various records currently in use.

Pursuant to Government Code Section 60201, unless otherwise provided by state statute, all records not specifically mentioned herein shall be retained for a period of not less than two (2) years.

Accounting Records

	Required Hard Copy Retention	Recommended Retention	Reason for Recommended Period
General Ledger	Permanent	Permanent	
Journal – All Funds	3 years	4 years	Fiscal Accountability
Bank Reconciliation's and canceled checks	3 Years	4 years	Timing/Fiscal Year
Accounts Payable Reconciliation	3 years	4 years	Fiscal Accountability
Accounts Receivable Reconciliation	3 years	4 years	Fiscal Accountability
Annual Financial and Budget Reports	Permanent	Permanent	
Investment Records	3 years	4 years	Timing/Fiscal Year
Auditor's Report	Permanent	Permanent	
Financial Statements – All Funds	Permanent	Permanent	
First Interim Financial Report	Permanent	Permanent	

First Annual Financial and Budget Report	Permanent	Permanent	
Payroll and Salary Records, W-2 and 1099's	Permanent	Permanent	
Wage and Tax Statements	Permanent	Permanent	
Federal Withholding Tax Reports	Permanent	Permanent	
Payroll Office Records	Permanent	Permanent	
Employers' Quarterly Federal Tax Returns	Permanent	Permanent	
State EDD Quarterly Contribution Return	Permanent	Permanent	
Termination Records – Payroll	Permanent	Permanent	
Annual Financial and Budget Report, Joint Powers Agencies	Permanent	Permanent	
State Controller's Report	5 yrs.	Destroy	
State Annual Report (WC)	5 yrs.	Permanent	

Personnel Records

	Required Hard Copy Retention	Recommended Retention	Reason for Recommended Period
	Office Files	Outside Storage	Total
1. Personnel Files (Terminated)	Permanent	Permanent	
2. Employment Applications	3 years	4 years	Timing/Fiscal Year
3. Personnel Records/ Information	Permanent	Permanent	
4. Notice of Employment	Permanent	Permanent	
5. Payroll Listing for PERS	Permanent	Permanent	

Claims Information

	Required Hard Copy Retention	Recommended Retention	Reason for Recommended Period
1. Insurance Policies and Memorandum of Coverage	4 yrs.	Permanent	Permanent
2. Claim Audits	3 yrs.	Permanent	Permanent
3. Actuarial Reports	3 yrs.	Permanent	Permanent
4. P/L Claim Files	2 yrs. after closure	5 yrs.	7 yrs. after closure
5. WC Claim Files	Active Files	5 yrs. after closure	5 yrs. after closure
6. Incident Reports (no claim)	3 yrs.	Destroy	3 yrs.

Other Records

	Required Hard Copy Retention	Recommended Retention	Reason for Recommended Period
Board Minutes	Permanent	Permanent	
JPA Agreement /Bylaws (revisions) (current Agreements always kept in office)	3 yrs	Permanent	Permanent
Contracts (all)	5 years	5 years	Code of Civil Procedures 337
Rules, Regulations, Policies, Resolutions referenced in Minutes	Permanent	Permanent	
Copies of Certificates of Insurance	1 yr.	1 yr.	2 yrs.
Litigation Documents (including subpoenas)	Permanent	Permanent	Save until 3 years after case has been settled or decided and all rights of appeal have expired.
Lease Agreements	Permanent	Permanent	
Conflict of Interest Statements	Permanent	Permanent	

Revised: 2/12/15

1.25. FRINGE BENEFITS PROGRAM – NEW MEMBER ENROLLMENT PROCEDURE

1. The initial Request for SCCSIG enrollment for any of the Fringe Benefit Programs must be submitted to the SCCSIG's office along with corresponding census and related benefits data. If the district requesting entry is not already a member of the SCCSIG, then that district must comply with all existing requirements of the SCCSIG's Bylaws procedures pertaining to new membership and withdrawal from benefit plan(s).
2. Upon receipt of benefits related data, the SCCSIG will pass on the information to the contracted carriers for analysis. Contracted carriers will compare the information provided and deliver results to the JPA for evaluation at the same time as renewals are provided. The SCCSIG will be able to compare premiums and rates with the new member district added, and without. This will allow the JPA to determine the feasibility of admitting a new district into the JPA benefits risk pool.
3. As appropriate, once the SCCSIG releases the rates to the requesting district, said district has 30 days to provide written notice to the JPA of its intent to join the JPA effective January 1 of the next policy plan year.

