



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, February 5, 2014

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Elizabeth Swift, Chair

Randal Bressette, Vice Chair

Sam Allevato Trish Kelley Jerry McCloskey Al Murray Steven Weinberg

Bruce Channing - Ex Officio

Unless legally privileged, all supporting documentation and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda, which relate to any item on this agenda will be made available for public review in the office of the Clerk of the Authority located on the 2nd floor of the OCFA Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602, during regular business hours, 8:00 a.m. - 5:00 p.m., Monday through Thursday, and every other Friday, (714) 573-6040. In addition, unless legally privileged, all supporting documentation and any such writings or documents will be available online at <http://www.ocfa.org>.

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Supporting documents, including staff reports, are available for review at the Orange County Fire Authority Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Friday from 8:00 a.m. to 5:00 p.m.

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Murray

ROLL CALL

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

MINUTES

- 1. Minutes for the January 8, 2014, Budget and Finance Committee Meeting**
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Approve as submitted.

CONSENT CALENDAR

- 2. Monthly Investment Reports**
Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

- 3. Second Quarter Financial Newsletter – July to December 2013**
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:
Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- 4. Monthly Status Update – Orange County Employees' Retirement System**
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:
Receive and file the report.

DISCUSSION CALENDAR**5. Request for Proposal No. DC1857 - Third Party Workers' Compensation Administration & Managed Care Services**

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendations that the Executive Committee:

1. Approve and authorize the Fire Chief to sign the proposed Professional Services Agreement for TPA and MC Services with CorVel Corporation, effective June 1, 2014, for the initial term of five years and three additional one-year contract extensions.
 - a. The TPA pricing will be a fixed cost with annual adjustments for eight years as outlined in the updated pricing index (pricing reflects reduction of costs to exclude handling the 49 open indemnity claims).
 - b. The MC Services will be based on the agreed cost listed in the pricing index; the overall cost of these services is based on actual claims activity and bill volume (bill review, utilization review and nurse case management) for each category of service.
 - c. Allocated Expenses (attorney fees, copy service fees, interpreter fees) are not included in the claims administration fees and will be charged per the contracted rates.
2. Direct staff to return to the Budget and Finance Committee and the Executive Committee after two years of service (i.e., July 2016), to evaluate performance and the resulting contract costs under the new contract with CorVel Corporation.

6. OCFA 2014 Grants Status and Priorities

Submitted by: Brian Stephens, Assistant Chief/Support Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors approve OCFA's grant priorities for 2014.

7. Proposed Scope for Year Two of the Comprehensive Review of OCFA's Financial Internal Controls

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Approve the following three areas to be included in the second year of the comprehensive internal control review:

1. Capital Assets and Inventory Control
2. Request for Proposals (RFP) Process
3. Advanced Life Support (ALS) Controlled Medications Accountability

8. Disposition of Remaining Hazardous Materials Disclosure Fund Balance

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors direct staff to implement all necessary budget adjustments to remit the \$935,870 in HMD funds designated in the OCFA's General Fund, and to transmit any unclaimed refunds remaining after April 30, 2014, to the Orange County Health Care Agency (HCA). The HCA will deposit the funds in a special revenue account for use in the existing HMD Program.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 12, 2014, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 30th day of January 2014.

Sherry A.F. Wentz, CMC
Clerk of the Authority

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, February 27, 2014, 5:00 p.m.
Executive Committee Meeting	Thursday, February 27, 2014, 5:30 p.m.
Board of Directors Meeting	Thursday, February 27, 2014, 6:30 p.m.
Budget and Finance Committee Meeting	Wednesday, March 12, 2014, 12:00 noon

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Regular Meeting
Wednesday, January 8, 2014
12:00 Noon

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on January 8, 2014, at 12:00 p.m. by Chair Swift.

PLEDGE OF ALLEGIANCE

Director Allevato led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present: Sam Allevato, San Juan Capistrano
Randal Bressette, Laguna Hills
Trish Kelley, Mission Viejo
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Elizabeth Swift, Buena Park
Steven Weinberg, Dana Point

Absent: None

Also present were:

Fire Chief Keith Richter
Assistant Chief Lori Zeller
Assistant Chief Brian Stephens
Assistant Clerk Lydia Slivkoff

General Counsel David Kendig
Assistant Chief Dave Thomas
Clerk of the Authority Sherry Wentz

PUBLIC COMMENTS (F: 12.02B3)

Chair Swift opened the Public Comments portion of the meeting. Chair Swift closed the Public Comments portion of the meeting without any comments.

MINUTES (F: 12.02B2)

1. Minutes for the November 6, 2013, Budget and Finance Committee Meeting (F: 12.02B2)

On motion of Director Weinberg and second by Director Kelley, the Committee voted unanimously to approve the minutes of the November 6, 2013, Budget and Finance Committee Meeting, as submitted. Director Murray abstained due to his absence at the meeting.

CONSENT CALENDAR

2. Monthly Update – Orange County Employees’ Retirement System (F: 17.06)

On motion of Vice Chair Bressette and second by Director Kelley, the Committee voted unanimously to receive and file the report.

DISCUSSION CALENDAR

3. Monthly Investment Report (F: 11.10D2)

Treasurer Tricia Jakubiak provided an overview of the investment report and current global market activity.

On motion of Director McCloskey and second by Director Murray, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of January 23, 2014, with the Budget and Finance Committee’s recommendation that the Executive Committee receive and file the report.

4. Updated Broker/Dealer List (F: 11.10D4)

Treasurer Tricia Jakubiak provided an overview of the updated broker/dealer list.

On motion of Vice Chair Bressette and second by Director Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee Meeting of January 23, 2014, with the Budget and Finance Committee’s recommendation that the Executive Committee approve the proposed Broker/Dealer List to include the following three firms:

- FTN Financial
- Raymond James
- UBS Financial Services

5. Use of External Investment Manager

Fire Chief Richter provided an overview of the use of an external investment manager.

Director Bob Baker, City of San Clemente, provided comments in support of external investment manager use options.

A lengthy discussion ensued.

On motion of Director Murray and second by Director McCloskey, the Committee voted unanimously to recommend the OCFA's Treasurer to continue to invest funds internally.

6. FY 2013/14 Mid-Year Financial Report (F: 15.04)

Assistant Chief Zeller introduced Accounting Manager Deborah Gunderson who provided a PowerPoint presentation on the FY 2013/14 Mid-Year Financial Report.

A lengthy discussion ensued.

On motion of Vice Chair Bressette and second by Director Murray, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of January 23, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to implement all necessary budget adjustments to allocate \$3,000,000 of the \$6,134,590 of available unencumbered funds identified in the 2012/13 annual financial audit to the OCFA's Unfunded Actuarial Accrued Liabilities with the Orange County Employees Retirement System, and allocate any remaining funds to the OCFA's Capital Improvement Program for capital needs.
2. Direct staff to implement all necessary budget adjustments to issue the 2013/14 equity payment to the City of Irvine in the amount of \$5,976,162, in accordance with the Second Amendment to the Amended Joint Powers Agreement.
3. Direct staff to implement necessary budget adjustments to unfreeze specified positions for the Community Risk Reduction and Business Services Departments, as explained herein.
4. Direct staff to return to the Board of Directors in March 2014, for approval of all additional budget adjustments discussed herein for the FY 2013/14 budget.

REPORTS (F: 12.02B6)

Fire Chief Richter provided an update on an early morning fatal fire in a care facility in the City of Santa Ana where two people died and four others were injured.

Assistant Chief Stephens indicated the OCFA's commitment to support legislation requiring sprinkler systems in these types of facilities for these very reasons.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Kelley thanked OCFA staff for the fire safety presentations at Mission Viejo City Council meetings. She encouraged Committee members to utilize the OCFA to get safety messages out in their communities.

Chair Swift commended Division Chief McKeown for his responsiveness to Board members, and for providing information that helped make her community feel like they were being cared for during a recent fire incident in Buena Park.

Director McCloskey thanked and noted his appreciation to OCFA staff for email updates.

ADJOURNMENT – Chair Swift adjourned the meeting at 1:22 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, February 5, 2014, at 12:00 noon.

Sherry A.F. Wentz, CMC
Clerk of the Authority

CONSENT CALENDAR - AGENDA ITEM NO. 2
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Reports**

Summary:

This agenda item is submitted to the Committee in compliance with the investment policy of the Orange County Fire Authority and with Government Code Section 53646.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Background:

Attached is the final monthly investment report for the month ended December 31, 2013. A preliminary investment report as of January 17, 2014, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

Triciajakubiak@ocfa.org

(714) 573-6301

Attachment:

Final Investment Report – December 2013 / Preliminary Report – January 2014

Orange County Fire Authority Monthly Investment Report



Final Report – December 2013

Preliminary Report – January 2014



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

December 31, 2013



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of December 2013, the size of the portfolio increased significantly to \$180.1 million from \$103.4 million. Significant receipts for the month included the second and third apportionments of secured property taxes for a combined total of \$78.8 million and receipts for the second quarterly cash contract payments totaling \$14.1 million. Significant disbursements for the month included primarily biweekly payrolls. The portfolio's balance is expected to decrease significantly in the following month as there are no major receipts scheduled for January.

In December, the portfolio's yield to maturity (365-day equivalent) decreased by 14 basis points to 0.24%. The effective rate of return also decreased, declining by 10 basis points to 0.29% for the month, and edged down by 1 basis point to 0.34% for the fiscal year to date. The average maturity of the portfolio shortened by 111 days to 187 days to maturity. Due to the persistently low interest rate environment, interest earnings came in less than budgeted for the first half of the fiscal year. Therefore, interest earnings are being reviewed for a mid-year budget adjustment.

Economic News

In December 2013, the U.S. economic activity remained weak and uneven. Employment conditions, in contrast to the prior month, were much weaker than expected. There were a total of 74,000 new jobs added in December while a much higher number had been expected for the month. Unemployment conditions, on the other hand, appeared to continue improving, declining by 3 basis points to 6.7%. However, the drop in the unemployment rate was also due to a significant decline in the labor force. Both the manufacturing and non-manufacturing sectors declined slightly, although their level of activity remained in expansion territory. Retail sales came in slightly better than expected, and both the University of Michigan Consumer Sentiment and the Conference Board Consumer Confidence measures increased in December. Industrial production was in line with expectations in December. Inflation increased as expected, but remained controlled. The NFIB (National Federation of Independent Business) small business optimism index increased slightly in December. Current expectations are that the Fed will likely increase the pace of "tapering" gradually at their next scheduled meeting in late January 2014.



BENCHMARK COMPARISON AS OF DECEMBER 31, 2013

<i>3 Month T-Bill:</i> 0.07%	<i>1 Year T-Bill:</i> 0.13%
<i>6 Month T-Bill:</i> 0.10%	<i>LAIF:</i> 0.26%
<i>OCFA Portfolio:</i> 0.29%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$180,095,611	\$103,368,721	\$163,639,022
<i>Yield to Maturity (365 day)</i>	0.24%	0.38%	0.25%
<i>Effective Rate of Return</i>	0.29%	0.39%	0.25%
<i>Days to Maturity</i>	187	298	266



**ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
December 31, 2013**

Orange County Fire Authority
1 Fire Authority Road
Irvine, CA 92602
(714)573-6301

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	12,409,301.28	12,409,301.28	12,409,301.28	6.92	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	4,000,000.00	3,999,800.00	3,999,884.44	2.23	89	13	0.080	0.081
Federal Agency Coupon Securities	45,000,000.00	44,719,200.00	45,004,742.12	25.09	1,292	666	0.586	0.594
Federal Agency Disc. -Amortizing	68,000,000.00	67,996,050.00	67,994,453.43	37.90	66	50	0.042	0.043
Local Agency Investment Funds	50,000,000.00	50,014,381.00	50,000,000.00	27.87	1	1	0.260	0.264
Investments	179,409,301.28	179,138,732.28	179,408,381.27	100.00%	351	187	0.237	0.241
Cash								
Passbook/Checking (not included in yield calculations)	1,167,929.07	1,167,929.07	1,167,929.07		1	1	0.000	0.000
Total Cash and Investments	180,577,230.35	180,306,661.35	180,576,310.34		351	187	0.237	0.241

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	35,241.25	216,647.46
Average Daily Balance	141,599,413.11	127,828,546.15
Effective Rate of Return	0.29%	0.34%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2013. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak
 Patricia Jakubiak, Treasurer 1/3/14

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 180,576,310.34
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (480,699.41)
Total	\$ 180,095,610.93

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ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 31, 2013

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			12,409,301.28	12,409,301.28	12,409,301.28	0.001	0.001	1	
Subtotal and Average			7,758,788.99		12,409,301.28	12,409,301.28	12,409,301.28		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JAE3	810	GEN ELEC CAP CRP		10/17/2013	4,000,000.00	3,999,800.00	3,999,884.44	0.080	0.081	13	01/14/2014
Subtotal and Average			3,999,751.11		4,000,000.00	3,999,800.00	3,999,884.44		0.081	13	
Federal Agency Coupon Securities											
3133ECBT0	799	Federal Farm Credit Bank (Callable anytime)		12/26/2012	9,000,000.00	9,000,180.00	9,000,000.00	0.375	0.375	541	06/26/2015
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,969,130.00	8,995,139.00	0.400	0.424	842	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,945,280.00	6,000,000.00	1.000	0.981	1,316	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 1-9-14)		12/20/2012	9,000,000.00	8,821,530.00	9,011,362.82	1.000	0.883	8	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	12,000,000.00	11,983,080.00	11,998,240.30	0.470	0.477	796	03/07/2016
Subtotal and Average			45,004,743.49		45,000,000.00	44,719,200.00	45,004,742.12		0.594	666	
Federal Agency Disc. -Amortizing											
313385RU2	811	Fed Home Loan Bank		12/05/2013	14,000,000.00	13,999,860.00	13,999,949.44	0.010	0.010	13	01/14/2014
313385RU2	812	Fed Home Loan Bank		12/19/2013	11,000,000.00	10,999,890.00	10,999,960.28	0.010	0.010	13	01/14/2014
313385TB2	813	Fed Home Loan Bank		12/19/2013	7,000,000.00	6,999,720.00	6,999,828.71	0.020	0.021	44	02/14/2014
313385TG1	814	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,640.00	8,999,265.00	0.060	0.062	49	02/19/2014
313385UF1	815	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,280.00	8,998,920.00	0.060	0.062	72	03/14/2014
313385UV6	816	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,190.00	8,998,280.00	0.080	0.082	86	03/28/2014
313385VK9	817	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,998,470.00	8,998,250.00	0.070	0.072	100	04/11/2014
Subtotal and Average			34,836,129.51		68,000,000.00	67,996,050.00	67,994,453.43		0.043	50	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,014,381.00	50,000,000.00	0.264	0.264	1	
Subtotal and Average			50,000,000.00		50,000,000.00	50,014,381.00	50,000,000.00		0.264	1	
Total and Average			141,599,413.11		179,409,301.28	179,138,732.28	179,408,381.27		0.241	187	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
December 31, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	882,929.07	882,929.07	882,929.07		0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			141,599,413.11		180,577,230.35	180,306,661.35	180,576,310.34		0.241	187

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 1, 2014

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, CA 92602
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(01/01/2014 - 01/01/2014)	6 Maturities	0 Payments	63,577,230.35	35.21%	63,577,230.35	63,591,611.35
Aging Interval:	1 - 30 days	(01/02/2014 - 01/31/2014)	3 Maturities	0 Payments	29,000,000.00	16.06%	28,999,794.16	28,999,550.00
Aging Interval:	31 - 60 days	(02/01/2014 - 03/02/2014)	2 Maturities	0 Payments	16,000,000.00	8.86%	15,999,093.71	15,999,360.00
Aging Interval:	61 - 91 days	(03/03/2014 - 04/02/2014)	2 Maturities	0 Payments	18,000,000.00	9.97%	17,997,200.00	17,998,470.00
Aging Interval:	92 - 121 days	(04/03/2014 - 05/02/2014)	1 Maturities	0 Payments	9,000,000.00	4.98%	8,998,250.00	8,998,470.00
Aging Interval:	122 - 152 days	(05/03/2014 - 06/02/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(06/03/2014 - 07/03/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(07/04/2014 - 10/02/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(10/03/2014 - 01/01/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(01/02/2015 - 12/31/2016)	3 Maturities	0 Payments	30,000,000.00	16.61%	29,993,379.30	29,952,390.00
Aging Interval:	1096 - 1825 days	(01/01/2017 - 12/31/2018)	2 Maturities	0 Payments	15,000,000.00	8.31%	15,011,362.82	14,766,810.00
Aging Interval:	1826 days and after	(01/01/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			19 Investments	0 Payments		100.00	180,576,310.34	180,306,661.35



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of December 31, 2013, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2013 is 1.00028762. When applied to OCFA's LAIF investment, the fair value is \$50,014,381 or \$14,381 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at December 31, 2013 is included on the following page.

**State of California
Pooled Money Investment Account
Market Valuation
12/31/2013**

Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
United States Treasury:				
Bills	\$ 14,033,089,088.96	\$ 14,042,579,686.22	\$ 14,045,149,000.00	NA
Notes	\$ 17,263,832,010.85	\$ 17,263,453,805.87	\$ 17,275,491,000.00	\$ 14,779,237.00
Federal Agency:				
SBA	\$ 568,220,869.50	\$ 568,215,900.05	\$ 564,382,161.61	\$ 535,022.23
MBS-REMICs	\$ 143,738,651.70	\$ 143,738,651.70	\$ 154,860,553.48	\$ 685,656.73
Debentures	\$ 1,070,960,367.63	\$ 1,070,943,353.75	\$ 1,070,386,400.00	\$ 3,676,778.16
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 1,298,658,722.26	\$ 1,299,566,777.76	\$ 1,299,775,000.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
Supranational Debentures	\$ 149,896,019.16	\$ 149,896,019.16	\$ 149,684,500.00	\$ 174,305.50
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ -	\$ -	\$ -	\$ -
CDs and YCDs	\$ 8,925,006,100.02	\$ 8,925,006,100.02	\$ 8,920,838,516.80	\$ 3,824,763.92
Commercial Paper	\$ 3,149,185,159.79	\$ 3,149,397,111.11	\$ 3,148,819,402.79	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 4,471,640,000.00	\$ 4,471,640,000.00	\$ 4,471,640,000.00	NA
AB 55 & GF Loans	\$ 6,592,720,682.49	\$ 6,592,720,682.49	\$ 6,592,720,682.49	NA
TOTAL	\$ 57,666,947,672.36	\$ 57,677,158,088.13	\$ 57,693,747,217.17	\$ 23,675,763.54

Fair Value Including Accrued Interest

\$ 57,717,422,980.71

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (1.00028762).
As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,005,752.41 or \$20,000,000.00 x 1.00028762.



Orange County Fire Authority
Preliminary Investment Report
January 17, 2014



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
January 17, 2014

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, CA 92602
 (714)573-6301

(See Note 1 on page 18) (See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	7,024,327.98	7,024,327.98	7,024,327.98	4.84	1	1	0.001	0.001
Federal Agency Coupon Securities	45,000,000.00	44,759,400.00	45,004,740.45	31.03	1,292	655	0.586	0.594
Federal Agency Disc. -Amortizing	43,000,000.00	42,997,770.00	42,995,757.39	29.65	84	54	0.061	0.061
Local Agency Investment Funds	50,000,000.00	50,014,381.00	50,000,000.00	34.48	1	1	0.260	0.264
Investments	145,024,327.98	144,795,878.98	145,024,825.82	100.00%	426	220	0.290	0.294

Cash								
Passbook/Checking (not included in yield calculations)	(See Note 4 on page 18) 156,958.30	156,958.30	156,958.30		1	1	0.000	0.000
Total Cash and Investments	145,181,286.28	144,952,837.28	145,181,784.12		426	220	0.290	0.294

Total Earnings	January 17 Month Ending	Fiscal Year To Date
Current Year	20,610.35	237,257.81
Average Daily Balance	169,960,298.11	131,391,928.16
Effective Rate of Return	0.26%	0.33%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2013. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakublak 1/24/14
 Patricia Jakublak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$	145,181,784.12
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$	(480,699.41)
Total	\$	144,701,084.71

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ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
January 17, 2014

(See Note 1 on page 18) (See Note 2 on page 18)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF		(See Note 4 on page 18)	7,024,327.98	7,024,327.98	7,024,327.98	0.001	0.001	1	
Subtotal and Average			9,782,088.94		7,024,327.98	7,024,327.98	7,024,327.98		0.001	1	
Commercial Paper Disc. -Amortizing											
Subtotal and Average			3,058,782.74								
Federal Agency Coupon Securities											
3133ECBT0	799	Federal Farm Credit Bank (Callable anytime)		12/26/2012	9,000,000.00	9,000,090.00	9,000,000.00	0.375	0.375	524	06/26/2015
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,973,180.00	8,995,238.44	0.400	0.424	825	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,948,700.00	6,000,000.00	1.000	0.981	1,299	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 2-9-14)		12/20/2012	9,000,000.00	8,851,230.00	9,011,223.65	1.000	0.883	22	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	12,000,000.00	11,986,200.00	11,998,278.36	0.470	0.477	779	03/07/2016
Subtotal and Average			45,004,741.23		45,000,000.00	44,759,400.00	45,004,740.45		0.594	655	
Federal Agency Disc. -Amortizing											
313385TB2	813	Fed Home Loan Bank		12/19/2013	7,000,000.00	6,999,930.00	6,999,894.89	0.020	0.021	27	02/14/2014
313385TG1	814	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,820.00	8,999,520.00	0.060	0.062	32	02/19/2014
313385UF1	815	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,460.00	8,999,175.00	0.060	0.062	55	03/14/2014
313385UV6	816	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,370.00	8,998,620.00	0.080	0.082	69	03/28/2014
313385VK9	817	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,190.00	8,998,547.50	0.070	0.072	83	04/11/2014
Subtotal and Average			62,112,801.44		43,000,000.00	42,997,770.00	42,995,757.39		0.061	54	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,014,381.00	50,000,000.00	0.264	0.264	1	
Subtotal and Average			50,001,883.75		50,000,000.00	50,014,381.00	50,000,000.00		0.264	1	
Total and Average			169,960,298.11		145,024,327.98	144,795,878.98	145,024,825.82		0.294	220	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
January 17, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	-128,041.70	-128,041.70	-128,041.70	(See Note 4 on page 18)	0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			169,960,298.11		145,181,286.28	144,952,837.28	145,181,784.12		0.294	220

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 18, 2014

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, CA 92602
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(01/18/2014 - 01/18/2014)	6 Maturities	0 Payments	57,181,286.28	39.39%	57,181,286.28	57,195,667.28
Aging Interval:	1 - 30 days	(01/19/2014 - 02/17/2014)	1 Maturities	0 Payments	7,000,000.00	4.82%	6,999,894.89	6,999,930.00
Aging Interval:	31 - 60 days	(02/18/2014 - 03/19/2014)	2 Maturities	0 Payments	18,000,000.00	12.40%	17,998,695.00	17,999,280.00
Aging Interval:	61 - 91 days	(03/20/2014 - 04/19/2014)	2 Maturities	0 Payments	18,000,000.00	12.40%	17,997,167.50	17,998,560.00
Aging Interval:	92 - 121 days	(04/20/2014 - 05/19/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	(05/20/2014 - 06/19/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(06/20/2014 - 07/20/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(07/21/2014 - 10/19/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(10/20/2014 - 01/18/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(01/19/2015 - 01/17/2017)	3 Maturities	0 Payments	30,000,000.00	20.66%	29,993,516.80	29,959,470.00
Aging Interval:	1096 - 1825 days	(01/18/2017 - 01/17/2019)	2 Maturities	0 Payments	15,000,000.00	10.34%	15,011,223.65	14,799,930.00
Aging Interval:	1826 days and after	(01/18/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			16 Investments	0 Payments		100.00	145,181,784.12	144,952,837.28



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

CONSENT CALENDAR - AGENDA ITEM NO. 3
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Second Quarter Financial Newsletter – July to December 2013**

Summary:

This agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the end of the second quarter of FY 2013/14.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of January 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

The Quarterly Financial Newsletter provides information about the General Fund's top five revenue sources as well as expenditures by department and type. Revenues and expenditures for the Capital Improvement Program (CIP) Funds are also included. For the most part, revenues and expenditures for the General Fund and the CIP Funds are within budgetary expectations for this reporting period. Any notable items are detailed in the attached newsletter.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contacts for Further Information:

Deborah Gunderson, Budget Manager
DeborahGunderson@ocfa.org
(714) 573-6302

Tricia Jakubiak, Treasurer
triciajakubiak@ocfa.org
(714) 573-6301

Attachment:

Second Quarter Financial Newsletter – July to December 2013



Orange County Fire Authority

Second Quarter Financial Newsletter – July to December 2013

OVERVIEW

This report covers activities through the second quarter of fiscal year 2013/14. Budget figures include all budget adjustments authorized by the Board including a US&R Grant accepted on November 21, 2013.

GENERAL FUND

With 50% of the year completed, General Fund revenues are 52.3% of budget and expenditures are 45.9% as shown below:

General Fund	Budget	YTD Actual	Percent
Revenues	296,554,280	155,059,645	52.3%
Expenditures	291,799,132	133,936,450	45.9%

Top Five Revenues. Our top five revenue sources represent 97.2% of our total revenue this fiscal year, giving us an excellent picture of our revenue position. Overall, the key revenues are performing as anticipated for this point in the fiscal year based on billing/payment schedules and past trends. Highlights are noted as follows:

Top Five Revenues	Budget	YTD Actual	% Rec'd
Property Tax	186,998,721	99,620,232	53.3%
Cash Contracts	83,980,236	43,884,301	52.3%
CRA Pass-through	7,149,498	414,182	5.8%
CRR Fees.	5,608,437	3,973,650	70.9%
Ambulance Reimb.	4,570,574	1,148,651	25.1%
Total	288,307,466	149,041,016	51.7%

- **Property tax.** Activity through the second quarter includes distributions of secured property tax, supplemental tax, and homeowner's property tax relief. Year-to-date secured property tax totals approximately \$93 million, or 52.4% of the budget. A mid-year adjustment of \$1.35 million for secured property tax and \$1.2 million for supplemental property tax has been proposed. Staff will continue to monitor this area and return to the Board with a mid-year adjustment.
- **Cash contracts.** The slight overage in Cash Contract revenue is due to payments made monthly in advance by Santa Ana, per contract.
- **Local - Community Redevelopment Agency (CRA) Pass-Through.** The 2013/14 budget includes an estimate of \$7.1M for this category of revenue. A payment of approximately \$4.2 million is expected in January.

- **Community Risk Reduction Fees.** Increased revenues are a result of last fiscal year inspections billed in the current fiscal year. At the Mid-Year Budget Adjustment in March, the Board will be asked to approve increases to the revenue budget for both Inspection Services and Planning and Development.
- **Ambulance Reimbursement.** The percentage received for this revenue category will be lower than budget until year-end due to the timing of payments as required by current ambulance contracts. The timing of payments, combined with 2012/13 entries, is temporarily creating the negative amount shown. This will resolve as the year progresses.

Expenditures. Expenditures are within budget for this fiscal year as summarized by department.

Expenditures By Department	Budget	YTD Actual	% Expended
Executive Mgt.	5,144,734	2,725,286	53.0%
HR Division	5,289,900	3,135,245	59.3%
Operations	230,911,011	106,353,732	46.1%
Comm. Risk Reduc.	15,159,271	6,438,876	42.5%
Business Services	11,461,740	3,998,220	34.9%
Support Services	23,832,476	11,285,090	47.4%
Total	291,799,132	133,936,450	45.9%

Key variances by department include:

- **Executive Management.** Slight overage as a result of employee severance pay.
- **Human Resources Division.** Expenditures include the annual insurance premiums, which are paid in full each July.
- **Business Services:** Expenditures appear low due to the pending County's property tax administration fee of \$1.7 million, which is paid in the fourth quarter of the fiscal year.

Expenditures by type are outlined below:

Expenditures by Type	Budget	YTD Actual	% Expended
S&EB	267,667,686	122,488,609	45.8%
S&S	23,795,846	11,042,767	46.4%
Equipment	335,600	405,075	120.7%
Total	291,799,132	133,936,450	45.9%

Key variance by type:

- **Equipment.** The equipment category is overspent due to grant funded equipment purchases; the funds were budgeted in S&S: This will be corrected with a budget transfer.

CIP FUNDS

The following summarizes revenues and expenditures for the Capital Improvement Program funds. Any variances are noted as follows:

Facilities Maintenance & Improvement

Fund 122	Budget	YTD Actual	Percent
Revenue	226,416	126,546	55.9%
Expenditures	1,247,614	482,954	38.7%

- The revenue and expenditure budgets include \$890,000 for the Community Development Block Grant. The funds are for improvement projects to 9 of the 10 fire stations in Santa Ana, which are scheduled to begin next quarter.

