



Agenda Item No. 5

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 21, 2008

From: William Stafford, Director of Risk Management/Safety
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **APPROVE PUBLIC OFFICIALS FIDUCIARY LIABILITY INSURANCE
PROGRAM FOR OPEB (OTHER POST-EMPLOYMENT BENEFITS)
RETIREMENT INVESTMENT TRUST BOARD MEMBERS**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the purchase of a Labor Management Trust Fiduciary Liability policy with Chubb Insurance for the annual amount of \$2,400, effective March 1, 2008, relative to the District's Other Post-Employment Benefits (OPEB) Public Officials Fiduciary Liability Program, with the understanding that funds in the amount of \$2,400 are available in the FY 07/08 in the District budget to cover the premium.

Summary

Overview of OPEB Public Officials Fiduciary Liability Program

At the Board of Directors Meeting of August 24, 2007, the District's Board of Directors (Board): (1) authorized the execution of the Trust Agreement creating the Golden Gate Bridge, Highway and Transportation District OPEB Trust for purposes of funding GASB 45 retiree health care and OPEB liabilities; (2) approved the Charter for the creation of the Trust Board to oversee the investment of trust assets, with the understanding that all who serve on the Trust Board will be provided with legal defense and indemnity protection by the District for acts or omissions taken within the scope of their duties and responsibilities; and (3) authorized the transfer of \$3.5 million from reserves that the Board previously designated for funding retiree benefits costs, as the first step in partially pre-funding the Trust.

The District's OPEB Public Officials Fiduciary Liability Program is new and was brought about by the creation of the OPEB Retirement Investment Trust Board (Trust Board), comprised of the members of the Finance-Auditing Committee with the Auditor-Controller serving as an *ex officio* member in a non-voting capacity. The Trust Board is responsible for oversight of Trust assets and direction of asset management including evaluating the performance of the Trust

Administrator/Investment Advisor, reviewing and setting the investment policy, and periodically reviewing investment performance. The purpose of the OPEB Public Officials Fiduciary Liability Program is to fulfill the Board's approval to provide the members of the Trust Board legal defense and indemnity protection by the District for acts or omissions taken within the scope of the these duties and responsibilities.

Marketing

The District's Broker, Marsh Risk and Insurance Services (Marsh) marketed the Public Officials Fiduciary Liability to two insurance carriers, Chubb and AIG, as there is a limited market place willing to write this coverage. Quotes for a \$2 million limit with no deductible for a \$2 million limit with a \$25,000 deductible were requested. As the Trust grows in value due to future funding, the limits of liability will be increased from the current \$2 million.

The current contract with Marsh specifies that no commissions will be taken and all remuneration will be made in the form of fees. The marketing of the Public Officials Fiduciary Liability was not included in the current contract from 2003. Marsh presented an itemized fee which they reduced to \$4,000, less commission to be added in 2009. The District agreed to this proposal.

Presented below are the quotations and options presented by Marsh:

	Limit	Deductible	Annual Premium
Option 1 AIG	\$2 million	\$0.00	\$7,883
Option 2 AIG	\$2 million	\$25,000	\$6,589
Option 3 Chubb	\$2 million	\$0.00	\$2,400
Option 4 Chubb	\$2 million	\$25,000	\$2,100

Recommendation

The recommended option is Option 3 to enter into an agreement with Chubb for the OPEB Public Officials Fiduciary Liability Coverage. The price of \$2,400 with no deductible is significantly less than the pricing options submitted by AIG.

Fiscal Impact

Approval of the recommendation would cost the District \$2,400. Sufficient funds are available in the FY 07/08 District Division budget to cover the premium payment.