Agenda Item # 5

Finance Committee Reports

Association of Bay Area Governments
PLAN CORPORATION
Pooled Liability Assurance Network
Association of Bay Area Governments

Finance Committee Meeting

May 15, 2013
10:30am – 1:00pm

101 8th Street
Oakland, CA
Conference Room C

Teleconference Location:

Participant	Member City	State	Street Address
Emma Karlen	Milpitas	CA	455 e. Calaveras

AGENDA

1. Call to Order – Roll Call
2. Public Comments
3. Approval of Minutes – May 16, 2012 **(Action)**
4. 2012 Audited Financial Statements and Memorandum of Internal Controls **(Action)**
   Herb Pike, ABAG CFO
5. Investment Report – Review and Discussion
   Herb Pike, ABAG CFO
6. Quarterly Financial Highlight Report – All Funds (QE March 2013)
   Herb Pike, ABAG CFO - Jim Hill, PLAN Risk Manager
7. Review of Preliminary Administrative Budget and Comparison to Prior Year **(Action)**
   Herb Pike, ABAG CFO - Jim Hill, PLAN Risk Manager
8. Other Business
9. Adjourn

Association of Bay Area Governments
PLAN
CORPORATION
Pooled Liability Assurance Network
Association of Bay Area Governments

ABAG PLAN CORPORATION
Finance Committee Regular Meeting
Summary Minutes

DRAFT

Wednesday, May 16, 2012
101 Eighth Street
Oakland, CA 94607
Conference Room C

Teleconference Location:

Participant	Member City	State	Street Address
Jesse Takahashi	Campbell	CA	110 E. Main Street

Presiding — **Jurisdiction**
Jesse Takahashi — Campbell

Committee Members Present

Emma Karlen	Milpitas, CA
Kevin Bryant	Woodside, CA
Jesus Nava	Burlingame, CA

Staff Present – ABAG PLAN Corporation
Jim Hill, PLAN Risk Management Officer
Herbert Pike, ABAG Chief Financial Officer
Carol Johnson, PLAN Administrative Assistant

1. **Call to Order:**
   Meeting was called to order at 10:15 a.m. by Kevin Bryant.

2. **Public Comments:** None

3. **Approval of Minutes for May 11, 2011:**
   Minutes for May 11, 2011 were approved as presented.
   /M/Bryant/S/Karlen/C/unanimously approved

4. **2011 Audited Financial Statements and Memorandum on Internal Controls:**
   Herbert Pike – ABAG CFO, presented the Audited Financial Statements and Memorandum on Internal Controls for the fiscal year ending June 30, 2011. Staff reports handed out to members indicated that total assets are up $2 Million, and net assets are down approximately $5 Million due to higher claims reserves than prior years. The audits for both ABAG and PLAN were clean with no qualifications.

   After presentation and review by the Finance committee, the reports were approved as presented with a recommendation to present to the Executive Committee/Board of Directors for formal approval.
   /M/Nava/S/Karlen/C/unanimously approved

5. **Investment Report – Review and Discussion:**
Herbert Pike – ABAG CFO, presented the investment performance report. Mr. Pike stated that the above deductible claims in the first three quarters were lower than prior year. Last year above deductible claims at nine months were $3 Million. PLAN is currently at $2.2 Million, however, there is a large claim pending settlement that will bring the balance in line with last year. Property claim payments at nine months are almost four times higher than the prior year.

Herb informed the committee that overall yields are coming down. The fact that we're getting two percent on our overall portfolio, three years into the recession, was perceived as good news. Mr. Pike did not expect a turnaround in interest rates until at least 2014. Committee was informed that Finance purchased a corporate bond (Citigroup Funding) that was insured by FDIC, which was treated as a government bond. Technically, this transaction should have been counted as a private bond purchase. The purchase of this private bond, combined with the GEC bond currently held in the portfolio increased total private bond holdings to slightly over the 10% threshold. The GEC bond is still at AA plus and is a high yield compared to today's market. We plan to liquidate both bonds at maturity.

Jim Hill made note of staff discussion with Willis Pooling regarding captive strategies. Premiums would be paid to the captive company (owned by PLAN) as opposed to an insurance company. A risk transfer mechanism (reinsurance) would also be utilized. He stated that there is very little penetration in the PLAN $2M to $5M layer and, therefore, the captive could be funded at a high rate of return. He is not convinced that it is the right answer, but will continue to explore the feasibility of a captive solution, including fees, regulatory guidelines and other capitalization requirements.

Jesse Takahashi inquired as to whether or not a captive company was protected by any investor protection, FDIC or governmental protection or whether it fell under insurance. A response was given that there would not be any "back stops" and it would be non-regulated. We would assume 100 percent of the risk subject to reinsurance. PLAN currently assumes 100% of the risk in its $5mm layer. He stated that a lot of private companies use captives as a means of expensing their insurance premiums and taking advantage of the investments from the insurance premiums. He stated that UC Berkeley uses a captive for their health benefits and discussed other mechanisms for insulating risk (reinsurance). He further advised that the captive could be domiciled in Bermuda and Willis has explored domestic domiciles.

Mr. Jim Hill suggested that the Committee make a presentation to the Board after additional investigation is completed.

This report is for information only. No action was required.

6. **Quarterly Financial Highlight Report (QE March 2012):**
Jim Hill provided the committee with a report on the Administrative Fund as of March QE 2012. The fund performance is in-line with budget expectations on a pro-rata basis. The $10,000 in "other revenue" has been booked as a part of the ABAG settlement agreement. Hill noted that the highest expense component is personnel costs; however, we are below budget in personnel costs by five points.

Mr. Hill stated that consulting costs were increased due to temporary staffing needs. The consulting fees consist of three main components; technical consulting fees being one. These fees include an hourly charge for troubleshooting, as well as, an annual maintenance charge. By using more in-house system consulting and by reclassifying the annual maintenance charges, outside consulting fees should decrease measurably.

Mr. Hill also stated that iVOS system maintenance fees were not included, nor paid in the past budget cycle due to some service-related matters. This resulted in the first year fee being paid this year (subsequent fiscal period). There is $32,000 in annual contract costs from iVOS with a five percent annual escalator and a $14,000 annual contract fee for safety logic. When we upgraded the system to incorporate our CMS reporting platform, there was also additional cost incurred.

Mr. Hill stated that the Claim Consultant fees were slightly over budget by $5,000 due to a temporary claims examiner. There is no anticipation of utilizing an outside consultant for the remainder of the year.

Mr. Hill stated that Actuary Consultants are at about 82% of the budget and projected that we will be slightly over budget at year end by approximately $1,000. He reminded the committee that another element was introduced, the annual Equity Calculation which is required for our members. Two members have withdrawn from PLAN and calculations are required annually.

A concern was raised about a portion of the actuary expenses being deferred to next fiscal year due to receipt of invoices, specifically, why aren't the expenses being accrued? Mr. Pike stated that normally bills are received prior to fiscal year end, however, if they regularly come late we will have to begin accruing the expense.

Mr. Hill stated that under "Other Consultants," there was a notable variance due to the RFQ study and the PLAN Board Retreat. The numbers were a little bit lower than the numbers projected, however, the RFQ study was approved after the budget was ratified last year.

Mr. Hill went through other "Direct Charges" and explained that we are below budget. He noted that the total budget for other direct charges is less than two percent of the Administrative budget.

Mr. Hill informed the committee that as of the 3rd quarter, the operating deficit was below the projected deficit. PLAN faced a structural budget deficit this year due to the fact that only $2.5 million was approved for the administrative budget while $2.8 million were the projected expenditures.

This report is for information only. No action was required.

7. **Preliminary Review of Administrative Budget and Comparison to Prior Year:**
Mr. Hill provide the committee with his staff report containing a recommendation that the Plan Administrative Budget be approved as presented. An alternate budget (Plan B) was also provided to the group to consider.

Mr. Hill compared the proposed 2012-13 budget to the approved budget from the previous year. The 2012-13 Administrative budget amounted to $2.849 Million. The proposed budget represents a one percent reduction overall from prior year and will result in a $45,000 surplus to the Admin fund.

The budget primarily consists of PLAN personnel cost. The $2.5 million in personnel cost includes an indirect allocation rate of .4295. Mr. Hill provided the committee with a breakdown of the cost details. Notable items included the following.

The budget amount for Legal Consultants was increased by $5,000 to $10,000 for the services of our PLAN Counsel, Mr. Bob Lanzone. An additional $10,000 was budgeted for Other Legal Services to cover outside legal research for claims, special legal projects and/or training presentations by counsel.

Claims Consultants and services were budgeted at $45,000, which is consistent with last year's figure. These expenses include temporary staff for vacations, leave and the like. Actuary consultants were budgeted at $28,000, an increase of $5,000. This amount includes the annual equity study.

Audit fees for financial are $12,000 for preparation of the audited financial statements and memorandum of internal control. A claims audit is expected this year and $12,000 was used as an estimate for this expense, although depending on timing, we may be able to defer that expense.

In the Other Consultant category, the figure was increased by $12,000, which reflects a quote for an Efficiency Study from an HR Group. This will be discussed further in item B. We have also budgeted $3,000 for miscellaneous consultants.

Travel expenses were decreased by about $2,000 reducing annual travel budget to $5,000. Printing costs were increased due to costs associated with PLAN brochures and marketing materials. The budget for outside printing takes into consideration the PLAN newsletter. Conferences and Seminars increased by $2,500 and more accurately reflect registration costs.

Insurance and Bonding was increased by $3,000, driven primarily by our TPA E&O insurance. Given the submission of an E&O claim, it is anticipated that the E&O premiums will increase.

Staff Training and Development was increased to assist the staff in improving their skills with Lotus in addition to Leadership and Supervisory courses for Angela Salsbury to attend. The miscellaneous bucket for miscellaneous, non-recurring expenses remained the same amount as last year.