Facilities Replacement

Fund 123	Budget	YTD Actual	Percent
Revenue	4,106,161	1,015,736	24.7%
Expenditures	12,956,900	2,201,950	17.0%

- Revenues include \$4.1 million in developer reimbursements for the design and construction of FS 56 (Ortega Valley). Site work on this project is anticipated to begin in February, 2014.

Communications & Info. Systems Replacement

Fund 124	Budget	YTD Actual	Percent
Revenue	970,445	154,236	15.9%
Expenditures	13,029,617	2,281,149	17.5%

- Budgeted revenue and expenditures include \$920,000 for the replacement of the 911 telephone system
- Expenditures reflect the purchase of 20 tablets for the Field Data Collection Devices project and the issuance of an encumbrance for the purchase of 75 desktop computers.

Vehicle Replacement

Fund 133	Budget	YTD Actual	Percent
Revenue	2,117,789	827,143	39.1%
Expenditures	11,948,441	4,086,872	34.2%

- Actual revenue includes the quarterly Cash Contract payments for vehicle depreciation.
- Activity this quarter includes the issuance of an encumbrance for the purchase of five Type-1 engines in the amount of \$2.6M and the quarterly lease-purchase payment for the helicopters.

SUMMARY

For more information. This summary is based on detailed information from our financial system. If you would like more information or have any questions about the report, please contact Deborah Gunderson, Budget Manager at 714-573-6302, or Tricia Jakubiak, Treasurer at 714-573-6301.

**CONSENT CALENDAR – AGENDA ITEM NO. 4
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Monthly Status Update - Orange County Employees' Retirement System**

Summary:

This agenda item is submitted to provide a status update regarding steps taken during January 2014, to improve the Orange County Employees' Retirement System's (OCERS) financial policies, procedures, and practices.

Recommended Action:

Receive and file the report.

Background:

In 2010 and 2011, accounting issues were identified at OCERS impacting actuarial calculations of the value of assets and liabilities attributable to the various plan sponsors. The total accounting values at OCERS were correct, but the attribution of values to individual plan sponsors required adjustment. A large amount of work was performed by OCERS and plan sponsor staff members to correct the issues, and ongoing improvement plans were established by OCERS. Following these events, the OCFA's Budget and Finance Committee directed OCFA staff to provide routine updates to the Committee regarding financial activities occurring at OCERS.

Actions Taken/Financial Policies & Practices – January 2014

OCERS BOARD OF RETIREMENT January 21, 2014:

MUNICIPAL INSOLVENCIES

In October, Mr. Harvey Leiderman of Reed Smith, the OCERS Board's Fiduciary Counsel, discussed the issue of Municipal Insolvencies, and focused on OCERS' obligation to stress test its plan sponsors' financial status in order to ensure the Board is better prepared for whatever risk events the coming years could bring. Due to time limitations, Mr. Leiderman did not complete his presentation. On January 21, he went into more detail as to the impact and meaning to OCERS of recent events in Detroit, Stockton, San Bernardino, and the general issue of municipal bankruptcies in relation to the benefit promises that have been made to public employees through the years. (Attachment 1)

CASHOUT ASSUMPTIONS

During the Board's Strategic Planning Workshop in September, Mr. Paul Angelo of The Segal Company addressed the issue of members taking cash out of their vacation or other leave time, and the impact that can have on retirement benefits, and in turn the obligation that imposes in ensuring that member contributions are collected on those cash outs. (Attachment 2)

At that September meeting, the Board indicated its general support of including the cost of any cash out assumption in the basic member rate calculation, rather than adding it as a factor to employer contribution rates. Since the Board does not take action at their Strategic Planning workshop, this item returned to the Board for further consideration.

By policy, when the OCERS Board considers a rule change that will impose a cost on members or plan sponsors, the rule is considered in two steps. This particular change, if approved, will increase the cost to members when taking cash out of vacation or other leave time. Therefore, the rule is only under consideration as a “receive and file” for the January 21 meeting, and will return to the February 18 meeting of the OCERS Board for possible final approval. This allows interested parties time to consider the concept and provide feedback for the OCERS Board’s consideration.

OCFA staff will continue to monitor actions taken by OCERS to improve its financial policies and practices, and will report back in March regarding progress made during the next month.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services Department

LoriZeller@ocfa.org

(714) 573-6020

Tricia Jakubiak, Treasurer

TriciaJakubiak@ocfa.org

(714) 573-6301

Attachments:

1. Presentation by Reed Smith Municipal Bankruptcies and Public Pensions January 21, 2014
2. Letter and Presentation from The Segal Company Application of Additional Cash Out Assumptions in the Development of Member Contribution Rates January 2014



The business of relationships.SM

MUNICIPAL BANKRUPTCIES AND PUBLIC PENSIONS

Prepared for the Board of Retirement
Orange County Employees' Retirement System
January 21, 2014

Harvey L. Leiderman

WHY TALK ABOUT MUNICIPAL BANKRUPTCIES?

- **Chronic budget crises**
- **GASB changes**
- **Looming municipal credit downgrades**
- ***Stockton, San Bernardino, Detroit...***

“WE’LL BE CRUISING AT 30,000 FEET”



THIS DISCUSSION

- When may a municipality file bankruptcy?
- What happens during the bankruptcy case?
- What is the effect on the retirement system and members' benefits?
- De-mystify the process

OVERVIEW – Federal Bankruptcy Law and Chapter 9 Plans of Adjustment

- Federal bankruptcy law generally
 - a “breathing spell” – temporary freeze (“stay”) on creditor actions
 - chance to restructure assets, debts
 - “fresh start”
- Chapter 9 specifically
 - just for “municipalities”
 - adjustment of obligations
 - balances federalism with states’ rights

WHO MAY FILE A CH. 9 PETITION?

To be eligible, must meet all of the following:

- 1.** A “municipality.” Includes a political subdivision, public agency or instrumentality of a state. Counties, cities and districts are; *the State of California is not!*
- 2.** Authorized under state law to be a debtor under federal bankruptcy law. *States differ! And AB 506 makes it tougher!*
- 3.** Insolvent – unable to, or not paying debts when due (cash flow test). Look at General Fund and uncommitted reserves only.
- 4.** Desires to effect a plan to adjust its debts.
- 5.** Negotiations with creditors and unions are at impasse or futile.

WHAT HAPPENS IN A CHAPTER 9 BANKRUPTCY?

- Bright line between pre-filing events and post-filing events
- Snapshot of pre-filing assets and liabilities – this is what is going to be “adjusted”
- Stay (freeze) of all pre-filing legal actions
- All municipal operations continue, *without court supervision*
- All officials remain in power. No trustees or receivers

WHAT ARE THE MUNICIPALITY'S POWERS IN CHAPTER 9?

- May hire professionals (attorneys, accountants, financial advisors, etc.) and pay them ahead of unsecured creditors
- Broad borrowing powers
- May object to claims against it, and bring them to trial in the Bankruptcy Court
- Court cannot interfere with debtor's decisions to pay or not pay obligations

THE POWERFUL AX OF BANKRUPTCY

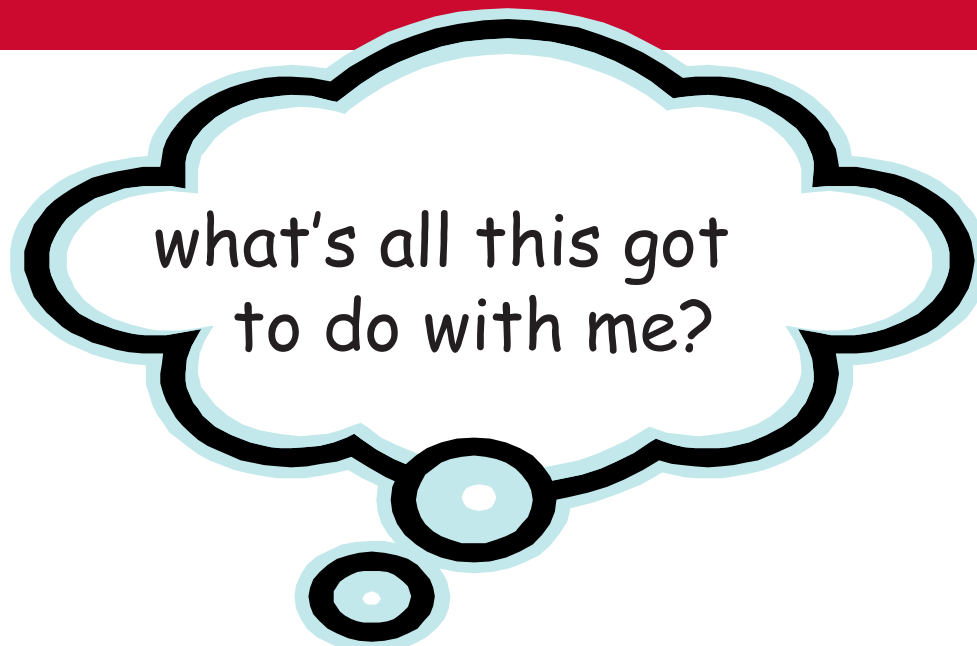
- Debtor may reject burdensome contracts that are still “executory”
 - “Executory” means still to be performed by both sides
- This is the primary reason municipalities consider bankruptcy – to reject labor and other burdensome contracts, like developments
- BUT: Dispute over escape from state laws – Tenth Amendment’s “powers reserved to the states”

WHAT IS A “PLAN OF ADJUSTMENT”?

- **Must file a timely Plan of Adjustment**
- **The Plan classifies claims by their legal priority**
 - **Priority secured claims, like some bonds**
 - **Subordinated secured claims, like other bonds**
 - **Administrative claims, like vendors during Ch. 9**
 - **General unsecured claims, like vendors pre-Ch. 9**
- **For each class, the Plan provides a “treatment”:**
 - **Paid in full in cash, or over time with interest, or**
 - **Exchanged for some new value, or**
 - **Rejected**
- **All explained in a “Disclosure Statement”**

WHAT IS REQUIRED TO CONFIRM A PLAN?

- Must get majority votes of creditors or “cram it down” over their objection!
- Must be in the best interest of creditors and be feasible
 - “Best interest of creditors” – best of all reasonably possible alternatives
 - “Feasible” – sensible economics; reasonably likely to succeed with no likely need to return to Bankruptcy Court



Q & A SESSION

QUESTIONS AND ANSWERS

Q: Is your municipality “insolvent”?

A: Case-by-case. The municipality would have to prove that it is insolvent on a “cash flow” basis (unable to pay its debts when due) rather than on a “balance sheet” basis (total liabilities exceed total assets).

This issue would be hotly contested. *See Vallejo, San Bernardino*

QUESTIONS AND ANSWERS

Q: Could the municipality reject the current MOUs that provide retirement benefits for its active employees?

A: Yes, likely so. *See Vallejo.*

The test is:

- 1.** Does the MOU burden the debtor's ability to reorganize through a plan of adjustment?
- 2.** Do the equities balance in favor of rejection?
- 3.** Has the debtor made reasonable efforts to negotiate a voluntary modification of the MOUs?

QUESTIONS AND ANSWERS

Q: Would the municipality have to reject the entire MOU, or could it “cherry-pick” the parts it doesn’t like?

A: Bankruptcy law allows rejection of the entire agreement only, not selected terms.

QUESTIONS AND ANSWERS

Q: Could the debtor unilaterally suspend some parts of an MOU during Ch. 9, before deciding whether to reject it?

A: Unsettled.

Judge Ryan in *Orange County* said “not necessarily,” and ordered “meet and confer” before the county could unilaterally change its labor contracts during bankruptcy.

Judge McManus in *Vallejo* said “yes.”

QUESTIONS AND ANSWERS

Q: If the municipality rejects its MOUs, what happens to its active employees?

A: Employees have to negotiate new contracts.

QUESTIONS AND ANSWERS

Q: If the debtor rejects its MOUs, what happens to members' retirement benefits?

A: Untested. Benefits granted to current retirees likely will not be affected. The contract is not “executory” as to them...and benefits are being paid by the retirement fund.

For active employees, the contract is still “executory,” BUT...

The “vested rights protected by the ‘contract clause’ of the federal and state constitutions” argument may prevail. BUT BUT...

QUESTIONS AND ANSWERS

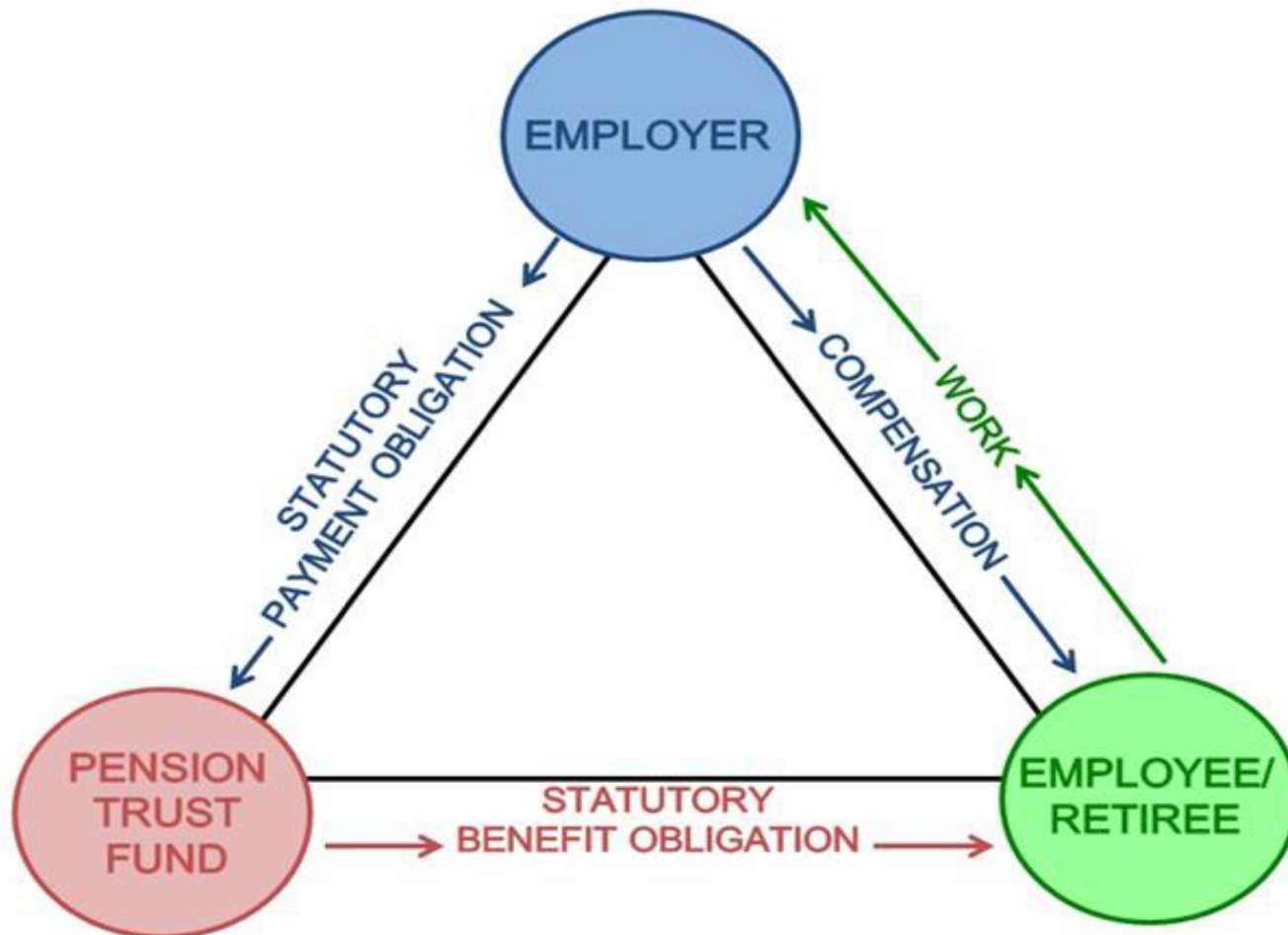
A, continued:

Don't forget that there is an exception under state laws to the “vested rights” guarantee:

“An employee’s vested contractual rights may be modified prior to retirement for the purpose of keeping a pension system flexible to permit adjustments in accord with changing conditions and at the same time maintain the integrity of the system.” Betts v. Bd. of Admin. (CA)

- **Are the proposed changes reasonable?**
- **Do they bear a material relation to the theory of a pension system?**
- **Will any disadvantage come with a comparable new advantage?**

UNDERSTANDING PENSION OBLIGATIONS UNDER CALIFORNIA LAW



QUESTIONS AND ANSWERS

- Q:** May the municipal debtor suspend transferring employee contributions to the retirement system during the Ch. 9 case?
- A:** No. Payroll deductions for retirement contributions are not property of the debtor (employer) but are collected in trust for the retirement system.

QUESTIONS AND ANSWERS

Q: What about employer contributions?

A: Very complex and uncertain. There are strong legal reasons why the debtor may not suspend its payments - payments are usually required by statute. *See* CERL secs. 31584, 31585

At the very least, the “normal cost” portion of the employer contribution should be treated as a current, *post*-filing obligation and would have to be paid timely. *But see San Bernardino.*

The “UAAL” portion of the employer contribution, however, being the amortization of an obligation due to past service, *might* be treated differently.

QUESTIONS AND ANSWERS

- Q:** May the municipality suspend its “pick up” of employee contributions while in Ch. 9?
- A:** No, not unless it rejects the MOU that provides for “pick-up.”

QUESTIONS AND ANSWERS

Q: May the municipality reject its obligations to fund vested benefits?

A: No (in my opinion!) Ch. 9 does not authorize rejection of statutory obligations under state law. Would violate the Tenth Amendment to the U.S. Constitution – reservation of rights to the states.

Fact that state and local governmental systems are exempt from ERISA indicates limitations of federalism in this arena.

QUESTIONS AND ANSWERS

Q: Do obligations to CERL systems have priority over general obligation bonds?

A: Never been tested. CERL county and district obligations are statutory – if they don't pay, the auditor *must pay out of “any money available in the county (district) treasury.”*

General obligation bonds are contractual – some secured by letters of credit or other funds, some unsecured.

Another collision of federal and state laws.

QUESTIONS AND ANSWERS

Q: Could the municipality freeze or seize retirement system assets in Chapter 9?

A: No. The retirement system is a distinct governmental entity under state law. Its assets are not property of the debtor but rather are held in trust for members and their beneficiaries.

QUESTIONS AND ANSWERS

Q: Would a municipality's Ch. 9 bankruptcy filing affect the retirement system's assets or investments?

A: No ... but if the municipality delays contributions, it could affect the system's cash flow, asset allocation and earnings assumptions.

QUESTIONS AND ANSWERS

Q: Could the retirement system make a loan to the municipality during Chapter 9 or under a Plan of Adjustment?

A: It's not prohibited, BUT – likely unlikely:

- Would have to meet all prudent fiduciary, administrative and investment requirements and the system's Investment Policy Statement.
- *If appropriate, could take the form of an interim or long-term loan, sale-leaseback of property, credit enhancement, extended amortization of UAAL or other creative financing – with many caveats.*
- *Watch out for conflicts of interest!*

QUESTIONS AND ANSWERS

Q: How much would a municipal bankruptcy cost taxpayers?

A: Big bucks! (Not a legal phrase...)

Professionals for the municipality and committees of bondholders, retirees, unsecured creditors, etc. all get paid first.

Plus – higher borrowing costs due to lower credit ratings.



*“Would everyone check to see they have an attorney?
I seem to have ended up with two.”*



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January 13, 2014

Mr. Steve Delaney
Chief Executive Officer
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

Re: Application of Additional Cashout Assumptions in the Development of Member Contribution Rates

Dear Steve:

As part of our discussions with the Board regarding actuarial funding policy at the September 19 strategic planning workshop, we identified some long-standing practices (including cost sharing structure) at OCERS that are followed by Segal (and OCERS' prior actuary) in developing the contribution rates in the actuarial valuation.

In particular, as we have indicated during those discussions, we have been following the same method used by the prior actuary (presumably applied by them since OCERS' settlement related to the Ventura Decision) to reflect additional cashout (also referred to as annual payoffs in our annual actuarial report) at retirement when establishing member contribution rates. For this discussion, "additional cashout" refers to the cashing out of accumulated annual leave, sick leave or compensatory time off both earned and available to be cashed out during the final average salary measuring period. The methods – both current and alternative – available to be used to reflect additional cashout in determining member rates as well as employer rates are described in this letter.

Background

As a result of OCERS' Ventura Settlement, members in the current legacy plans¹ may use cashout from their time-off programs during the final salary averaging period (one-year for Tier 1 and three-year for Tier 2) to enhance the amount of compensation earnable for use in determining retirement benefits.

¹ Note that as a result of the passage of the California Public Employees' Pension Reform Act of 2013 (CalPEPRA), additional cashout would no longer be considered in determining pensionable compensation for members covered by the CalPEPRA plans.

While there are separate and specific procedures outlined in the County Employees Retirement Law (CERL) of 1937 that public plan actuaries have followed in determining member basic and COLA contribution rates, those procedures were not modified by the legislature after the Ventura Decision to clarify how elements of salary that emerge primarily during the final salary averaging period immediately preceding retirement should be treated in determining member basic and COLA contribution rates. As a result, some retirement systems that entered into settlement agreements (including OCERS) have continued to follow the same procedures used before the Ventura Settlement Agreement to establish member basic and COLA contribution rates. Those procedures are detailed in Attachment A of this letter.

As discussed in Attachment A, actuarial assumptions as to expected additional cashout amounts are applied in developing employer contribution rates (basic and COLA) as well as the member COLA contribution rates. However, the additional cashout assumptions are not applied in developing member basic contribution rates. Again, a more detailed discussion of all the assumptions that apply in the development of each of the basic and COLA member rates is provided in Attachment A.

It is our recollection that this difference in treatment for the additional cashout assumptions originated from informal discussions among public plan actuaries shortly after the Ventura Decision, as well as discussions between those actuaries and their client systems. During those discussions, concerns were expressed that it might not be equitable to apply the same aggregate plan based additional cashout assumptions used in developing employer rates when calculating the individual entry age based basic member rates.

One consideration was that female members might reach retirement with lower levels of accumulated leave as compared to male members. Another consideration was that members entering at younger ages could have more service at retirement and so might have higher cashout at retirement. These considerations are not a concern when setting the employer rates where average experience is pooled across all members. However, basing the basic member rates on average additional cashout experience would potentially overcharge (or undercharge) categories of members with generally smaller (or larger) levels of additional cashout.

As a result, the additional cashout assumptions were not applied in developing the basic member rates at some 1937 Act systems. Note that (as detailed in Appendix A) even for these systems member COLA rates did reflect the additional cashout assumptions because, under the 1937 CERL, they are based on the employer COLA rates that do reflect the additional cashout assumption.

It is our understanding that since the Ventura Decision many 1937 CERL systems that originally excluded the additional cashout assumption from the basic member rate calculation now include that assumption. To our knowledge, systems that continue to exclude this assumption include OCERS, CCCERA and VCERA.

Impact of Extending Additional Cashout Assumptions to Develop Basic Member Rates

If the same additional cashout assumptions used in developing the employer rates and the COLA member rates were applied in developing the basic member rates, it would result in an increase in the member rates and a comparable decrease in the employer rates after adjusting the employer rates for refundability.

A comparison of the average member contribution rates developed in the December 31, 2012 valuation before and after this adjustment is provided in the table below:

	Average Member Rate Before Adjustment to Basic Rate For Additional Cashout	Average Member Rate After Adjustment to Basic Rate For Additional Cashout	Increase in Average Member Rate
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	8.93%	9.08%	0.15%
Rate Group #2 – Plans I, J, O, P, S, T and U	12.64%	12.83%	0.19%
Rate Group #3 – Plans B, G, H and U (Law Library, OCSD)	12.65%	12.83%	0.18%
Rate Group #5 – Plans A, B and U (OCTA)	9.72%	9.87%	0.15%
Rate Group #9 – Plans M, N and U (TCA)	10.83%	10.95%	0.12%
Rate Group #10 – Plans I, J, M, N and U (OCFA)	12.66%	12.85%	0.19%
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	9.41%	9.46%	0.05%
Rate Group #6 – Plans E, F and V (Probation)	14.77%	14.98%	0.21%
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	15.63%	15.97%	0.34%
Rate Group #8 – Plans E, F, Q, R and V (Fire Authority)	14.44%	14.57%	0.13%

In Appendix B, we have provided the entry age based member contribution rates as developed in the December 31, 2012 valuation both before and after the adjustment to reflect the additional cashout.

Collection of Employer and Member Contributions on Additional Cashout

While it is our understanding that historically the actual collection of contributions on the additional cashout when paid may vary by employer, it would be Segal's recommendation that going forward the System collect both employer and member contributions on all salaries that are considered pensionable, including the additional cashout.

Please let us know if you have any comments or questions, and look forward to discussing this issue with the Board.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

MYM/gxk
Enclosures

cc: Suzanne Jenike
Brenda Shott

Attachment A

Detailed Discussion on Development of Member Basic and Member COLA Contribution Rates

Member Basic Contribution Rate

The member basic contribution rate is calculated to fund the present value of a specified percent of final average salary at a specified age.

The present value is calculated assuming level benefit (i.e., no COLA) payable over a member's lifetime only (i.e., it excludes the 60% automatic continuance payable to an eligible spouse/domestic partner). Both the percent and age are specified for each retirement benefit formula. For instance, for General members covered under the 2.7% at 55 benefit formula (Plans I and J), member basic contribution rates are calculated to fund the present value of a benefit equal to 1% of one-year average salary (for Plan I) or three-year average salary (for Plan J) per year of service assuming that the benefit would be paid commencing at age 55.

Under the current procedure, the following actuarial assumptions are used to calculate member basic rate:

- Salary increase assumption to project the change in compensation from entry age to the specified age
- Mortality assumption used for service retiree to estimate how long the benefit would be paid to a member at the specified benefit commencement age
- Investment return assumption to calculate the present value of the future benefit and the present value of the future salary in determining the contribution rate

In addition to the partial set of actuarial assumptions described above for calculating the member basic rate, the following experience based actuarial assumptions are included in the valuation to determine the total basic contribution rate (and hence the net employer's basic contribution rate because that rate is just the difference between the total rate and the member rate):

- Probability of a member with a spouse/domestic partner eligible for an automatic continuance benefit
- Probability of a member either dying, terminating, or becoming disabled and receiving benefits specific to those events
- Probability of service retirement (this is different from the specified benefit commencement age used in developing the member basic rate because the probability of service retirement has been developed based on the experience of members retiring at various actual retirement ages).

- Level of additional cashout (also referred to as annual payoffs in our annual actuarial report) observed at service and disability retirement and has been developed based on the experience of members retiring at actual retirement ages

As can be observed from the above discussions, the last four actuarial assumptions are only used in developing the employer's basic rate. In particular, the additional cashout assumptions developed using the experience observed at the actual retirement ages are not used in developing the member basic rate.

Member COLA Contribution Rate

The member COLA contribution rate is calculated so that the cost to provide a COLA benefit is "shared equally between the county or district and the contributing members" as described in Section 31873 of the CERL.

Based on this definition, the member COLA contribution rates are calculated taking into account the level of the annual COLA benefit plus the full set of actuarial assumptions described above for use in setting the total basic contribution rates. In particular, the actual retirement ages and the additional cashout assumptions developed observed at those ages are used in developing both the member and the employer's COLA rates.

