



5. Frequently Asked Questions:



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How often and where are Board meetings held?

Board meetings are held 7 times per year (September, October, December, January, March, May and June) on a schedule determined at a June Board meeting. All meetings are held in Jamesburg, NJ. Meeting locations are communicated in your board package.

Board members receive background information approximately 7 days prior to the board meeting that they are expected to have reviewed in preparation for the meeting. All meetings packages are communicated electronically and may be viewed on a web site. Trustees are provided a tablet for this purpose.

The Board meetings are open to the public and subject to the Open Public Meetings Act. For matters that relate to personnel, claims or litigation; the board enters into Executive Session. In accordance with the Open Public Meetings Act, the Chair will announce the purpose of the Session. Meeting minutes are taken at all Board meetings. These are reviewed and approved by the Board at the subsequent meeting.

Are there attendance requirements?

Yes. Attendance at all board meetings is expected and is important as the Board does not always meet monthly, but requires continuity of information and decision making to provide adequate oversight and direction to the organization. A quorum of the Board exists when five out of nine trustees are present.

What are the trustee qualifications?

Each trustee must be 18 years of age or older and be a resident of this state. Six trustees shall be members of the school board of a member district. One trustee shall represent New Jersey Association of School Business Officials (NJASBO). One trustee shall represent the New Jersey Association of School Administrators (NJASA). The President of the New Jersey School Boards Association or designee shall serve ex-officio. The NJSBA President shall nominate school board members as Group trustees. The President of the New Jersey School Business Officials Association will nominate the Business Official trustee and the President of the New Jersey Association of School Administrators will nominate the superintendent trustee. Term of service is three years except for the President of the New Jersey School Boards Association or designee, who shall serve ex-officio.

What can I expect at a Board meeting?

The Board agenda is comprised of minutes, financial statements and department reports to include: a Directors report, Comptroller, Member Services, Loss Control, Claims, IT, Underwriting and our Reinsurance Broker. Most of the meeting time will be devoted to discussion regarding items that help the Board determine the health of the Pool. Other agenda items include the property/casualty reinsurance pricing, acceptance of external audit and actuary reports, approval of internal reports and an Executive Session. Executive Session is dedicated to discussing claims settlement authorities, contracts and litigation. Meetings begin at 4:00 and typically end by 8:00 p.m. including dinner.

Why was the NJSBAIG established?

During the 1970's the commercial insurance market determined that public schools were poor risks. The pricing for property and casualty (P/C) coverage sky rocketed and coverage was reduced.

In response to those market conditions the NJ legislature enacted a law (N.J.S.A. 18A:18B-1) which permitted two or more NJ public schools to form a risk sharing agreement known as a joint insurance fund (JIF).

The NJSBAIG was formed in 1983. Its purpose was to provide NJ public schools a mechanism to share risk. This risk sharing, known as pooling, brought price stability to the P/C market.

In the appendix of this document is a section entitled historical perspective. It is a speech the NJSBA Executive Director (Ted Reid) gave in 1988. This speech contains much of the historical perspective necessary to understand the formation of the NJSBAIG.

What is the purpose of the New Jersey School Boards Association Insurance Group (NJSBAIG) and what types of coverage does NJSBAIG provide?

The types of coverage and purpose of NJSBAIG are explained in great detail in the Insurance Group's Bylaws and Plan of Risk Management. These documents are located in this book for your review. The first Annual Membership Meeting of NJSBAIG took place in Atlantic City during the NJSBA Workshop in 1988. A copy of the written presentation is also included here as it provides a comprehensive outline of the initial philosophy behind the formation of NJSBAIG.

The NJSBAIG' purpose is to permit the Boards of Education joining to make a more efficient use of their powers and resources by cooperating on a basis that will be of mutual advantage in the areas of insurance coverage and Risk Management Programs. Presently NJSBAIG provides coverage for Workers' Compensation, Automobile Liability, General Liability, Property, School Board Legal Liability, Boiler & Machinery, Excess Liability and Crime Coverage. As an ancillary product offering we also provide coverage for Student Accident, Environmental Liability and Supplemental Indemnity.

NJSBAIG is the oldest and largest joint insurance fund (pool) in New Jersey. NJSBAIG can, by statute, only insure New Jersey 'Public' school districts. We have many competitors in the form of commercial insurance carriers and/or competing joint insurance funds. Presently (2011), NJSBAIG insures 65% of all the public schools in New Jersey.

What is a sub fund of NJSBAIG?

The NJSBAIG joint insurance fund comprises seven sub funds, or seven regional pools within the broader statewide pool. These sub funds bring together schools from neighboring counties. These schools typically share common cultures, needs and challenges and leverage their purchasing power and collective loss experience to secure workers compensation discounts.