Mr. Hill presented another exhibit, which analyzed PLAN personnel costs, including benefits. It was notable that the personnel budget is down about three percent. The overall PLAN Administrative budget for 2012-13 was reduced by one percent from prior year.

Mr. Hill recommended approving the initial budget as presented, however, if the Committee feels that further adjustments are necessary, an alternative (Plan B) Budget was presented. Plan B included an analysis of the impact of changes in the personnel structure of PLAN. Plan B recommendations could result in a $500,000 or 18 percent reduction to the budget. Collective bargaining issues were noted as PLAN staff is represented by SEIU.

Mr. Hill recommended approving the initial budget (Plan A) noting that it contains a provision of $12,000 for an HR Classification Study. The study would provide PLAN with additional insight on organizational structure and efficiency from a professional HR consultant. He explained the procedure for the study and provided a general outline of associated activities.

Mr. Takahashi inquired as to a letter sent out last year by Jeff Maltbie on the status of ABAG expense containment measures and whether or not a follow-up was expected. Mr. Hill stated that it has been addressed and a reply was provided by the ABAG Executive Director as it relates to personnel and expenses.

Mr. Pike commented on the status of contracts with employees. Last year's contracts were rolled over without any changes or increases. Contracts run until the end of the calendar year. We are now gathering proposals to submit to the Board in terms of authorization and direction in negotiations for next year. The projected costs within the budget include no salary increases, which would happen mid-year if required. He noted that the ABAG Board members have encountered reductions to their staff, so we (ABAG) may anticipate reductions. The Board is also looking at having employees contribute towards some expenses in addition to controlling other fringe benefits.

Mr. Takahashi expressed that in the interest of getting the budget approved, he believes that this is worthy of further discussion. He commented that the proposed budget is slightly lower than the prior year. He stated that he was not opposed to moving the budget forward, but at the same time, include considerations for additional reductions.

Mr. Hill reiterated his feeling that PLAN can be more efficient and operate at a lower cost. His recommendation of utilizing a consultant to evaluate current positions and staff is an important consideration for the committee. Mr. Takahashi expressed his willingness to allow more time to address additional proposed cost reductions.

Mr. Takahashi made a motion to approve the administrative budget as submitted. The motion was seconded. No one opposed. The motion was carried.
/M/Takahashi/S/Karlen/C/unanimously approved

8. Other Business:
None

9. Adjournment:
11:17 meeting was adjourned.

Respectfully Submitted,

James Hill
PLAN Risk Management Officer / Corporate Secretary

Association of Bay Area Governments

PLAN CORPORATION

Pooled Liability Assurance Network

Association of Bay Area Governments

Date: May 9, 2013

To: ABAG PLAN Executive Committee

From: Nick Pegueros, Chair - Finance Committee

Subject: **PLAN Administration Fund – 2013-14 FY Budget**

Recommendation:

The Finance Committee recommends the Executive Committee and Board of Directors approve the PLAN Administrative Budget for FY 2013/14 of $2,983,320. The budget reflects an increase of $168,994 (6%) from prior year. The proposed budget aligns with the Actuary report and assumes the collection of only $2,850,000 in Administrative Fund revenue, unchanged from prior year. The structural budget deficit will be offset by the current PLAN Administrative Fund surplus.

The Finance Committee also recommends PLAN achieve a balanced budget in the next fiscal budget cycle, develop additional options to reduce overall administrative expenses, including exploring an RFQ for contracted TPA claims administration services.

Attachments

1. Staff report to Finance Committee – 2012 Audited Financial Statements and Memorandum of Internal Controls
2. 2012 Audited Financial Statements and Memorandum of Internal Controls
3. Staff report to Finance Committee – Financial/Investment Reports – March 2013
4. Investment Reports
5. Staff report to Finance Committee – Quarterly Variance Report – Admin Fund 3Q
6. Staff report to Finance Committee - Administrative Fund Preliminary Budget

ABAG PLAN CORPORATION

TO: PLAN Finance Committee

FM: Herbert Pike, Chief Financial Officer

RE: **2012 Audited Financial Statements and Memorandum on Internal Control**

We are happy to present the audited Basic Financial Statements and Memorandum on Internal Control for the fiscal year ended June 30, 2012.

The auditors expressed a clean opinion on the Basic Financial Statements and made no adjustments other than the usual market value adjustments for PLAN's investments. PLAN follows the practice of maintaining investments at amortized cost basis internally. Market values are reflected on audited financial statements in order to comply with GASB requirements. The auditors also did not uncover any material weaknesses in internal control as a result of their audit work. There were no reportable conditions identified in the auditors' Memorandum on Internal Control.

Key 4-year financial information of PLAN ($'000):

	6/30/12	6/30/11	6/30/10	6/30/09
Total assets	$45,142	$47,150	$50,437	$48,715
Above-deductible claims	5,583	6,988	3,808	1,651
Claim reserves	20,505	20,011	18,023	16,329
Net assets	20,465	26,533	31,796	31,355

The decrease in Above-deductible claims was attributed to significant settlements during FY 11-12. The largest claim payout was for $2.1 million for a Police Liability claim. PLAN also experienced three very large bodily injury claims in the current fiscal year with settlement payments of $876 thousand, $645 thousand and $700 thousand, respectively. The increase in Claim reserves reflects an increase in the severity of recent and prospective claim activity. .

Total Net Assets decreased by $6.1 million in fiscal year 2012 to a new total of $26.5 million at June 30, 2012. Confidence level for the pool remains well above 90% as of June 30, 2012. We attribute this to the pool's strong equity position which is primarily the result of the Board's foresight in holding back equity distributions in recent years and the significant investment in loss prevention programs.

Staff Recommendation
Staff recommends these reports be approved by the Finance Committee and forwarded to the full Board for consideration at their Annual Meeting.

Mailing Address: P.O. Box 2050 Oakland, California 94604-2050 (510) 464-7900 Fax: (510) 464-7989 plan@abag.ca.gov
Location: Joseph P. Bort MetroCenter 101 Eighth Street Oakland, California 94607-4756

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ABAG PLAN Corporation
Oakland, California

We have audited the accompanying financial statements of each major fund of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2012, which collectively comprise PLAN's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of PLAN's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of PLAN as of June 30, 2012 and the respective changes in financial position and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Ten-Year Claims Development Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maze + Associates

December 14, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG PLAN Corporation (PLAN) has issued the financial reports for fiscal year ending June 30, 2012 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since PLAN has always been using this method of accounting, changes in its financial reports are primarily in the format of presentation.

GASB 34 requires PLAN to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

(1) Statement of Net Assets—provides information about the financial position of PLAN, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

(2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

(3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS

PLAN's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2012 were $45.1 million. At June 30, 2011, total assets were $47.2 million.

- Total revenues, including program and general revenues, were $9.1 million in FY 2012, while total expenses were $15.2 million.

- Total net assets decreased by $6.1 million in FY 2012 to a new total of $20.5 million at June 30, 2012.

- General Liability program operating revenues were $5.1 million in FY 2012, while Property Liability operating revenues were $992 thousand and Administration operating revenues were $2.6 million.

- General Liability program operating expenses were $11.2 million in FY 2012, while Property Liability operating expenses were $1.2 million and Administration operating expenses were $2.7 million.

- General revenues, comprising investment income, totaled $450 thousand in FY 2012, of which $423 thousand and $27 thousand were allocated to General Liability and Property Liability funds respectively (see Investment Activities below).

- General Liability net assets were $19.1 million at June 30, 2012, while Property Liability net assets were $1.1 million and Administration net assets were $244 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Above-deductible General Liability claims paid totaled $6.1 million in FY 2012 compared to $6.6 million during FY 2011. In FY 2012, the largest claim payout was for $2.1 million for a Police Liability Claim. PLAN also experienced three very large bodily injury claims this period with settlement payments of $876 thousand, $645 thousand and $700 thousand, respectively. The reserve level for claims was increased to $23.5 million in FY 2012 from $19.9 million in FY 2011. The increase in reserves reflects an increase in the severity of recent and prospective claim activity. PLAN paid losses have exceeded actuarial expected losses for the prior two fiscal years.

Above-deductible Property claims paid during FY 2012 amounted to $335 thousand. Liability reserve for Property claims were $250 thousand at June 30, 2012, and the reserves continue to be carefully analyzed and are capped at the PLAN aggregate stop loss limit..

INVESTMENT ACTIVITIES

As required by GASB, PLAN reports its investments at fair value. At June 30, 2012, PLAN has $3.1 million invested in the Local Agency Investment Fund (LAIF), $34.7 million in federal agency securities, and $5.0 million in corporate notes. With fair market value adjustments, the investment portfolio realized total earnings of $449 thousand. The overall average yield was 2.06% excluding adjustments for fair value.

The change in market values of PLAN's investment portfolio between June 30, 2011 and June 30, 2012 was insignificant. With the exception of PLAN's investment in LAIF, all other investments are fixed income securities. The market value of a fixed income security falls during periods of rising interest rates, and increases when interest rates decline. It is PLAN's investment objective to hold all its securities to maturity, and therefore, temporary unrealized gains and losses have no real financial significance for the pool. As all securities in PLAN's investment portfolio are highly rated, they are generally regarded as safe investments that will mature at their full face values.

MAJOR PROGRAM INITIATIVES IN FY 2012 AND OUTLOOK FOR FY 2013

In response to the litigation and land development claim settlements (inverse condemnation) incurred in FY 2008, the Board of Directors of PLAN approved a revised Memorandum of Coverage effective July 1, 2008 designed to prevent and reduce such exposure. On February

2, 2010, a resolution was adopted authorizing implementation of the Inverse Tail Claim Program (ITC Program) with the following components: Set aside of Seven Million Dollars ($7,000,000) from the ABAG PLAN Program "Self-Insurance Retention Fund" for the purpose of funding the ITC Program; how said claims affect a member's experience modification factor from the date the claim is tendered to PLAN for five years; set a final date for members to submit claims under the ITC Program to June 30, 2013; set a cap in ITC payments of $1 million per member; and other specific limitations. The ITC exposure continues to be effectively managed.