While not every retirement system under the CERL had entered into a Settlement Agreement, we are aware of one other retirement system that has followed these same procedures in setting member basic and COLA contribution rates. For another system that had entered into a Settlement Agreement, they originally used the same procedures as described above but amended their procedures so that the terminal pay assumption observed at the actual retirement ages is applied (unchanged) in developing member basic contribution rates at the specified age.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan I (2.7% @ 55 Non-OCFA)</u>			<u>Plan G (2.5% @ 55)</u>			<u>Plan M (2.0% @ 55)*</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
15	10.42%	10.76%	0.34%	10.27%	10.61%	0.34%	7.90%	8.15%	0.25%
16	10.42%	10.76%	0.34%	10.27%	10.61%	0.34%	7.90%	8.15%	0.25%
17	10.57%	10.92%	0.35%	10.42%	10.76%	0.34%	8.01%	8.27%	0.26%
18	10.72%	11.07%	0.35%	10.57%	10.92%	0.35%	8.12%	8.39%	0.27%
19	10.88%	11.23%	0.35%	10.72%	11.07%	0.35%	8.24%	8.51%	0.27%
20	11.03%	11.39%	0.36%	10.87%	11.23%	0.36%	8.36%	8.63%	0.27%
21	11.19%	11.55%	0.36%	11.03%	11.39%	0.36%	8.48%	8.75%	0.27%
22	11.35%	11.72%	0.37%	11.19%	11.55%	0.36%	8.60%	8.88%	0.28%
23	11.51%	11.88%	0.37%	11.35%	11.72%	0.37%	8.72%	9.00%	0.28%
24	11.68%	12.05%	0.37%	11.51%	11.88%	0.37%	8.85%	9.13%	0.28%
25	11.84%	12.23%	0.39%	11.67%	12.05%	0.38%	8.97%	9.26%	0.29%
26	12.01%	12.40%	0.39%	11.84%	12.23%	0.39%	9.10%	9.39%	0.29%
27	12.19%	12.58%	0.39%	12.01%	12.40%	0.39%	9.23%	9.53%	0.30%
28	12.36%	12.76%	0.40%	12.18%	12.58%	0.40%	9.36%	9.66%	0.30%
29	12.54%	12.94%	0.40%	12.36%	12.76%	0.40%	9.49%	9.80%	0.31%
30	12.72%	13.13%	0.41%	12.54%	12.95%	0.41%	9.63%	9.94%	0.31%
31	12.91%	13.32%	0.41%	12.72%	13.14%	0.42%	9.77%	10.08%	0.31%
32	13.10%	13.52%	0.42%	12.91%	13.33%	0.42%	9.91%	10.23%	0.32%
33	13.30%	13.72%	0.42%	13.10%	13.53%	0.43%	10.05%	10.38%	0.33%
34	13.50%	13.92%	0.42%	13.30%	13.73%	0.43%	10.20%	10.53%	0.33%
35	13.70%	14.14%	0.44%	13.50%	13.94%	0.44%	10.35%	10.68%	0.33%
36	13.91%	14.35%	0.44%	13.71%	14.15%	0.44%	10.50%	10.83%	0.33%
37	14.13%	14.58%	0.45%	13.93%	14.37%	0.44%	10.65%	10.99%	0.34%
38	14.36%	14.81%	0.45%	14.15%	14.60%	0.45%	10.81%	11.16%	0.35%
39	14.56%	15.01%	0.45%	14.35%	14.80%	0.45%	10.98%	11.32%	0.34%
40	14.77%	15.22%	0.45%	14.56%	15.01%	0.45%	11.14%	11.49%	0.35%
41	14.99%	15.45%	0.46%	14.77%	15.23%	0.46%	11.31%	11.67%	0.36%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan I (2.7% @ 55 Non-OCFA)			Plan G (2.5% @ 55)			Plan M (2.0% @ 55)*		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
42	15.22%	15.68%	0.46%	15.00%	15.46%	0.46%	11.49%	11.85%	0.36%
43	15.46%	15.92%	0.46%	15.24%	15.70%	0.46%	11.68%	12.04%	0.36%
44	15.72%	16.19%	0.47%	15.49%	15.96%	0.47%	11.84%	12.21%	0.37%
45	16.00%	16.47%	0.47%	15.77%	16.24%	0.47%	12.01%	12.38%	0.37%
46	16.28%	16.74%	0.46%	16.04%	16.51%	0.47%	12.19%	12.56%	0.37%
47	16.55%	17.01%	0.46%	16.31%	16.77%	0.46%	12.37%	12.75%	0.38%
48	16.82%	17.28%	0.46%	16.58%	17.04%	0.46%	12.57%	12.95%	0.38%
49	17.00%	17.44%	0.44%	16.75%	17.20%	0.45%	12.78%	13.16%	0.38%
50	17.07%	17.50%	0.43%	16.83%	17.25%	0.42%	13.01%	13.39%	0.38%
51	17.05%	17.44%	0.39%	16.80%	17.19%	0.39%	13.24%	13.62%	0.38%
52	16.93%	17.26%	0.33%	16.69%	17.02%	0.33%	13.46%	13.83%	0.37%
53	16.74%	16.95%	0.21%	16.50%	16.71%	0.21%	13.68%	14.05%	0.37%
54	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.82%	14.18%	0.36%
55	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.88%	14.23%	0.35%
56	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.87%	14.18%	0.31%
57	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.77%	14.03%	0.26%
58	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.62%	13.79%	0.17%
59	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.23%	13.14%	-0.09%
60	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.23%	13.14%	-0.09%

* Payable by members in Rate Group #9 and Rate Group #11.

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan A (OCTA)			Plan A (Non-OCTA)			Plan I (2.7% @ 55 OCFA)		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
15	5.44%	5.60%	0.16%	5.26%	5.42%	0.16%	10.45%	10.79%	0.34%
16	5.44%	5.60%	0.16%	5.26%	5.42%	0.16%	10.45%	10.79%	0.34%
17	5.52%	5.69%	0.17%	5.34%	5.50%	0.16%	10.60%	10.95%	0.35%
18	5.60%	5.77%	0.17%	5.42%	5.58%	0.16%	10.75%	11.10%	0.35%
19	5.68%	5.85%	0.17%	5.49%	5.66%	0.17%	10.91%	11.26%	0.35%
20	5.76%	5.93%	0.17%	5.57%	5.74%	0.17%	11.06%	11.42%	0.36%
21	5.84%	6.02%	0.18%	5.65%	5.82%	0.17%	11.22%	11.58%	0.36%
22	5.93%	6.10%	0.17%	5.73%	5.90%	0.17%	11.38%	11.75%	0.37%
23	6.01%	6.19%	0.18%	5.81%	5.99%	0.18%	11.54%	11.92%	0.38%
24	6.10%	6.28%	0.18%	5.90%	6.07%	0.17%	11.71%	12.09%	0.38%
25	6.18%	6.37%	0.19%	5.98%	6.16%	0.18%	11.88%	12.26%	0.38%
26	6.27%	6.46%	0.19%	6.07%	6.25%	0.18%	12.05%	12.43%	0.38%
27	6.36%	6.55%	0.19%	6.15%	6.34%	0.19%	12.22%	12.61%	0.39%
28	6.45%	6.64%	0.19%	6.24%	6.43%	0.19%	12.40%	12.79%	0.39%
29	6.55%	6.74%	0.19%	6.33%	6.52%	0.19%	12.58%	12.98%	0.40%
30	6.64%	6.83%	0.19%	6.42%	6.61%	0.19%	12.76%	13.17%	0.41%
31	6.73%	6.93%	0.20%	6.51%	6.70%	0.19%	12.95%	13.36%	0.41%
32	6.83%	7.03%	0.20%	6.61%	6.80%	0.19%	13.14%	13.56%	0.42%
33	6.93%	7.13%	0.20%	6.70%	6.90%	0.20%	13.33%	13.76%	0.43%
34	7.03%	7.24%	0.21%	6.80%	7.00%	0.20%	13.53%	13.96%	0.43%
35	7.13%	7.34%	0.21%	6.90%	7.10%	0.20%	13.74%	14.17%	0.43%
36	7.24%	7.45%	0.21%	7.00%	7.20%	0.20%	13.95%	14.39%	0.44%
37	7.34%	7.56%	0.22%	7.10%	7.31%	0.21%	14.17%	14.61%	0.44%
38	7.45%	7.67%	0.22%	7.21%	7.42%	0.21%	14.40%	14.85%	0.45%
39	7.57%	7.78%	0.21%	7.32%	7.53%	0.21%	14.60%	15.05%	0.45%
40	7.68%	7.90%	0.22%	7.43%	7.64%	0.21%	14.81%	15.26%	0.45%
41	7.80%	8.02%	0.22%	7.54%	7.76%	0.22%	15.03%	15.49%	0.46%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan A (OCTA)</u>			<u>Plan A (Non-OCTA)</u>			<u>Plan I (2.7% @ 55 OCFR)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
42	7.92%	8.15%	0.23%	7.66%	7.88%	0.22%	15.26%	15.72%	0.46%
43	8.05%	8.28%	0.23%	7.79%	8.01%	0.22%	15.50%	15.97%	0.47%
44	8.16%	8.39%	0.23%	7.89%	8.12%	0.23%	15.76%	16.23%	0.47%
45	8.28%	8.51%	0.23%	8.01%	8.23%	0.22%	16.04%	16.51%	0.47%
46	8.40%	8.63%	0.23%	8.13%	8.35%	0.22%	16.32%	16.79%	0.47%
47	8.53%	8.76%	0.23%	8.25%	8.48%	0.23%	16.59%	17.06%	0.47%
48	8.67%	8.90%	0.23%	8.38%	8.61%	0.23%	16.87%	17.33%	0.46%
49	8.81%	9.05%	0.24%	8.52%	8.75%	0.23%	17.05%	17.49%	0.44%
50	8.97%	9.21%	0.24%	8.68%	8.90%	0.22%	17.12%	17.54%	0.42%
51	9.12%	9.36%	0.24%	8.83%	9.05%	0.22%	17.10%	17.48%	0.38%
52	9.28%	9.51%	0.23%	8.97%	9.20%	0.23%	16.98%	17.31%	0.33%
53	9.43%	9.66%	0.23%	9.12%	9.34%	0.22%	16.79%	17.00%	0.21%
54	9.53%	9.75%	0.22%	9.22%	9.43%	0.21%	16.31%	16.21%	-0.10%
55	9.57%	9.78%	0.21%	9.26%	9.46%	0.20%	16.31%	16.21%	-0.10%
56	9.56%	9.75%	0.19%	9.25%	9.43%	0.18%	16.31%	16.21%	-0.10%
57	9.49%	9.65%	0.16%	9.18%	9.33%	0.15%	16.31%	16.21%	-0.10%
58	9.39%	9.48%	0.09%	9.08%	9.17%	0.09%	16.31%	16.21%	-0.10%
59	9.12%	9.03%	-0.09%	8.82%	8.74%	-0.08%	16.31%	16.21%	-0.10%
60	9.12%	9.03%	-0.09%	8.82%	8.74%	-0.08%	16.31%	16.21%	-0.10%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan J (2.7% @ 55 Non-OCFA)			Plan H (2.5% @ 55)			Plan N (2.0% @ 55)*		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
15	9.96%	10.15%	0.19%	9.81%	10.01%	0.20%	7.54%	7.69%	0.15%
16	9.96%	10.15%	0.19%	9.81%	10.01%	0.20%	7.54%	7.69%	0.15%
17	10.10%	10.29%	0.19%	9.96%	10.15%	0.19%	7.65%	7.80%	0.15%
18	10.24%	10.44%	0.20%	10.10%	10.29%	0.19%	7.76%	7.91%	0.15%
19	10.39%	10.59%	0.20%	10.24%	10.44%	0.20%	7.87%	8.02%	0.15%
20	10.54%	10.74%	0.20%	10.39%	10.59%	0.20%	7.98%	8.14%	0.16%
21	10.69%	10.89%	0.20%	10.54%	10.74%	0.20%	8.10%	8.25%	0.15%
22	10.84%	11.04%	0.20%	10.69%	10.89%	0.20%	8.21%	8.37%	0.16%
23	11.00%	11.20%	0.20%	10.84%	11.04%	0.20%	8.33%	8.49%	0.16%
24	11.15%	11.36%	0.21%	10.99%	11.20%	0.21%	8.45%	8.61%	0.16%
25	11.31%	11.52%	0.21%	11.15%	11.36%	0.21%	8.57%	8.73%	0.16%
26	11.48%	11.69%	0.21%	11.31%	11.52%	0.21%	8.69%	8.85%	0.16%
27	11.64%	11.85%	0.21%	11.47%	11.69%	0.22%	8.82%	8.98%	0.16%
28	11.81%	12.02%	0.21%	11.64%	11.85%	0.21%	8.94%	9.11%	0.17%
29	11.98%	12.20%	0.22%	11.81%	12.02%	0.21%	9.07%	9.24%	0.17%
30	12.16%	12.37%	0.21%	11.98%	12.20%	0.22%	9.20%	9.37%	0.17%
31	12.33%	12.55%	0.22%	12.16%	12.37%	0.21%	9.33%	9.50%	0.17%
32	12.52%	12.74%	0.22%	12.34%	12.56%	0.22%	9.47%	9.64%	0.17%
33	12.70%	12.92%	0.22%	12.52%	12.74%	0.22%	9.60%	9.78%	0.18%
34	12.89%	13.11%	0.22%	12.71%	12.93%	0.22%	9.74%	9.92%	0.18%
35	13.09%	13.31%	0.22%	12.90%	13.12%	0.22%	9.89%	10.06%	0.17%
36	13.29%	13.51%	0.22%	13.10%	13.32%	0.22%	10.03%	10.21%	0.18%
37	13.49%	13.71%	0.22%	13.30%	13.52%	0.22%	10.18%	10.36%	0.18%
38	13.69%	13.91%	0.22%	13.49%	13.71%	0.22%	10.33%	10.51%	0.18%
39	13.88%	14.10%	0.22%	13.68%	13.90%	0.22%	10.49%	10.66%	0.17%
40	14.08%	14.29%	0.21%	13.87%	14.09%	0.22%	10.64%	10.82%	0.18%
41	14.28%	14.50%	0.22%	14.08%	14.29%	0.21%	10.81%	10.99%	0.18%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan J (2.7% @ 55 Non-OCFA)			Plan H (2.5% @ 55)			Plan N (2.0% @ 55)*		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
42	14.50%	14.71%	0.21%	14.29%	14.50%	0.21%	10.97%	11.15%	0.18%
43	14.73%	14.94%	0.21%	14.52%	14.73%	0.21%	11.13%	11.31%	0.18%
44	14.97%	15.17%	0.20%	14.75%	14.95%	0.20%	11.28%	11.46%	0.18%
45	15.20%	15.39%	0.19%	14.99%	15.17%	0.18%	11.45%	11.62%	0.17%
46	15.43%	15.60%	0.17%	15.21%	15.38%	0.17%	11.62%	11.79%	0.17%
47	15.62%	15.77%	0.15%	15.39%	15.55%	0.16%	11.79%	11.96%	0.17%
48	15.74%	15.87%	0.13%	15.51%	15.64%	0.13%	11.98%	12.15%	0.17%
49	15.76%	15.86%	0.10%	15.53%	15.64%	0.11%	12.17%	12.33%	0.16%
50	15.69%	15.75%	0.06%	15.47%	15.53%	0.06%	12.36%	12.51%	0.15%
51	15.54%	15.53%	-0.01%	15.31%	15.32%	0.01%	12.55%	12.69%	0.14%
52	15.22%	15.13%	-0.09%	15.00%	14.91%	-0.09%	12.70%	12.82%	0.12%
53	15.73%	15.63%	-0.10%	15.51%	15.41%	-0.10%	12.80%	12.90%	0.10%
54	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	12.82%	12.90%	0.08%
55	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	12.76%	12.81%	0.05%
56	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	12.64%	12.63%	-0.01%
57	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	12.38%	12.30%	-0.08%
58	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	12.79%	12.71%	-0.08%
59	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.23%	13.14%	-0.09%
60	16.27%	16.16%	-0.11%	16.03%	15.93%	-0.10%	13.23%	13.14%	-0.09%

* Payable by members in Rate Group #9 and Rate Group #11.

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan B (OCTA)			Plan B (Non-OCTA, Non-OCS/D)			Plan J (2.7% @ 55 OCFA)		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
15	7.28%	7.42%	0.14%	7.11%	7.25%	0.14%	9.99%	10.18%	0.19%
16	7.28%	7.42%	0.14%	7.11%	7.25%	0.14%	9.99%	10.18%	0.19%
17	7.39%	7.53%	0.14%	7.21%	7.35%	0.14%	10.13%	10.32%	0.19%
18	7.49%	7.63%	0.14%	7.32%	7.46%	0.14%	10.27%	10.47%	0.20%
19	7.60%	7.74%	0.14%	7.42%	7.56%	0.14%	10.42%	10.62%	0.20%
20	7.71%	7.85%	0.14%	7.53%	7.67%	0.14%	10.57%	10.77%	0.20%
21	7.82%	7.97%	0.15%	7.64%	7.78%	0.14%	10.72%	10.92%	0.20%
22	7.93%	8.08%	0.15%	7.74%	7.89%	0.15%	10.87%	11.07%	0.20%
23	8.04%	8.19%	0.15%	7.86%	8.00%	0.14%	11.03%	11.23%	0.20%
24	8.16%	8.31%	0.15%	7.97%	8.12%	0.15%	11.18%	11.39%	0.21%
25	8.27%	8.43%	0.16%	8.08%	8.23%	0.15%	11.35%	11.55%	0.20%
26	8.39%	8.55%	0.16%	8.20%	8.35%	0.15%	11.51%	11.72%	0.21%
27	8.51%	8.67%	0.16%	8.31%	8.47%	0.16%	11.67%	11.89%	0.22%
28	8.63%	8.79%	0.16%	8.43%	8.59%	0.16%	11.84%	12.06%	0.22%
29	8.76%	8.92%	0.16%	8.55%	8.71%	0.16%	12.01%	12.23%	0.22%
30	8.88%	9.04%	0.16%	8.67%	8.83%	0.16%	12.19%	12.41%	0.22%
31	9.01%	9.17%	0.16%	8.80%	8.96%	0.16%	12.37%	12.59%	0.22%
32	9.14%	9.30%	0.16%	8.93%	9.09%	0.16%	12.55%	12.77%	0.22%
33	9.27%	9.44%	0.17%	9.06%	9.22%	0.16%	12.74%	12.96%	0.22%
34	9.41%	9.57%	0.16%	9.19%	9.35%	0.16%	12.93%	13.15%	0.22%
35	9.54%	9.71%	0.17%	9.32%	9.48%	0.16%	13.13%	13.35%	0.22%
36	9.68%	9.85%	0.17%	9.46%	9.62%	0.16%	13.33%	13.55%	0.22%
37	9.83%	10.00%	0.17%	9.60%	9.76%	0.16%	13.53%	13.75%	0.22%
38	9.97%	10.14%	0.17%	9.74%	9.91%	0.17%	13.72%	13.94%	0.22%
39	10.12%	10.29%	0.17%	9.89%	10.05%	0.16%	13.92%	14.13%	0.21%
40	10.28%	10.45%	0.17%	10.04%	10.20%	0.16%	14.11%	14.33%	0.22%
41	10.44%	10.61%	0.17%	10.19%	10.36%	0.17%	14.32%	14.54%	0.22%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan B (OCTA)</u>			<u>Plan B (Non-OCTA, Non-OCSB)</u>			<u>Plan J (2.7% @ 55 OCSA)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
42	10.59%	10.76%	0.17%	10.34%	10.51%	0.17%	14.54%	14.75%	0.21%
43	10.75%	10.91%	0.16%	10.49%	10.66%	0.17%	14.77%	14.98%	0.21%
44	10.90%	11.06%	0.16%	10.64%	10.81%	0.17%	15.01%	15.21%	0.20%
45	11.05%	11.22%	0.17%	10.79%	10.96%	0.17%	15.25%	15.43%	0.18%
46	11.21%	11.38%	0.17%	10.95%	11.11%	0.16%	15.47%	15.64%	0.17%
47	11.39%	11.55%	0.16%	11.12%	11.28%	0.16%	15.66%	15.81%	0.15%
48	11.57%	11.72%	0.15%	11.30%	11.45%	0.15%	15.78%	15.91%	0.13%
49	11.75%	11.90%	0.15%	11.48%	11.63%	0.15%	15.80%	15.90%	0.10%
50	11.94%	12.08%	0.14%	11.66%	11.80%	0.14%	15.74%	15.79%	0.05%
51	12.12%	12.25%	0.13%	11.83%	11.96%	0.13%	15.58%	15.58%	0.00%
52	12.26%	12.38%	0.12%	11.97%	12.09%	0.12%	15.26%	15.17%	-0.09%
53	12.36%	12.46%	0.10%	12.07%	12.16%	0.09%	15.78%	15.67%	-0.11%
54	12.37%	12.45%	0.08%	12.08%	12.16%	0.08%	16.31%	16.21%	-0.10%
55	12.32%	12.36%	0.04%	12.03%	12.07%	0.04%	16.31%	16.21%	-0.10%
56	12.20%	12.19%	-0.01%	11.91%	11.91%	0.00%	16.31%	16.21%	-0.10%
57	11.95%	11.87%	-0.08%	11.67%	11.60%	-0.07%	16.31%	16.21%	-0.10%
58	12.35%	12.27%	-0.08%	12.06%	11.98%	-0.08%	16.31%	16.21%	-0.10%
59	12.77%	12.69%	-0.08%	12.47%	12.39%	-0.08%	16.31%	16.21%	-0.10%
60	12.77%	12.69%	-0.08%	12.47%	12.39%	-0.08%	16.31%	16.21%	-0.10%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan P (1.62% @ 65)			Plan B (OCSD)			Plan N (OCFA)		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
15	6.56%	6.69%	0.13%	7.23%	7.37%	0.14%	7.59%	7.74%	0.15%
16	6.56%	6.69%	0.13%	7.23%	7.37%	0.14%	7.59%	7.74%	0.15%
17	6.65%	6.79%	0.14%	7.34%	7.48%	0.14%	7.70%	7.85%	0.15%
18	6.74%	6.89%	0.15%	7.44%	7.59%	0.15%	7.81%	7.96%	0.15%
19	6.84%	6.98%	0.14%	7.55%	7.70%	0.15%	7.92%	8.08%	0.16%
20	6.94%	7.08%	0.14%	7.66%	7.80%	0.14%	8.04%	8.19%	0.15%
21	7.04%	7.18%	0.14%	7.77%	7.92%	0.15%	8.15%	8.31%	0.16%
22	7.14%	7.29%	0.15%	7.88%	8.03%	0.15%	8.27%	8.42%	0.15%
23	7.24%	7.39%	0.15%	7.99%	8.14%	0.15%	8.39%	8.54%	0.15%
24	7.34%	7.50%	0.16%	8.10%	8.26%	0.16%	8.51%	8.67%	0.16%
25	7.45%	7.60%	0.15%	8.22%	8.38%	0.16%	8.63%	8.79%	0.16%
26	7.56%	7.71%	0.15%	8.34%	8.49%	0.15%	8.75%	8.91%	0.16%
27	7.66%	7.82%	0.16%	8.46%	8.61%	0.15%	8.88%	9.04%	0.16%
28	7.77%	7.93%	0.16%	8.58%	8.74%	0.16%	9.00%	9.17%	0.17%
29	7.88%	8.04%	0.16%	8.70%	8.86%	0.16%	9.13%	9.30%	0.17%
30	8.00%	8.16%	0.16%	8.82%	8.99%	0.17%	9.26%	9.43%	0.17%
31	8.11%	8.27%	0.16%	8.95%	9.12%	0.17%	9.40%	9.57%	0.17%
32	8.23%	8.39%	0.16%	9.08%	9.25%	0.17%	9.53%	9.70%	0.17%
33	8.35%	8.51%	0.16%	9.21%	9.38%	0.17%	9.67%	9.84%	0.17%
34	8.47%	8.63%	0.16%	9.35%	9.51%	0.16%	9.81%	9.98%	0.17%
35	8.59%	8.76%	0.17%	9.48%	9.65%	0.17%	9.95%	10.13%	0.18%
36	8.72%	8.89%	0.17%	9.62%	9.79%	0.17%	10.10%	10.27%	0.17%
37	8.85%	9.02%	0.17%	9.76%	9.93%	0.17%	10.25%	10.42%	0.17%
38	8.98%	9.15%	0.17%	9.91%	10.08%	0.17%	10.40%	10.58%	0.18%
39	9.11%	9.28%	0.17%	10.06%	10.23%	0.17%	10.56%	10.73%	0.17%
40	9.25%	9.42%	0.17%	10.21%	10.38%	0.17%	10.72%	10.90%	0.18%
41	9.39%	9.57%	0.18%	10.37%	10.54%	0.17%	10.88%	11.06%	0.18%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan P (1.62% @ 65)</u>			<u>Plan B (OCSD)</u>			<u>Plan N (OCFA)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
42	9.54%	9.71%	0.17%	10.52%	10.70%	0.18%	11.04%	11.22%	0.18%
43	9.67%	9.84%	0.17%	10.67%	10.85%	0.18%	11.20%	11.38%	0.18%
44	9.81%	9.98%	0.17%	10.82%	10.99%	0.17%	11.36%	11.54%	0.18%
45	9.95%	10.12%	0.17%	10.98%	11.15%	0.17%	11.52%	11.70%	0.18%
46	10.10%	10.26%	0.16%	11.14%	11.31%	0.17%	11.69%	11.87%	0.18%
47	10.25%	10.41%	0.16%	11.31%	11.47%	0.16%	11.87%	12.04%	0.17%
48	10.41%	10.57%	0.16%	11.49%	11.65%	0.16%	12.06%	12.23%	0.17%
49	10.58%	10.74%	0.16%	11.68%	11.83%	0.15%	12.26%	12.41%	0.15%
50	10.75%	10.90%	0.15%	11.86%	12.01%	0.15%	12.45%	12.60%	0.15%
51	10.91%	11.05%	0.14%	12.04%	12.17%	0.13%	12.63%	12.77%	0.14%
52	11.04%	11.17%	0.13%	12.18%	12.30%	0.12%	12.79%	12.91%	0.12%
53	11.12%	11.23%	0.11%	12.27%	12.38%	0.11%	12.88%	12.99%	0.11%
54	11.14%	11.23%	0.09%	12.29%	12.37%	0.08%	12.90%	12.98%	0.08%
55	11.09%	11.15%	0.06%	12.24%	12.29%	0.05%	12.85%	12.89%	0.04%
56	10.98%	11.00%	0.02%	12.12%	12.12%	0.00%	12.72%	12.72%	0.00%
57	10.76%	10.71%	-0.05%	11.87%	11.80%	-0.07%	12.46%	12.38%	-0.08%
58	11.12%	11.07%	-0.05%	12.27%	12.19%	-0.08%	12.88%	12.80%	-0.08%
59	11.50%	11.44%	-0.06%	12.69%	12.61%	-0.08%	13.32%	13.23%	-0.09%
60	11.50%	11.44%	-0.06%	12.69%	12.61%	-0.08%	13.32%	13.23%	-0.09%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

**Total Member Contribution Rates Before and After Adjustment to Reflect
the Additional Cashout in Developing Basic Rates**