Approved: 5/8/2008

Revised:

1.26. EXECUTIVE COMMITTEE PROCEDURE

Per Section VI.A.1. of the Santa Clara County Schools' Insurance Group Bylaws, and the Executive Committee is authorized to adopt additional procedures governing termination or withdrawal from individual plans or pools within the Fringe Benefit Program, upon reasonable notice to all members.

The following procedure has been adopted by the Executive Committee at their meeting on *May 8, 2008*:

No. 1 – Withdrawal From One of Several Benefit Plans

A member which belongs to more than one benefit plan may withdraw from one of the plans to which it belongs yet remain a member as to the other(s) if it has been a member in that plan from which it seeks to withdraw for thirty-six (36) consecutive months.

The Executive Committee is authorized by Bylaws VI.A.1. to adopt the above-quotes procedure in order to clarify the benefit plan withdrawal process. The suggested procedure itself will become binding after reasonable notice to all members. Reasonable notice can be accomplished by a letter to all members attaching the new procedure and specifying that unless more than fifty percent (50%) of all members object within thirty (30) days that procedure shall become binding.

Approved: 5/8/08

Revised:

1.27. INDEMINIFICATION OF MEMBER POLICY

1. The success of the Santa Clara County Schools' Insurance Group (SCCSIG) hinges upon the voluntary participation of its members; therefore it shall be the policy of the SCCSIG to provide indemnification for all Board and Committee members with no deductible or member retained limit while acting within the course and scope of their duties as Board or Committee members of the SCCSIG.

Approved: 1/29/09

Revised:

1.28 PROPERTY AND LIABILITY CLAIMS DISPUTE PROCESS

The Santa Clara County Schools' Insurance Group (SCCSIG) became a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability coverages.

The ASCIP Bylaws, Article XIV (included below) provides an arbitration clause which outlines the procedures for a claims dispute between a member and ASCIP. ASCIP's dispute resolution through binding arbitration is applicable regardless of the retention level selected by any member. Therefore, as a new member of the ASCIP program we are required to adopt the following dispute process as a part of the SCCSIG policies:

ASCIP Bylaws, Article XIV - Arbitration

In the event of a dispute between a Member and ASCIP, the dispute shall be subject to arbitration and all parties shall be bound by the findings and decisions of the arbitrator(s). All such disputes shall be subject to binding arbitration including, but not limited to, any disputes arising between ASCIP and any Member(s) concerning ASCIP's Joint Powers Agreement, The Bylaws, any coverages or programs, or in any way involving or relating to the operations, management and activities of ASCIP and/or the right, duties or obligations of the Member(s).

ASCIP and the Member(s) may agree to use one arbitrator or three arbitrators. The arbitration shall be conducted by the American Arbitration Association ("AAA") and, to the extent not inconsistent with the Bylaws and operative ASCIP – Member agreements, shall be governed by the AAA arbitration rules and procedures, including the rules governing the identification and selection of arbitration panel members. ASCIP and the Member(s) may agree to use an alternative arbitration service or to select privately an arbitrator or a three person arbitrator outside of AAA.

Regardless of the outcome of the arbitration, ASCIP and the Member(s) shall share equally in the costs of the arbitration and in the compensation of the arbitrators, which fees and costs shall not be subject to reallocation based upon whether ASCIP or the Member(s) is the prevailing party.

The arbitrators shall consider this agreement an honorable engagement rather than merely a legal obligation. Local rules of law as to procedure and evidence will apply and arbitration shall take place in the County of Los Angeles. The decision of the majority of the arbitrators shall be final and binding upon both parties and not subject to appeal.

A judgment based on the majority decision of the arbitrators may be entered in any court having jurisdiction upon the request of the Member(s) or ASCIP.

Adopted: 1/29/09

Revised:

1.29 PROFESSIONAL DEVELOPMENT REIMBURSEMENT POLICY

Executive Committee members are entitled to be reimbursed for “actual and necessary” expenses (as indicated below) incurred when engaged in specifically authorized activities on behalf of SIG. Authorization for Executive Committee members’ travel/conference activity shall be provided by specific Executive Committee action.

Members of the SIG who participate in the Workers’ Compensation or Property and Liability programs are entitled to be reimbursed for designated professional development opportunities that are approved by the Executive Committee for a maximum total fiscal year reimbursement not to exceed \$2500 per member. Also, the Executive Committee President can approve at their discretion the professional development opportunities that are not on the approved list, but will benefit members on a case by case basis, any professional development opportunities presented for approval will report out to the entire Executive Committee on all activities approved. Any additional professional development opportunities approved will not increase the maximum reimbursement of \$2500 per member.

1.29.1 Lodging

When necessary, the cost of overnight hotel accommodations (including room and tax only) is reimbursable only if the meeting is more than one day and if travel arrangements or the meeting schedule reasonably necessitates staying overnight.