During FY 2012, PLAN will continue to work on customizing the claim reporting system to meet the specific reporting needs of ABAG PLAN and its members. During FY 2012, PLAN released a fully automated deductible billing platform. The iVOS system has been enhanced to allow members to have on-line access via a guest link to review claims information as it relates to deductible invoicing and recovery.

In FY 2013, PLAN will continue to offer its members $25 million in general liability coverage which includes an excess insurance policy with a limit of $20 million. The property program has completed property appraisals and boiler inspections for key facilities and an Earthquake PML study is planned in FY 2013PLAN will also continue to focus on collection (subrogation) of property damage losses from responsible third parties. Our recovery efforts continue to realize significant financial savings against property losses in the past.

During FY 2012, PLAN offered and will continue to offer in FY 2013 the following loss prevention programs:

- The Best Practices program offers special credits for consulting and training resources as incentives for implementing recommended practices.

- The Police Risk Management program offers up to $25,000 per jurisdiction to qualified members.

- The Defensive Driving program offers the latest training to all member staff, including police and other emergency personnel.

- The Sewer Smart Program website: www.sewersmart.org. PLAN will continue to focus on aggressive Risk Management Best Practices for Sewer and Storm Water management systems for member agencies.

CONTACTING PLAN'S FINANCIAL MANAGEMENT

The Basic Financial Statements are intended to provide PLAN members, citizens, creditors and other interested parties a general overview of PLAN's finances. Questions about these statements should be directed to ABAG PLAN Corporation, 101 Eighth Street, Oakland, CA 94607.

ABAG PLAN CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

	General Liability Fund	Property Liability Fund	Administration Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 2)	$1,533,654	$1,332,921	$469,800	$3,336,375
Investments, at Fair Value (Note 2)	39,761,612			39,761,612
Total Cash and Investments	41,295,266	1,332,921	469,800	43,097,987
Receivables:				
Due from Members	1,309,845	50	61	1,309,956
Interest	316,607			316,607
Total Current Assets	42,921,718	1,332,971	469,861	44,724,550
Noncurrent Assets:				
Due from ABAG			40,000	40,000
Capital Assets, Net of Accumulated Depreciation (Note 4)	377,312			377,312
Total Noncurrent Assets	377,312		40,000	417,312
Total Assets	43,299,030	1,332,971	509,861	45,141,862
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	669,595		265,735	935,330
Reserves for Claims and Claim Adjustment Expenses (Note 3)	2,044,000	242,500		2,286,500
Reserves for Unallocated Loss Adjustment Expenses (Note 3)		7,500		7,500
Total Current Liabilities	2,713,595	250,000	265,735	3,229,330
Noncurrent Liabilities (Note 3):				
Reserves for Claims and Claim Adjustment Expenses	19,101,000			19,101,000
Reserves for Unallocated Loss Adjustment Expenses	2,347,000			2,347,000
Total Noncurrent Liabilities	21,448,000			21,448,000
Total Liabilities	24,161,595	250,000	265,735	24,677,330
NET ASSETS (Note 5)				
Invested in Capital Assets	377,312			377,312
Unrestricted	18,760,123	1,082,971	244,126	20,087,220
Total Net Assets	$19,137,435	$1,082,971	$244,126	$20,464,532

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	General Liability Fund	Property Liability Fund	Administration Fund	Total
PROGRAM REVENUES				
Premiums from Members:				
General Liability	$5,118,459			$5,118,459
Administration			$2,550,000	2,550,000
Property Insurance		$992,209		992,209
Total Program Revenues	5,118,459	992,209	2,550,000	8,660,668
PROGRAM EXPENSES				
Provision for Claims and Claim Adjustment Expenses (Note 3)	8,879,310	427,036		9,306,346
Property Insurance Coverage		801,967		801,967
Excess Insurance Coverage	634,259		15,491	649,750
Depreciation	46,620			46,620
Management and Administration	2,766		2,440,126	2,442,892
Loss Prevention Programs	1,647,529			1,647,529
Contract Services			271,819	271,819
Other Expenses	350		11,887	12,237
Total Program Expenses	11,210,834	1,229,003	2,739,323	15,179,160
Net Program Operating Loss	(6,092,375)	(236,794)	(189,323)	(6,518,492)
GENERAL REVENUE				
Investment Income	422,813	27,001		449,814
Total General Revenue	422,813	27,001		449,814
CHANGES IN NET ASSETS	(5,669,562)	(209,793)	(189,323)	(6,068,678)
BEGINNING NET ASSETS	24,806,997	1,292,764	433,449	26,533,210
ENDING NET ASSETS	$19,137,435	$1,082,971	$244,126	$20,464,532

See accompanying notes to basic financial statements

ABAG PLAN CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	General Liability Fund	Property Liability Fund	Administration Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from members	$4,419,660	$992,209	$2,509,939	$7,921,808
Payments for insurance and contract services	(1,941,952)	(801,967)	(287,310)	(3,031,229)
Payments to ABAG	(2,766)		(2,443,304)	(2,446,070)
Claims paid	(5,248,310)	(334,536)		(5,582,846)
Other payments	(350)		(11,887)	(12,237)
Net cash flows from (used by) operating activities	(2,773,718)	(144,294)	(232,562)	(3,150,574)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(15,000)			(15,000)
Net cash flows from (used by) capital and related financing activities	(15,000)			(15,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investments	801,296			801,296
Interest received	421,027	27,001		448,028
Net cash flows from investing activities	1,222,323	27,001		1,249,324
Net cash flows	(1,566,395)	(117,293)	(232,562)	(1,916,250)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,100,049	1,450,214	702,362	5,252,625
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,533,654	$1,332,921	$469,800	$3,336,375
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	($6,092,375)	($236,794)	($189,323)	($6,518,492)
Adjustments to reconcile operating loss to cash flows from operating activities:				
Depreciation	46,620			46,620
Change in assets and liabilities:				
Receivable from members	(698,799)		(40,061)	(738,860)
Payables	339,836		(3,178)	336,658
Reserves for claims and claim adjustment expenses	3,269,000	92,500		3,361,500
Reserves for unallocated loss adjustment expenses	362,000			362,000
Net cash flows from operating activities	($2,773,718)	($144,294)	($232,562)	($3,150,574)

See accompanying notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description and Programs*

The ABAG Pooled Liability Assurance Network Corporation (PLAN) is a non-profit public benefit corporation created by the Association of Bay Area Governments (ABAG) to provide a pooled approach for liability coverage for a number of Bay Area cities as allowed under the California Government Code. The purpose of PLAN is to operate and maintain a joint program for liability and property damage protection for the member agencies. PLAN is governed by a Board of Directors comprising officials appointed by each member agency. The activities of PLAN include setting and collecting premiums, administering and paying claims and related expenses, investing PLAN's assets, and offering loss prevention programs.

ABAG assists PLAN by providing administrative, accounting and clerical support. PLAN paid ABAG $2,505,818 for these services and $251,966 for contract services in the fiscal year ended June 30, 2012. Of these services, $265,535 was due to ABAG at June 30, 2012.

The members of PLAN must be members of ABAG, but not all ABAG members are members of PLAN. For that reason, PLAN is not a component unit of ABAG.

B. *Basis of Presentation*

PLAN's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

The Statement of Net Assets and the Statement of Activities display the overall financial activities of PLAN's programs. These statements display the *business-type activities* of PLAN that are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of PLAN's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that may be received and are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that may be received and are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Major Funds*

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to at least ten percent of their fund-type total and five percent of the grand total.

PLAN reported all its enterprise funds as major funds in the accompanying financial statements:

General Liability Fund – this fund accounts for revenues and expenses for the general liability program for its participating members.

Property Liability Fund – this fund accounts for revenues and expenses for the property liability program for its participating members.

Administration Fund – this fund accounts for revenues and expenses for management and administration activities of PLAN.

D. *Basis of Accounting*

PLAN accounts for all transactions in enterprise funds, which are separate sets of self-balancing accounts that comprise assets, liabilities, net assets, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Since PLAN operates proprietary activities, which are usually thought to be business-type activities, applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply unless they conflict with or contradict GASB pronouncements. PLAN has elected not to apply FASB pronouncements issued after November 30, 1989.

<u>Premiums from Members</u> - Each member is assessed a premium which is intended to cover PLAN's claims, operating costs and claims settlement expenses. Premiums are based on an actuarially determined estimate of the probable losses and expenses attributable to a policy year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be in excess of the desired confidence level. All premiums are recognized as revenues when earned, based on the period covered by the premium.

<u>Losses and Claims</u> - PLAN establishes claim liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, and based on estimates of claims that have been incurred but not reported (IBNR). Because actual claim costs can be affected by such complex factors as inflation, changes in legal costs and damage awards, claim liabilities are recommitted periodically using a variety of actuarial and statistical techniques to produce current estimates. The calculation of estimated future claims costs is based on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLAN has a multi-level risk sharing arrangement. Each member assumes its own losses up to its retention level. Losses in excess of the self-insured retention are paid out of a central pool maintained by PLAN for the pooled layers of coverage. This central pool is funded by premiums from all members.

PLAN purchases excess insurance policies to provide coverage for its members' exposure to losses in excess of the liability pool's $5 million limit and the property pool's $100,000 limit. Excess liability insurance provides a total of $20 million (above the $5 million PLAN layer) in liability coverage and excess property insurance pays claims up to the replacement cost of damaged property, subject to the terms of the policies. Premiums paid for excess insurance during the year ended June 30, 2012 amounted to $1,436,226.

Risk Sharing - PLAN is a "risk sharing" program which pools risks and funds and shares in the cost of losses. Losses and expenses are paid from the liability and property pools up to the limit of coverage subject to the self-insured retention.

