



**EXECUTIVE BOARD  
Committee Meeting Minutes**

**Wednesday, May 27, 2015  
IRMA Office  
1:30 p.m.**

**PRESENT:** Drew Irvin, Chair  
Ingrid Velkme  
Bridget Wachtel  
Julia Cedillo  
Peggy Halik  
Kathleen Gargano  
David Clark (via telephone)  
Eileen Donahue  
Steve Stricker

**ALSO  
PRESENT:** Margo Ely  
Dan LeTourneau  
Rita Boserup  
Susan Garvey  
Jackie Streid  
Mary Henzler

**ABSENT:** None

**I. CALL TO ORDER**

Chair Irvin called the meeting to order. Roll was taken and a quorum declared.

**II. APPROVAL OF MINUTES – March 4, 2015**

A motion was made by Cedillo and seconded by Donahue to approve the Executive Board Meeting Minutes of March 4, 2015. A voice vote was called and the motion carried.

Irvin stated that IRMA Reports for information only could be found on the IRMA website and asked if anyone had any comments/questions. There were none.

**III. CHAIR'S REPORT - IRVIN**

**Task Force on Contribution Structure**

Ely reported that the Task Force met three times and the memo in the packet explains the journey of the study conducted. The conclusions that the Task Force arrived at based on the actuarial data are: the IRMA contribution formula does not result in subsidization based on member size; we have a reasonable formula based on revenue that is a very good factor in determining what the contribution should be; that workers' compensation is more predictable than any of our other lines of coverage, and is consistently our highest cost. As a result, the Task Force is recommending over the next three to five years that the organization focuses more on workers' compensation; eliminate the Watchlist program as it has existed and replace it with a Workers' Compensation Focus Program that would identify some members that should reduce their workers' compensation losses. Those members would get some special, extra attention from IRMA to help reduce their workers' compensation risks. The additional assistance would involve not only some additional trainings, but review of policies and assistance to remove obstacles to light duty and early return to work type of programs. As a result of identifying a Workers' Compensation Focus Program, staff had a discussion with the Membership Relations Committee to talk about the impact it would

have on the committee, as they will be overseeing the program. As a component of that discussion, our actuary gave us a proposal to provide us with a predictive modeling process. Ely stated that she has asked Milliman to join us for our June Board of Directors meeting to further explain what exactly the take aways and work product would be from the predictive modeling proposal. Ely commented that staff's understanding is that it would benefit the pool overall more than the individual members by identifying our risk factors for predicting losses in the future. Ely stated that she thought another benefit would be that we would set our rate a little bit more accurately, because it would allow us to predict our future losses with somewhat more accuracy and in a more timely manner.

Ely reported that the Training & Education Committee had a discussion, as well because the new program will necessitate changes to our training regimen. Staff is looking at whether some of our trainings can be provided through video, streaming, webinars in order to allow us to provide more training to the members who have the higher workers' compensation losses.

Ely stated that the Administration & Finance Committee had a discussion about the elimination of the \$250,000 permanent deductible, which is one of the recommendations that the Task Force made. The reason for this is that it was originally created to attract Oak Park. It was ineffective in that endeavor. A permanent deductible is really antithetical to the pooling philosophy, and the Task Force is recommending that it be deleted from our bylaws. The Administration and Finance recommended that as well.

Another issue that the Administration and Finance Committee discussed relates to a proposed revision to our Optional Deductible Policy, where we would try to incent higher deductibles by our members. One of the directions from the Task Force was the focus on workers' compensation and the other focus is on helping members to move to higher deductibles. The belief is that with members moving to higher deductibles, it will result not only in a better financial situation for the individual members, but also it will overall reduce losses because it increases accountability. Ely noted that we have 42 members who are at the \$2,500 deductible. Some of those members have losses that would support a higher deductible, so what are the obstacles to going to that higher deductible?

Ely stated that the staff proposal is to allow for the optional deductible credit to be deposited into a member deductible fund, so that it would earn interest at the IRMA investment rate. Ely commented that the Administration and Finance Committee did not totally embrace this concept, expressing concerns about the fund being restricted to only paying claims during a five-year period, similar to the Members' Reserve Fund. Ely stated that there was a good discussion by the Administration and Finance Committee and they certainly support looking at ways to remove obstacles to higher deductibles, but they don't have a significant level of confidence that this proposal would be effective because it was overly complicated.