1.29.2 Transportation

Ground transportation (private vehicle, taxi/shuttle and tips, car rental, etc.) and/or air transportation will be reimbursed at the most reasonable and economical rate:

- A. The cost of private travel at the current standard IRS mileage rate or
- B. The current cost of the most direct round trip coach airfare available via commercial airlines plus ground transportation to and from the nearest airport

1.29.3 Meals

Necessary meals will be reimbursed at actual cost not to exceed the IRS approved per diem rates. In the event that less than a full day of meals (i.e. per diem) is claimed the daily per diem shall be allocated as follows: breakfast 20%, lunch 30%, dinner 50%. Only meals necessitated by the travel conference schedule shall be reimbursable. Further, reimbursement may not be claimed for meals when a “free” meal is available through the conference or the hotel unless specifically authorized by Executive Committee.

1.29.4 Miscellaneous

Parking, bridge tolls, telephone, printing, and other similar reasonable expenses are reimbursable at actual cost which must be documented by a receipt.

1.29.5 Timeliness of Claims

Expense claims should be completed, approved and submitted to the SIG office within 30 days from the time of the expense occurred in order to be reimbursed. Requests for reimbursement should be made on the SIG Travel Expense Claim form (attached), and be accompanied by all appropriate receipts. Original receipts are required unless a district credit card was used and the originals are required by the district. In this case detailed copies will be accepted.

1.29.6 **Approval of Claims**

It is the responsibility of the Executive Director to review/approve all expense claims for SIG staff pursuant to Personnel Policy (PP-16.0). Claims for the Executive Director herself/himself shall be reviewed/approved by the SIG President. Claims exceptions for the Executive Committee shall be reviewed by the SIG Treasurer and approved by the Executive Committee. In the event of a questionable claim, the SIG Treasurer shall be consulted.

Adopted: 10/15/09

Revised: 08/19/10

1.30 EXECUTIVE COMMITTEE ELECTION POLICY

- A. The seven person Executive Committee shall be elected by the Joint Powers Board in the following manner: Three members of the Executive Committee shall be elected in each odd numbered year to serve for two-year term and four members shall be elected in each even numbered year to serve two-year term.

Executive Committee members will serve for two years. The Executive Committee should provide in so much as possible for representation by each different type and size of school district as well as representation by the various geographical areas of member agencies. Qualifying members must participate in the Workers' Compensation Program and/or the Property and Liability Program.

The Executive Committee may appoint, at will, a retired employee of a member that participates in the Workers' Compensation and/or Property and Liability Program to serve in a non-voting advisory Emeritus position for their specific professional expertise that could be used as a resource by the Executive Committee.

Election procedure:

1. Nominating Committee
 - a. The Nominating Committee is selected at the January Executive Committee meeting
 - b. The Nominating Committee will send letters to each Executive Committee member whose term is expiring to determine if they wish to continue to serve on the committee. If so, they will notify the Nominating Committee in writing, and their names will be placed on the ballot. (As used in this Policy, "letters" may be by email.)
2. JPA Member Notifications
 - a. Letter #1, is sent out to JPA Designated Representatives after the January Executive Committee meeting notifying them of any openings on the Executive Committee and requesting names of Nominee(s), along with Nomination Form, Candidate's Statement of Qualifications and Executive Committee Member Criteria to be submitted by the second week of February.
 - b. Letter #2, will be send to Nominee(s) submitted, requesting that the Nominee complete an application and personal profile for consideration by the Nominating Committee. Potential Nominee(s) will be interviewed by the Nominating Committee to fill open seats on the Executive Committee. At the March meeting a summary of interview process alone

with recommendations of Nominee(s) to fill open seats will be reviewed and approved by the entire Executive Committee.

- c. Letter #3, which is the official ballot, will be sent to all JPA Designated Representatives after the March Executive Committee meeting. The ballot will include incumbent Executive Committee members still willing to serve and Nominee(s) approved by the Nominating Committee and Executive Committee. Completed ballots are due prior to the April Executive Committee meeting. Results of the election will be presented to the Executive Committee for approval for their April meeting.
 - d. Letter #4, reflecting the election results, will be sent out after the April Executive Committee meeting to all JPA Designated Representatives.
3. Unexpected Vacancies

Within six (6) months after the election, if there is an unexpected vacancy, the remaining top candidate that did not fill a seat on the Executive Committee will be interviewed by the Executive Committee Officers who will make the final recommendation to the entire Executive Committee. If the vacancy is not filled, then the Executive Committee will solicit additional possible candidates.

Adopted: 1/19/12

Revised: 5/17/12
2/13/13