Each year, PLAN evaluates the pools' financial risk position, defined as contributions less expenses, claim reserves and incurred-but-not-reported (IBNR) claims. If the events of the year result in a negative risk position, the members' annual assessments may be increased in subsequent years.

E. Estimates

PLAN's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consist of the following at June 30, 2012:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	$281,381		$281,381
Local Agency Investment Fund	3,054,994		3,054,994
U.S. Agency Obligations:			
Federal Home Loan Bank		$8,139,700	8,139,700
Federal Loan Mortgage Corporation		8,105,670	8,105,670
Federal National Mortgage Association		18,473,502	18,473,502
Corporate Notes:			
Citigroup Funding		2,000,740	2,000,740
General Electric Capital Corporation		3,042,000	3,042,000
Total Cash and Investments	$3,336,375	$39,761,612	$43,097,987

A. Authorized Investments by PLAN

PLAN's Investment Policy and the California Government Code allow PLAN to invest in the following, provided the credit ratings of the issuers are acceptable to PLAN.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	7 years (E)	N/A	None	None
U.S. Agency Securities	7 years (E)	N/A	None, (A)	None
Bankers Acceptances	180 days	A1/P1	25%	10%
Commercial Paper	270 days	A1/P1/F1	10%	10%
Medium Term/Corporate Notes	5 years	AA	10%	10%
Negotiable Certificates of Deposit	2 years	AA/A-1	30%	10%
Time Certificates of Deposit	1 years	(D)	10%	10%
Money Market Mutual Funds	N/A	AAA or (B)	10%	10%
California Local Agency Investment Fund	N/A	N/A	None, (C)	None

(A) Maximum limit of 20% of the investment portfolio in mortgage-backed securities.
(B) ABAG PLAN can also purchase money market funds managed by a manager with a minimum 5 year history and $500 million under management.
(C) LAIF has a limit of $50 million.
(D) Financial institution must have received a minimum overall satisfactory rating for meeting the credit needs for California Communities in its most recent evaluation.
(E) The Board approved investment policy allows maximum maturity of 7 years, which is longer than the 5 years as specified in the Government code.

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates.

The sensitivity of the fair values of PLAN's investments to market interest rate fluctuations can be analyzed by the following distribution of PLAN's cash and investments by maturity which has been prepared using stated maturity date or callable dates, if applicable:

Cash and Investments	12 Months or less	13 to 24 Months	Total
U.S. Agency Obligations:			
Federal Home Loan Bank	$6,031,000	$2,108,700	$8,139,700
Federal Home Loan Mortgage	8,105,670		8,105,670
Federal National Mortgage Association	14,365,342	4,108,160	18,473,502
Corporate Notes:			
Citigroup Funding	2,000,740		2,000,740
General Electric Capital Corporation	3,042,000		3,042,000
Subtotal Investments	33,544,752	6,216,860	39,761,612
Cash and Cash Equivalents:			
Cash in Banks	281,381		281,381
Local Agency Investment Fund	3,054,994		3,054,994
Subtotal Cash and Cash Equivalents	3,336,375		3,336,375
Total Cash and Investments	$36,881,127	$6,216,860	$43,097,987

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 268 days.

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. *Credit Risk*

Credit risk is the risk of failure of an issuer of an investment in fulfilling its obligation to the holder of the investment. Presented below is the actual rating by Moody's as of June 30, 2012 for each investment type:

	Rating at year end			
	Noted Rated	Aaa (A)	A1 (B)	Total
Local Agency Investment Fund	$3,054,994			$3,054,994
U.S. Agency Obligations				
Federal Home Loan Bank		$8,139,700		8,139,700
Federal Loan Mortgage Corporation		8,105,670		8,105,670
Federal National Mortgage Association		18,473,502		18,473,502
Corporate Notes				
Citigroup Funding		2,000,740		2,000,740
General Electric Capital Corporation			$3,042,000	3,042,000
Total	$3,054,994	$36,719,612	$3,042,000	$42,816,606

(A) One corporate note is insured by the Federal Depository Insurance Corporation (FDIC). The total is $2,000,740.
(B) Credit Rating based on Moody's rating.

D. *Concentration of Credit Risk*

PLAN's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total investments, are as follows at June 30, 2012:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	$8,139,700
Federal Home Loan Mortgage Corporation	Federal Agency Securities	8,105,670
Federal National Mortgage Association	Federal Agency Securities	18,473,502
General Electric Capital Corporation	Corporate Note	3,042,000

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, PLAN may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the public agency's deposit. All of PLAN's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in PLAN's name.

In addition, the custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, PLAN may not be able to recover the value of its investment or collateral securities that are in the possession of another party. PLAN's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by PLAN, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

F. Local Agency Investment Fund

PLAN is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. PLAN reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporate notes.

G. Statement of Cash Flows

For purposes of the statement of cash flows, PLAN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3 - RESERVES FOR CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Reconciliation of Reserves

Reserves for claims and claim adjustment expenses changed as follows:

	General Liability Pool		Property Liability Pool	
	2012	2011	2012	2011
Reserves for claims and claim settlement expenses, beginning of year	$19,861,000	$17,873,000	$157,500	$157,500
Provision for claims and claim settlement expenses attributable to insured events of:				
Current year	4,918,000	4,789,000	242,500	157,500
Prior years	4,819,310 *	3,812,390	184,536	217,263
Total incurred claims and claim settlement expenses	9,737,310	8,601,390	427,036	374,763
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:				
Claims paid -- current year	(70,901)	(22,699)	(251,657)	(317,572)
Claims paid -- prior years	(6,035,409)	(6,590,691)	(82,879)	(57,191)
Total payments	(6,106,310)	(6,613,390)	(334,536)	(374,763)
Reserves for claims and claim settlement expenses, end of year	$23,492,000 **	$19,861,000	$250,000	$157,500
Components of unpaid claims liabilities:				
Reserves for claims and claim settlement expenses	$21,145,000	$17,876,000	$242,500	$150,000
Reserves for unallocated loss settlement expenses	2,347,000	1,985,000	7,500	7,500
Total	$23,492,000	$19,861,000	$250,000	$157,500
Current portion	$2,044,000	$1,293,000	$250,000	$157,500

* Includes costs to be recovered from members

** The liability is recorded at present value using a discount rate of 4%. Undiscounted liability claims totaled $25,814,021 at June 30, 2012.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight line method over the estimated useful lives of assets, which are as follows:

Vehicles	4 Years
Capitalized software	10 Years

Capital Assets activity was as follows for the year ended June 30, 2012:

	June 30, 2011	Additions	June 30, 2012
Capital assets being depreciated:			
Capitalized software	$453,719	$15,000	$468,719
Vehicles	52,715		52,715
Total capital assets being depreciated	506,434	15,000	521,434
Less accumulated depreciation for:			
Capitalized software	44,787	46,620	91,407
Vehicles	52,715		52,715
Total accumulated depreciation	97,502	$46,620	144,122
Net capital assets being depreciated	408,932		377,312
Capital Assets, Net	$408,932		$377,312

NOTE 5 – NET ASSETS

Net Assets is the excess of a fund's assets over all its liabilities. PLAN's Net Assets are divided into the two captions described below:

Invested in Capital Assets is the current net book value of PLAN's capital assets.

Unrestricted describes the portion of the Net Assets which may be used for any PLAN purpose.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

City of San Mateo Withdrawal

As of July 1, 2011 the City of San Mateo elected to withdraw its membership from the PLAN Program. Bickmore Risk Management Services, PLAN's actuary has calculated San Mateo's withdrawal assessment in which the City of San Mateo may owe or have a refund due in each year until fiscal 2015-16. As of June 30, 2012, the San Mateo settlement receivable due to PLAN was $48,719.

NOTE 7 – SUBSEQUENT EVENT

City of Los Altos Withdrawal

As of July 1, 2012, the City of Los Altos elected to withdraw its membership from the PLAN Program. An assessment will be made as to whether the City will owe or have a refund beginning fiscal year 2013.

ABAG PLAN CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - GENERAL LIABILITY POOL - (in Thousands)
YEARS ENDED JUNE 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
(1) Earned premiums	$6,223	$6,300	$6,979	$7,475	$8,085	$7,906	$8,262	$8,326	$7,753	$7,562
Excess insurance premiums	370	445	544	562	777	710	764	776	738	634
Net Earned	5,853	5,856	6,436	6,913	7,308	7,196	7,498	7,550	7,015	6,928
(2) Investment income allocation:										
FY 11-12	(127)	51	68	4	85	(76)	2	58	51	76
FY 10-11	(135)	68	73	6	105	(15)	14	89	63	
FY 09-10	(135)	74	79	53	129	36	60	98		
FY 08-09	(204)	123	119	140	206	92	106			
FY 07-08	(267)	192	146	199	259	116				
FY 06-07	(215)	173	181	213	237					
FY 05-06	(203)	179	207	206						
FY 04-05	(71)	170	196							
FY 03-04	143	179								
FY 02-03	161									
(3) Net earned premiums and investment revenues	4,800	7,065	7,505	7,734	8,329	7,349	7,680	7,795	7,129	7,004
(4) Unallocated expenses	1,844	2,137	2,532	2,825	2,799	5,086	5,013	3,673	4,422	3,579
(5) Funds available for claims	2,956	4,928	4,973	4,909	5,530	2,263	2,667	4,122	2,707	3,425
(6) Paid (cumulative) as of:										
End of program year	955	59	29	97	15		24	305	23	71
One year later	1,247	529	102	255	57	95	405	363	359	
Two years later	5,716	600	873	905	235	1,009	2,064	1,474		
Three years later	8,180	969	1,838	1,471	506	2,954	2,595			
Four years later	8,124	944	1,874	2,894	1,061	5,719				
Five years later	8,667	1,766	1,874	4,649	1,646					
Six years later	8,277	2,026	1,874	4,721						
Seven years later	8,279	2,042	1,876							
Eight years later	8,716	2,608								
Nine years later	8,769									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	3,039	4,302	8,095	8,581	4,938	5,194	5,029	4,199	4,789	4,918
One year later	4,464	3,935	5,170	4,183	4,412	4,351	3,995	6,944	7,353	
Two years later	3,378	3,116	3,151	3,678	2,449	3,595	3,660	4,643		
Three years later	1,166	1,874	1,625	2,429	1,447	2,392	2,871			
Four years later	1,095	950	790	4,110	937	2,231				
Five years later	789	404	274	442	281					
Six years later	469	182		715						
Seven years later	45	479	87							
Eight years later	179	28								
Nine years later	250									
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	3,994	4,361	8,124	8,678	4,953	5,194	5,053	4,504	4,812	4,883
One year later	5,711	4,464	5,272	4,438	4,469	4,446	4,400	7,307	7,712	
Two years later	9,094	3,716	4,024	4,583	2,684	4,604	5,724	6,117		
Three years later	9,346	2,843	3,463	3,900	1,953	5,346	5,466			
Four years later	9,219	1,894	2,664	7,004	1,998	7,950				
Five years later	9,456	2,170	2,148	5,091	1,927					
Six years later	8,746	2,208	1,874	5,436						
Seven years later	8,324	2,521	1,963							
Eight years later	8,895	2,636								
Nine years later	9,019									
(9) Change in estimated net incurred claims from end of policy year	5,025	(1,725)	(6,161)	(3,242)	(3,026)	2,756	413	1,613	2,900	
(11) Funds available after estimated claims and net asset distributions	(6,063)	2,292	3,010	(527)	3,603	(5,687)	(2,799)	(1,995)	(5,005)	(1,458)