<u>Entry Age</u>	<u>Plan S (City of SJC)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
15	8.67%	8.84%	0.17%
16	8.67%	8.84%	0.17%
17	8.80%	8.96%	0.16%
18	8.92%	9.09%	0.17%
19	9.05%	9.22%	0.17%
20	9.18%	9.35%	0.17%
21	9.31%	9.48%	0.17%
22	9.44%	9.62%	0.18%
23	9.58%	9.76%	0.18%
24	9.71%	9.89%	0.18%
25	9.85%	10.04%	0.19%
26	9.99%	10.18%	0.19%
27	10.14%	10.32%	0.18%
28	10.28%	10.47%	0.19%
29	10.43%	10.62%	0.19%
30	10.58%	10.77%	0.19%
31	10.73%	10.92%	0.19%
32	10.88%	11.08%	0.20%
33	11.04%	11.24%	0.20%
34	11.20%	11.40%	0.20%
35	11.36%	11.56%	0.20%
36	11.53%	11.73%	0.20%
37	11.70%	11.90%	0.20%
38	11.87%	12.08%	0.21%
39	12.05%	12.26%	0.21%
40	12.24%	12.44%	0.20%
41	12.43%	12.63%	0.20%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan S (City of SJC)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
42	12.61%	12.81%	0.20%
43	12.79%	13.00%	0.21%
44	12.97%	13.17%	0.20%
45	13.16%	13.36%	0.20%
46	13.35%	13.55%	0.20%
47	13.56%	13.75%	0.19%
48	13.77%	13.96%	0.19%
49	13.99%	14.17%	0.18%
50	14.21%	14.38%	0.17%
51	14.42%	14.58%	0.16%
52	14.60%	14.74%	0.14%
53	14.71%	14.83%	0.12%
54	14.73%	14.82%	0.09%
55	14.67%	14.72%	0.05%
56	14.53%	14.52%	-0.01%
57	14.23%	14.14%	-0.09%
58	14.71%	14.61%	-0.10%
59	15.21%	15.10%	-0.11%
60	15.21%	15.10%	-0.11%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or “loading”) to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan E (Fire Authority)</u>			<u>Plan E (Law Enforcement)</u>			<u>Plan E (Probation)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
15	9.75%	10.05%	0.30%	9.91%	10.32%	0.41%	9.10%	9.45%	0.35%
16	9.75%	10.05%	0.30%	9.91%	10.32%	0.41%	9.10%	9.45%	0.35%
17	9.90%	10.20%	0.30%	10.06%	10.47%	0.41%	9.24%	9.59%	0.35%
18	10.04%	10.35%	0.31%	10.21%	10.63%	0.42%	9.37%	9.73%	0.36%
19	10.19%	10.50%	0.31%	10.36%	10.79%	0.43%	9.51%	9.87%	0.36%
20	10.35%	10.66%	0.31%	10.51%	10.95%	0.44%	9.66%	10.02%	0.36%
21	10.50%	10.82%	0.32%	10.67%	11.11%	0.44%	9.80%	10.17%	0.37%
22	10.66%	10.98%	0.32%	10.83%	11.28%	0.45%	9.95%	10.33%	0.38%
23	10.82%	11.15%	0.33%	11.00%	11.45%	0.45%	10.10%	10.48%	0.38%
24	10.99%	11.32%	0.33%	11.17%	11.62%	0.45%	10.26%	10.64%	0.38%
25	11.16%	11.50%	0.34%	11.34%	11.80%	0.46%	10.42%	10.81%	0.39%
26	11.34%	11.68%	0.34%	11.52%	11.99%	0.47%	10.58%	10.98%	0.40%
27	11.52%	11.86%	0.34%	11.71%	12.18%	0.47%	10.75%	11.15%	0.40%
28	11.71%	12.05%	0.34%	11.90%	12.37%	0.47%	10.93%	11.33%	0.40%
29	11.90%	12.25%	0.35%	12.09%	12.58%	0.49%	11.11%	11.52%	0.41%
30	12.10%	12.46%	0.36%	12.30%	12.78%	0.48%	11.29%	11.71%	0.42%
31	12.31%	12.67%	0.36%	12.51%	13.00%	0.49%	11.49%	11.91%	0.42%
32	12.53%	12.89%	0.36%	12.73%	13.23%	0.50%	11.69%	12.12%	0.43%
33	12.76%	13.12%	0.36%	12.96%	13.47%	0.51%	11.91%	12.34%	0.43%
34	12.94%	13.31%	0.37%	13.14%	13.65%	0.51%	12.07%	12.51%	0.44%
35	13.13%	13.50%	0.37%	13.34%	13.85%	0.51%	12.25%	12.69%	0.44%
36	13.33%	13.71%	0.38%	13.54%	14.06%	0.52%	12.44%	12.88%	0.44%
37	13.54%	13.93%	0.39%	13.76%	14.28%	0.52%	12.64%	13.09%	0.45%
38	13.78%	14.16%	0.38%	14.00%	14.52%	0.52%	12.86%	13.31%	0.45%
39	14.04%	14.42%	0.38%	14.27%	14.79%	0.52%	13.10%	13.55%	0.45%
40	14.26%	14.65%	0.39%	14.49%	15.01%	0.52%	13.31%	13.76%	0.45%
41	14.52%	14.90%	0.38%	14.75%	15.26%	0.51%	13.55%	13.99%	0.44%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

Entry Age	Plan E (Fire Authority)			Plan E (Law Enforcement)			Plan E (Probation)		
	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference	Before Adjustment	After Adjustment	Difference
42	14.68%	15.06%	0.38%	14.91%	15.42%	0.51%	13.70%	14.14%	0.44%
43	14.88%	15.25%	0.37%	15.12%	15.61%	0.49%	13.89%	14.32%	0.43%
44	15.00%	15.36%	0.36%	15.25%	15.71%	0.46%	14.00%	14.42%	0.42%
45	15.06%	15.39%	0.33%	15.30%	15.73%	0.43%	14.05%	14.44%	0.39%
46	14.92%	15.22%	0.30%	15.16%	15.53%	0.37%	13.92%	14.27%	0.35%
47	14.71%	14.95%	0.24%	14.94%	15.23%	0.29%	13.73%	14.00%	0.27%
48	14.46%	14.60%	0.14%	14.69%	14.81%	0.12%	13.49%	13.65%	0.16%
49	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
50	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
51	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
52	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
53	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
54	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
55	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
56	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
57	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
58	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
59	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%
60	13.81%	13.70%	-0.11%	14.04%	13.73%	-0.31%	12.89%	12.73%	-0.16%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan F (Fire Authority)</u>			<u>Plan F (Law Enforcement)</u>			<u>Plan F (Probation)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
15	13.37%	13.54%	0.17%	13.52%	13.87%	0.35%	12.75%	12.96%	0.21%
16	13.37%	13.54%	0.17%	13.52%	13.87%	0.35%	12.75%	12.96%	0.21%
17	13.57%	13.74%	0.17%	13.72%	14.08%	0.36%	12.94%	13.07%	0.13%
18	13.77%	13.94%	0.17%	13.93%	14.29%	0.36%	13.13%	13.26%	0.13%
19	13.98%	14.15%	0.17%	14.13%	14.50%	0.37%	13.33%	13.46%	0.13%
20	14.19%	14.36%	0.17%	14.35%	14.71%	0.36%	13.53%	13.66%	0.13%
21	14.40%	14.58%	0.18%	14.56%	14.93%	0.37%	13.73%	13.87%	0.14%
22	14.62%	14.80%	0.18%	14.78%	15.15%	0.37%	13.94%	14.08%	0.14%
23	14.84%	15.02%	0.18%	15.01%	15.38%	0.37%	14.15%	14.29%	0.14%
24	15.07%	15.25%	0.18%	15.24%	15.62%	0.38%	14.37%	14.51%	0.14%
25	15.30%	15.49%	0.19%	15.48%	15.86%	0.38%	14.59%	14.73%	0.14%
26	15.55%	15.73%	0.18%	15.72%	16.10%	0.38%	14.82%	14.96%	0.14%
27	15.79%	15.98%	0.19%	15.97%	16.35%	0.38%	15.06%	15.20%	0.14%
28	16.05%	16.24%	0.19%	16.23%	16.61%	0.38%	15.31%	15.44%	0.13%
29	16.31%	16.50%	0.19%	16.50%	16.88%	0.38%	15.56%	15.70%	0.14%
30	16.59%	16.78%	0.19%	16.78%	17.16%	0.38%	15.82%	15.96%	0.14%
31	16.87%	17.06%	0.19%	17.06%	17.45%	0.39%	16.09%	16.23%	0.14%
32	17.15%	17.33%	0.18%	17.34%	17.72%	0.38%	16.35%	16.49%	0.14%
33	17.41%	17.59%	0.18%	17.60%	17.98%	0.38%	16.60%	16.73%	0.13%
34	17.65%	17.84%	0.19%	17.85%	18.23%	0.38%	16.83%	16.97%	0.14%
35	17.91%	18.09%	0.18%	18.12%	18.48%	0.36%	17.08%	17.21%	0.13%
36	18.19%	18.37%	0.18%	18.39%	18.75%	0.36%	17.35%	17.47%	0.12%
37	18.48%	18.66%	0.18%	18.69%	19.04%	0.35%	17.63%	17.75%	0.12%
38	18.78%	18.94%	0.16%	18.99%	19.32%	0.33%	17.91%	18.02%	0.11%
39	19.07%	19.23%	0.16%	19.29%	19.60%	0.31%	18.19%	18.29%	0.10%
40	19.32%	19.47%	0.15%	19.53%	19.82%	0.29%	18.42%	18.52%	0.10%
41	19.54%	19.68%	0.14%	19.76%	20.02%	0.26%	18.64%	18.72%	0.08%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan F (Fire Authority)</u>			<u>Plan F (Law Enforcement)</u>			<u>Plan F (Probation)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
42	19.70%	19.82%	0.12%	19.92%	20.14%	0.22%	18.79%	18.85%	0.06%
43	19.80%	19.89%	0.09%	20.02%	20.19%	0.17%	18.88%	18.92%	0.04%
44	19.74%	19.80%	0.06%	19.96%	20.06%	0.10%	18.82%	18.83%	0.01%
45	19.52%	19.55%	0.03%	19.74%	19.76%	0.02%	18.62%	18.60%	-0.02%
46	19.18%	19.15%	-0.03%	19.40%	19.29%	-0.11%	18.29%	18.22%	-0.07%
47	18.57%	18.46%	-0.11%	18.78%	18.50%	-0.28%	17.71%	17.56%	-0.15%
48	19.18%	19.07%	-0.11%	19.40%	19.10%	-0.30%	18.29%	18.14%	-0.15%
49	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
50	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
51	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
52	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
53	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
54	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
55	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
56	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
57	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
58	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
59	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%
60	19.82%	19.71%	-0.11%	20.05%	19.74%	-0.31%	18.90%	18.74%	-0.16%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or “loading”) to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan R (Fire Authority)</u>			<u>Plan R (Law Enforcement)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
15	12.62%	12.78%	0.16%	12.82%	13.18%	0.36%
16	12.62%	12.78%	0.16%	12.82%	13.18%	0.36%
17	12.81%	12.97%	0.16%	13.01%	13.38%	0.37%
18	13.00%	13.16%	0.16%	13.20%	13.57%	0.37%
19	13.20%	13.36%	0.16%	13.40%	13.77%	0.37%
20	13.39%	13.56%	0.17%	13.60%	13.98%	0.38%
21	13.60%	13.76%	0.16%	13.80%	14.19%	0.39%
22	13.80%	13.97%	0.17%	14.01%	14.40%	0.39%
23	14.01%	14.18%	0.17%	14.23%	14.62%	0.39%
24	14.23%	14.40%	0.17%	14.45%	14.84%	0.39%
25	14.45%	14.62%	0.17%	14.67%	15.07%	0.40%
26	14.68%	14.85%	0.17%	14.90%	15.30%	0.40%
27	14.91%	15.08%	0.17%	15.14%	15.54%	0.40%
28	15.15%	15.33%	0.18%	15.39%	15.79%	0.40%
29	15.40%	15.58%	0.18%	15.64%	16.04%	0.40%
30	15.66%	15.84%	0.18%	15.90%	16.31%	0.41%
31	15.93%	16.11%	0.18%	16.18%	16.58%	0.40%
32	16.19%	16.36%	0.17%	16.44%	16.84%	0.40%
33	16.43%	16.61%	0.18%	16.69%	17.09%	0.40%
34	16.67%	16.84%	0.17%	16.92%	17.32%	0.40%
35	16.91%	17.08%	0.17%	17.17%	17.56%	0.39%
36	17.17%	17.34%	0.17%	17.44%	17.82%	0.38%
37	17.45%	17.61%	0.16%	17.72%	18.09%	0.37%
38	17.73%	17.88%	0.15%	18.00%	18.36%	0.36%
39	18.01%	18.15%	0.14%	18.28%	18.62%	0.34%
40	18.24%	18.37%	0.13%	18.52%	18.84%	0.32%
41	18.45%	18.57%	0.12%	18.73%	19.02%	0.29%

Attachment B

Total Member Contribution Rates Before and After Adjustment to Reflect the Additional Cashout in Developing Basic Rates

<u>Entry Age</u>	<u>Plan R (Fire Authority)</u>			<u>Plan R (Law Enforcement)</u>		
	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>	<u>Before Adjustment</u>	<u>After Adjustment</u>	<u>Difference</u>
42	18.60%	18.71%	0.11%	18.89%	19.14%	0.25%
43	18.69%	18.78%	0.09%	18.98%	19.18%	0.20%
44	18.63%	18.69%	0.06%	18.92%	19.06%	0.14%
45	18.43%	18.46%	0.03%	18.72%	18.77%	0.05%
46	18.11%	18.08%	-0.03%	18.39%	18.33%	-0.06%
47	17.54%	17.43%	-0.11%	17.80%	17.58%	-0.22%
48	18.11%	18.00%	-0.11%	18.39%	18.15%	-0.24%
49	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
50	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
51	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
52	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
53	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
54	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
55	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
56	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
57	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
58	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
59	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%
60	18.72%	18.60%	-0.12%	19.00%	18.76%	-0.24%

Note that there is a slight reduction in the member rates after the adjustment to reflect the additional cashout at the later entry ages. This is because the COLA rates are determined as proportional increases (or "loading") to the basic rates. This means that, in conjunction with paying a higher basic rate, members at the lower entry ages are also expected (on a weighted average basis) to pay a higher COLA rate. It is that increase in the COLA rate for the lower entry ages that has resulted in a decrease in the COLA rate for the higher entry ages.

**OCERS
Board of Retirement**

Development of Member Contribution Rates

January 21, 2014

*Paul Angelo, FSA
The Segal Company
San Francisco*



Development of Member Contributions

- Additional Cashout (or Annual Payoff) Assumptions
 - Previously discussed at September 2013 Retirement Board Offsite
 - Used in calculating employer rates (basic and COLA)
 - Not used in calculating basic member rates
 - Used in calculating COLA member rates
- See Segal's updated discussion letter, January 6, 2014
 - Includes member contribution rates by rate group for all entry ages

Member Contributions: Additional Cashout Assumption

- Cash outs of accumulated annual leave, sick leave or compensatory time off
 - Used in benefit calculation as a result of OCERS' (and other 1937 CERL systems) settlement in Ventura Decision
 - Same for other 1937 CERL systems
 - Include in “compensation earnable” if earned and cashed out during final average salary measuring period
 - Only applicable to legacy (or non-CalPEPRA plans)
 - Specifically excluded by CalPEPRA for new members entering OCERS on/after January 1, 2013

Member Contributions: Additional Cashout Assumption

- After Ventura, new assumption for additional cashout at retirement added to actuarial valuation
 - For cashout greater than received during career
 - Increased actuarial accrued liability and (total) normal cost
 - Increased employer contribution rates
- No change in the CERL to address basic and COLA members contribution rates calculation for new Ventura pay elements
 - Some systems (including OCERS) continued to use same procedure to calculate member contribution rates

Member Contributions: Additional Cashout Assumption

- Assumptions used in developing basic member rates
 - Based on PARTIAL actuarial assumptions used in valuation
 - Salary increases, mortality, interest (discount rate)
 - » No disability or survivor benefits
 - Amount to fund percent of final pay at single retirement age
 - » Percent and age set in 1937 CERL
- Assumptions used in developing COLA member rates
 - Based on ALL actuarial assumptions used in valuation
 - Service retirement, disability retirement, survivor benefits, deferred retirement, withdrawal
 - Cost of COLA benefit is shared equally by member and the employer
 - » As required by 1937 CERL

Member Contributions: Additional Cashout Assumption

- After Ventura Decision, additional cashout assumption added to valuation
 - Increased COLA contribution rates for both employer and members – consistent with 1937 CERL
- Open question: should the new cashout assumption be included in basic member rate calculation?
 - Many systems (including OCERS) did not; rationale:
 - Some of the plan’s actuarial assumptions have always been excluded in developing basic member rates
 - Concern with overcharging categories of members with generally smaller levels of annual cashout
 - Over time some systems added cashout assumption to basic member rate calculation
 - OCERS, CCCERA and VCERA continue to exclude cashout assumption from basic member rate calculation
- Note that member (and employer) contributions should be collected on both annual and additional cashouts.

Member Contributions: Additional Cashout Assumption

Impact of including annual cashout in basic member rates

	Average Member Rate Before Adjustment to Basic Rate For Add'l Cashout	Average Member Rate After Adjustment to Basic Rate For Add'l Cashout	Increase in Average Member Rate
Rate Group #1 – Plans A, B and U (non-OCFA, non-OCSD)	8.93%	9.08%	0.15%
Rate Group #2 – Plans I, J, O, P, S, T and U	12.64%	12.83%	0.19%
Rate Group #3 – Plans B, G, H and U (Law Library, OCSD)	12.65%	12.83%	0.18%
Rate Group #5 – Plans A, B and U (OCFA)	9.72%	9.87%	0.15%
Rate Group #9 – Plans M, N and U (TCA)	10.83%	10.95%	0.12%
Rate Group #10 – Plans I, J, M, N and U (OCFA)	12.66%	12.85%	0.19%
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	9.41%	9.46%	0.05%
Rate Group #6 – Plans E, F and V (Probation)	14.77%	14.98%	0.21%
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	15.63%	15.97%	0.34%
Rate Group #8 – Plans E, F, Q, R and V (Fire Authority)	14.44%	14.57%	0.13%

Discussion

DISCUSSION CALENDAR - AGENDA ITEM NO. 5
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Request for Proposal No. DC1857 - Third Party Workers' Compensation Administration & Managed Care Services**

Summary:

This agenda item is submitted for approval of a contract for Third Party Workers' Compensation Administration (TPA) and Managed Care (MC) Services with CorVel Corporation, the number one ranked firm in the RFP process.

Committee Actions:

The Executive Committee reviewed this item at its meeting of November 21, 2013, and directed staff to: (1) extend the existing contract with York through May 31, 2014, (2) review the matter with the Budget and Finance Committee to obtain its recommendation, and (3) return to the Executive Committee for final action prior to May 31, 2014.

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendations that the Executive Committee:

1. Approve and authorize the Fire Chief to sign the proposed Professional Services Agreement for TPA and MC Services with CorVel Corporation, effective June 1, 2014, for the initial term of five years and three additional one-year contract extensions.
 - a. The TPA pricing will be a fixed cost with annual adjustments for eight years as outlined in the updated pricing index (pricing reflects reduction of costs to exclude handling the 49 open indemnity claims).
 - b. The MC Services will be based on the agreed cost listed in the pricing index; the overall cost of these services is based on actual claims activity and bill volume (bill review, utilization review and nurse case management) for each category of service.
 - c. Allocated Expenses (attorney fees, copy service fees, interpreter fees) are not included in the claims administration fees and will be charged per the contracted rates.
2. Direct staff to return to the Budget and Finance Committee and the Executive Committee after two years of service (i.e., July 2016), to evaluate performance and the resulting contract costs under the new contract with CorVel Corporation.

Background:

In March 2002, the OCFA became self-insured for Workers' Compensation and the Executive Committee awarded a contract to Southern California Risk Management Associates (SCRMA), now York Insurance Services Group, to provide Third Party Administration Services. Since 2002, the contract with York has been extended periodically, with approval by the Executive Committee, resulting in a total contract term of 12 years to-date. The Third Party Administration of the self-insured Workers' Compensation program consists of administration of claims, utilization review and bill review. The program contract is supervised by the OCFA Risk Manager and Risk Analyst.

2013 RFP Process – Third Party Administration and Managed Care

In April 2013, a comprehensive RFP was launched for Third Party Administration (TPA) and Medical Managed Care (MC) services for the OCFA workers' compensation program. As a result of the RFP process, CorVel Corporation was the number one ranked firm. Staff prepared a detailed report recommending award of the contract to CorVel (Exhibit 1), and upon review by the Executive Committee, staff was directed to review the proposal details with the Budget and Finance Committee to obtain its recommendation first, prior to the Executive Committee taking action.

Specific areas of discussion with the Executive Committee focused on the Committee's desire for a detailed vetting process with the Budget and Finance Committee, including review of the concerns raised by Todd Priest of Curt Pringle & Associates, a public relations firm speaking on behalf of York. Input provided by Mr. Priest included the following:

- York's appeal had not been addressed; no response was provided to York's latest letter;
- York believed they provided statistical proof of bias by one of the evaluators;
- CorVel was not authorized by Traveler's Insurance to handle 49 pre-2002 indemnity claims;
- York believed CorVel pricing would be higher in future years compared to year one; and,
- Concern regarding an email from OCFA's Purchasing Manager.

Responses to these concerns are outlined below.

Responses to York's Letters and Appeals

Following completion of the RFP evaluation process, the OCFA received 14 letters from York between August 8, 2013 and December 3, 2013. Thorough analysis was undertaken prior to responding to the content of York's letters and appeals, and in the interim, responses were sent to York to acknowledge receipt of the letters and to keep them informed of progress with our review. The OCFA sent a total of 9 letters to York to keep them informed of the progress and to respond to their appeals. In particular, formal responses to the appeals were sent to York on October 9, 2013 and October 31, 2013. In addition, a recent update was sent to York on January 29, 2014, to advise them of the upcoming review with the Budget and Finance Committee, and to respond to their last letter about pricing (Exhibit 2).

York's Assertion of Bias

York has repeatedly asserted bias by one of the RFP evaluators based on the fact that one evaluator ranked York lower than the other evaluators. OCFA has responded to York that a mathematical deviation in the scoring does not demonstrate a bias. It simply demonstrates that one evaluator found the proposals received by the other firms to be more complete or responsive than the proposal submitted by York. York has not submitted any evidence supporting the claim for bias by this particular evaluator.

Handling of Pre-2002 Claims

After learning that Traveler's Insurance (the commercial carrier responsible for the 49 pre-2002 indemnity claims) only has six authorized TPA firms to administer claims on its behalf, the OCFA explored alternative options for handling the claims. The analysis included consideration of self-administration (workload, cost of staff time, capacity) and/or selecting a firm from an RFP process issued to the six firms authorized by Traveler's. It should be noted that although Traveler's limits the number of authorized TPA firms they elect to work with, this does not mean that CorVel is inferior to the other TPA firms authorized by Traveler's.

As a result of this analysis and RFP process, staff will begin negotiating a contract with York for administration of the OCFA's 49 pre-2002 claims to become effective June 1, 2014, at an annual cost of \$25,000. In addition, CorVel has offered to reduce their pricing for TPA services by \$26,950 for the first year, and basing future years on a percentage increase from this amount, to cover OCFA's cost for handling these 49 claims. CorVel had previously agreed to handle these claims in their original proposal to OCFA, but since Traveler's did not agree to expand their network of six providers to include CorVel, they are honoring the intent of their submitted proposal by reducing the cost, thus covering the expenses of this additional contract.

Pricing

York has asserted that CorVel's pricing will be higher after the first year of service, as a result of the discount pricing offered for year one. It should be noted that this RFP was not graded on pricing alone, and pricing was not the deciding factor that resulted in CorVel being the highest ranked firm. Future costs will be based on actual activity, which is anticipated to continuously change moving forward due to program modifications that OCFA wishes to pursue. Any attempts to estimate costs for years 2-8 would be based on speculative assumptions.

Rather than speculating on the impacts of these future program modifications, staff is recommending that the Board direct staff to return after two years under the new contract to evaluate both performance and total contract costs. In the event that performance or costs are not meeting OCFA expectations, the option exists to terminate the contract early and perform a new RFP process.

E-Mail from Purchasing Manager

York discussed their concern regarding an email from OCFA's Purchasing Manager, which we have provided as Exhibit 3. As evidenced by the e-mail, the Purchasing Manager was simply confirming that the two top-ranked firms should be interviewed, and that in order to include the incumbent provider (York), the panel would be required to interview 6 firms.

Prior to the e-mail, discussion had occurred as to whether York could be included in the interview group, based on the fact that they were the incumbent provider. However, with York being ranked sixth, we would have been out-of-compliance with our RFP procedures to have interviewed the top two-ranked firms and the sixth-ranked firm, while skipping over the third, fourth, and fifth-ranked firms. In order to include the incumbent provider (York) in the interview group, the panel would have been required to interview 6 firms.

Summary

CorVel is recommended for selection as the OCFA's primary TPA because they were the highest ranked firm in that RFP process. York is recommended for selection as the OCFA's administrator for the Traveler's claims because they were the highest ranked provider for that particular RFP process. In both cases, a thorough process was completed, the processes were followed, and it is staff's practice to always recommend the firm ranked highest in the applicable competitive solicitation process.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Costs are already included in the budget for TPA services.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services

lorizeller@ocfa.org

(714) 573-6020

Janet Wells, Interim Human Resources Director

janetwells@ocfa.org

(714) 573-6801

Rhonda Haynes, Risk Analyst, Workers' Compensation Program Manager

Human Resources Department

rhondahaynes@ocfa.org

(714) 573-6833

Debbie Casper, Purchasing Manager

Business Services Department

debbiecasper@ocfa.org

(714) 573-6641

Attachments:

1. Executive Committee Meeting 11/21/13 Agenda Item No. 7 Link:
http://www.ocfa.org/uploads/pdf/sr_ec1311121-07.pdf
2. Correspondence from OCFA to York dated January 29, 2014
3. OCFA E-Mail dated July 9, 2013
4. Professional Service Agreement – CorVel Corporation



ORANGE COUNTY FIRE AUTHORITY

P.O. Box 57115, Irvine, CA 92619-7115 – 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

www.ocfa.org

January 29, 2014

Via Electronic Mail

Jody A. Gray, ARM
President of York Public Entity
750 The City Drive Suite 350
Orange, CA 92868
E-mail: Jody.Gray@yorkrsg.com

RE: Recommendation for Award DC1898 – Third Party Workers’ Compensation Administration for Run-Off Insurance Claims

Dear Ms. Gray,

This letter is issued to inform you that the evaluation of the proposals for the Run-Off Insurance Claims is complete and the committee is recommending the award to York. We would like to further negotiate the cost escalation for these claims in future years with recommendation to begin this contract on June 1, 2014.

In addition, the recommendation for the award of DC1857 for Third Party Workers’ Compensation Administration will be presented to the Budget and Finance Committee at the February 5, 2014 meeting scheduled at noon. The agenda for this item will be available from the OCFA website by 5:00 p.m. on January 30, 2014.

I want to thank you for your participation in the RFP process and I look forward to working with you on finalizing the agreement for administration of the insurance run-off claims.

Best Regards,

A handwritten signature in cursive script that reads "Debbie Casper".

Debbie Casper, C.P.M., CPPB
Purchasing & Materials Manager

Wentz, Sherry

From: Casper, Debbie
Sent: Tuesday, July 09, 2013 9:40 AM
To: Haynes, Rhonda; Jakubiak, Tricia; 'PWilliams@surfcity-hb.org'
Subject: OCFA Workers Comp - RFP Ratings.xlsx
Attachments: Workers Comp - RFP Ratings.xlsx

Good Morning,

Here are the results from the evaluations. There were a few errors in addition on the sheets, they have been corrected in the worksheet. Based on the results, I think the best thing to interview the top two firms, otherwise we need to interview 6 companies to include York.

Let me know your thoughts. I am available any day next week July 15-18 and July 22-24 to schedule the presentations.

Debbie Casper, C.P.M., CPPB
Purchasing & Materials Manager
Orange County Fire Authority
Tel. (714) 573-6641
Fax (714) 368-8845
debbiecasper@ocfa.org

**ORANGE COUNTY FIRE AUTHORITY
PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT FOR PROFESSIONAL SERVICES ("Agreement") is made and entered into this 26th day of September, 2013, by and between the Orange County Fire Authority, a public agency, hereinafter referred to as "OCFA", and CorVel Enterprise Comp, Inc, a Delaware corporation, hereinafter referred to as "CorVel".

RECITALS

WHEREAS, OCFA requires the services of a qualified firm to for third party workers' compensation administration services, RFP #DC1857, hereinafter referred to as "Project"; and

WHEREAS, CorVel has submitted to OCFA a proposal dated May 30, 2013, a copy of which is on file with the Clerk of the Board, and is incorporated herein by this reference; and

WHEREAS, based on its experience and reputation, CorVel is qualified to provide the necessary services for the Project and desires to provide such services; and

WHEREAS, OCFA desires to retain the services of CorVel for the Project.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, OCFA agrees to employ and does hereby employ CorVel and CorVel agrees to provide professional services as follows:

AGREEMENT

1. PROFESSIONAL SERVICES

1.1 Scope of Services.

In compliance with all terms and conditions of this Agreement, CorVel shall provide those services specified in the Scope of Services, attached hereto as Exhibit "A" and incorporated herein by reference. The Scope of Services includes by reference and by addendum: (1) OCFA's Request for Proposal, RFP #DC1857, dated April 29, 2013 ("RFP"); (2) CorVel's response to OCFA's RFP dated May 30, 2013; (3) All terms and conditions as set forth in this Agreement; and (4) any amendments, addendums, change orders, or modifications mutually agreed upon by the parties hereto. In the event of any inconsistency between the terms contained in Exhibit "A" and the terms set forth in the main body of this Agreement, the terms set forth in the main body of this Agreement shall govern. CorVel warrants that it shall perform all

services under this Agreement in a competent, professional and satisfactory manner in accordance with all standards prevalent in the industry.

1.2 Online Services.

During the term of this Agreement, OCFA shall be entitled to access and use CorVel's CareMC Application, a proprietary software application that provides online access to certain managed care services. As pertains to OCFA's utilization of the CareMC Application, both parties agree to be bound by the provisions of the CareMC License Agreement, attached hereto as Exhibit "B" and incorporated herein by this reference. In the event of any inconsistency between the terms contained in Exhibit "B" and the terms of this Agreement, the terms of this Agreement shall govern.