NJSBAIG divided up its statewide membership into seven regions beginning in 1998 in an effort to foster greater accountability and participation among members in those areas. This has led to local training events sponsored by the Sub Fund Administrator as part of the sub fund's quarterly meeting. These quarterly meetings encourage networking and shared collaboration regarding best practice risk management. As a result deep discounts off of workers' compensation state rates have been the norm.

Each sub fund is managed by a Sub Fund Administrator, a NJ-based broker specializing in school insurance and risk management. The Sub Fund Administrator, in close collaboration with NJSBAIG leadership, is responsible for growing and retaining membership, managing events and overseeing the operations of the sub fund.

Each sub fund has its own Advisory Board. The Chairperson is a member business administrator who represents the interests of the sub fund. Either a sub fund Chairperson or Liaison is invited to attend the Board of Trustees meetings and provide a report outlining recent sub fund policies and practices

Within this manual is a map of NJ showing each of the 7 sub funds by county and can be found under "About NJSBAIG" – "Value Added Services".

Is the NJSBAIG a public entity?

Yes. The Group's legal counsel has opined on this issue. Please see the attached letter from Archer & Greiner dated 10/22/10.

Is the NJSBAIG a school district?

No. The Group is enabled by specific legislation (N.J.S.A. 18A:18B-1). It is a public entity. According to the Group's bylaws and enabling legislation it functions independently from NJ public schools. See the attached opinion above regarding the Group's operation and the school's ethic act. Please see the attached letter from Archer & Greiner dated 10/22/10.

Is the NJSBAIG part of any other organization?

No. Although its name is similar to the NJSBA it is a completely independent organization. A NJ State Commission of Investigation (SCI) report makes a clear recommendation to operate the Group separately from the NJSBA. This report is in the appendix of this orientation manual.

How is the NJSBAIG governed?

The Group's bylaws were originally approved during its formation in 1983. In 1998 the bylaws were revised. These bylaws are found in the Governing Document section of this document.

The Group is governed by a board of nine trustees. This board is made up of seven elected school board members, one business official and one superintendent all from NJSBAIG member districts.

Are Trustee paid for their involvement?

No. Trustees receive no compensation. The position is voluntary. Trustees are eligible to receive reimbursement for expenses specific to their Group duties. Expenses must be submitted for reimbursement within 60 days as prescribed in the Group bylaws.



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October 22, 2010

ATTORNEY-CLIENT PRIVILEGED INFORMATION

Mr. Marty Kalbach, Executive Director
New Jersey School Boards
Association Insurance Group
450 Veterans Drive
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RE: Board of Trustees - School Ethics Act

Dear Marty:

Per the request of the Board of Trustees, the following is a summary of our opinion regarding the New Jersey School Boards Association Insurance Group ("Group"), status as a public entity and what limitations, if any, exist on expenditures and reimbursement for alcohol and other entertainment expenses.

Initially, and as discussed at our last Board meeting, the Group is a public entity under the law. The Group is a statutorily created entity under N.J.S.A. 18A:18B-1. It is also my understanding that the Group's employees are eligible for the state health benefits plan and a state pension. As you are aware, in Shapiro v. Middlesex County Municipal Joint Insurance Fund, 307 N.J. Super. 453 (App. Div. 1998), a municipal JIF was found to be a public entity for the purposes of immunity under the Tort Claims Act. It is my opinion that the Group would also be found to be a public entity based on the above facts.

As a local public entity, the Group is required to abide by the Local Government Ethics Law, N.J.S.A. 40A:9-22.1 et seq. There is nothing under the local government ethics law that limits the expenditures and reimbursements for alcohol and other entertainment expenses.

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Alternatively, the School Ethics Act, N.J.S.A. 18A:12-21 et seq., the School District Accountability Act, P.L. 2007, c. 53 and the Fiscal Accountability, Efficiency and Budgeting Procedures, N.J.A.C. 6A:23A et seq., require that public school district funds not be spent on entertainment, meals and alcohol. The NJSBA has argued that the Group is subject to these acts, and that all such expenditures need to be eliminated (and reimbursed for such expenditures).

However, by definition the School Ethics Act only applies to members of local boards of education and local school administrators. N.J.S.A. 18A:12-22. A local school district is defined to include local or regional school districts and any jointure commission, county vocational school, county special services district, educational services commission, educational research and demonstration center, environmental education center and educational information and resource center. N.J.S.A. 18A:12-23. Notably, these categories do not include the Group. An administrator is defined as "any officer other than a board member, or employee of a local school district who (i) holds a position which requires a certificate that authorizes the holder to serve as school administrator, principal, or school business administrator; or (ii) holds a position which does not require that the person hold any type of certificate but is responsible for making recommendations regarding hiring or the purchase or acquisition of any property or services by the local school district; or (iii) holds a position which requires a certificate that authorizes the holder to serve as supervisor and who is responsible for making recommendations regarding hiring or the purchase or acquisition of any property or services by the local school district. N.J.S.A. 18A:12-23. A school official is defined to include a board member, an employee or officer of the New Jersey School Boards Association, but not including any member of the secretarial, clerical or maintenance staff of the association, or an administrator. N.J.S.A. 18A:12-23. Board members, employees or officers of the Group are not included in the definition of school official or administrator under the School Ethics Act.