ABAG PLAN CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PROPERTY LIABILITY POOL - (in Thousands)
YEARS ENDED JUNE 30,

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
(1)	Earned premiums	$829	$822	$984	$893	$1,004	$892	$918	$1,086	$1,080	$992
	Excess insurance premiums	679	658	774	718	858	727	726	885	880	802
	Net Earned	150	164	210	175	146	165	192	201	200	190
(2)	Investment income allocation:										
	FY 11-12		(1)	2	(1)	(1)	(16)	(4)	(1)	(4)	(1)
	FY 10-11		(1)	1	(1)	(1)	(15)	(4)	(1)	(2)	
	FY 09-10		(1)	1	(1)	(1)	(13)	(4)	1		
	FY 08-09	(1)	(1)	2	(1)	(1)	(16)	(5)			
	FY 07-08	(1)	(2)	(4)	(15)	(9)	(15)				
	FY 06-07	(1)	(1)	(4)	(12)	(4)					
	FY 05-06	(1)	3	(2)	(1)						
	FY 04-05		2	2							
	FY 03-04	(2)	2								
	FY 02-03	(2)									
(3)	Net earned premiums and investment revenues	142	164	208	143	129	90	175	200	194	189
(4)	Unallocated expenses	13						1			
(5)	Funds available for claims	129	164	208	143	129	90	174	200	194	189
(6)	Paid (cumulative) as of:										
	End of program year	214	19	165	208	225	415	379	148	318	252
	One year later	243	105	273	420	294	796	407	242	409	
	Two years later	237	102	283	424	181	859	374	236		
	Three years later	255	199	283	187	181	859	371			
	Four years later	255	199	132	187	177	859				
	Five years later	255	199	132	187	177					
	Six years later	255	199	132	187						
	Seven years later	255	199	132							
	Eight years later	255	199								
	Nine years later	255									
(7)	Estimated reserves for claims and claims adjustment expenses										
	End of policy year	157	157	157	158	158	158	158	158	158	250
	One year later										
	Two years later										
	Three years later										
	Four years later										
	Five years later										
	Six years later										
	Seven years later										
	Eight years later										
	Nine years later										
(8)	Re-estimated incurred claims and claims adjustment expenses:										
	End of policy year	371	176	322	365	383	573	537	306	476	502
	One year later	243	105	273	420	294	796	407	242	409	
	Two years later	237	102	283	424	181	859	374	236		
	Three years later	255	199	283	187	181	859	371			
	Four years later	255	199	132	187	177	859				
	Five years later	255	199	132	187	177					
	Six years later	255	199	132	187						
	Seven years later	255	199	132							
	Eight years later	255	199								
	Nine years later	255									
(9)	Change in estimated net incurred claims from end of policy year	(116)	23	(190)	(178)	(206)	286	(166)	(70)	(67)	
(10)	Net Asset Adjustment FY 04-05	104									
(11)	Funds available after estimated claims	(22)	(35)	76	(44)	(48)	(769)	(197)	(36)	(215)	(313)

The preceding tables illustrate how PLAN's earned revenue (net of excess insurance) and investment income compare to related costs of loss and other expenses assumed by PLAN as of the end of each of the past ten years. The rows of table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned premium revenue, premium revenue ceded to excess insurers and net earned premium revenues.

(2) This line shows investment income allocation to policy year from investment income earned during each of the past ten fiscal years.

(3) This line shows the total of net earned premiums and investment revenues.

(4) This line shows each fiscal year's other operating costs of PLAN not allocable to individual claims.

(5) This line shows the net funds available for claims, after payments for excess insurance and unallocated expenses.

(6) This section of ten rows shows the cumulative net claims paid at the end of successive years for each policy year.

(7) This section of ten rows shows the estimated outstanding reserves as of the end of the current year for each policy year. This annual reestimation results from new information received on reported claims not previously reported.

(8) This section of ten rows is the total of (6) and (7) and shows how each policy year's net incurred claims has changed as of the end of successive years.

(9) This line compares the latest reestimated net incurred claims amount to the amount for each policy year originally established (first row of line 8) and shows the difference between the current and original amounts. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

(10) This line shows the allocation of net asset distributions to policy years paid by the pool during each of the 10 most recent fiscal years.

(11) This line shows the funds available after reestimated claims and distributions.

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2012

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2012

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MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

December 14, 2012

To the Board of Directors of the
ABAG Pooled Liability Assurance Network Corporation (PLAN)
Oakland, California

In planning and performing our audit of the financial statements of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered PLAN's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PLAN's internal control. Accordingly, we do not express an opinion on the effectiveness of PLAN's internal control. As PLAN's administration and the majority of its internal controls are provided by the Association of Bay Area Governments (the Association) staff we included tests of procedures and controls performed by them as part of our work.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of PLAN's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

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MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

December 14, 2012

To the Board of Directors of the
ABAG Pooled Liability Assurance Network Corporation (PLAN)
Oakland, California

We have audited the financial statements of the ABAG Pooled Liability Assurance Network Corporation (PLAN) as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing PLAN's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

REQUIRED COMMUNICATIONS

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by PLAN is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012. During the year, the following pronouncement became effective without materially impacting PLAN's financial statements:

GASB 64 - ***Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53***

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are the fair value of investments and the reserve for claims and claims adjustment expenses liabilities.

Estimated Fair Value of Investments: As of June 30, 2012 PLAN held approximately $43.1 million of cash and investments as measure by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2012. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2012.

Estimated Reserve for Claims: Management's estimate of the reserve for claims and claims adjustments expenses is disclosed in Note 3 to the financial statements and is based on an actuarial study determined by a consultant, which is based on the claims experience of PLAN. We evaluated the key factors and assumptions used to develop the estimate and determine that it is reasonable in relation to the basic financial statements taken as a whole.

ABAG POOLED LIABILITY ASSURANCE NETWORK CORPORATION (PLAN)

REQUIRED COMMUNICATIONS

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to PLAN's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as PLAN's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the PLAN, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by PLAN that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the PLAN's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

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This report is intended solely for the information and use of the Board, its committees, and management and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

ABAG PLAN CORPORATION

TO: Finance Committee
ABAG PLAN Corporation

DT: May 8, 2013

FM: Herbert Pike, Chief Financial Officer

RE: Financial/Investment Reports --March 2013

We are happy to present the March 2013 Third Quarter financial and investment reports.

Financial Report as of March 31, 2013:

Administrative Expenses

Provided as a separate report by James Hill, Risk Manager, as **Quarterly Variance Report—PLAN Administration Fund 3rd QE – March 31, 2013.**

Claim Payments and Projected Liabilities (page 3)

As of March 31, above-deductible general liability losses amounted to roughly $2.10 million, while total property claims amounted to about $68 thousand. The resulting claim reserves after these payments are summarized below:

(in thousands of dollars)	General Liability	Property
Claim reserves at the beginning of fiscal year	$23,492	$250
Less above-deductible claims paid	(2,098)	(68)
Claim reserves as of report date	$21,394	$182

As is evident, claims payments under General Liability are performing much more favorably than the prior year (prior year-to-date above deductible claims paid at $2,254 thousand) while Property claims are one-third their prior year pace.

Investment Report as of March, 2013 ($'000):

Total book value	$44,824
Total market value	$44,947
Overall portfolio yield/year-to-date	1.75%
Benchmark (12-month average yield of 2-year Treasury note)	0.24%
Average maturity	2.36 years
Average duration—to earliest redemption date	1.52 years
Target duration range	1.98 to 2.68 years*
Rating of securities in portfolio	
Federal agency securities	AA+
Corporate securities	AA+

*Within 15% of the mean duration of claims liability as of 6/30/2011 –2.33 years

Investment Activities in the Last Quarter
Activity for the third quarter of FY 12-13 was subdued compared to the very active previous quarter. Of three $2 million bonds redeemed, two were fully matured (both FNMA) and one was called (FHLB). During the quarter, there were four $2 million bonds purchased, two from the Federal Farm Credit Bank, one from the Federal Home Loan Bank and one from the Federal National Mortgage Association. All of these bonds were Federal agency callables, e.g. after a fixed period, the issuer has the right to call (repurchase) the bond at face value. Callables can be called as early as three months after purchase, but most of what is purchased is 6 months to one year to reduce turnover.