1.3 Compliance with Law.

All services rendered hereunder by CorVel shall be provided in accordance with all laws, ordinances, resolutions, statutes, rules, and regulations of OCFA and any federal, state or local governmental agency of competent jurisdiction. To the fullest extent permitted by law, CorVel shall defend (at CorVel's sole cost and expense with legal counsel reasonably acceptable to OCFA), indemnify, and hold harmless OCFA, its officers, officials, employees and agents (collectively, the "Indemnified Parties") from and against any and all third-party actions, suits, proceedings, claims, demands, losses, costs, and expenses, including legal costs and attorneys' fees, presented, brought, or recovered against OCFA for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of any negligent acts, errors, omissions, willful misconduct or fraud committed by CorVel, its officers, employees or agents in the performance of this Agreement, except for such liability as may arise from the sole negligence or willful misconduct of the Indemnified Parties.

1.4 Licenses and Permits.

CorVel shall obtain at its sole cost and expense such licenses, permits and approvals as may be required by law for the performance of the services required by this Agreement.

1.5 Care of Work.

CorVel shall adopt and follow reasonable procedures and methods during the term of the Agreement to prevent loss or damage to materials, papers or other components of the work, and shall be responsible for all such damage until acceptance of the work by OCFA, except such loss or damages as may be caused by OCFA's own negligence.

1.6 Additional Services.

CorVel shall perform services in addition to those specified in the Scope of Services when directed to do so in writing by the Contract Officer, provided that CorVel shall not be required to perform any additional services without compensation. Any additional compensation not exceeding ten percent (10%) of the original Agreement sum must be approved in writing by the Contract Officer. Any greater increase must be approved in writing by Any greater increase must be approved in writing by Fire Chief upon approval from the Executive Committee.

2. TIME FOR COMPLETION

The time for completion of the services to be performed by CorVel is an essential condition of this Agreement. CorVel shall prosecute regularly and diligently the work of this Agreement according to the schedules set forth in the Scope of Services. CorVel shall not be accountable for delays in the progress of its work caused by any condition beyond its control and without the fault or negligence of CorVel. Delays shall not entitle CorVel to any additional compensation regardless of the party responsible for the delay.

3. COMPENSATION

3.1 Contract Pricing.

For the services rendered pursuant to this Agreement, OCFA shall compensate and reimburse CorVel in accordance with the terms set forth in the Pricing Schedule, attached hereto as Exhibit "C" and incorporated herein by reference.

3.2 Method of Payment.

In any month in which CorVel wishes to receive payment, CorVel shall no later than the first working day of such month, submit to OCFA in the form approved by OCFA's Director of Finance, an invoice for services rendered prior to the date of the invoice. OCFA shall pay CorVel for all expenses stated thereon which are approved by OCFA consistent with this Agreement, within thirty (30) days of receipt of CorVel's invoice.

3.3 Changes.

In the event any change or changes in the services is requested by OCFA, the parties hereto shall mutually agree in writing and execute an addendum to this Agreement, setting forth with particularity all terms of such addendum, including, but not limited to, any additional fees. Addenda may be entered into:

A. To provide for revisions or modifications to documents or other work product or work when documents or other work product or work is required

by the enactment or revision of law subsequent to the preparation of any documents, other work product or work;

B. To provide for additional services not included in this Agreement or not customarily furnished in accordance with generally accepted practice in CorVel's profession.

3.4 Appropriations.

This Agreement is subject to and contingent upon funds being appropriated therefore by the OCFA Board of Directors for each fiscal year covered by the Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to OCFA. In any such event, OCFA shall notify CorVel in writing of the Board of Director's decision not to appropriate funds. CorVel shall be entitled to compensation for all services rendered prior to the receipt of such notice.

4. PERFORMANCE SCHEDULE

4.1 Time of Essence.

Time is of the essence in the performance of this Agreement.

4.2 Schedule of Performance.

All services rendered pursuant to this Agreement shall be performed within the time periods prescribed in CorVel's Scope of Services, attached hereto as Exhibit "A". The extension of any time period specified in Exhibit "A" must be approved in writing by the Contract Officer.

4.3 Force Majeure.

The time for performance of services to be rendered pursuant to this Agreement may be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the CorVel, including, but not restricted to, acts of God or of a public enemy, acts of the government, fires, earthquakes, floods, epidemic, quarantine restrictions, riots, strikes, freight embargoes, and unusually severe weather if the CorVel shall within ten (10) days of the commencement of such condition notify the Contract Officer who shall thereupon ascertain the facts and the extent of any necessary delay, and extend the time for performing the services for the period of the enforced delay when and if in the Contract Officer's judgment such delay is justified, and the Contract Officer's determination shall be final and conclusive upon the parties to this Agreement.

4.4 Term.

This Agreement shall commence on the date first above written and continue for a period of five (5) years, ending on 12/31/2019, unless earlier terminated as provided herein or as otherwise agreed to in writing by the parties. OCFA shall have the sole option to extend this Agreement for three (3) additional periods of one (1) year after the expiration of the initial five-year term of this Agreement.

5. COORDINATION OF WORK

5.1 Representative of CorVel.

The following principal of the CorVel is hereby designated as being the principal and representative of CorVel authorized to act in its behalf with respect to the work specified herein and make all decisions in connection therewith: Michael Saverien.

It is expressly understood that the experience, knowledge, capability and reputation of the foregoing principal is a substantial inducement for OCFA to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of CorVel and devoting sufficient time to personally supervise the services hereunder. The foregoing principal may not be changed by CorVel without the express written approval of OCFA.

5.2 Contract Officer.

The Contract Officer shall be Rhonda Haynes, Risk Analyst, Workers' Compensation Program Manager, unless otherwise designated in writing by OCFA. It shall be the CorVel's responsibility to keep the Contract Officer fully informed of the progress of the performance of the services and CorVel shall refer any decisions that must be made by OCFA to the Contract Officer. Unless otherwise specified herein, any approval of OCFA required hereunder shall mean the approval of the Contract Officer.

5.3 Prohibition Against Subcontracting or Assignment.

The experience, knowledge, capability and reputation of CorVel, its principals and employees, were a substantial inducement for OCFA to enter into this Agreement. Therefore, CorVel shall not contract with any other entity to perform in whole or in part the services required hereunder without the express written approval of OCFA. In addition, neither this Agreement nor any interest herein may be assigned or transferred, voluntarily or by operation of law, without the prior written approval of OCFA. Notwithstanding anything to the contrary in the foregoing, CorVel may assign its interest in this Agreement without prior written approval if seventy-five (75) percent or more of its equity securities, assets or business related to the subject matter of this Agreement is acquired by another entity or persons. CorVel shall notify OCFA in writing within five (5) days of any such acquisition. CorVel shall then provide any additional information

concerning the acquisition, and the acquiring party, as may be requested by the Contract Officer. Any attempted assignment in violation of this Agreement shall be void and without effect.

5.4 Independent Contractor.

Neither OCFA nor any of its employees shall have any control over the manner, mode or means by which CorVel, its agents or employees, perform the services required herein, except as otherwise set forth herein. CorVel shall perform all services required herein as an independent Contractor of OCFA and shall remain at all times as to OCFA a wholly independent contractor with only such obligations as are consistent with that role. CorVel shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of OCFA.

6. INSURANCE AND INDEMNIFICATION

6.1 Insurance.

CorVel shall procure and maintain, at its costs, for the duration of this Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with CorVel's performance under this Agreement. CorVel shall also carry workers' compensation insurance in accordance with California worker's compensation laws. Such insurance shall be kept in effect during the term of this Agreement and shall not be cancelable without thirty (30) days written notice to OCFA of any proposed cancellation. OCFA's certificate(s) signed by a person authorized to issue said certificate(s), evidencing the foregoing and designating OCFA as an additional named insured for general liability and automobile Liability coverages shall be delivered to and approved by OCFA prior to commencement of the services hereunder. Insurance shall be of the type, in the amounts, and subject to the provisions set forth in Section III of RFP #DC1857, incorporated herein by reference. The procuring of such insurance and the delivery of policies or certificates evidencing the same shall not be construed as a limitation of CorVel's obligation to indemnify OCFA, its officers, officials, employees and agents.

6.2 Indemnification.

To the fullest extent permitted by law, CorVel shall defend (at CorVel's sole cost and expense with legal counsel reasonably acceptable to OCFA), indemnify, and hold harmless OCFA, its officers, officials, employees and agents (collectively, the "Indemnified Parties") from and against any and all third-party actions, suits, proceedings, claims, demands, losses, costs, and expenses, including legal costs and attorneys' fees, for injury to or death of person or persons, for damage to property, including property owned by OCFA, arising out of or in any way connected with any negligent acts, errors, omissions, willful misconduct or fraud committed by CorVel, its officers, employees or agents in performance of this Agreement, except for such loss as may arise from the sole negligence or willful misconduct of the Indemnified Parties.

CorVel's indemnification obligations under this Section 6.2 are contingent upon: (i) OCFA giving prompt written notice to CorVel of any claim under this Section (provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent, and only to the extent, that CorVel shall have been actually prejudiced as a result of such failure); and (ii) at CorVel's request and sole expense, OCFA cooperating in the investigation and defense of such claim(s). In any instance where CorVel defends a claim pursuant to its indemnification obligations, OCFA shall be entitled, but not obligated to, participate in (but not control) such defense and to retain its own counsel, at its own expense. Neither party shall settle or consent to an adverse judgment in any such claim that adversely affects the rights or interests of the other party or imposes additional obligations on the other party without the prior express written consent of the other party.

7. RECORDS AND REPORTS

7.1 Reports.

CorVel shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the services required by this Agreement as the Contract Officer shall require.

7.2 Records.

CorVel shall keep such books and records as shall be necessary to properly perform the services required by this Agreement and enable the Contract Officer to evaluate the performance of such services. The Contract Officer shall have full and free access to such books and records at all reasonable times, including the right to inspect, copy, audit and make records and transcripts from such records.

7.3 Ownership of Documents.

All drawings, specifications, reports, records, documents and other materials prepared by CorVel specifically for the benefit of OCFA in the performance of this Agreement shall be the property of OCFA and shall be delivered to OCFA upon request of the Contract Officer or upon the termination of this Agreement at no cost to OCFA, and CorVel shall have no claim for further employment or additional compensation as a result of the exercise by OCFA of its full rights or ownership of the documents and materials hereunder. CorVel may retain copies of such documents for its own use. CorVel shall have an unrestricted right to use the concepts embodied therein.

7.4 Release of Documents.

CorVel shall not release publicly any drawings, specifications, reports, records, documents or other materials prepared by CorVel in the performance of services under this Agreement without the prior written approval of the Contract Officer.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law.

This Agreement shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Orange, State of California, or any other appropriate court in such county, and CorVel covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Waiver.

No delay or omission in the exercise of any right or remedy of a non-defaulting party on any default shall impair such right or remedy or be construed as a waiver. No consent or approval of OCFA shall be deemed to waiver or render unnecessary OCFA's consent to or approval of any subsequent act of CorVel. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

8.3 Rights and Remedies are Cumulative.

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

8.4 Legal Action.

In addition to any other rights or remedies, either party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain injunctive relief, a declaratory judgment, or any other remedy consistent with the purposes of this Agreement.

8.5 Termination Prior to Expiration of Term.

OCFA reserves the right to terminate this Agreement at any time, with or without cause, upon thirty (30) days written notice to CorVel, except that where termination is due to the fault of the CorVel and constitutes an immediate danger to health, safety and general welfare, the period of notice shall be such shorter time as may be appropriate. Upon receipt of the notice of termination, CorVel shall immediately cease all services hereunder except such as may be specifically approved by the Contract Officer. CorVel shall be entitled to compensation for all services rendered prior

to receipt of the notice of termination and for any services authorized by the Contract Officer thereafter.

CorVel may terminate this Agreement, with or without cause, upon thirty (30) days written notice to OCFA.

8.6 Termination for Default.

If either party (the “non-breaching party”) determines that the other party (the “breaching party”) has failed to fulfill its obligations under this Agreement, it shall notify the breaching party in writing of such default. The breaching party shall have thirty (30) days, or such longer period as the non-breaching party may designate, to cure the default by rendering satisfactory performance. In the event that the breaching party fails to cure the default within such period of time, or if the default constitutes an immediate danger to health, safety or general welfare, then the non-breaching party shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice. Upon termination pursuant to this Section 8.6, OCFA may take over the work and prosecute the same to completion by contract or otherwise, and the CorVel shall be liable for any costs incurred by OCFA in connection with its selection and retention of another third-party administrator to replace owing to CorVel's breach and subsequent termination, and to the extent that the total cost for performance of the services required hereunder exceeds the compensation herein stipulated, provided that OCFA shall use reasonable efforts to mitigate damages.

8.7 Attorneys' Fees.

If either party commences an action against the other party arising out of or in connection with this Agreement or its subject matter, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs of suit from the losing party.

9. OCFA OFFICERS AND EMPLOYEES; NON-DISCRIMINATION

9.1 Non-Liability of OCFA Officials, Officers and Employees.

No official, officer or employee of either party shall be personally liable to the the other party, or any successor-in-interest, in the event of any default or breach by the breaching party or for any amount which may become due to the the non-breaching party or its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Covenant Against Discrimination.

CorVel covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that there shall be no discrimination or segregation in the performance of or in connection with this Agreement regarding any person or group of persons on account of race, color, creed, religion, sex, marital status,

national origin, or ancestry. CorVel shall take affirmative action to insure that applicants and employees are treated without regard to their race, color, creed, religion, sex, marital status, national origin, or ancestry.

10. MISCELLANEOUS PROVISIONS

10.1 Confidentiality.

During the term of this Agreement each party may obtain, be exposed to, or disclose to the other party proprietary or confidential information including, but not limited to trade secrets, copyrights, patent rights and other proprietary or restricted information, and sensitive personal information, including without limitation, claimant identification and medical records, all of which are not generally known by the public ("Confidential Information").

To the extent allowed by law, both parties shall take all necessary action to protect the confidentiality of the Confidential Information of the other party, shall hold it in strict confidence, and shall not disclose or publish or permit the disclosure or publication of it to any person or entity except for the purpose of performance under this Agreement, and only with the other party's prior written consent. Without limiting the generality of the foregoing, each party agrees to use at least the same degree of care to avoid unauthorized disclosure, use or publication of the Confidential Information as it employs with respect to its own Confidential Information.

Notwithstanding the foregoing, CorVel has been advised and is aware that all reports, documents, information and data including, but not limited to, computer tapes, discs or files furnished or prepared by CorVel, or any of its subcontractors, and provided to OCFA may be subject to public disclosure as required by the California Public Records Act (California Government Code Section 6250 *et. seq.*). OCFA shall not, in any way, be liable or responsible for the disclosure of any information including, without limitation, Confidential Information, if such disclosure is deemed by OCFA to be required by law or by order of the Court.

If any of CorVel's Confidential Information is subject to a Public Records Act request, OCFA shall (i) provide to CorVel written notice of the request (ii) provide to CorVel a reasonable opportunity to respond to and/or oppose such action in the appropriate forum, and (iii) take such steps as are permitted under the Public Records Act to assert in response to such request any exemptions or other protections available thereunder to prevent, restrict and/or control the public release, access and/or disclosure of Confidential Information.

10.2 Coverage and Compensability.

Subject to applicable state regulations, codes and statutes, CorVel shall retain final decision making authority as to compensability and coverage determinations regarding the payment of benefits as required by law, and to the extent possible, within

OCFA's established parameters and the terms governing CorVel's performance of services under this Agreement.

10.3 Duty of Cooperation.

OCFA acknowledges that accurate and legally sound determinations as to compensability and the provision of benefits requires cooperation and access to OCFA materials, documents, and witnesses. OCFA agrees to cooperate fully in all aspects of CorVel's investigation in order to ensure full compliance with all applicable workers' compensation statutes.

10.4 Healthcare Authority.

Subject to applicable state regulations, codes and statutes, CorVel and its agents have no authority to control or direct the health care services proposed for or provided to injured persons. This authority shall lie only with the injured person and his/her treating physician in any case, and those individuals may accept, reject, or modify any advisory determinations made by CorVel or its agents, except insofar as state workers' compensation laws may require them to follow the determinations of OCFA, CorVel, OCFA's agents, a workers' compensation judge or review panel, or another third party.

10.5 No Interference with Practice of Medicine.

Neither party to this Agreement shall attempt, directly or indirectly, to control, direct or interfere with the practice of medicine by any health care provider.

10.5 Notice.

Any notice, demand, request, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by pre-paid, first-class mail to the address set forth below. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated forty-eight (48) hours from the time of mailing if mailed as provided in this Section.

To OCFA:

Orange County Fire Authority
Attention: Rhonda Haynes
1 Fire Authority Road
Irvine, CA 92602

With Copy to:

David E. Kendig, General Counsel
Woodruff, Spradlin & Smart
555 Anton Blvd. Suite 1200
Costa Mesa, CA 92626

To CorVel:

CorVel Corporation
Attention: Sharon O'Connor, Director of
Legal Services
2010 Main Street Suite 600 Irvine, CA
92614

10.6 Integrated Agreement.

This Agreement contains all of the agreements of the parties and cannot be amended or modified except by written agreement.

10.7 Amendment.

This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing.

10.8 Severability.

In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Agreement shall be declared invalid or unenforceable by valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Agreement, which shall be interpreted to carry out the intent of the parties hereunder.

10.9 Corporate Authority.

The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by so executing this Agreement the parties hereto are formally bound to the provisions of this Agreement.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates stated below.

“OCFA”

ORANGE COUNTY FIRE AUTHORITY

Date: _____

By: _____

Keith Richter
Fire Chief

APPROVED AS TO FORM.

ATTEST:

By: _____

David E. Kendig
General Counsel

Sherry A.F. Wentz
Clerk of the Board

Date: _____

“CORVEL”

CORVEL ENTERPRISE COMP, INC.

Date: _____

By: _____

Michael Saverien, Senior Vice President

EXHIBIT A
SCOPE OF SERVICES



CorVel has more than 30 years of experience as a national provider of healthcare management solutions to government agencies that include large fire and emergency response services. We are publicly traded (NASDAQ:CRVL) and annual revenues exceeded \$412 million in 2012. Our continued customer growth is a testament to our financial stability and our significant investments in new systems and technologies allow us to continue to deliver industry-leading solutions to the marketplace.

Our company has been providing third party claims administration services for agencies with large fire and emergency response services in California since February 2007 through its acquisition of an existing third party administrator which had been in business for 20 years.

We are an industry leader in claims administration solutions. Throughout the years, we have enjoyed long-term relationships with many of the largest and most innovative payors in the nation. Using the expertise gained in those relationships, our entire client base is able to take advantage of the pooled insights of many of the leaders in the casualty insurance industry.

CorVel's claims management program is a unique approach to claims administration, healthcare and disability management. We offer a comprehensive solution directed toward the self-insured and municipal markets that proactively manages the entire episode of a claim. By incorporating a strong medical management component in claims management, CorVel is able to control the cost of claims more effectively than the traditional claims management model, saving customers time and money.

CorVel believes the following top three qualities differentiate us from other TPAs in the marketplace:

Experience with Municipalities

CorVel has more than 50 municipal clients in California. Our services decrease administrative costs and improve return to work outcomes. CorVel offers a personalized treatment program that uses precise treatment protocols – advocating timely, quality care for municipal employees. CorVel understands the unique needs of municipalities where budgets are a major concern, along with diverse employment descriptions and job settings. Our innovative solution combines claims technology with industry leading medical cost containment for your existing safety program. Ten of our California clients have large fire and emergency response services.

Integrated System

CorVel offers our customers superior results by utilizing our completely integrated claims management and cost containment solution. We have extensive expertise in both claims handling and cost containment services allowing our clients to achieve the best possible outcomes. OCFA can obtain greater efficiency and earlier return to work on their claim files, while achieving greater reductions in the overall length and costs of medical treatment.

Early Intervention

CorVel's early intake process promotes immediate and convenient access to report an injury or incident to improve return to work results. For immediate care, we recommend reporting incidents to our 24/7 Nurse Triage call center. All other non-urgent or retrospective injuries can be reported via CorVel's website, toll free call center, faxed, or entered via mobile apps available for smart phones and tablet devices. Claims are immediately processed by our



proprietary rules engine where medical management begins immediately as needed, and the claim is assigned to a Claims Adjuster within one business day or less of initial receipt.

Scope of Work

CorVel offers OCFA superior results by utilizing our completely integrated claims management and managed care solution. We have extensive expertise in both claims handling and managed care services allowing our clients to achieve the best possible outcomes. OCFA can obtain greater efficiency and earlier return to work on their claim files, while achieving greater reductions in the overall length and costs of medical treatment.

- **Claims Management:** Our integrated service model controls claims at inception by advocating medical management at the onset of the injury to decrease overall cost of risk and shorten the length of disability. Our solution offers a personalized treatment program for each injured worker, using precise treatment protocols to meet the changing needs of patients on a frequent basis. We advocate timely, quality care for each employee. This tailored, proactive service model allows more control over your claims program, expediting claim closure and reducing the total cost of claims. We have been providing claims management services for 35 years.
- **Utilization Review:** Our utilization review program provides prospective, concurrent and retrospective reviews to determine appropriateness of care, frequency and care setting. CorVel's experienced staff of utilization review Case Managers, board certified medical directors and peer review physicians utilize medical treatment protocols and expert systems technology to determine the medical appropriateness of care as well as frequency, duration and setting. We have been providing utilization review services for 20 years.
- **Medical Bill Review:** CorVel offers an innovative medical bill review program with savings up to 28% higher than industry averages. We offer a complete medical savings solution for all in-network and out-of-network medical bills, including PPO management, medical bill re-pricing, line-item review, expert fee negotiations, professional review, automated adjudication and electronic reimbursement. Our medical bill review program offers up to 77% average savings per bill in the state of California. We have been providing medical bill review services for 20 years.
- **Medical Provider Network (MPN):** We have been certified by the state of California to offer a provider network to employers in California. Our MPN offers an extensive network of more than 53,000 provider locations statewide that specialize in occupational medicine to assist OCFA's employees throughout their claim. Our office in Orange will continuously monitor the integrity of our MPN for OCFA. All providers must go through an extensive credentialing process at the time of application prior to acceptance into the PPO network and then recertified every three years. We have been providing an MPN for 7 years.
- **Case Management:** CorVel's case management services address all aspects of disability management and recovery including telephonic, field and catastrophic case management as well as vocational rehabilitation. We have been providing case management services for 34 years.
- **Pharmacy:** Our comprehensive pharmacy solution includes formulary management, maximum network penetration and aggressive utilization management. We provide access to a network of over 65,000 retail pharmacies nationwide, including approximately 5,800 retail pharmacies in California. CorVel's clinical expertise, investments in technology and customer service can



provide OCFA with significant reductions in your pharmacy costs. We have been providing pharmacy management services for 20 years.

- **Clinical Modeling:** CorVel proactively identifies significant cost-drivers in pharmacy use before they become high dollar claims through an analysis of all bill review data. We have developed a proprietary set of rules in our system to flag specific indicators such as high narcotics usage, multiple prescribers, and certain drug combinations that can contribute to rising costs or lead to harmful conditions such as addiction and prescription abuse.

Integration with CorVel's bill review system provides us with full visibility into a patient's entire drug history including drugs obtained from retail, mail order and out-of-network pharmacies, third party billers and physician dispensed medications so CorVel can help manage OCFA's entire pharmacy exposure. Once a potential costly or harmful claim is identified, it will be forwarded for intervention by our medication review program, with prior approval from OCFA.

- **Medication Review:** CorVel's medication review program reduces costs by working with treating physicians to ensure injured workers get the most appropriate care in the most cost effective manner. Our locally based physicians consult with treating physicians to review prescriptions, determine medical necessity, consider alternative medications and obtain the physician's sign off for the new drug plan. This can result in significant reductions in overall medication costs and ensure the injured worker's safety during their episode of care.
- **Directed Care Network:** CorVel's directed care services are based on four elements in cost containment - utilization, rate reduction, timeliness and reporting. We have contracted with the nation's most respected medical imaging, physical therapy and ancillary service networks to offer convenient access, timely appointments and preferred rates. We manage the entire coordination of care from appointment scheduling through reimbursement, working to achieve timely recovery and increased savings. We have been providing ancillary services for 20 years.
- **Medicare Services:** CorVel offers solutions to help you manage the requirements mandated by the Centers for Medicare and Medicaid Services (CMS). We have a long standing relationship with the CMS and have been offering Medicare Set Asides (MSA) since 2001. CorVel operates an MSA facility dedicated to these activities. We also offer Medicare Agent Services to handle all elements of compliance with Section 111 of the 2007 MMSEA. We have been providing Medicare services for 12 years.
- **CorVel's vocational rehabilitation services** are offered in house and are designed to evaluate an injured worker's education, training and experience. As OCFA prefers, CorVel's Case Managers can provide job modification or light-duty alternatives until the physician lifts the injured worker's physical restrictions. In addition, we can evaluate partial payment claims if the injured worker returns to work in a new position, working for less than their pre-injury wage.



Distinguishing Features of CorVel Corporation

CorVel is the only third party administrator to offer a truly integrated solution. Our integration means faster results for our clients, greater savings and an improved return on investment for your entire risk management program.

Key differentiators include:

- *Total integration via a connected claims management and medical cost containment program.* Real-time access to your entire program provides instant collaboration with all involved parties. This tailored, proactive approach allows more control over your program, expediting claim closure and reducing the total cost of claims.
- *Efficient claim intake.* 24/7 nurse triage, rules-based technology that drives the delivery of care, an outcomes-focused claims process, and convenient “instant” access to our services moments instead of days after an injury occurs, address potentially complex claims at the onset – and significantly impact the total cost of risk. We provide employees with immediate care and intervention when they need it, versus traditional models that delay intervention based on standard business hours. Our nurses will help guide the employee to the proper treatment immediately
- *A companywide commitment to outstanding customer service.* CorVel provides immediate intervention and 24/7 access the moment an incident is reported. This helps our fire departments learn of incidents and claims as soon as they occur, helping prevent unnecessary and costly delays. Our solution includes our talented and tenured staff as well as our automated, rules-based technology. Combined, we are able to provide personalized treatment for every injured worker.
- *Superior account management.* CorVel will assign a local account service team based in Rancho Cucamonga. The team is responsible for overseeing service issues, management reporting, development of new training programs (for both new and existing employees), and periodic training for software enhancements. Your designated Account Manager, Amanda Garcia, will facilitate annual stewardship report meetings which provide qualitative outcomes reports such as total incurred cost per year, average claim counts, average incurred per claim, incident only vs. medical only vs. indemnity ratios per year and more. These annual meetings are used to identify trends and strategize for the coming year.

CorVel Client Base and Type

National: CorVel provides services to self-insured employers, insurance carriers, third party claims administrators and government entities. The sizes of the companies we serve vary from Fortune 500 companies with more than 300,000 employees to companies with 1,000 employees. Throughout the country we service cities and counties that have fire and safety services.

Local: CorVel has more than 50 public entity clients in the state of California. Of these, at least 13 have fire services. CorVel is well-versed in the handling of fire service claims and issues, specifically in California.



Some of our California municipal clients with local fire/safety employees include:

- City of Barstow
- City of La Mesa
- City of Monrovia
- City of Monterey Park
- City of Rialto
- City of Stockton
- County of Humboldt
- City of Murrieta
- County of Santa Barbara
- County of Tulare
- County of Ventura

Quality Assurance Management

Our company considers quality management a priority and uses our continually developing quality management process to ensure superior service delivery to OCFA. CorVel's quality assurance (QA) process is established and evaluated at the corporate level and administered at the local and regional operations offices. It focuses on the assessment of activities, functions and standards impacting the delivery of CorVel services. Feedback on quality is solicited from employers, treating physicians, and customer employees to determine ways to improve and ensure that we are meeting everyone's needs in a timely, cost effective manner.

CorVel is continually expanding and improving our services to provide our customers with new opportunities to save on their operational and medical costs. New and expanded services developed in 2013 include:

- Data verification enhancements within our system
- Treatment calendar redesign to show information based on medical procedures to accurately reflect actual patient treatments
- Report improvements for ease of use
- Enhancement to the Medicare Second Payer reporting queue for ease of use and increased availability of information



CorVel Corporation Claims Management System

Hardware and Software Requirements

To access CorVel's claims system platform, we require the workstation have Microsoft Internet Explorer and high speed internet access. Our claims system is available online and in real time. It can also be accessed via smart phones and tablet devices.

Experience with System

Our claims system is proprietary. It has been developed and supported by our in-house, full time information systems division. We have invested millions of dollars into the development of our integrated system that offers tremendous cost and timesaving benefits. Unlike most industry platforms, we do not rely on data feeds from third parties that can delay critical information. Our system supports our claims and medical management teams by supplying extensive, real-time information to better assist injured workers and improve outcomes.

