

THE CITIES GROUP

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Cities Group Overview

The Group is local joint powers authority, established by a group of peninsula cities in 1978. For our members and their associated special districts we operate self-insured Workers' Compensation and Long Term Disability and fully insured Group Life, ADD and STD. We also operate Dental, Vision and Medical Reimbursement plans. In support of the foregoing programs we have developed and administer a variety of related compliance and safety programs. Since 1979 we have operated the Workers' Compensation programs of San Mateo County Transit District and its affiliates (the Transit Authority and Caltrain). In total our programs extend to approximately 2000 employees of 12 local public agencies. The core Cities Group budget varies between \$2.6 and \$3 million; combined expenditures made by the Group total \$5 to \$6 million annually with a similar amount in peak reserve.

The Group operates under authority of its Joint Powers Agreement to which the Council of each member agency is a signatory. That agreement provides that the Group conduct itself as an independent public agency, specifically an enterprise district. Pertinent program obligations and necessary resources of the members are ceded to the JPA which then administers them independently. Where insurance, such as Workers' Comp reinsurance or Group Life policies are required, the Group purchases these in its own name. The Group does not indemnify, issue insurance policies, charge premiums or otherwise act as an insurance carrier. The Joint Powers Agreement requires that the Group does not permanently transfer the loss obligations of one agency to another. To accomplish this the Group operates rating, accounting and special assessment policies that assure all expenditures made in connection with each agency are returned by that agency to the Group over a period of time.

The Group internally self administers all of its programs. Since 1987 Workers' Compensation Claims Administration has been among these and extends only to the Workers' Compensation programs of

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our JPA and its affiliates; we do not market claims administration for sale to other organizations. The Group is not a commercial claims administration vendor, insurance broker, insurance carrier nor are we affiliated with any such vendors.

This approach has resulted in the lowest Workers' Comp incurred loss per \$100 of payroll among self-insuring California municipalities and Transit Districts each year since such records have been compiled (per the independent evaluation of the California Institute for Public Risk Analysis). The Group also enjoys very high compliance rates in regular audits conducted by the DWC.

The Group's policies have been established by both the City Councils of the core member agencies and are maintained by our Directors of whom there are six; one each from the core members, each with one vote. Our purpose is to pay timely benefits exactly according to the letter of the law or applicable contract. These benefits and expenses are paid from funds contributed to the Group and maintained on a member by member by program basis and are sub-allocated as funded liability and unencumbered program reserve. Once contributed, funds are assets of the Cities Group which invests, accounts and stands for audit regarding them independently. Where these payments are inappropriately disputed we are directed to "vigorously defend" the assets of the Group and its affiliates.

The Group has been exceedingly stable for over forty years with one member out and two in over that period of time. As a result the Group has maintained the lowest costs among comparable agencies throughout its history while retaining among the best compliance records with the DWC. This has also allowed us to maintain quality commercial reinsurance and primary benefits coverage through various crises where these became unavailable to most other agencies.