Those trustees who are either school officials or administrators in their local school districts, are not school officials/administrators of the Group, but are simply local school officials who are also trustees of the Group. The purpose of the School Ethics Act is to "prescribe ethical standards by which school officials are to be guided in the *conduct of their offices and positions*." See N.J.A.C. 6A:28-1.1.. In other words, the act aims to prevent school officials from engaging in wrongful conduct while carrying out their official duties and from misusing their official positions to secure unfair advantages. Thus, the scope of the act is limited to school officials acting as school officials and does not extend to school officials or board of education members' conduct in other capacities.

The School District Accountability Act, which revised certain sections of the school laws, limits the conduct of school officials relative to travel expenditures (among other things). The statutory revisions do not address entertainment expenses. Again, the sections of N.J.S.A. 18A which were amended by this Act do not apply to the Group, but to local school districts.

The Fiscal Accountability, Efficiency and Budgeting Procedures are the administrative regulations that were adopted pursuant to the School District Accountability Act. Those rules

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also only apply to local public school districts or school districts which are defined to mean any local or regional school district established pursuant to N.J.S.A. 18A:8 or 18A:13, or a school district under full State intervention, but not including a charter school (unless specified otherwise). See N.J.A.C. 6A:23A-1.2. The Accountability regulations specifically provide that each school district must comply with the State of New Jersey Department of the Treasury, Office of Management and Budget Circulars 08-19-OMB and 06-14-OMB. See N.J.A.C. 6A:23A-7.1. Those particular OMB Circulars expressly prohibit reimbursement for any expenses for alcoholic beverages, and also contain specific limitations on entertainment expenses.

The OMB Circulars, however, are policy directives and/or procedures that are required to be followed by executive branch departments/agencies. The Group is not an executive branch department or agency. The OMB Circulars also provide that if other branches of government, independent governmental organizations, authorities, colleges, universities, etc. wish to adopt circulars, it is at their own discretion to implement or amend as they find necessary. That is exactly what the legislature decided to do when they incorporated the OMB Circulars referenced above into the statutes and regulations that apply to public schools. The OMB Circulars were not incorporated into the regulations that apply to the Group.

In addition, the regulations that apply to the Group specifically state that the Group must comply with the Public Schools Contract Law. See N.J.A.C. 11:15-4.4(a) and (c). N.J.A.C. 11:15-4.27 (relied upon by NJSBA) states simply that all school officials and members of their immediate families shall comply with the School Ethics Act and any other applicable law governing the conduct of members, officers or employees of school boards. It does not state that the Group has to comply with the School Ethics Act, etc. It is a reincorporation of the school ethics act as it applies to school officials (acting as school officials). It does not say that NJSBAIG Board of Trustees members are bound by the School Ethics Act merely by virtue of some Board of Trustees members also being school officials.

Finally, the State of New Jersey Commission of Investigation report from April, 1990, was an investigation into the affairs of the NJSBA, not the Group, although the inter-relationship was discussed and the Commission disapproved of the relationship between the two separate entities. Other than recommending on page 4 that the Group further divest itself from the NJSBA, it made no findings that the Group was required to comply with any specific school laws.

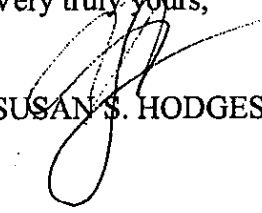
Simply put, while the Group is a public entity, it is not a public school and there is no requirement that the Group follow the Accountability Act, or the School Ethics Act. Likewise, there is no basis to require that the Group follow the OMB Circulars. Therefore, the Group employees may be reimbursed for meals, alcohol or entertainment expenses provided as part of their marketing efforts in accordance with Group policy.

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That being said, if the Group is purchasing meals or alcohol for an individual who is covered by the School Ethics Act, that individual may only accept the meal in accordance with the School Ethics Act (there is a monetary limitation), and that individual should not accept the "gift" of alcohol. In fact, we would not suggest that employees attempt to purchase alcohol or expensive meals for school administrators. However, it is the individual's responsibility to comply with the School Ethics Act, not the Groups' responsibility.

Please do not hesitate to contact me to discuss.

Very truly yours,



SUSAN S. HODGES

SSH/tam

cc: Neal Schonhaut, Esquire (via email)

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