System Compatibility

CorVel has an extensive and documented process in place for electronic data interface (EDI) projects. We will work with the appropriate personnel at OCFA to review file formats and specific system requirements for data fields in both systems. CorVel approaches each desired piece of the EDI process with test file exchanges, reviews of results, and acceptance before moving on to the next piece. We exchange data via secure file transfer protocol (SFTP) with or without encrypting files, or via file transfer protocol (FTP) with encrypted files. Encryption is based on PGP's public-key cryptography and an exchange of public keys between CorVel and OCFA.

Transfer of Historical Data

OCFA's current open claims data will be mapped and integrated into CorVel's claims system with alerts that will require an Adjuster to review the claim file before payments are made on the file. If OCFA's current system does not use a paperless environment, specific documents will be scanned into our system in accordance with our claims handling best practice process. Medical bills and supporting documentation will be scanned into our system or an EDI will be established from the current vendor allowing the bill image to be uploaded into our system so the Claims Adjuster can process the bills.

Upgrades and Changes

CorVel upgrades our system monthly. We host all upgrades and changes, which do not require any effort from OCFA. Standard upgrades or changes are included in the annual maintenance costs.

All releases are planned months in advance taking into consideration customer needs and legislative updates. We consider our customers our top priority and welcome any ideas or feedback regarding our system.

Reports

The following are examples of CorVel's standard claims reports. These and more are included in the claim fee:

- Closing Reports
- Opening Reports



- Financial Reports
- Litigation Reports
- Indemnity Reports
- TTD Reports
- New Claims Received Report
- Status Change Activity Report
- Claim Payment Register
- Claim Payment Summary
- Overall Payment Summary by Type of Payment
- Overall Payment Register for Period
- Detailed Loss Report
- Loss Summary by Policy Period
- Financial Analysis Report
- Safety Analysis Report
- Loss Development Report
- Mechanism of Injury
- Lag Time Report
- Escrow Activity Report
- Lost Day Reporter
- Location Loss Summary

CorVel will provide OCFA with comprehensive reports detailing every aspect of your program. Loss reporting information is available on a monthly basis and in various time formats, history periods, including "as of," and actual time. OCFA will also have access to create reports through CorVel's online reporting center where more than 1,000 data fields can be sorted to organize reports by any lapsed time period, hierarchical sub group, dollar range, time of day/week, coverage or sub classification, or any one of thousands of other combinations.

In addition to our extensive standard reports, we have the ability to provide optional ad hoc reports at OCFA's request for any special reporting needs. Ad hoc report inquiries can be made with data elements that we capture in the claims system. There is no additional cost for these reports.

OSHA Reporting Needs

CorVel's OSHA recording system utilizes a lost time tracking log to record both lost days from work and restricted/modified duty days from work based on medical information received from the treating physician as well as indemnity payments processed from the system. OSHA will be able to run OSHA reports within the claims system. The OSHA log is populated by the Claims Adjuster during the handling of each claim.

User Connections

CorVel will provide OCFA with a minimum of 3 user connections and will work with OCFA to develop an appropriate access plan for you and your affiliates (including brokers and claims consultants). OCFA will be granted access from existing personal computers allowing for full database and report generating access.

Technical Support

CorVel has an IT department of 300 employees based in Portland, Oregon. This department provides service to the company on a nationwide basis. CorVel also has local MIS support in each of the branch offices. The Rancho Cucamonga office has 3 MIS support employees that service the more than 50 clients handled by that office. Additionally, OCFA's designated Account Manager, Amanda Garcia, will provide ongoing technical support services.



Claims Unit Assigned to Orange County Fire Authority

CorVel will work with OCFA to develop a staffing model that will ensure appropriate staffing levels so OCFA does not encounter any disruption in service or service levels. Once implementation has been completed, we will continue to review the staffing ratios and team development to ensure that we are meeting the needs of OCFA. Areas for change or improvement are recognized by the CorVel Account Manager who will make recommendations regarding possible changes to OCFA's claims team. CorVel will work with OCFA to implement program or staffing modifications that are determined to be of benefit for OCFA.

CorVel will staff OCFA's account with the following staff members. All staff members will have their self-insured certificate and will be state-certified.

- 1 Claims Manager
- 1 Claims Supervisor
- 4 Claims Adjusters
- 2 Claims Assistants

Claims Supervisors

Claims Supervisors have an average of 16 years of experience. They are responsible for tracking the performance statistics for each Adjuster and their overall unit in areas such as file set-up, reserving, timely benefit payments, audit scores, total caseloads and case closure ratios. They are responsible for ensuring that maximum productivity and efficiency are achieved. Claims Supervisors do not carry a caseload.

Senior Claims Adjusters

Senior Claims Adjusters have a minimum of 5 years of experience and average more than 16 years of workers' compensation experience. They handle complex indemnity cases where significant outstanding exposure remains. Senior Claims Adjusters also handle the workers' compensation claims of any high profile employees or politically sensitive matters.

Indemnity Adjusters

Indemnity Adjusters have a minimum of 3 years of experience and average more than 6 years of workers' compensation experience. They handle claims where there is temporary or permanent indemnity exposure. Indemnity Adjusters maintain significant experience in detailed claim investigations, taking recorded statements and claim documentation.

Medical Only Adjusters

Medical Only Adjusters have a minimum of 1 year of experience and average more than 2 years of workers' compensation experience. They are assigned less complex claims without indemnity exposure.

Claims Assistant

The Claims Assistant supports the claims staff in the set up and administration of workers' compensation claims and other tasks such as processing mail, making payments, processing



form letters, state forms and reports and managing telephone calls.

We provide ongoing training on a regular basis, including the recent SB863 training. CorVel also pays for staff to take IEA courses and obtain industry designations.

In addition to our own internal and industry sponsored staff training programs, CorVel also conducts bi-annual seminars for our claims personnel. These workshop style conferences allow us to share our experiences as well as those of our clients, and provide clear, step-by-step advice about claims management, industry trending and reporting procedures.

Claim Assignment Protocol

CorVel's Adjusters are assigned new claims according to their tenure, skill set, knowledge and specialization. We manage claims based on a claim being complex or non-complex and assign the claim to an Adjuster experienced in that type of claim. A complex claim may be a claim that has an open or extended period of disability benefits paid. A non-complex claim may be a simple medical only claim.

We also have individuals that specialize in subrogation, recoveries and offsets, litigation management, hearing file preparation, medical fee bill management processing and complex claims.

CorVel's Best Practices dictate that caseloads for a workers' compensation Adjuster range from 125–150 open and active indemnity files depending on the severity of the claims and the jurisdiction. Medical Only Adjusters carry up to 300 files. Claim volume and the experience level of the Adjuster dictate new claim assignments. A Supervisor review is conducted on all claims to provide direction to the future handling of the claim. The Supervisor reviews the claim and then assigns it to the appropriate Adjuster.

The Claims Supervisor does not carry a caseload and will review Adjuster caseloads monthly. Management reports are utilized to provide caseloads by claim type at the Adjuster, office and client level. If an Adjuster is nearing a saturation point, either temporary support is provided from a Supervisor or case files are transferred to another Adjuster to decrease caseload.

Claim Closure Ratio and Determination

As CorVel closes more files in a period than were received or reopened, our average annual closing ratio exceeds 100%. On a regular basis the Claims Manager and Supervisors receive a management report which outlines the current closing ratio for each Adjuster. Based on this management report, CorVel and the management staff can identify areas that may need attention.

Supervisors must review all medical only claims open beyond 90 calendar days from the date of entry for potential closure or conversion to indemnity claim status. Claims with \$3,000 or more paid to date on any medical only claim shall be reviewed for conversion to indemnity status and have a reasonable, precautionary indemnity reserve placed on the claim.

All indemnity cases, where permanent disability is not an issue, will be closed within 60 calendar days of the final financial transaction or final correspondence to the injured worker



as required by law. All indemnity claims where permanent disability is an issue and future medical care is awarded shall remain open for 1 year from the last payment of benefits and then closed within 60 calendar days from that date.

Claims Staff Interactions with Clients

Supervisors and Adjusters will have contact with OCFA on a daily basis.

All of CorVel's claims management staff has personalized email and voicemail making us accessible to clients through many avenues of communication. Our Adjusters maintain ongoing contact with the injured worker throughout the life of a claim to ensure issues are promptly resolved, information is disseminated quickly and benefits are provided as due and Supervisors get involved as necessary. We ensure that all communication is fact based and respectful. We know that effective claims management is the product of developing trust and credibility while collecting and integrating information. Our goal is to proactively track the details on every claim to achieve timely, cost effective resolution.

OCFA's designated Account Manager, Amanda Garcia, will be your point person who is responsible for overseeing the program and ensuring compliance with established service standards and requirements. Constant communication will be maintained with OCFA to provide support for your day-to-day needs including any reporting and training requests. Amanda will address any inquiries or issues that may arise and is fully empowered with the required technical and management resources to ensure a timely resolution. Amanda will also coordinate claim review meetings and annual stewardship meetings with OCFA to discuss program results and identify areas of opportunities for program enhancement.

Response Time Protocols

CorVel's companywide policy states that all inquiries must be returned within one business day of receipt. Should the situation require further investigation, we will respond either the same business day or the following business day. All inquiries are logged so that they can be responded to within this time frame and all activity is documented. Response time is measured from the time of the call to the follow-up contact in business hours.

Most questions concerning turnaround time, reporting, compliance and requests for service can be answered almost immediately through our website, available 24 hours a day, 7 days a week. For answers that cannot be answered through the website or for further assistance, we will return all inquiries within one business day of receipt.

Timeframes for Initial and Ongoing Contact with Injured Workers

Our company's standard claims practice exercises initial three point contact with OCFA, the injured worker and physician within one business day of receipt of an indemnity claim or medical only claim with lost time potential.

We recognize the importance of ongoing contact with injured workers and will maintain regular contact with employees who remain off work or are restricted from performing their regular duties. In addition, our Adjusters initiate contact with injured workers during key development periods in a claim. This includes discussion of compensability issues/decisions with unrepresented employees to ensure their understanding of the investigation process and timelines. Our Case Managers provide additional support by ensuring OCFA and its employees understand potentially confusing injury and medical treatment details. Field Case Managers



are also available on a local basis to provide in-person professional medical assistance when needed including any emergency situation that might arise. This level of contact results in reduced litigation and a higher level of satisfaction by OCFA 's employees.

In further support of our commitment to customer service, OCFA, its employees, and medical providers will be provided with a dedicated OCFA fax number, toll free telephone number, and direct dial phone numbers for all contacts at CorVel.

Reserving Practices

Our Claims Adjusters consider the particular circumstances of each claim and will maintain contact with the injured worker, physician and OCFA to develop a reserve that is current, realistic and based on the probable cost of each claim. We do not block reserve.

Reserves are initially set within five days of receipt of the claim and established in one or more of three main groups: medical, indemnity and allocated loss adjustment expense (ALAE), taking into account all potential payments. Within any of these major groups there can be reserve types. For instance, under indemnity, specific reserves can be established for PPD (permanent partial disability), TTD (temporary total disability) or PTD (permanent total disability). Under ALAE there can be separate reserves for legal, surveillance and special investigation. Reserves are reviewed every 90 days or more frequently based on our event driven diary system.

Reserve authority is granted to an Adjuster based on the claims handling agreement established with OCFA.

Timely Review and Appropriate Payment of Benefits

CorVel will conduct a preliminary review of compensability in accordance with jurisdictional statutes, rules or regulations within the first two business days from receipt of the Report of Injury. Our policy ensures a timely decision and notification to the employer to either accept or deny a claim. If there are any questions regarding compensability, we will follow mutually agreed upon protocols for review and discussion with OCFA.

Once compensability has been established, the Adjuster will request a wage statement to ensure payment of benefits is made within statutes and rules. CorVel makes every effort to ensure both Temporary Total Disability (TTD) and Permanent Disability (PD) payments are made accurately and timely.

RTW Program

CorVel will work with OCFA to establish an aggressive RTW best practices protocol that meets your philosophy and goals. The purpose of the RTW program is to provide guidelines to assist OCFA's injured workers on how they can return to the workplace in a modified or light duty capacity and be productive until they are able to return to their normally assigned duties at full capacity.

Transitional or light duty assignments should not aggravate the medical condition of injured workers. Every effort will be made to ensure the injured worker's safety and health is protected while working within physical or medical restrictions. In most cases, restrictions are



temporary and can be accommodated. In the event that restrictions are permanent, OCFA should evaluate reasonable accommodations, per the Americans with Disabilities Act (ADA).

Penalty Assessment

Through the normal course of doing business, there is a possibility of penalties based on state reporting requirements. To ensure our clients are not assessed any fines or penalties, CorVel submits data on behalf of the customer. The infrastructure in place lends itself to a better system of quality control if CorVel maintains this relationship with the state. CorVel has procedures in place to monitor bills in the system without a date paid, a mechanism to correct bills rejected by the state, and internal reports to identify bills in the system that have not been submitted. Through the use of CorVel's software, we adhere strictly to state guidelines and work with our customers to ensure that no penalties are assessed and problems are addressed promptly.

If CorVel is determined to be solely responsible for a fine or penalty assessed by the state, the reimbursement will be processed immediately and sent out in the subsequent check batch. The frequency of the check batch is determined by OCFA at the time of implementation.

Subrogation

CorVel agrees to identify and pursue subrogation opportunities in consultation with Risk Management. Upon receipt of the claim, our rules engine evaluates the claim for potential subrogation. If the potential exists the claim is routed to our subrogation specialist team who will complete a thorough investigation that includes collecting, evaluating, and preserving the evidence. Evidence may include statements, photographs, and documents such as receipts, logs, maintenance, and tangible evidence (stored when feasible).

Once identified, the appropriate parties will be placed on notice of lien. We will provide information to the injured worker, OCFA or the court of the current lien amount. CorVel will receive prior approval from OCFA for any waiver or reduction of any lien or other settlement.

The OCFA designee is kept up to date of the subrogation efforts and status at a minimum of every 90 days. The designee may also view subrogation efforts as noted in the claims system and subrogation report.

Workers' Compensation Fraud Detection

We acknowledge OCFA's philosophy toward fraud. CorVel takes the pursuit of fraud very seriously and has experienced remarkable success at reporting workers' compensation fraud, which has resulted in several successful prosecutions. We fight fraudulent activity through an aggressive internal Special Investigation Unit (SIU) program. CorVel Adjusters are required to report any suspected fraudulent activity to the Supervisor and Claims Manager immediately upon suspicion. Our Adjusters are given a fraud checklist to assist them in the identification process.

Adjusters undergo fraud training twice a year. During training they develop an acute awareness of the four types of fraud that can impact our clients' risk which include injured worker fraud, provider fraud, employer fraud, and forgery. They also obtain a solid understanding of the number of insurance and criminal code statutes that apply to workers' compensation.

The Claims Supervisor and Manager will maintain an active SIU program diary on all identified



fraud cases. The Adjuster and Supervisor will jointly prepare a case synopsis. Once this is done, a CorVel Adjuster will review the case and formulate an investigative plan of action. Once the evidence is obtained to report the claim, the Manager will prepare a case synopsis for OCFA's designated contact for such matters along with the appropriate fraud department forms.



Utilization Review Procedures

CorVel has been providing utilization review services for the past 20 years and currently provides utilization review services for more than 125 municipalities and public entities across the United States with 85 located in the State of California. They range from small cities and municipalities to one of the largest counties in the nation. Please refer to our client references for examples of our experience.

CorVel's Utilization Review Process is as follows:

- Notification of prospective, concurrent or retrospective request for authorization may be made to the CorVel pre-certification department by the employer, Claims Adjuster, physician or hospital by telephone (800 number), fax, email or online via www.caremc.com.
- Initial demographic information is input into our pre-certification software system by the UR Nurse Case Manager or an Intake Coordinator.
- The UR Nurse Case Manager contacts the physician office for any additional medical information and reports or clinical information to make a determination of medical necessity.
- Clinical information is compared to established criteria for determination of medical necessity of in-patient surgery/treatment vs. outpatient or denial.
- Request is reviewed in accordance with the state mandated American College of Occupational and Environmental Medicine Practice Guidelines (ACOEM) and Medical Treatment Utilization Schedule (MTUS).
- Pre-certification decision is made within five days of receipt of information for prospective requests and within 30 days for retrospective requests.
- Length of stay is certified for inpatient reviews.
- Verbal notification of the certification and length of stay is given by telephone to the physician and facility.
- Confirmation letters are automatically generated by the software system and mailed to all pertinent parties within 24 hours of certification and faxed to provider and facility.
- Case is automatically diaried for expected discharge date.
- Telephone contact is made on expected discharge date to determine if discharge occurred as scheduled.
- Upon discharge, case is closed, completion date is entered into the system and a claim data report is printed to initiate the billing process.

Our program provides prospective, concurrent and retrospective review of specific treatments. Our experienced staff of Utilization Review Case Managers, board certified Medical Directors and peer review physicians utilize medical treatment protocols and expert systems technology to determine the medical appropriateness of care as well as frequency, duration and setting. The goal of our utilization review program is to avoid unnecessary treatments and their associated costs and to ensure high quality, timely, cost effective medical care for injured workers.



Utilization Review Staff Training

Utilization Review staff performing clinical reviews are graduates of an accredited school of nursing and hold a current license in their state of operation. CorVel's UR Case Managers have a strong clinical background in orthopedics, neurology or rehabilitation. We also require our staff to have a strong cost containment background such as utilization review or healthcare management. We require three or more years of recent clinical experience, preferably in rehabilitation, and/or at least one year experience in workers' compensation or STD/LTD case management. Negotiation skills as well as clear and tactful communication (writing, reading, telephone calls, note taking, memoranda) skills are also required.

As with all CorVel case management staff, corporate policy encourages continuing education and provides reimbursement for those expenses. Each local/regional/national office is encouraged to host monthly meetings, offer continuing education programs and solicit guest speaker continuing education programs.

Turnaround Time for UR Requests:

- Prospective utilization review requests are completed within five business days, in most instances they are completed within 72 hours.
- Retrospective utilization review requests have an average turnaround time of five to seven business days.
- Concurrent hospital utilization review requests are completed within 72 hours, in most instances they are completed within 24 hours.
- Appeal reviews are completed within 15 business days and must be submitted for internal appeal within 15 days of original denial.
- Denial letters are sent within 24 hours to the requesting physician, facility, claims administrator, claimant, applicant and defense attorney, if claim is litigated.



Medical Bill Review

CorVel has more than 35 years of experience as a national provider of bill review solutions to public entity employers. We currently provide bill review for more than 700 clients, with 220 of those being public entities and more than 50 located in the State of California.

We have established ourselves as a national expert in medical bill review in the industry. We specialize in reducing the cost of all medical bills through a combination of rules-based technology, clinical expertise, expert review and access to our proprietary PPO network. We offer up to 28% higher savings than leading competitors and up to 77% in California. CorVel represents and warrants that we have the necessary knowledge, skills and experience to perform the bill review services according to the terms and conditions set forth by OCFA in this RFP.

We deliver discounts below workers' compensation fee schedule via our proprietary PPO and MPN. Our networks include board certified providers selected from a demanding criteria based on quality, range of service, price and location. We offer penetration and savings reports which are available by state and client. CorVel's provider networks in conjunction with our bill review and enhanced bill review solutions, offer a complete savings package.

Our clients range from small cities and school districts to one of the largest counties in the nation. Using the expertise gained in these relationships, our client base is able to take advantage of their pooled insights and collective knowledge. Our experience will help reduce the OCFA's costs through medical bill review, preferred provider savings and utilization review.

Average and Turnaround Time for Bills

CorVel's companywide standard commitment for medical bill review turnaround time is 5 business days from bill receipt. Complex surgical or inpatient/outpatient hospital surgical bills have a turnaround time of 7-10 business days.

Fee options and Calculations

CorVel is proposing a flat fee per bill plus a percentage of savings fee to OCFA to manage your bill review costs. The savings percentage fee also applies to CorVel's professional review on hospital and surgery bills, negotiations and DRG validation. CorVel does not charge a fee to access our MPN. Additionally, we do not just auto-adjudicate bills by simply allowing the system to apply fee schedule. Every bill is thoroughly reviewed by an analyst to achieve all possible savings. Fee options are shown in

Average level of savings for bill review

In California, CorVel delivers an average of 77% savings through our bill review program, excluding duplicates.

In the absence of a fee schedule, CorVel's rules engine flags it for professional review. If a bill is identified for professional review, it is routed to an experienced medical nurse for review and auditing. The nurse conducts the review for appropriateness and maximum savings and also determines if any other services are warranted (i.e. expert negotiation). Bills that will benefit from expert negotiation are electronically routed to CorVel's expert negotiation team



where the negotiation is completed and the EOR is generated for return to OCFA.

Bill Review Systems and Access

CorVel has more than 200 employees involved in the development, management and support of our bill review software. Adjusters are able to review OCFA's bills online as well as access savings reports in an instant through the bill review system. The process is paperless, through scanning and EDI, while proving to be cost effective and efficient - no storage costs, no filing costs. Our rapid turnaround time and online platform make information available in real time.

CorVel uses developments in technology to automate and streamline the review process and deliver consistent savings. CorVel's bill review technology automates the review process to provide our customers with a faster turnaround time, more efficient bill review and a higher total savings. Our bill review software has an electronic data interface (EDI) capability that allows us to accept medical bills directly from medical providers.

CorVel is offering our integrated claims management and managed care solution to OCFA. All services will be provided through our claims management portal, www.caremc.com.

Standard CorVel cost savings reports include:

- Bill Review Savings
- Turnaround Time
- ICD-9 Detail
- ICD-9 Summary
- PPO Penetration and Reduction
- PPO Provider Type



Additional Bill Review Capabilities

Professional Review

Professional Review is performed on complicated bills including surgery, ambulatory surgery centers and hospitals. These Analysts are Certified Professional Coders that have been trained and certified as experts in their field. This enhanced review ensures all services that have been billed are properly documented and were actually performed. This added service results in increased savings for our clients that are significantly higher than industry standard.

Expert Negotiations

As an added benefit to our bill review service, CorVel offers expert negotiation for all out-of-network bills with savings of 25% or less through the normal bill review process. We employ a team of senior negotiators and clinicians specially trained in fee negotiations. They have extensive backgrounds in billing and practice requirements and can negotiate medical charges below billed charges, applicable fee schedule and reasonable and customary rates.

Local Experts

CorVel has designated experts residing, managing and supervising the processing of medical bills in California to ensure our service is in compliance. Maintaining current, consistent and accurate rules databases are critical to the success of our bill review solutions. Because our system is proprietary, we can easily react to local market and regulatory changes, ensuring timely updates to the medical bill review and PPO management system.

State-of-the-Art Rules Engine

Our rules engine was built from the ground up based on a collaboration of state and industry experts, medical professionals, product managers and bill review staff. It is highly flexible and can be configured to meet SIPE's specific business requirements in order to most effectively impact your program. Populated with more than 10 million business protocols, the system ensures accurate and consistent bill review to maximize savings.

Integrated and Proprietary PPO Network

CorVel delivers significant discounts below workers' compensation fee schedules and reasonable and customary rates through the integration of our proprietary PPO network and bill review service. We maintain direct contracts with more than 53,000 provider locations in California, generating the maximum possible savings through discounted rates we have established with our network providers.

Continuous Improvement

CorVel's bill review staff receives a comprehensive overview and training on our proprietary medical bill review software. In our Orange, California, office we maintain a full-time bill review trainer that provides ongoing training and instruction on the California Official Medical Fee Schedule. Analysts participate in regularly scheduled professional training meetings that include a range of topic such as nursing, coding, clinical terms, claims aspects and quality assurance. All Bill Review Analysts are certified as required by the State of California.



CorVel PPO and MPN Capabilities

CorVel offers OCFA our propriety PPO and MPN which deliver an average of 77% discount per bill in California excluding duplicate bills. On average, we achieve 7% savings below fee schedule.

Providers contracted with CorVel can be found at www.corvel.com. We have partnered with more than 53,000 providers in California and over 750,000 nationwide. If so desired we will work with OCFA to create a carve-out MPN to best suit your needs. At no additional cost to OCFA, we will enroll and roll-out your MPN, including the handling of all filings with the state.

We have proposed a percent of savings calculation based on total reductions. CorVel's aggressive bill review and strong provider network results in industry leading savings.

Pharmacy

CorVel reduces our clients' total pharmacy spend through our integrated pharmacy program that ultimately maximizes network penetration and effectively manages utilization. Our clinical modeling and medication review programs are optional and charged on an hourly basis.

Our pharmacy management expertise allows us to deliver solutions based on the unique needs of our clients. Our pharmacy program includes a first fill program, increased network penetration, formulary management, brand to generic conversion, drug utilization review, and mail order services.

Mobile Technology

CorVel offers user-friendly technology that allows us to make powerful connections quickly, effectively and efficiently through the use of cell phones and tablet devices. Our proprietary apps provide real-time tools to capture incidents or injuries in minutes, not hours or days after they occur, reducing costly lag time. They also provide easy access to locate network doctors, specialists, hospitals, and other facilities near you and across the country.

CorVel's mobile technology also supports our staff to best help OCFA's injured workers. Initial treatment guides and pharmacy IDs are sent directly to the injured worker so they can quickly get the care they need. Pharmacy ID card information can also be texted to injured workers so they can easily obtain their first fill prescription.

Apps available to OCFA include:

- **Early Intake App** - Immediately report an incident or injury, submit initial treatment guide for the injured worker and view, print or share submitted reports
- **Provider Lookup App** - Locate providers for injured workers based on current location, city, state, zip code and specialty



The CorVel Advantage

The workers' compensation industry for municipal employers continues to be challenged as indemnity and medical costs are on the rise. CorVel offers an outcomes-based approach to claims management and cost containment, specifically designed to tackle the problems that have plagued your industry. Early intervention, a proactive healthcare approach and industry leading bill review and patient management savings will enable CorVel to deliver superior results to the Orange County Fire Authority.

CorVel provides immediate intervention and 24/7 access the moment an incident is reported. This helps fire departments learn of incidents and claims as soon as they occur, helping prevent unnecessary and costly delays. Our solution includes our talented and tenured staff as well as our automated, rules-based technology. Combined, we are able to provide personalized treatment for every injured worker. Real-time access to your entire program provides instant collaboration with all involved parties. This tailored, proactive approach allows more control over your program, expediting claim closure and reducing the total cost of claims.

With more than 35 years of industry experience, CorVel's offers a sophisticated approach to cost containment and patient management. We achieve the highest savings potential through our robust rules engine, clinical expertise, expert review and a proprietary national network of providers.

CorVel associates live and work in the same communities as employees, board members and fire personnel of the Orange County Fire Authority. We provide local expertise that our clients have come to appreciate. At the same time, we are a nationwide company committed to your success. We look forward to building a program to best suit your needs and to a strong partnership for many years to come.

EXHIBIT B
CAREMC LICENSE AGREEMENT

CORVEL ENTERPRISE COMP, INC. CAREMC LICENSE AGREEMENT

This CareMC License Agreement (this "License Agreement") is entered into as of September 26, 2013, (the "Effective Date") by and between CorVel Enterprise Comp, Inc., a wholly-owned subsidiary of CorVel Corporation ("CorVel"), 2010 Main Street, Suite 600, Irvine, CA 92614 ("CorVel") and Orange County Fire Authority ("Customer").

RECITALS

WHEREAS, CorVel has developed a proprietary software solution (the "CareMC Application") which is accessible via the CorVel web site located at URL www.caremc.com (the "CareMC Site"), through which CorVel provides its customers with the option of utilizing certain Managed Care Services, including certain Bill Review Services, online (such automated and online components of CorVel's Managed Care Services, "Online Services"); and

WHEREAS, CorVel provides its customers with the option of accessing certain Managed Care Services by means of CorVel's proprietary software solution (the "CareMC Application") via the CorVel web site located at the URL "www.caremc.com" (the "CareMC Site"); and

WHEREAS, Customer desires to be provided with access to and use of the CareMC Application by means of an Internet browser under the terms and conditions set forth in this License Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the promises made herein, and other good and valuable consideration the receipt which is hereby acknowledged, the parties agree as follows:

8. ACCESS TO THE CAREMC APPLICATION

A. Terms of Use. The parties acknowledge and agree that the terms and conditions under which particular Managed Care Services are provided by CorVel and the terms and conditions under which Customer may access and use the CareMC Application in order to utilize the online and automated components of such Managed Care Service (the "Online Services") shall be governed by the terms and conditions of this License Agreement.

B. Registration Information. Prior to accessing the CareMC Application, Customer shall provide CorVel with certain registration information requested therein ("Registration Information"). Customer represents and warrants that (i) the Registration Information Customer provides is true, accurate, current and complete, and (ii) the Registration Information will be updated as necessary to keep such data true, accurate, current and complete.