Expected Investment Activities in the Next Quarter
The market is still offering near record low interest on both short and long term bonds. Most pundits do not expect the rates of return to rebound much before the middle of 2014, after which the Federal Reserve may raise discount rates and by which time the slow recovery may commence to engender some inflationary pressure. Recent practice has been to purchase longer term bonds (up to 7 years) to get extra interest; also, the callable feature was incorporated to get some extra interest. This worked great with all of the long-term bonds being called. This flowed with our goal of shortening our term having the expectation and realization that they were only lasting for the short term. Now that the economy is slowly recovering and inflationary pressure may arise as soon as mid-2014, a bet that the bond will be called is no longer a sure thing. The downside, if the bond is not called, is that we would have a bond for the remainder of its duration that could be far under the prevailing rate; as an example, if we bought a seven-year callable bond at 1.5 percent, but next year five- and six-year bonds, in response to inflationary pressure, jump to 3.0-4.0 percent, then we are foregoing 1.5-2.5 interest for the remaining six years. A request for investment alternatives is currently going out to our bond brokers asking for their review and recommendations on how best to adjust our portfolio for the next 5-7 years. Because we hold our bonds to maturity, and all bonds are currently federal-guaranteed, we stand virtually no risk of losing any of our reserves, but we want to garner as much interest as possible without additional risk to keep rates lower. Our bond investments are still performing great compared to LAIF which is currently yielding returns of between 0.22 and 0.27 percent.

Compliance with Investment Policy—Exceptions
As of March 31, 2013, the investment portfolio is in full compliance with the approved investment policy. All of the bonds are currently government agency securities with an implicit rating of AA+. The Average Maturity is currently 2.36 years, but with most expected to be called when the opportunity arises, the expected duration is about 1.52 years. With the very shallow yield curve, it is advised to stay with a shorter duration until the yield curve steepens or until the expected trend in bond prices becomes clarifies.

ABAG PLAN Corp.
Portfolio Management
Portfolio Summary
March 31, 2013

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Local Agency Investment Funds	5,824,372.44	5,824,372.44	5,824,372.44	12.95	1	1	0.281	0.285
Federal Agency Issues - Coupon	39,000,000.00	39,122,440.00	39,150,851.72	87.05	2,325	1,940	1.751	1.775
Investments	**44,824,372.44**	**44,946,812.44**	**44,975,224.16**	**100.00%**	**2,024**	**1,689**	**1.561**	**1.582**

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	61,954.01	590,564.49
Average Daily Balance	**44,567,910.82**	**44,922,891.11**
Effective Rate of Return	**1.64%**	**1.75%**

Herbert Pike, Chief Financial Officer

Reporting period 03/01/2013-03/31/2013

Run Date: 05/10/2013 - 15:54

Portfolio PLAN
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ABAG PLAN Corp.
Activity Report
January 1, 2013 - March 31, 2013

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: LOCAL AGENCY INVESTMENT FUND									
Local Agency Investment Funds									
LAIF	LAIF	LOCAL AGENCY INVESTMENT FUND			0.285		9,628.63	1,600,000.00	
	Subtotal and Balance			7,414,743.81			9,628.63	1,600,000.00	5,824,372.44
		Issuer Subtotal	12.994%	7,414,743.81			9,628.63	1,600,000.00	5,824,372.44
		Total	100.000%	44,414,743.81			8,009,628.63	7,600,000.00	44,824,372.44

ABAG PLAN Corp.
Portfolio Management
Portfolio Details - Investments
March 31, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Local Agency Investment Funds												
LAIF	LAIF	LOCAL AGENCY INVESTMENT FUND			5,824,372.44	5,824,372.44	5,824,372.44	0.285		0.281	1	
		Subtotal and Average	6,382,436.96		5,824,372.44	5,824,372.44	5,824,372.44			0.281	1	
Federal Agency Issues - Coupon												
3133ECDM3	FAC141	FEDERAL FARM CREDIT BANK		01/24/2013	2,000,000.00	2,002,360.00	2,000,000.00	1.550		1.529	2,489	01/24/2020
3133ECK37	FAC147	FEDERAL FARM CREDIT BANK		03/26/2013	2,000,000.00	2,012,500.00	2,000,000.00	1.750		1.726	2,551	03/26/2020
313381KX2	FAC139	FEDERAL HOME LOAN BANK		12/27/2012	2,000,000.00	1,997,320.00	2,000,000.00	1.490		1.470	2,461	12/27/2019
313381QW8	FAC140	FEDERAL HOME LOAN BANK		01/30/2013	2,000,000.00	2,003,540.00	2,000,000.00	1.550		1.529	2,495	01/30/2020
313380XC6	FAC143	FEDERAL HOME LOAN BANK		10/30/2012	3,000,000.00	2,990,880.00	2,998,589.88	1.500		1.480	2,403	10/30/2019
3133816M2	FAC145	FEDERAL HOME LOAN BANK		11/21/2012	3,000,000.00	3,000,300.00	2,996,443.45	1.530		1.529	2,425	11/21/2019
3133XVGF8	FAC92	FEDERAL HOME LOAN BANK		08/20/2008	2,000,000.00	2,037,740.00	2,007,002.20	5.125		4.013	135	08/14/2013
3134G3L99	FAC134	FED HOME LOAN MORTG CORP		09/17/2012	2,000,000.00	2,008,440.00	1,994,646.51	1.500		1.479	2,360	09/17/2019
3134G3M49	FAC137	FED HOME LOAN MORTG CORP		09/26/2012	2,000,000.00	2,011,660.00	2,000,000.00	1.500		1.479	2,369	09/26/2019
3137EABJ7	FAC98	FED HOME LOAN MORTG CORP		07/02/2009	3,000,000.00	3,016,950.00	3,005,779.68	3.500		2.196	58	05/29/2013
3136FRX5	FAC125	FEDERAL NATL MTG ASSN		09/20/2011	2,000,000.00	2,012,060.00	2,000,000.00	1.420	AA	1.401	1,268	09/20/2016
3136G0F63	FAC135	FEDERAL NATL MTG ASSN		10/11/2012	2,000,000.00	2,004,480.00	2,000,000.00	1.500		1.479	2,201	04/11/2019
3136G1D48	FAC138	FEDERAL NATL MTG ASSN		02/21/2013	2,000,000.00	2,010,680.00	2,000,000.00	1.750		1.726	2,517	02/21/2020
3136G0U25	FAC142	FEDERAL NATL MTG ASSN		10/29/2012	3,000,000.00	2,995,110.00	3,000,000.00	1.500		1.479	2,402	10/29/2019
3136G17D5	FAC144	FEDERAL NATL MTG ASSN		12/27/2012	2,000,000.00	1,995,940.00	2,000,000.00	1.500		1.479	2,461	12/27/2019
3136G04W8	FAC146	FEDERAL NATL MTG ASSN		11/21/2012	3,000,000.00	2,999,280.00	3,000,000.00	1.600		1.578	2,425	11/21/2019
31359MSL8	FAC99	FEDERAL NATL MTG ASSN		07/21/2009	2,000,000.00	2,025,200.00	2,148,390.00	4.375		2.380	107	07/17/2013
		Subtotal and Average	38,185,473.86		39,000,000.00	39,122,440.00	39,150,851.72			1.751	1,940	
		Total and Average	44,567,910.82		44,824,372.44	44,946,812.44	44,975,224.16			1.561	1,689	

ABAG PLAN Corp.
Activity Report
Sorted By Issuer
January 1, 2013 - March 31, 2013

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: FEDERAL FARM CREDIT BANK									
Federal Agency Issues - Coupon									
3133ECDM3	FAC141	FEDERAL FARM CREDIT BANK			1.550	01/24/2013	2,000,000.00	0.00	
3133ECK37	FAC147	FEDERAL FARM CREDIT BANK			1.750	03/26/2013	2,000,000.00	0.00	
		Subtotal and Balance		0.00			4,000,000.00	0.00	4,000,000.00
		Issuer Subtotal	8.924%	0.00			4,000,000.00	0.00	4,000,000.00
Issuer: FEDERAL HOME LOAN BANK									
Federal Agency Issues - Coupon									
313380NU7	FAC136	FEDERAL HOME LOAN BANK			1.590	01/08/2013	0.00	2,000,000.00	
313381QW8	FAC140	FEDERAL HOME LOAN BANK			1.550	01/30/2013	2,000,000.00	0.00	
		Subtotal and Balance		12,000,000.00			2,000,000.00	2,000,000.00	12,000,000.00
		Issuer Subtotal	26.771%	12,000,000.00			2,000,000.00	2,000,000.00	12,000,000.00
Issuer: FED HOME LOAN MORTG CORP									
Federal Agency Issues - Coupon									
		Subtotal and Balance		7,000,000.00					7,000,000.00
		Issuer Subtotal	15.617%	7,000,000.00			0.00	0.00	7,000,000.00
Issuer: FEDERAL NATL MTG ASSN									
Federal Agency Issues - Coupon									
3469F9CB74	FAC106	FEDERAL NATL MTG ASSN			4.000	03/11/2013	0.00	2,000,000.00	
31359MQV8	FAC107	FEDERAL NATL MTG ASSN			4.750	02/21/2013	0.00	2,000,000.00	
3136G1D48	FAC138	FEDERAL NATL MTG ASSN			1.750	02/21/2013	2,000,000.00	0.00	
		Subtotal and Balance		18,000,000.00			2,000,000.00	4,000,000.00	16,000,000.00
		Issuer Subtotal	35.695%	18,000,000.00			2,000,000.00	4,000,000.00	16,000,000.00