Ely reported that the Administration and Finance Committee did create a sub-committee to consider a different approach to rates. The sub-committee will also look at whether we should have a different optional deductible structure to provide for a \$5,000 deductible and eliminate the \$2,500 deductible.

The Executive Board discussed the action items for the Board of Directors.

A motion was made by Stricker and seconded by Wachtel to approve the elimination of the \$250,000 permanent deductible. A voice vote was called and the motion carried.

#### **IV. COMMITTEE REPORTS**

##### **A. MEMBERSHIP RELATIONS COMMITTEE – WACHTEL**

###### **1. Legislative Update**

Wachtel stated that the packet included a legislative update talking about workers' compensation reform. There was a subsequent document sent via email that outlined Governor Rauner's focus on workers' compensation reform. Wachtel commented that we all know that Senate Bill 846 is out there, but probably won't be going anywhere.

Ely reported that she had recently travelled to Springfield and it appears that no one knows what is going to happen. Governor Rauner has made it perfectly clear that he will not consider any revenue enhancements until he gets workers' compensation reform, tort reform, and arbitration reform. Speaker Madigan filed 4 amendments to that bill that are great; they put a causation clause into workers' compensation, and enforce the AMA Guidelines. Ely stated that when she was in Springfield she gave them a lot of data that we have to support the need for additional workers' compensation reform. However, at this point, we don't really know what is going to happen.

###### **2. 2015 Claims to Contribution/Watchlist Report**

Wachtel indicated that the Executive Board will need to vote to accept the report. Wachtel noted that for the fourth straight year, there is no recommendation to add any members to the Watchlist for 2016. There are a few members that will receive IRMA Advisory Letters – Village of Olympia Fields and the Village of Buffalo Grove. It is also recommended that an Advisory Letter be sent to the Village of Sugar Grove and the Village of Berkeley. Wachtel pointed out that the Members' overall five year claims experience to IRMA loss fund contribution results for 2014 were almost identical to 2013 at 59.46%, which was the most favorable performance in more than twenty (20) years.

A motion was made by Wachtel and seconded by Velkme to accept the 2015 Claims to Contribution/Watchlist Report. A voice vote was called and the motion carried.

###### **3. 2015 Summer Intern Program - Update**

Wachtel reported that the summer intern has begun his assignment for NIPSTA and the Villages of Hazel Crest, Cary, Westmont, and LaGrange Park. The update shows the specific activities the intern will be working on for the next twelve weeks.

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LeTourneau passed around a draft copy of the IRMA brochure. The plan is to use it for members' board members and also to send out to prospective members.

**B. TRAINING & EDUCATION COMMITTEE – DONAHUE**  
**1. Best Risk Management & Safety Initiative Awards**

Donahue reported that there were 4 submissions this year as there were last year. The monetary award is \$1,500, and last year it was split between a couple different members. There was a lot of discussion at the Training & Education Committee about disbanding this award program and maybe doing something else. One of the reasons was that the submissions this year weren't that good – didn't show a lot of initiative or creativity.

Margo stated that basically the direction from the Training & Education Committee is that we should repackage or rethink what we are trying to accomplish. Ely stated that staff had been thinking about creating a new award to be given out at the Education Summit. It wouldn't be a financial award, but a trophy that would get passed from member to member on an annual basis. It would basically be to recognize innovation of a particular member. This year we have a member who has been very proactive with workers' compensation. We may have the recipient of the award tell their story at the Education Summit.

**2. Five-Year Contract with Police Law Institute**

LeTourneau reported that the Police Law Institute has agreed to a 5-year contract extension at the same amount of \$70,400 per year. A motion was made by Donahue and seconded by Gargano to approve the Police Law Institute Contract renewal proposal at a flat rate for the period January 1, 2016 to January 1, 2021.