C. Passwords and Levels of Access. As soon as practicable after the execution of this License Agreement, CorVel shall provide a master password to Customer that allows Customer initial access to the Online Services (the "Master Password"). Customer shall then designate two groups of Authorized Users. The first group of Authorized Users ("Restricted Users") shall have access to all data available on the CareMC Site except data that constitutes or contains "protected health information" ("PHI Data") as such term is defined in 45 CFR Section 164.501 of the regulations promulgated by the U.S. Department of Health and Human Services under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA"). Each Restricted User shall initially access the Online Services by means of the Master Password, then shall be required to choose his/her own unique password (each, a "Restricted Password") for all future access. The second group of Authorized Users ("Non-Restricted Users") shall have access to all data available through the CareMC Application, including PHI Data, but shall only have access to PHI Data to the extent necessary for Customer to render payment on a claim, and then only to those portions or amounts of PHI Data that are determined by CorVel, in its sole discretion, to be the minimum necessary for Customer to render payment on such claim. Each Non-Restricted User will be required to choose a second unique password (each, a "Non-Restricted Password") which will enable his/her to access PHI Data on the foregoing terms.

D. Non-Restricted Users. Customer represents and warrants to CorVel that each Non-Restricted User who accesses PHI Data will do so solely in order for Customer to render payment on the applicable claim.

E. Security of Passwords. Customer acknowledges and agrees that it shall be solely responsible for (i) selecting Authorized Users, (ii) assigning the various levels of authority and access each Authorized User may have to the CareMC Application, Online Services and Customer Data, including by determining which Authorized Users shall be Non-Restricted Users, (iii) ensuring that only Authorized Users have access to the Master Password, only Restricted Users have access to the Restricted Passwords and only Non-Restricted Users have access to Non-Restricted Passwords, (iv) implementing a system to control, track and account for all Restricted Passwords and Non-Restricted Passwords, (v) strictly maintaining the confidentiality and integrity of the Master Password, Restricted Passwords and Non-Restricted Passwords and levels of authority among Authorized Users, and (iv) ensuring that Authorized Users shall at all times comply with the terms and conditions of this License Agreement. Customer further agrees that it shall notify CorVel immediately in writing if the security or integrity of a password has been compromised.

F. Customer Data. Responsibility for ensuring that the content and data input into the CareMC Application by Customer or Authorized Users ("Customer Data") is accurate, reflects Customer's requirements and is entered correctly lies solely with Customer. All data generated by and through Customer's use of the CareMC Application and Online Services shall reside on CorVel's server. CorVel reserves the right to temporarily suspend access to any Customer Data that it determines, in its sole discretion, violates the terms and conditions of this License Agreement or any applicable laws.

This document contains confidential and proprietary information of the Parties and may not be disclosed or duplicated without the prior written consent of the Parties.

G. Use of Customer Data. CorVel shall have the right to use Customer Data to fulfill its obligations under this License Agreement. Further, nothing shall prohibit CorVel from using aggregate, non-identifying, statistical data generated through its customers', including Customer, use of the CareMC Application, Online Services and CareMC Site for marketing purposes, provided that CorVel shall not use or disclose any such data or information in a manner that would reveal the identity of, or other confidential information concerning, Customer. Such aggregate, non-identifying statistical data could include, without limitation, statistics regarding the usage of, number of case referrals generated by and/or efficiencies gained by CorVel customers through their use of the CareMC Application, Online Services and/or CareMC Site.

H. Changes to the CareMC Application. CorVel reserves the right, at any time in its sole discretion and without liability to Customer, to delete or change features of the CareMC Application, CareMC Site or Online Services provided such changes do not materially alter the functionality, efficiency or performance of the CareMC Application.

2. LICENSE AND RESTRICTIONS

A. Limited License. Subject to the terms and conditions of this License Agreement, CorVel grants to Customer during the License Term (as defined in Section 8A below) a limited, non-exclusive, non-transferable, non-sublicensable license to access and use, and allow Authorized Users to access and use, the CareMC Application via the CareMC Site solely for Customer's own internal business use and operations. Customer shall access and use the CareMC Application in accordance with the user's guides and online instruction provided to Customer by CorVel ("Documentation") and all applicable laws, statutes, rules and regulations.

B. Restrictions. Customer shall not, and shall not allow Authorized Users or any third party to (i) rent, lease, re-license or otherwise provide access to the CareMC Application or Online Services to any third party, (ii) alter, modify or create derivative works of the CareMC Application, (iii) use any reverse compilation, decompilation or disassembly techniques or similar methods to determine any design structure, concepts and construction method of the CareMC Application or replicate the functionality of the CareMC Application for any purpose, or (iv) copy the CareMC Application or any content, materials, information and other data provided by CorVel on the CareMC Site or used in providing the Online Services ("CorVel Content") and/or Documentation without CorVel's prior written consent.

C. Third Parties. Customer shall not allow any third party to have access to the CareMC Application or Online Services without prior written consent of CorVel and ensuring that (i) such third party enters into a legally enforceable written agreement with CorVel, or (ii) such third party enters into a legally enforceable written agreement with Customer consistent with the terms of this License Agreement and which shall include terms at least as protective of CorVel as the following Sections of this License Agreement: Sections 1B, 1D, 1E, 1H, 2B, 2D, 3B, 3I, 4A-4C and 9.

D. Ownership. CorVel owns and shall retain all right, title and interest in and to the CareMC Application, Documentation, CareMC Site, Online Services, CorVel Content and any intellectual property rights inherent therein or arising therefrom. In addition to CorVel's rights in the individual elements of the CorVel Content, CorVel owns a copyright in the selection, coordination, arrangement and enhancement of the CorVel Content. Neither Customer nor any Authorized User shall obtain any ownership rights, express or implied, or any other rights other than those expressly set forth herein in the CareMC Application, Documentation or CorVel Content.

E. Compliance Monitoring and Audits. CorVel may monitor and, at its expense, perform an audit of Customer's use of the CareMC Application and CareMC Site to verify that Customer and Authorized Users are using the CareMC Application in compliance with the terms of this License Agreement. CorVel reserves the right to temporarily suspend Customer's or any Authorized User's access to the CareMC Application in the event Customer or such Authorized User engages in, or CorVel in good faith suspects is engaged in, any unauthorized conduct. CorVel shall use reasonable efforts to immediately notify Customer in writing of its suspension in services, the reasons for such suspension, including the facts and circumstances it believes constitute Customer's unauthorized conduct and shall agree to a reasonable time to conduct the review of the suspension in access. To the extent CorVel requires access to Customer's facilities to conduct an audit hereunder, such access shall be made upon reasonable notice and conducted during Customer's regular business hours. If an audit conducted during any portion of the Term in which Customer is required to pay fees under this Agreement reveals that Customer has underpaid fees to CorVel or is using the CareMC Application beyond the license restrictions and/or any terms of this Agreement, Customer will be invoiced for any such underpaid fees and will pay CorVel's reasonable expenses associated with such audit. The foregoing remedies shall be in addition to, and shall not limit CorVel's ability to terminate this Agreement based on material breach or pursue damages or other remedies available under law and equity.

3. INFRASTRUCTURE, MAINTENANCE AND SUPPORT

A. CorVel Infrastructure Obligations. Subject to Customer's compliance with the terms and conditions of this License Agreement, CorVel shall be responsible for providing and maintaining the hardware, software and other equipment required to host the CareMC Application for Customer ("CareMC Infrastructure"). The CareMC Infrastructure is subject to modification by CorVel from time to time for purposes such as adding new functionality, maximizing operating efficiency and upgrading hardware, provided such modifications shall not in the aggregate degrade the performance of the Online Services utilized by Customer. Customer understands and acknowledges that such modifications may require changes to Customer's Internet access and/or telecommunications infrastructure to maintain Customer's desired level of performance. CorVel shall give Customer reasonable prior written notice of any such modifications.

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B. Customer Infrastructure Obligations. Except for the CareMC Infrastructure, which will be provided by CorVel, Customer shall be responsible for obtaining and maintaining all hardware, software, equipment, Internet access and/or telecommunications services and other items or services furnished by third party vendors or providers (“Third Party Providers”) required to enable Customer to access and use the CareMC Application and CareMC Site as contemplated hereunder.

C. Support. CorVel will provide general support regarding questions on the CareMC Application and CareMC Site via email and by telephone from Monday through Friday between the hours of 5:00 a.m. and 6:00 p.m. Pacific Standard Time, excluding holidays.

D. Scheduled Maintenance. CorVel will use reasonable efforts to (i) perform any scheduled downtime outside of Customer’s normal business hours, (ii) notify Customer of all scheduled downtimes at least seventy-two (72) hours in advance, and (iii) perform software updates to the CareMC Application with minimal disruption to Customer’s use of the Online Services.

E. System Monitoring. CorVel will use reasonable efforts to continuously monitor its web servers and database servers to ensure that they are functioning properly.

F. Security. CorVel will implement and use reasonable efforts to maintain secure systems through the use of firewalls, virtual private networks (VPN), and other security technologies. CorVel will use reasonable efforts to immediately report to Customer any security violations that affect the data of Customer.

G. Disaster Recovery and Backup. CorVel will use reasonable efforts to perform nightly backups of essential data on its web servers and database servers. CorVel has implemented third party backup and restoration technology to enable high speed recovery of data. CorVel utilizes redundant load balanced Win 2000 servers for 24x7, 365 day access, except for regularly scheduled system maintenance and upgrade processes. SQL Server databases are hosted on clustered servers offering fail-over capability, redundant communication links, and load balanced application servers. Backup tapes are restored into a test environment not less than quarterly to confirm validity of backups. The CareMC Site has redundant inbound Internet and Intranet connectivity.

H. Professional Managed Care Services. If Customer requires any additional professional services relating to the CareMC Application or Online Services from CorVel including but not limited to integration with Customer’s electronic data interfaces (EDIs) or other Customer systems, Customer shall submit a written request to CorVel for such services. CorVel shall, in good faith, consider providing such services at its then-current professional services fee rate and standard terms and conditions.

4. REPRESENTATIONS AND WARRANTIES

A. Customer Representations. Customer represents that (i) it has the legal authority to provide the Customer Data to CorVel hereunder, and (ii) it is fully aware and knowledgeable of and shall comply with its duties and responsibilities with respect to the privacy and confidentiality of medical records and protected health information under applicable federal and state laws, including but not limited to those imposed by HIPAA. Upon written notice to Customer, CorVel may modify or temporarily suspend Customer’s access to and use of the CareMC Application, Online Services and/or CareMC Site as necessary to comply with any law or regulation.

B. CorVel Warranties. CorVel warrants that (i) it shall use commercially reasonable professional practices and good workmanship in providing the CareMC Application, and (ii) Customer support will be performed consistent with generally accepted industry standards. These warranties extend only to Customer.

C. Exclusive Remedy. For any breach of the foregoing warranties, CorVel’s entire liability and Customer’s exclusive remedy will be the correction of the problems or errors that cause the breach of warranty, if feasible, or termination of the Agreement.

5. DISCLAIMERS AND LIMITATIONS OF LIABILITY

A. Disclaimers. TO THE EXTENT ALLOWED BY APPLICABLE LAW, EXCEPT FOR THE LIMITED WARRANTIES DESCRIBED IN SECTION 4B ABOVE, CORVEL MAKES NO OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AND EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, GOOD TITLE, SATISFACTORY QUALITY AND NONINFRINGEMENT. CUSTOMER SPECIFICALLY ACKNOWLEDGES AND AGREES AS FOLLOWS:

(i) Internet Usage. Customer acknowledges that the Internet is essentially an unregulated, insecure and unreliable environment, and that the ability of Customer to access and use the CareMC Application is dependent on the Internet and hardware, software and services provided by various Third Party Providers. CORVEL SHALL NOT BE RESPONSIBLE FOR CUSTOMER’S INABILITY TO ACCESS OR USE THE CAREMC APPLICATION TO THE EXTENT SOLELY CAUSED BY FAILURES OR INTERRUPTIONS OF ANY HARDWARE, SOFTWARE OR SERVICES PROVIDED BY CUSTOMER OR THIRD PARTY PROVIDERS.

(ii) CareMC Application. CUSTOMER ACKNOWLEDGES AND AGREES THAT CORVEL DOES NOT WARRANT THAT THE CAREMC APPLICATION OR ONLINE SERVICES ARE ERROR FREE, THAT CUSTOMER WILL BE ABLE TO ACCESS OR USE THE CAREMC APPLICATION OR ONLINE SERVICES WITHOUT PROBLEMS OR INTERRUPTIONS, OR THAT THE CAREMC SITE AND CAREMC APPLICATION ARE NOT SUSCEPTIBLE TO INTRUSION, ATTACK OR COMPUTER VIRUS INFECTION.

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(iii) Network Intrusions. CUSTOMER AGREES THAT CORVEL WILL NOT BE LIABLE FOR DAMAGES ARISING FROM ANY BREACH, UNAUTHORIZED ACCESS TO, MISUSE OF, OR INTRUSION INTO, CUSTOMER DATA RESIDING ON CORVEL'S SERVER(S) OR ANY NETWORK USED BY CUSTOMER TO THE EXTENT SUCH DAMAGES WERE BEYOND CORVEL'S REASONABLE CONTROL.

B. Exclusion of Damages.

(i) Exclusion of Damages. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING BUT NOT LIMITED TO LOST PROFITS OR LOST REVENUES) UNDER THIS AGREEMENT, WHETHER OR NOT FORESEEABLE AND REGARDLESS OF WHETHER CLAIMS UNDER THIS AGREEMENT ARE BROUGHT UNDER TORT, CONTRACT OR ANY OTHER LEGAL OR EQUITABLE THEORY.

(iii) Acknowledgment. The parties acknowledge that the limitations and disclaimers set forth in this Agreement were an essential element in setting consideration under this Agreement.

6. INDEMNIFICATION

A. Mutual Indemnification. Subject to section 6D below, each party shall defend any third party claim against the other party arising from the death of or physical injury to any person or damage to the indemnified party's property to the extent proximately caused by the negligence of the indemnifying party or its agents or employees, and indemnify and hold harmless the other party and its respective officers, directors and employees from and against damages, liabilities and reasonable costs and expenses, including reasonable legal fees ("Losses") incurred in connection therewith.

B. Indemnification by CorVel. Subject to Section 6D below, CorVel shall defend any third party suit or action against Customer to the extent such suit or action is based on a claim that Customer's permitted use of the CareMC Application under this Agreement constitutes an infringement of a United States patent, trademark, trade name, trade secret, copyright or other United States intellectual property right, and CorVel will pay those Losses finally awarded against Customer in any monetary settlement or final, non-appealable judgment of such suit or action which are specifically attributable to such claim. This indemnity does not apply to any claims based on Customer's use of the CareMC Application (i) in violation of this Agreement or the Documentation (as defined in the CareMC License Agreement), (ii) in combination with any other software, hardware, network or system where the alleged infringement relates to such combination, or (iii) based on CorVel's compliance with Customer's instructions, designs or specifications where the alleged infringement relates to such compliance. If any portion of the CareMC Application becomes, or in CorVel's opinion is likely to become, the subject of a claim of infringement, then CorVel may, at its option and expense, procure for Customer the right to continue using the CareMC Application or replace or modify the affected portion of the CareMC Application so that it becomes non-infringing. If neither alternative is reasonably available, CorVel may terminate this Agreement. THE FOREGOING STATES CORVEL'S ENTIRE LIABILITY AND CUSTOMER'S SOLE REMEDY FOR INFRINGEMENT CLAIMS.

C. Customer Indemnification. Subject to Section 6D below, Customer shall defend, indemnify and hold harmless CorVel from Losses arising out of or relating to (i) Customer's misuse of, modification to, rejection of or failure to implement on a timely basis any of CorVel's recommendations made hereunder, (ii) acts or omissions by CorVel that were undertaken at the express direction of Customer, (iii) Customer's use of the CareMC Application in violation of the terms of the CareMC License Agreement, (iv) data or content included in or omitted from Customer Data (as defined in the CareMC License Agreement), (v) subject to Section 6A above, any claim by an employee of Customer or Customer's insureds brought against CorVel due to the recommendations made by CorVel hereunder and not caused by a breach by CorVel of its obligations hereunder in providing such recommendations, and (vi) any claim described in Section 6B(i)-(iii) above.

D. Conditions. The parties' indemnification obligations under this Section 6 are contingent upon: (i) the indemnified party giving prompt written notice to the indemnifying party of any claim under this Section (provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent, and only to the extent, that the indemnifying party shall have been actually prejudiced as a result of such failure), (ii) the indemnifying party having the right, but not the obligation, to assume sole control of the defense or settlement of the claim, and (iii) at the indemnifying party's request and expense, the indemnified party cooperating in the investigation and defense of such claim(s). If the indemnifying party assumes the defense of any claim hereunder, the indemnified party shall be entitled to participate in (but not control) such defense and to retain its own counsel, at its own expense. The indemnifying party shall not settle or consent to an adverse judgment in any such claim that adversely affects the rights or interests of the indemnified party or imposes additional obligations on the indemnified party, without the prior express written consent of the indemnified party.

7. INSURANCE

A. CorVel Insurance. CorVel, at its sole expense, agrees to maintain, at all times during the term of the Agreement, the required professional liability, errors and omissions, workers' compensation, general, and auto liability insurance coverages as set forth on the Certificate of Insurance provided with the executed Service Agreement with an effective date of *[insert date]*.

B. Customer Insurance. Customer, at its sole expense, agrees to keep in force comprehensive general liability insurance and professional liability insurance with coverage limits in accordance with acceptable industry standards for the term of this Agreement. Upon request by CorVel, Customer shall furnish CorVel with a certificate of such insurance. Customer shall

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provide CorVel with prior written notice of any cancellation, non-renewal or material change to any such insurance coverages pursuant to its insurance policies. It is agreed that Customer shall be deemed in compliance with this Section 7B by being self-insured under terms and conditions and with sufficient reserves as is customary within the industry for companies of comparable size and operations.

8. LICENSE TERM AND TERMINATION

A. Term. Unless provided otherwise, the initial term of this Agreement shall begin on the Effective Date and continue for a period of one (1) year from the Effective Date (the "Initial Term"). Thereafter, the Agreement shall be renewed automatically for subsequent one (1)-year terms (each a "Renewal Term"), unless either party gives written notice of its intent to terminate no less than thirty (30) days prior to the end of the then-current term. The Initial Term and any subsequent Renewal Term(s) are collectively referred to herein as the "Term".

B. Termination for Convenience. Either party shall have the right to terminate this License Agreement for any reason or for no reason, upon ninety (90) days written notice to the other party.

C. Termination for Cause. This License Agreement may be terminated by either party for cause as follows: (i) upon thirty (30) days written notice if the other party breaches or defaults under any material provision of this Agreement and does not cure such breach prior to the end of such thirty (30) day period, (ii) effective immediately and without notice if the other party ceases to do business, or otherwise terminates its business operations, except as a result of an assignment, as permitted under the terms and conditions of this License Agreement, or (iii) effective immediately and without notice if the other party becomes insolvent or seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition or comparable proceeding, or if any such proceeding is instituted against the other (and not dismissed within ninety (90) days).

D. Effect. Except to the extent expressly provided to the contrary herein, any right of action for breach of the License Agreement prior to termination, and the following provisions shall survive the termination of this License Agreement: Sections 1G, 2D, 4, 5 and 6. Additionally, upon termination or expiration of the License Agreement (i) CorVel shall provide Customer with any proprietary data belonging to Customer, in the current format in which it is stored at CorVel at the termination of the License Agreement, (ii) all licenses granted under this License Agreement shall terminate immediately, (iii) all rights to use the CareMC Application and Online Services shall cease immediately, and (iv) each party shall promptly return all information, documents, manuals and other materials belonging to the other party related to this License Agreement, whether in printed or electronic form, except as otherwise provided in this License Agreement, including without limitation all confidential information of the other party then currently in its possession.

A. Funding Out Clause. This agreement depends on continued availability of appropriated funds and expenditure authority from the Legislature for this purpose. If for any reason the Legislature fails to appropriate funds or grant expenditure authority, or funds become unavailable by operation of law or federal funds reductions, this Agreement will be terminated by Customer upon a thirty (30) day prior written notice. Termination for any of these reasons is not a default by the Customer nor does it give rise to a claim against Customer.

9. CONFIDENTIALITY

A. Definition of Confidential Information. "Confidential Information" shall mean any non-public data, information and other materials regarding the products, services or business of a party (and/or, if either party is bound to protect the confidentiality of any third party's information, of a third party) provided to either party by the other party where such information is marked or otherwise communicated as being "proprietary" or "confidential" or the like, or where such information should, by its nature, be reasonably considered to be confidential and/or proprietary. Without limiting the foregoing, the parties agree that (i) the CareMC Application, Documentation, CorVel Content (as defined in the in the CareMC License Agreement) and all software, source code, source documentation, inventions, know-how, and ideas, updates and any documentation and information relating thereto constitutes Confidential Information of CorVel, (ii) the Customer Data (as defined in the CareMC License Agreement) constitute Confidential Information of Customer, and (iii) this Agreement, the Exhibits and Schedules attached hereto, and the terms and conditions set forth herein and therein are Confidential Information of both parties.

B. Disclosure and Use of Confidential Information. The Confidential Information disclosed by either party ("Disclosing Party") to the other ("Receiving Party") constitutes the confidential and proprietary information of the Disclosing Party and the Receiving Party agrees to treat such Confidential Information in the same manner as it treats its own similar proprietary information, but in no case will the degree of care be less than reasonable care. The Receiving Party shall use the Confidential Information of the Disclosing Party only in performing under this Agreement and shall retain the Confidential Information in confidence and not disclose it to any third party (except as authorized under this Agreement) without the Disclosing Party's express written consent. The Receiving Party shall disclose the Disclosing Party's Confidential Information only to those employees and contractors of the Receiving Party who have a need to know such information for the purposes of this Agreement, and such employees and contractors must be bound by this Agreement or have entered into agreements with the Receiving Party containing confidentiality provisions covering the Confidential Information with terms and conditions at least as restrictive as those set forth herein.

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C. Exceptions. Notwithstanding the foregoing, the parties' confidentiality obligations hereunder shall not apply to information which: (i) is already known to the Receiving Party prior to disclosure by the Disclosing Party, (ii) becomes publicly available without fault of the Receiving Party, (iii) is rightfully obtained by the Receiving Party from a third party without restriction as to disclosure, (iv) is approved for release by written authorization of the Disclosing Party, (v) is developed independently by the Receiving Party without use of or access to the Disclosing Party's Confidential Information, or (v) is required to be disclosed by law, rule, regulation, court of competent jurisdiction or governmental order, provided, however, that the Receiving Party shall advise the Disclosing Party of the Confidential Information required to be disclosed promptly upon learning thereof in order to afford the Disclosing Party a reasonable opportunity to contest, limit or assist the Receiving Party in crafting the disclosure, and then such disclosure shall be made only to the extent necessary to satisfy such requirements.

D. Use of Data. Nothing shall prohibit CorVel from using aggregate, non-identifying, statistical data generated through its customers', including Customer, use of the CareMC Application and Online Services for marketing purposes, provided that CorVel shall not use or disclose any such data or information in a manner that would reveal the identity of, or other confidential information concerning, Customer. Such aggregate, non-identifying statistical data could include, without limitation, statistics regarding usage of the CareMC Application and Online Services, the number of case referrals generated through the CareMC Application and Online Services and the efficiencies gained by CorVel customers through their use of the CareMC Application and Online Services.

10. GENERAL PROVISIONS

A. Choice of Law. This Agreement shall be governed by and construed under the laws of the State of California and the United States without regard to conflicts of laws provisions thereof. The parties expressly agree that the United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement. The parties submit to the jurisdiction of the United States federal courts for the Southern District of California and agree, that said courts have the sole and exclusive jurisdiction over any cause of action arising under or in connection with this Agreement.

B. Compliance with Laws. Both parties shall comply with all federal, state, and local laws, regulations, ordinances, guidelines, permits and requirements applicable to providing services pursuant to this Agreement, and will be solely responsible for obtaining current information on such requirements.

C. Contacts for Notices. All written notice required or permitted hereunder shall be in writing and shall be sufficient if personally delivered or sent by facsimile or internationally recognized delivery service to the address or fax number set forth below, unless such address or fax number is changed by notice, to the other party, as permitted hereunder. Any notices shall be deemed given on the date received, as indicated (i) by receipt of electronic answer back in the case of facsimile, or (ii) the records of the delivery service, if by courier.

If to CorVel:

CorVel Corporation
2010 Main Street, Suite 600
Irvine, California 92614
Attn: Director, Legal Services
Phone: (949) 851-1473
Fax: (866) 434-2469
Email: Corporate_Legal@corvel.com

If to Customer:

Orange County Fire Authority
Attention: Rhonda Haynes
1 Fire Authority Road
Irvine, CA 92602

With Copy to:

David E. Kendig, General Counsel
Woodruff, Spradlin & Smart
555 Anton Blvd. Suite 1200
Costa Mesa, CA 92626

D. Assignment. Neither this Agreement nor any rights, licenses or obligations hereunder, may be assigned by either party without the prior written consent of the non-assigning party. Notwithstanding the foregoing, CorVel may assign this Agreement to any acquiror of all or of substantially all of CorVel's equity securities, assets or business related to the subject matter of this Agreement. Any attempted assignment in violation of this Agreement shall be void and without effect.

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A. Severability. Should any term of this Agreement be declared void or unenforceable by any arbitral tribunal or court of competent jurisdiction, such declaration shall have no effect on the remaining terms hereof, which shall continue in full force and effect.

B. Waiver. The failure of either party to enforce any rights granted hereunder or to take action against the other party in the event of any breach hereunder shall not be deemed a waiver by that party as to subsequent enforcement of rights or subsequent actions in the event of future breaches.

C. Relationship of the Parties. The relationship of CorVel and Licensee established by this Agreement is that of independent contractors, and nothing contained in this Agreement shall be construed (i) to give either party the power to direct or control the day-to-day activities of the other, or (ii) to constitute the parties as partners, franchisee-franchiser, joint venturers, co-owners or otherwise as participants in a joint or common undertaking, or otherwise give rise to fiduciary obligations between the parties.

D. Force Majeure. Except for the obligation to make payments, nonperformance by either party shall be excused to the extent that performance is rendered impossible by war, acts of terrorism, strikes, fire, flood, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the control of the non-performing party.

E. Entire Agreement. This Agreement constitutes the entire, final, complete and exclusive agreement between the parties and supersedes all previous agreements or representations, oral or written, relating to the subject matter of this Agreement. This Agreement may not be modified or amended except in writing signed by a duly authorized representative of each party. Both parties acknowledge having read the terms and conditions set forth in this Agreement and all attachments hereto, understand all terms and conditions, and agree to be bound thereby.

F. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties by their duly authorized representatives have executed this Agreement as of the Effective Date set forth above.

CORVEL ENTERPRISE COMP, INC.

ORANGE COUNTY FIRE AUTHORITY

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EXHIBIT C
PRICING SCHEDULE

APPENDIX B- PRICING PAGE

Proposal Costs - The fee information is relevant to a determination of whether the fee is fair and reasonable in light of the services to be provided. This section shall include the proposed costs to provide the services that your firm is able to provide. Any additional fees outside the scope of the agreement must be approved by the OCFA in writing before commencing services for said fees. Please indicate which method of pricing your firm utilizes. The costs indicated in Option A and Option B must be inclusive of all required program elements with the exception of Managed Care Services and Bill Review/PPO Utilization Services. You will be asked to provide your firm’s rates for these two services on the next page.

Claims Administration Pricing Year 1 (2013 – 2014)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2013-2014	\$565,000
Fiscal Year 2014-2015	\$581,950
Fiscal Year 2015-2016	\$599,409
Fiscal Year 2016-2017	\$611,397
Fiscal Year 2017-2018	\$623,624
Fiscal Year 2018-2019	\$636,096
Fiscal Year 2019-2020	\$642,456
Fiscal Year 2020-2021	\$648,880
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Cost of transitioning of claim files from existing TPA <i>(Only applicable in the first contract year for new TPA provider).</i>	\$ 15,000
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included
Total Fiscal Year 2013-14 Fees	\$ 579,000

Any additional information you would like OCFA to consider.

CorVel offers to Orange County Fire Authority our 24/7 Nurse Triage Call Center at no additional charge.