BALANCE SHEET

ABAG PLAN Corporation

MAR-13 USD

	Total	Admin Fund	Liability Fund	Property Fund
ASSETS				
CASH IN BANK	252,384.22	0.00	252,384.22	0.00
LOCAL AGENCY INVEST. FUND	5,824,372.44	1,440,663.46	2,908,528.54	1,475,180.44
INVESTMENTS IN SECURITIES	39,000,000.00	0.00	39,000,000.00	0.00
DISCOUNT ON SECURITIES	(12,044.37)	0.00	(12,044.37)	0.00
PREMIUM ON SECURITIES	162,896.10	0.00	162,896.10	0.00
NET INVESTMENTS IN SECURITIES	39,150,851.73	0.00	39,150,851.73	0.00
ACCOUNTS RECEIVABLE	1,058,464.79	40,000.00	1,018,464.79	0.00
ACCT. REC. CLAIMS REIMB.	486,482.82	0.00	486,432.82	50.00
ACCR. INT. REC. LAIF	4,918.51	0.00	4,918.51	0.00
ACCR. INT. REC. SECURITIES	186,100.55	0.00	186,100.55	0.00
CAPITALIZED SOFTWARE	468,718.96	0.00	468,718.96	0.00
ACCUM. DEPREC. SOFTWARE & COMP E	(126,933.87)	0.00	(126,933.87)	0.00
AUTOMOBILES	52,714.56	52,714.56	0.00	0.00
ACCUM. DEPREC. AUTOMOBILES	(52,714.56)	(52,714.56)	0.00	0.00
TOTAL ASSETS	47,305,360.15	1,480,663.46	44,349,466.25	1,475,230.44
LIABILITIES				
ACCOUNTS PAYABLE	250,351.96	221,138.32	29,213.64	0.00
CLAIMS RESERVE	23,742,000.00	0.00	23,492,000.00	250,000.00
ABOVE-DEDUCTIBLE CLAIMS PAID	(2,166,625.31)	0.00	(2,098,390.14)	(68,235.17)
CLAIMS RESERVE AT MONTH-END	21,575,374.69	0.00	21,393,609.86	181,764.83
UNEARNED PREMIUM REVENUES	2,209,041.75	712,500.47	1,208,778.00	287,763.28
TOTAL LIABILITIES	24,034,768.40	933,638.79	22,631,601.50	469,528.11
FUND EQUITY				
RESTRICTED EQUITY				
CAPITAL RESERVE	91,406.89	0.00	91,406.89	0.00
TOTAL RESTRICTED EQUITY	91,406.89	0.00	91,406.89	0.00
GENERAL EQUITY				
RETAINED EARNINGS	20,104,381.02	244,126.22	18,777,284.19	1,082,970.61
TOTAL GENERAL EQUITY	20,104,381.02	244,126.22	18,777,284.19	1,082,970.61
CURRENT YEAR SURPLUS/(DEFICIT)	3,074,803.84	302,898.45	2,849,173.67	(77,268.28)
TOTAL FUND EQUITY	23,270,591.75	547,024.67	21,717,864.75	1,005,702.33
TOTAL LIABILITIES AND FUND EQUITY	47,305,360.15	1,480,663.46	44,349,466.25	1,475,230.44

INCOME STATEMENT

ABAG PLAN CORPORATION, ADMINISTRATION FUND

MAR-13 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	2,850,002.00	237,500.17	2,137,501.53	(75.00)%	712,500.47
TOTAL REVENUES	2,850,002.00	237,500.17	2,137,501.53	(75.00)%	712,500.47
EXPENSES					
PERSONNEL COSTS	2,544,826.00	205,436.75	1,665,595.77	65.45%	879,230.23
TOTAL PERSONNEL COSTS	2,544,826.00	205,436.75	1,665,595.77	65.45%	879,230.23
TECHNICAL SOFTWARE SUPPORT	68,500.00	3,087.94	55,068.87	80.39%	13,431.13
LEGAL CONSULTANTS	20,000.00	4,682.50	19,811.70	99.06%	188.30
CLAIMS CONSULTANTS	45,000.00	5,822.65	11,847.68	26.33%	33,152.32
ACTUARIAL CONSULTANTS	28,000.00	0.00	8,100.00	28.93%	19,900.00
AUDIT FEES CLAIMS ADMIN.	12,000.00	0.00	0.00	0.00%	12,000.00
AUDIT FEES FINANCIAL	12,000.00	0.00	12,330.00	102.75%	(330.00)
OTHER CONSULTANTS	15,000.00	0.00	9,574.33	63.83%	5,425.67
TOTAL	200,500.00	13,593.09	116,732.58	58.22%	83,767.42
OTHER DIRECT CHARGES					
TRAVEL	5,000.00	435.98	4,512.59	90.25%	487.41
PRINTING IN-HOUSE	1,000.00	203.05	1,687.30	168.73%	(687.30)
PRINTING OUTSIDE	1,000.00	0.00	783.55	78.35%	216.45
CONFERENCES & SEMINARS	12,000.00	128.44	10,406.13	86.72%	1,593.87
OFFICE SUPPLIES	3,000.00	172.02	3,400.21	113.34%	(400.21)
SUBSCRIPTIONS & MEMBERSHIPS	5,000.00	344.76	538.91	10.78%	4,461.09
POSTAGE	3,000.00	324.08	2,648.41	88.28%	351.59
TELEPHONE	1,500.00	0.00	856.93	57.13%	643.07
INSURANCE & BONDING	20,000.00	0.00	21,667.59	108.34%	(1,667.59)
STAFF TRAINING & DEVELOPMENT	2,500.00	0.00	0.00	0.00%	2,500.00
INTEREST EXPENSE/BANK CHARGES	0.00	100.00	1,300.00	n/m	(1,300.00)
MISCELLANEOUS	15,000.00	300.00	4,473.11	29.82%	10,526.89
TOTAL OTHER DIRECT CHARGES	69,000.00	2,008.33	52,274.73	75.76%	16,725.27
TOTAL EXPENSES	2,814,326.00	221,038.17	1,834,603.08	65.19%	979,722.92
SURPLUS/(DEFICIT)	35,676.00	16,462.00	302,898.45	(849.03)%	(267,222.45)

INCOME STATEMENT

ABAG PLAN CORPORATION, GENERAL LIABILITY

MAR-13 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	4,835,112.00	402,926.00	3,626,334.00	(75.00)%	1,208,778.00
INVESTMENT INCOME (INCL. LAIF)	1,300,000.00	59,739.26	572,119.38	(44.01)%	727,880.62
CLAIMS DIVIDEND	0.00	0.00	99,747.00	n/m	(99,747.00)
TOTAL REVENUES	6,135,112.00	462,665.26	4,298,200.38	(70.06)%	1,836,911.62
EXPENSES					
ADJ. TO CLAIMS RESERVE	3,000,000.00	0.00	0.00	0.00%	3,000,000.00
LOSS PREVENTION PROGRAMS					
BEST PRACTICES SERVICES	347,605.00	27,879.57	115,547.48	33.24%	232,057.52
DEFENSIVE DRIVER TRAINING	40,000.00	0.00	1,098.21	2.75%	38,901.79
POLICE RISK MANAGEMENT FUND	310,986.00	35,801.82	182,440.12	58.67%	128,545.88
RISK MANAGEMENT PROGRAMS	875,877.00	115,042.56	391,318.19	44.68%	484,558.81
RISK MANAGEMENT TRAINING	195,000.00	12,251.07	44,039.53	22.58%	150,960.47
SEWER LOSS PREVENTION	60,000.00	5,625.40	27,364.95	45.61%	32,635.05
TOTAL	1,829,468.00	196,600.42	761,808.48	41.64%	1,067,659.52
OTHER DIRECT CHARGES					
INSURANCE & BONDING	694,023.00	0.00	651,691.00	93.90%	42,332.00
AMORTIZED SOFTWARE COSTS	47,370.00	3,947.47	35,527.23	75.00%	11,842.77
TOTAL OTHER DIRECT CHARGES	741,393.00	3,947.47	687,218.23	92.69%	54,174.77
TOTAL EXPENSES	5,570,861.00	200,547.89	1,449,026.71	26.01%	4,121,834.29
SURPLUS/(DEFICIT)	564,251.00	262,117.37	2,849,173.67	(504.95)%	(2,284,922.67)

INCOME STATEMENT

ABAG PLAN CORPORATION, PROPERTY FUND

MAR-13 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	1,151,053.00	95,921.08	863,289.72	(75.00)%	287,763.28
INVESTMENT INCOME (INCL. LAIF)	27,000.00	2,250.00	20,250.00	(75.00)%	6,750.00
TOTAL REVENUES	1,178,053.00	98,171.08	883,539.72	(75.00)%	294,513.28
EXPENSES					
ADJ. TO CLAIMS RESERVE	250,000.00	0.00	0.00	0.00%	250,000.00
PROPERTY INSURANCE	960,808.00	0.00	960,808.00	100.00%	0.00
TOTAL EXPENSES	1,210,808.00	0.00	960,808.00	79.35%	250,000.00
SURPLUS/(DEFICIT)	(32,755.00)	98,171.08	(77,268.28)	(235.90)%	44,513.28

Association of Bay Area Governments

PLAN CORPORATION

Pooled Liability Assurance Network

Association of Bay Area Governments

Date: May 9, 2013

To: Nick Pegueros, Chairman - Finance Committee

From: Jim Hill, Risk Management Officer

Subject: **Quarterly Variance Report – PLAN Administration Fund 3rd QE March 2013**

Action: None. Information only.

Revenue
3rd QE Earned Premium (YTD) is $2,137,502 in line with budget estimates on a pro-rata basis. No significant variance from plan is noted. PLAN will also recognize additional revenue of $10,000 in the 4th quarter related to the claim settlement agreement dated with ABAG (installment payment).

Expenses

Personnel
3rd QE Personnel Costs (YTD) of $1,665,596, are below budget by approximately 9.6%. The favorable variance is attributable to the retirement of the Claims Supervisor and the appointment of a new supervisor from within the team. A portion of the budget savings was offset by cost associated with temporary staffing and the hiring of an Asst. Claims Examiner, however, there was an overall savings achieved through a reduction in salaries and allocated cost (indirect).