APPENDIX B- PRICING PAGE (continued)**Managed Care Pricing Year 1 (2013 – 2014)**

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2013-2014	\$ Included
Fiscal Year 2014-2015	\$ Included
Fiscal Year 2015-2016	\$ Included
Fiscal Year 2016-2017	\$ Included
Fiscal Year 2017-2018	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill
(b) Pharmacy bills/AWP plus fee	\$7/bill
(c) Savings percentages (total) for inpatient/outpatient hospital bills/surgery bills	10% savings
(d) Percentage of PPO total savings	10% savings
(e) WCIS reporting charges	\$ Included
(f) WCAB Appearance (expert witness fees)	\$ Included
(g) Duplicate and Reconsideration Charge	\$ Included
(h) Hospital/Surgery Bill Audit total savings percentage	\$ 10% savings
(i) Monthly Report Fee	\$ Included
Utilization Review	Hourly or Per Claim
(a) Nurse	\$135 per review
(b) Physician	\$250 per hour
(c) Peer to Peer Review	\$250 per hour
(d) *Other Associated Costs	\$200 per hour for Medication Review (optional)
*Any additional cost and include your appeal process cost and any other costs	
Medical Case Management	Hourly or Per Claim
(a) Nurse Telephonic	\$135 per hour
(b) Nurse Field	\$135 per hour
(c) Case Management	\$
(d) *Other Associated Costs (to include MSA)	\$200 per hour
*Please include details of other associated costs	

Term of Offer: It is understood and agreed that this offer may not be withdrawn for a period of **one hundred twenty days** (120 days) from the Proposal Submittal Deadline, and at no time in case of successful Offeror.

APPENDIX B- PRICING PAGE

Proposal Costs - The fee information is relevant to a determination of whether the fee is fair and reasonable in light of the services to be provided. This section shall include the proposed costs to provide the services that your firm is able to provide. Any additional fees outside the scope of the agreement must be approved by the OCFA in writing before commencing services for said fees. Please indicate which method of pricing your firm utilizes. The costs indicated in Option A and Option B must be inclusive of all required program elements with the exception of Managed Care Services and Bill Review/PPO Utilization Services. You will be asked to provide your firm’s rates for these two services on the next page.

Claims Administration Pricing Year 2 (2014 – 2015)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2014-2015	\$581,950
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

Any additional information you would like OCFA to consider.

CorVel offers to Orange County Fire Authority our 24/7 Nurse Triage Call Center at no additional charge.

Managed Care Pricing Year 2 (2014 – 2015)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2014-2015	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill + AWP Out of PBM: \$7/bill (plus 10% total savings)
(c) Savings percentages for inpatient/outpatient hospital bills/surgery bills	10% total savings (plus \$7/bill)
(d) Percentage of PPO savings	10% total savings (plus \$7/bill)
(e) WCIS reporting charges	\$ Included
(f) WCAB Appearance (expert witness fees)	\$ Included
(g) Duplicate and Reconsideration Charge	\$ Included
(h) Hospital/Surgery Bill Audit	\$ 10% total savings
(i) Monthly Report Fee	\$ Included
Utilization Review	Hourly or Per Claim
(a) Nurse	\$135 per review
(b) Physician	\$250 per hour
(c) Peer to Peer Review	\$250 per hour
(d) *Other Associated Costs	\$200 per hour for Medication Review
*Any additional cost and include your appeal process cost and any other costs	
Medical Case Management	Hourly or Per Claim
(a) Nurse Telephonic	\$135 per hour
(b) Nurse Field	\$135 per hour
(c) Case Management	\$
(d) *Other Associated Costs (to include MSA)	\$200 per hour
*Please include details of other associated costs	

APPENDIX B- PRICING PAGE

Proposal Costs - The fee information is relevant to a determination of whether the fee is fair and reasonable in light of the services to be provided. This section shall include the proposed costs to provide the services that your firm is able to provide. Any additional fees outside the scope of the agreement must be approved by the OCFA in writing before commencing services for said fees. Please indicate which method of pricing your firm utilizes. The costs indicated in Option A and Option B must be inclusive of all required program elements with the exception of Managed Care Services and Bill Review/PPO Utilization Services. You will be asked to provide your firm’s rates for these two services on the next page.

Claims Administration Pricing Year 3 (2015 – 2016)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2015-2016	\$599,409
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

Any additional information you would like OCFA to consider.

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Managed Care Pricing Year 3 (2015 – 2016)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2015-2016	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill fee + AWP Out of PBM: \$7/bill (plus 10% total savings)
(c) Savings percentages for inpatient/outpatient hospital bills/surgery bills	10% total savings (plus \$7/bill)
(d) Percentage of PPO savings	10% total savings (plus \$7/bill)
(e) WCIS reporting charges	\$ Included
(f) WCAB Appearance (expert witness fees)	\$ Included
(g) Duplicate and Reconsideration Charge	\$ Included
(h) Hospital/Surgery Bill Audit	\$ 10% total savings
(i) Monthly Report Fee	\$ Included
Utilization Review	Hourly or Per Claim
(a) Nurse	\$135 per review
(b) Physician	\$250 per hour
(c) Peer to Peer Review	\$250 per hour
(d) *Other Associated Costs	\$200 per hour for Medication Review
*Any additional cost and include your appeal process cost and any other costs	
Medical Case Management	Hourly or Per Claim
(a) Nurse Telephonic	\$135 per hour
(b) Nurse Field	\$135 per hour
(c) Case Management	\$
(d) *Other Associated Costs (to include MSA)	\$200 per hour
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Claims Administration Pricing Year 4 (2016 – 2017)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2016-2017	\$611,397
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

Any additional information you would like OCFA to consider.

CorVel offers to Orange County Fire Authority our 24/7 Nurse Triage Call Center at no additional charge.

Managed Care Pricing Year 4 (2016 – 2017)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2016-2017	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill + AWP Out of PBM: \$7/bill (plus 10% total savings)
(c) Savings percentages for inpatient/outpatient hospital bills/surgery bills	10% total savings (plus \$7/bill)
(d) Percentage of PPO savings	10% total savings (plus \$7/bill)
(e) WCIS reporting charges	\$ Included
(f) WCAB Appearance (expert witness fees)	\$ Included
(g) Duplicate and Reconsideration Charge	\$ Included
(h) Hospital/Surgery Bill Audit	\$ 10% total savings
(i) Monthly Report Fee	\$ Included
Utilization Review	Hourly or Per Claim
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(a) Nurse Telephonic	\$135 per hour
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Claims Administration Pricing Year 5 (2017 – 2018)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2017-2018	\$623,624
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

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Managed Care Pricing Year 5 (2017 – 2018)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2017-2018	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill + AWP Out of PBM: \$7/bill (plus 10% total savings)
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Claims Administration Pricing Year 6 (2018 – 2019)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2018-2019	\$636,096
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

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Managed Care Pricing Year 6 (2018 – 2019)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2018-2019	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill + AWP Out of PBM: \$7/bill (plus 10% total savings)
(c) Savings percentages for inpatient/outpatient hospital bills/surgery bills	10% total savings (plus \$7/bill)
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Claims Administration Pricing Year 7 (2019 – 2020)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2019-2020	\$642,456
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

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Managed Care Pricing Year 7 (2019 – 2020)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2019-2020	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill + AWP Out of PBM: \$7/bill (plus 10% total savings)
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Claims Administration Pricing Year 8 (2020 – 2021)

Specify how the base price is computed, i.e. flat fee or price per claim. Include any minimums and maximums, and any special services included in the base price.	Flat Rate or Per Claim Cost <i>(please indicate which method your firm is using)</i>
Fiscal Year 2020-2021	\$648,880
Any services considered to be allocated expenses and not covered under the base price. <i>*Please provide details of services.</i>	Allocated expenses such as attorney fees, copy service fees, interpreter fees, etc. will be charged at contracted rates and charged to each individual file.
Custom reports	\$ Included
On-site computer terminal access <i>(licensing fee if applicable)</i>	\$ Included
Special reporting (MMSEA)	\$ Included
Preparation of 1099's	\$ Included
Storage of claims	\$ Included

Any additional information you would like OCFA to consider.

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Managed Care Pricing Year 8 (2020 – 2021)

Medical Provider Network Administrative Cost Specify how the price is computed, i.e. flat fee or price per claim.	Flat Rate or Per Claim Cost (please indicate which method your firm is using)
Fiscal Year 2020-2021	\$ Included
Medical Review	Per Bill
(a) Treating physician services	\$7/bill (plus 10% total savings) <i>No per bill review fee to exceed \$15,000.</i>
(b) Pharmacy bills/AWP plus fee	In PBM: \$7/bill + AWP Out of PBM: \$7/bill (plus 10% total savings)
(c) Savings percentages for inpatient/outpatient hospital bills/surgery bills	10% total savings (plus \$7/bill)
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Medical Case Management	Hourly or Per Claim
(a) Nurse Telephonic	\$135 per hour
(b) Nurse Field	\$135 per hour
(c) Case Management	\$
(d) *Other Associated Costs (to include MSA)	\$200 per hour
*Please include details of other associated costs	

**DISCUSSION CALENDAR - AGENDA ITEM NO. 6
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

SUBJECT: **OCFA 2014 Grants Status and Priorities**

Summary:

This item is submitted for consideration and adoption of OCFA's annual grant priorities and to provide an update on pending grant award projects and applications.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors approve OCFA's grant priorities for 2014.

Background:

The Board of Directors adopted a formal Grants Policy at its meeting on November 17, 2011. The policy requires staff to annually present status of past grants and identify priorities for the upcoming year. The intent is not to provide an all-inclusive list of grants and projects that OCFA staff may pursue over the next year. As best as possible, staff identified grants and projects where there are existing needs and resources available. As opportunities arise in the future, staff will consider application if an appropriate project and resources are available. This will be done in compliance with the Board adopted Grants Policy.

Following are those grant programs with regular funding and application cycles. Staff has sought to provide an outlook for each grant with potential projects.

Federal Emergency Management Agency (FEMA) Assistance to Firefighters Grant (AFG)

This federally funded grant seeks to improve firefighter safety by funding local projects in the categories of training, personal protective and firefighting equipment, wellness and fitness programs and interoperability. The OCFA's 2011 application for \$1,742,317 to purchase 385 Self Contained Breathing Apparatus (SCBAs) was awarded on January 22, 2012 and is pending formal closeout by FEMA. The OCFA's 2012 application was awarded on December 28, 2012 for \$172,400 to purchase 16 Thermal Imaging Cameras. As a result of the bid process the cameras came in under the original cost and OCFA was able to purchase 6 additional cameras. All equipment has been purchased and funds have been received. This application is also awaiting formal closeout by FEMA.

In considering future projects it is important to note that the AFG program prioritizes projects and equipment requests that directly improve firefighter safety. This includes new or improved personal protective equipment, training and improved interoperability during regional incidents. Staff continues to solicit requests annually throughout the organization to identify competitive projects. The next AFG grant application period will likely occur in summer or fall of 2014. Some possible future projects may include:

- Wellness and Fitness Program Improvements
- Microwave Antenna Repeaters
- Truck Company Extrication Tools and Protective Gear
- EMS Cardiac Monitors/Defibrillators
- Firefighter Safety Equipment

FEMA Fire Prevention and Safety Grant

This FEMA funded grant is targeted at activities that improve community safety. Typical priorities are projects that purchase and install smoke alarms, provide education on identified community risks, arson prevention, sprinkler and other prevention related projects. OCFA recently completed a 2010 grant award for \$415,000 and received approval on our formal closeout report. This grant provided funds to purchase smoke alarms and stove top cooking safety devices in various communities.

In 2012, the OCFA sought additional funding for smoke alarm projects in Mission Viejo and Laguna Woods. Unfortunately, this application was not awarded. This grant was expected to open for application again in January 2014 but as of the writing of this report has not been formally released.

Other possible projects for this program that may be eligible are wildland fire education activities, education props, curriculum materials or sprinkler education and installation projects.

FEMA Staffing for Adequate Fire and Emergency Response (SAFER)

The SAFER grant is the only grant that funds the hiring or rehiring of firefighters. SAFER grants provide financial assistance to help fire departments increase frontline firefighters, rehire firefighters that have been laid off, retain firefighters facing imminent layoffs, or filling of positions that were vacated through attrition. A second component of this grant also provides funds to assist volunteer or combination career/volunteer departments like OCFA to address issues of recruitment and retention of volunteers.

The first portion of this grant focused on hiring of career firefighters underwent significant revision in 2009, shifting from hiring new firefighters to assisting local agencies dealing with the financial impacts from declining revenues. Prior to 2009, there was no consideration given to rehiring laid-off firefighters or retaining those facing layoff. The focus prior to 2009 was adding and enhancing additional staffing capabilities. However since 2009 the grant has established the following priorities:

- First priority: Rehiring laid-off firefighters
- Second priorities: Retention of firefighters who face imminent layoff and/or filling positions vacated through attrition, but not filled due to economic circumstances
- Third priority: Hiring new firefighters

One requirement of the grant is that awardees must maintain staffing levels during the entire period of the grant (1 or 2 years depending on application). This requires awardees to fill positions vacated due to normal attrition (retirements and other terminations). The grant also prohibits the elimination of positions during the award period for any reason. This has led to our ongoing reluctance to apply for this grant under the hiring of career firefighter portion of this grant.

Alternatively, the SAFER grant also allows applicants to seek funding for the recruitment and retention of volunteer firefighters. An application was submitted in 2012 seeking funds for the Community Volunteer Services Battalion Chief and training staff time associated with conducting future Reserve program academies. Staff was informed in late 2012 that our application was being considered for further review and possible award. However, when asked by FEMA whether we would consider committing additional resources or a significant expansion of the program staff felt that we could not make that commitment. This application was not awarded. It was not resubmitted in 2013 given our ongoing fiscal concerns and reluctance to increase resources to the program.

In 2014 we do not expect significant changes to the grant program priorities as a number of departments across the country continue to experience fiscal pressures. Depending on the improved fiscal outlook OCFA could consider submitting a request under the "Hiring New" category. While that is the lowest priority under this grant program when compared to preventing layoffs or re-hiring projects federal rules allot a certain percentage of funds to the "Hiring New" category. Compared to other regions of the country, and the State, Orange County is experiencing a better local fiscal outlook. Therefore, competition under this category might be more favorable to OCFA. We must still be conscious of the long term commitments that receiving an award impose on OCFA. As more information becomes available about the next application period, expected to be in fall 2014, staff will communicate with the Executive Management team and return to Budget and Finance Committee if a project for hiring is warranted.

FEMA Predisaster Mitigation Grant (PDM)

OCFA received a FY 2010 federal earmark/grant award of \$252,000 for the Ready, Set, Go! Cowan Heights project. However, this federal grant program has imposed a number of requirements for federal environmental review and restricted the OCFA on the amount and type of work that can be done with these grant funds. Staff is considering rejecting this grant given the changing nature of the requirements being imposed by FEMA. Alternatively, the OCFA is working both independently and with County Parks Department to identify other funding sources.

Fire Safe California Grants Clearinghouse

The Grants Clearinghouse is a program of the California Fire Safe Council (CFSC). It is a centralized grant process that makes it easier to find and apply for wildfire prevention grants to support community projects. Agencies like the US Forest Service, Bureau of Land Management, and the Department of Interior use the Clearinghouse to pass through funds to eligible projects.

In 2013 the OCFA was awarded a grant for \$158,064 to perform hazardous fuel removal work in the Peters Canyon/Cowan Heights area. Environmental review preceded much smoother with this grant even though it also involved the use of federal funds. On January 6, 2014 the OCFA hand crew began removing trees identified as hazards. This project is being coordinated with the County Parks Department.

SRA Fee and Other Funds

New sources of funding becoming available include SRA Fee monies and in some cases State Park Bond funds. To date the State has allocated limited sums of SRA monies to the California Conservation Corps (CCC) and CAL FIRE for fuel reduction in the SRA. The OCFA has been in touch with the CCC about possible projects eligible sites within the SRA. One benefit of this arrangement would be the CCC can work year whereas the OCFA hand crew's primary mission is fire operations and suppression. This would also ensure that Orange County communities in the SRA receive some benefit from the SRA fees they pay to the State.

Additionally, in 2013 there were discussions during State budget hearings with CAL FIRE about the establishment of a formal SRA Grant Program. Those discussions have been put on hold based on the Department of Finance's concerns about creating new programs while there is pending litigation on the validity of the SRA fee. Staff will monitor Budget discussions in 2014 for renewed discussion on any SRA Grant Program.

Metropolitan Medical Response System (MMRS)

In the transition of Santa Ana Fire to OCFA the responsibility for executing the MMRS grant was assumed by OCFA. This grant was historically awarded by the Department of Homeland Security (DHS) as a pass through via the California Emergency Management Agency and the County of Orange directly to the City of Santa Ana. The grant allows agencies to fund equipment, training and planning activities intended to improve the regional capabilities to respond to a mass casualty incident.

In 2011 this grant program was eliminated and combined into other DHS grant programs. The funding allocated directly to Santa Ana will end with the FY 2011 grant cycle which closes in 2014. OCFA has assumed responsibility for executing the FY 2010 grant in the amount of \$317,419 and the FY 2011 grant in the amount of \$277,468.

Urban Search and Rescue (US&R) 2013 Cooperative Agreement

California Task Force Five (CA TF-5), located in Orange County and sponsored by the Orange County Fire Authority, is one of 28 National US&R Task Forces. CA TF-5 has used past grant funds and activation reimbursements to equip and train the task force members for the mission of rescuing victims in collapsed structures and for weapons of mass destruction/terrorist responses. This grant was accepted by the Board on November 21, 2013 for an amount of \$1,244,644.

Unlike other grants there is no fixed level of cost share required but significant amounts of OCFA resources and staff time are involved with this program. This is primarily as a result of the federal government not fully funding this federal program. Originally this program was intended to provide the Federal Government a capability it did not have at the time. It was originally intended to be of no or very little impact to local agency resources. Over time as the capabilities and mission have expanded federal funding has not kept up.

This year's grant funds are divided into four major categories, and the DHS (Department of Homeland Security)/FEMA/US&R Program is allocating funds in the following amounts to our Task Force for these specific categories:

- ❑ *Administration*
 - \$411,234 for administration of the program
- ❑ *Training*
 - \$298,000 for training delivery (including travel expenses)
- ❑ *Equipment/Cache*
 - \$156,380 for equipment acquisition, HazMat/WMD, water rescue equipment and other Task Force expenses
- ❑ *Storage and Maintenance*
 - \$379,040 for storage and maintenance of cache equipment

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Jay Barkman, Grants Administrator

jaybarkman@ocfa.org

(714) 573-6048

Attachments:

None.

DISCUSSION CALENDAR - AGENDA ITEM NO. 7
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Proposed Scope for Year Two of the Comprehensive Review of OCFA's Financial Internal Controls**

Summary:

This agenda item is submitted for discussion and approval of the three internal control areas to be included in the second year of the comprehensive review of OCFA's financial internal controls, conducted as recommended by Lance, Soll & Lunghard, LLP.

Recommended Action:

Approve the following three areas to be included in the second year of the comprehensive internal control review:

1. Capital Assets and Inventory Control
2. Request for Proposals (RFP) Process
3. Advanced Life Support (ALS) Controlled Medications Accountability

Background:

At the March 14, 2012, Budget and Finance Committee meeting, the Committee approved the selection of Lance, Soll & Lunghard, LLP (LSL) as the auditing firm to complete a comprehensive review of OCFA's financial internal controls over the next three years. Six specific areas to be included in the scope of the auditor's testwork over the next three years are identified below:

- Procurement / Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities and Fuel Usage
- Capital Assets and Inventory Control
- Payroll and Employee Benefits
- Suppression Timekeeping System (Staffing System)
- Workers' Compensation
- Grant Management Process

For the first year, LSL completed the comprehensive review of OCFA's financial internal controls and presented the independent accountants' Agreed-Upon Procedures reports for the following three areas:

1. Revenue Recognition - Fire Prevention Fees
2. Procurement/Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities, and Fuel Usage

3. Purchasing/Procurement Review (not on the original list but selected independently by LSL)

Proposed Scope:

Based on discussion between the auditors and staff, the auditors recommend testing three areas during the second year of the comprehensive internal control review. Those three areas are listed below, including tentative dates for audit test work and presentation of the results to the Budget and Finance Committee.

	<u>Internal Control Area</u>	<u>Begin Audit Test work</u>	<u>Anticipated Date for Presentation of Results</u>
(1)	Capital Assets and Inventory Control	March 2014	August 2014
(2)	Request for Proposals (RFP) Process	April 2014	August 2014
(3)	Advanced Life Support (ALS) Controlled Medications Accountability	May 2014	August 2014

Although Request for Proposals (RFP) Process was not originally included as one of the comprehensive internal control review areas, the auditors independently recommend reviewing this area due to recent focus on the RFP process.

Audit Approach:

The following is a summary of LSL's planned audit approach for each internal control area:

Capital Assets and Inventory Control

- Review and gain an understanding of OCFA's existing written policies and procedures.
- Interview staff involved in initiating, authorizing, processing and reporting transactions.
- Interview management to obtain their understanding of OCFA's internal control policies and procedures.
- Interview information system management to gain an understanding of the various applications.
- Test online authorization and approval levels and other system-generated transactions and reports.
- Test internal controls on a sample basis.
- Prepare a report describing the work performed, the results of tests and recommendations for modifying existing policies or implementing new procedures.

Request for Proposals Process

- Obtain an understanding – Interview personnel directly responsible for each of the processes and examine documentation to corroborate process and control. LSL will sample certain RFPs during the 2013 calendar year based on a risk assessment performed on the population including relative dollar size, frequency, vendor, procurement method, use of federal funds, and type of purchase. They will verify compliance with existing policies.

- Business Risk Analysis – Develop a list of potential risks and rank risk based on likelihood of occurrence and degree of potential impact.
- Assess controls and processes to address business risks – Analyze to determine existing control structure and policies effectively and efficiently manage risks.
- Final evaluation of control structure – Based on the auditor’s understanding, make certain recommendations to improve overall control environment and mitigate key risks to the process.

Advanced Life Support (ALS) Controlled Medications Accountability

OCFA Standard Operating Procedure (OM 210.22) defines the process Orange County Fire Authority Advanced Life Support (ALS) providers must follow when dealing with controlled medications. The procedure details the requirements for storage, usage, restocking, security and overall accountability of controlled medications. The auditor’s scope of work will be:

- Review and gain an understanding of the procedure.
- Interview staff involved in initiating, approving and reporting of controlled medications..
- Interview management to obtain their understanding of the procedure and their responsibility to ensure compliance.
- Test documentation reflecting controlled substance activity, approvals and system-generated transactions and reports.
- Test internal controls on a sample basis.
- Prepare a report describing the work performed, the results of tests and recommendations for modifying existing policies or implementing new procedures.

Follow-up on Previous Internal Controls Reviews:

LSL will provide an update on the status of the previous internal controls review recommendations in August 2014.

Impact to Cities/County:

Ongoing reviews of our internal control system will serve to strengthen security over OCFA’s resources, which is beneficial to OCFA’s member agencies and the citizens we serve.

Fiscal Impact:

Funding for the Capital Assets and Inventory Control Request along with the Request for Proposals Process is already included in the FY 2013/14 budget. Funding for the Advanced Life support Controlled medications review will be included as part of the FY 2014/15 budget development process.

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Attachments:

None

DISCUSSION CALENDAR - AGENDA ITEM NO. 8
BUDGET AND FINANCE COMMITTEE MEETING
February 5, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Disposition of Remaining Hazardous Materials Disclosure Fund Balance**

Summary:

This item is submitted to request approval for disposition of the remaining Hazardous Materials Disclosure (HMD) fund balance designated in the OCFA's General Fund.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 27, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors direct staff to implement all necessary budget adjustments to remit the \$935,870 in HMD funds designated in the OCFA's General Fund, and to transmit any unclaimed refunds remaining after April 30, 2014, to the Orange County Health Care Agency (HCA). The HCA will deposit the funds in a special revenue account for use in the existing HMD Program.

Background:

At the November 21, 2013, meeting of the OCFA Board of Directors, staff was directed to work with the Orange County Health Care Agency in developing potential actions for disposition of the \$935,870 in funds that resulted from FY 2007/08 HMD fee reductions. The following report provides additional background regarding the origination of these funds, and recommended actions for disposition.

Recap of OCFA Administration of HMD Program

During the period of 1997 to 2013, the OCFA was designated as a Participating Agency under the County of Orange Certified Unified Program Agency (CUPA) to administer two regulatory programs, including:

- Hazardous Materials Disclosure/Business Plan (HMD)
- California Accidental Release Prevention Plan (CalARP)

Administration of these programs was transitioned to the HCA effective July 1, 2013.

During the time that OCFA administered the programs, fees were established by OCFA and periodically updated to recover the cost of services provided. Although the fees were established by OCFA, the actual invoices were issued each year by the HCA as part of the CUPA, which provided consolidated invoices to businesses reflecting OCFA fees, and other regulatory fees that were administered by the CUPA. Each year, the HCA issued invoices in July, at the beginning of the fiscal year, for services to be performed during the year.

Origination of \$935,870 in HMD Fund Balance

In 2007, the OCFA conducted a Fee Study to identify any changes that were needed to the Fee Schedule. At the time, program changes were being made by management in the methods of performing certain services, including HMD. As a result, the new Fee Schedule that was proposed reflected a reduction in the fees associated with the HMD program. The revised Fee Schedule was approved by the OCFA Board in September 2007, and became effective in November 2007. However, the Orange County HCA had already issued invoices (as was customary) in July 2007 to businesses in the HMD program, on behalf of OCFA, using the Fee Schedule that was in place prior to the amendments.

With the new level of effort for performing HMD services in FY 2007/08 being reduced, the actual cost of services performed was also reduced. When compared to the fees collected the prior July under the prior Fee Schedule, the results produced a surplus of \$935,870. This amount was designated in Fund Balance for required use to benefit the HMD program, and remains designated today.

Recommended Disposition of Funds

Since the HMD program has been transitioned to the HCA, staff is recommending that the \$935,870 in designated fund balance be remitted to the HCA for use to benefit existing HMD customers. In discussing the funds with HCA personnel, we were advised that they would deposit these funds in a special revenue account for use in the existing HMD Program, and that potential uses could include:

- Building, enhancing, and maintaining an automated portal (website) to streamline the process for customers to report required data to regulatory agencies
- Education and outreach
- Funding of program costs that would otherwise be passed on to customers via periodic fee updates

Feedback from HCA personnel also indicated a concern about potential liability exposure to the County with the transfer of funds. To address this concern, OCFA staff will work with the HCA and OCFA General Counsel on language to indemnify the County.

Status Update on Previously Authorized HMD Refunds

Separate from the issue outlined above, in June 2013, the OCFA Board of Directors also directed staff to issue refunds to businesses that were billed for hazardous materials disclosure inspections for FY 2005/06 through 2011/12, the performance of which could not be verified during the audit of inspection records.

Multiple efforts have been undertaken to accomplish the issuance of refunds, including:

- Initial letters were mailed in July 2013 to 2,259 affected business owners noticing them of the availability of refunds. Vouchers were included with the letters, along with return envelopes to facilitate the business owners in claiming their refunds.

- The list of the 2,259 affected businesses was posted on the OCFA website.
- For letters that were returned undeliverable, and for businesses that did not respond to our letters, research was conducted to identify new addresses. Research included cross-referencing with the HCA’s current address data-base, website searches, and phone calls or emails where possible.
- Follow-up letters were sent to businesses, as applicable, based on research findings.
- A full batch of second-letters was sent to all outstanding businesses in January 2014.
- Individual follow-up letters have been sent to approximately 200 businesses which claimed refunds, but which failed to submit proof of entitlement/ownership

As a result, activities to date are as follows:

Date	Quantity of Claims Received	Dollar Amount
July, 2013	711	\$566,709.80
August, 2013	212	169,925.40
September, 2013	161	175,908.00
October, 2013	27	14,641.00
November, 2013	33	21,795.00
December, 2013	19	23,257.00
As of January 22, 2014	31	20,157.00
Cumulative Total-To-Date	1,194	\$992,393.20

Staff will continue to pursue contact with outstanding businesses to accomplish successful refunds. As per prior Board authorization, any remaining unclaimed refunds as of April 30, 2014 will be transmitted to the HCA for use in the existing HMD program, thereby benefitting the existing participating HMD businesses. Furthermore, in the event OCFA receives claims after the April 30, 2014 cutoff date, we will still honor the claim and provide the refund, with payment from OCFA’s General Fund. We anticipate that any activity of this nature will be minimal.

Impact to Cities/County:

Not Applicable.

Fiscal Impact

The proposed disposition of the \$935,870 will come from designated fund balance, which has been set-aside for required use in the HMD program, and remains unavailable for any other OCFA use.

The proposed value of refunds, based on the audit of physical inspection records for FY 2005/06 through 2011/12 is \$1,751,044. Because some of the businesses will have moved or closed or for some other reason may not seek the refund, staff does not anticipate that it will receive refund requests for the entire amount. It is difficult to estimate what percentage of the businesses will seek refunds.

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Attachments:

None