Consultants
3rd QE Consulting Fees (YTD) were $116,733 well within budgetary parameters on a pro-rata basis. It is notable that Legal consulting fees of $19,812 currently exceed the annual budget on a pro-rata basis. The variance from budget is driven by unexpected legal costs associated with the Singh v Gilroy claim. The matter is set for mediation in June and additional legal costs will be incurred until a settlement is achieved. At this juncture, it is very difficult to determine associated legal costs due to the complexity of the matter.

Technical software/support fees of $55,069 are slightly above budget (5%) on a pro-rata basis. These costs will be closely monitored through the end of the fiscal year. All other consulting fees were in line, or below budget estimates.

Other Direct Charges
3rd QE (YTD) total other direct charges of $52,275 are on target. Despite the fact we are on track in terms of ODC budget expenditures on a total basis, we are approaching the annual budget for travel expenses. There are no immediate concerns as no major travel is anticipated through the end of the fiscal year. Printing (in-house) expenses are showing a large variance from budget, however, the budgeted expense was nominal. This variance is largely a function of additional funds expended on the creation of PLAN folders and the Risk Matters newsletter.

Surplus/Deficit

Total Administrative Fund expenses at 3rd QE were $1,834,603, approximately 10% below budget. Surplus at 3rd QE was $302,898 versus a projected surplus of $35,676. We are on target to finish the year slightly ahead of budget. It was another challenging year, however, PLAN continues to exceed budget expectations through prudent means. As of March 2013 PLAN total cumulative Administrative Fund surplus is $547,025.

INCOME STATEMENT

ABAG PLAN CORPORATION, ADMINISTRATION FUND

MAR-13 USD

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
EARNED PREMIUM	2,850,002.00	237,500.17	2,137,501.53	(75.00)%	712,500.47
TOTAL REVENUES	2,850,002.00	237,500.17	2,137,501.53	(75.00)%	712,500.47
EXPENSES					
PERSONNEL COSTS	2,544,826.00	205,436.75	1,665,595.77	65.45%	879,230.23
TOTAL PERSONNEL COSTS	2,544,826.00	205,436.75	1,665,595.77	65.45%	879,230.23
TECHNICAL SOFTWARE SUPPORT	68,500.00	3,087.94	55,068.87	80.39%	13,431.13
LEGAL CONSULTANTS	20,000.00	4,682.50	19,811.70	99.06%	188.30
CLAIMS CONSULTANTS	45,000.00	5,822.65	11,847.68	26.33%	33,152.32
ACTUARIAL CONSULTANTS	28,000.00	0.00	8,100.00	28.93%	19,900.00
AUDIT FEES CLAIMS ADMIN	12,000.00	0.00	0.00	0.00%	12,000.00
AUDIT FEES FINANCIAL	12,000.00	0.00	12,330.00	102.75%	(330.00)
OTHER CONSULTANTS	15,000.00	0.00	9,574.33	63.83%	5,425.67
TOTAL	200,500.00	13,593.09	116,732.58	58.22%	83,767.42
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CONFERENCES & SEMINARS	12,000.00	128.44	10,406.13	86.72%	1,593.87
OFFICE SUPPLIES	3,000.00	172.02	3,400.21	113.34%	(400.21)
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TELEPHONE	1,500.00	0.00	856.93	57.13%	643.07
INSURANCE & BONDING	20,000.00	0.00	21,667.59	108.34%	(1,667.59)
STAFF TRAINING & DEVELOPMENT	2,500.00	0.00	0.00	0.00%	2,500.00
INTEREST EXPENSE /BANK CHARGES	0.00	100.00	1,300.00	n/m	(1,300.00)
MISCELLANEOUS	15,000.00	300.00	4,473.11	29.82%	10,526.89
TOTAL OTHER DIRECT CHARGES	69,000.00	2,008.33	52,274.73	75.76%	16,725.27
TOTAL EXPENSES	2,814,326.00	221,038.17	1,834,603.08	65.19%	979,722.92
SURPLUS/(DEFICIT)	35,676.00	16,462.00	302,898.45	(849.03)%	(267,222.45)

Association of Bay Area Governments
PLAN
CORPORATION
Pooled Liability Assurance Network
Association of Bay Area Governments

Date: May 9, 2013

To: Nick Pegueros - Chairman - Finance Committee

From: Jim Hill, Risk Management Officer

Subject: **PLAN Administration Fund – 2013-14 FY Preliminary Budget**

Recommendation:

Staff recommends that the Finance Committee approve the PLAN Administrative Budget as presented.

Summary

The PLAN Administrative Budget for FY 2013/14 is $2,983,320. The budget reflects an increase of $168,994 (6%) from prior year. A detailed analysis of the proposed budget, including a comparison to the prior fiscal year is attached. PLAN staff will provide the committee with a detailed breakdown of Personnel cost, including a comparison to prior fiscal year. All other PLAN operating costs are detailed in the attachment.

Personnel Costs

ABAG continues to focus on the overall containment of operating expenses, however, budgeted personnel costs have risen 6% for PLAN primarily due to an increase in the benefit load. The current benefit load is approximately 79%. The benefit amounts are reflected in the personnel rates shown in the attachment and include CalPERS Pension Contribution (31.3%), CalPERS Health Contribution (22.1%), OPEB - Retiree Medical (13.1%) and all other Benefit Costs (12.9%) . PLAN direct personnel costs (salaries and benefits) constitute 63% of the total administrative budget.

A classification study was performed during this fiscal year by CPS. The study revealed that PLAN staff is very competent and properly classified in most instances. The study also indicated there were notable opportunities to increase overall operating efficiency. As a result of the study, a new position was created (Assistant Claims Examiner). The goal of this position was to create increased capacity among our Claims Examiners by reducing some of the administrative burden they face on a day to day basis.

The Assistant Claims Examiner has been hired and is assimilating into the team nicely. A new supervisor is in place and more effective oversight of the claims operations is one of our priorities. Systems are being put in place to better manage processes and to eliminate redundancies in operations. Increased focus is being placed on claim reviews, improved diagnostic reporting and more open communication with members on claims related matters.

PLAN claim frequency has gone down over the past five years, however, there has been a recent spike in activity. The complexity of claims is greater which leads to higher claim incurred values and longer duration. Claims are taking more time to close and examiner open claim inventories are rising impacting our internal capacity. Significant concerns are being raised regarding Examiner capacity to take on additional workload, despite the findings of our classification survey.

The proposed budget takes into consideration a Claims Specialist (Sr. Examiner - Sewer) on a part time basis to assist in the handling of more complex Sewer and Water claims. Further re-organization or re-alignment of PLAN claims examiners will be contemplated to address HR and performance issues.

Administrative Budget Highlights

The proposed Administrative Budget reflects a deficit of $123,320. This deficit will be offset by carry over surplus from prior years. PLAN Administrative surplus balance is approximately $302,000 at March 2013 and is projected to exceed the planned deficit by a significant margin.

All major variances have been highlighted in yellow. In addition to the 6% increase in personnel costs, we anticipate our Legal costs to increase by 100% ($20,000) due to the ongoing dispute with Gilroy (Singh v Gilroy). This matter is set for mediation in June, however, the prognosis is uncertain given the complexity of the matter. Our total other costs of $222,500 reflect an overall increase of 11% primarily driven by the change in budgeted legal expenses.

Other direct charges are projected to increase by only $500 (1%). While there are notable changes to some of the line items on a percentage basis, the overall change and budget values in each case are unremarkable.

ABAG Plan Corporation Administrative Budget FY 2013/14

	Proposed Budget 2013-14	Approved Budget 2012-13	$ Change	% Change
REVENUES				
Administrative Premium	$ 2,850,000	$ 2,850,000	$ -	0%
Investments	n/a	n/a	n/a	
Other Revenue	$ 10,000	$ 10,000	$ -	0%
TOTAL REVENUES	$ 2,860,000	$ 2,860,000	$ -	0%
EXPENSES				
PLAN Personnel Costs (Staff)	$ 2,691,320	$ 2,544,826	$ 146,494	6%
Total	$ 2,691,320	$ 2,544,826	$ 146,494	6%
OTHER COSTS				
Technical Consultant Fees	$ 68,500	$ 68,500	$ -	0%
Legal Consultants	$ 40,000	$ 20,000	$ 20,000	100%
Claims Consultants	$ 45,000	$ 45,000	$ -	0%
Actuarial Consultants	$ 30,000	$ 28,000	$ 2,000	7%
Audit Fees Financial	$ 12,000	$ 12,000	$ -	0%
Audit Fees Claims Audit	$ 12,000	$ 12,000	$ -	
Other Consultants	$ 15,000	$ 15,000	$ -	0%
Total Other Costs	$ 222,500	$ 200,500	$ 22,000	11%
OTHER DIRECT CHARGES				
Travel	$ 5,000	$ 5,000	$ -	0%
Printing In-House	$ 2,500	$ 1,000	$ 1,500	150%
Printing Outside	$ 1,000	$ 1,000	$ -	0%
Conferences & Seminars	$ 12,000	$ 12,000	$ -	0%
Office Supplies	$ 3,500	$ 3,000	$ 500	17%
Subscriptions & Memberships	$ 3,500	$ 5,000	$ (1,500)	-30%
Postage	$ 3,000	$ 3,000	$ -	0%
Telephone	$ 1,500	$ 1,500	$ -	0%
Insurance & Bonding	$ 25,000	$ 20,000	$ 5,000	25%
Staff Training & Development	$ 2,500	$ 2,500	$ -	0%
Miscellaneous	$ 10,000	$ 15,000	$ (5,000)	-33%
Total Other Direct Charges	$ 69,500	$ 69,000	$ 500	1%
TOTAL EXPENSES	$ 2,983,320	$ 2,814,326	$ 168,994	6%
SURPLUS/(DEFICIT)	$ (123,320)	$ 45,674		