Donahue reported that Lemont's Police Chief surveyed his officers on their usage of the PLI training. Feedback was that they felt the training was redundant and that PLI was using the same subject matter from the year before. The Chief felt that the training should be more concise/short – quick little one page trainings that were timelier. The Chief also thought it would be very beneficial if the training could pop up on the computers in the squad cars. LeTourneau stated that he did bring this to two of the PCSC meetings and hadn't heard that feedback. LeTourneau stated he would share this feedback with the PCSC.

A voice vote was called on the motion and second and the motion carried.

**3. Update on Video Streaming**

Streid reported that she just ran a report to see what the usage has been on the videos in IRMA's Video On Demand Library, and found that some of the videos aren't getting touched at all. Streid stated that she would leave them on for awhile, but will then remove them and replace them with some others. Streid reported that one video that got hit really hard was the video on Alcohol Abuse. There are a lot of public works videos out there, but those are not being utilized. Streid reported that she would continue to monitor and see how it goes.

Ely stated that the point of video streaming is that IRMA has a whole physical library of videos and VHS tapes and every day we are mailing out videos to the members and tracking the sending out of all videos. We need to become digital. Streid stated that we still have members requesting that they be mailed out, even

though that same video is on line to be streamed. At least for the time being, we will continue to accommodate those members who want the physical video/tape to be sent out to them.

#### **4. Outcome of Meeting with Target Solutions**

Streid reported that a couple of members had inquired about Target Solutions, which is similar to the Safety National OTIS online courses that we offer to the membership right now, which isn't being utilized heavily. Streid stated that she had a meeting with Target Solutions. Their platform is a little more user friendly than the OTIS software that we currently offer. We will pursue continued discussions for this product. Irvin noted that rather than a full purchase, maybe we should think about doing a pilot program for one or two members to see how much it will be utilized. Streid reported that she talked with Safety National a few weeks ago and they are going to clean up our site and then we will see if any one member has been using it and, if so, work with them heavier to be like the test pilot and try to use them for the promotional side to try and get it out to more members.

#### **5. IRMA's 2<sup>nd</sup> Education Summit**

Donahue reported that the date of October 29, 2015 has been selected. The Training and Education Committee discussed other subjects that we might want to add to the schedule. Diversity training, community policing, use of drones were discussed as possible topics. Streid stated that staff has met again and some of the topics have been changed. Streid asked that if anyone had any ideas they could pass them on to her. Irvin stated Glaser and Glaser, communication pros out of Oregon, do a lot of work about post-Ferguson civil rights issues.

### **C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – CEDILLO**

#### **1. Defense of Mutual Aid Organizations**

Cedillo explained that the issue is that the intergovernmental agreements for these types of associations generally provide for indemnification between the members; however, are silent as to the actual organizations that are created by the agreements.

Cedillo explained that under the IRMA coverage, a member and its employees participating on a mutual aid organization are entitled to defense and indemnification if sued in their capacity as a member of the mutual aid organization. IRMA coverage, however, does not extend to the mutual aid organization itself. In a recent IRMA case, two members and some of their employees were provided a defense and indemnification by IRMA. The task force itself was not insured and was not entitled to a defense and indemnification by IRMA or from any of the other insurance companies or self-insured municipalities involved in the case.

The Coverage, Claims & Litigation Committee discussed the issue and concurred with staff's recommendation to create a task force to study this issue. The task force will be comprised of police and fire chiefs as well as attorneys and member managers and public works directors.

After a brief discussion, the Executive Board concurred with the recommendation to create a task force. Ely indicated that the results of the task force will be reported back to the Coverage, Claims & Litigation Committee and the Executive Board.

## **2. Claims Audit RFP**

Cedillo reported that per the IRMA bylaws an independent claims audit to include claims processing and reserving practices is to be performed no less than once every three years. The audit must be performed in 2016, and IRMA staff will be issuing a RFP this summer so that a budget number can be added to the preliminary 2016 budget due in the fall of 2015. The Coverage, Claims & Litigation Committee has three volunteers – Julia Cedillo, Eric Ertmoed and Kevin Wachtel – to participate in the RFP review and interview process.

## **3. Litigation Successes**

Cedillo reported that for information only the packet included an overview of recent litigation successes.

Gargano asked whether there would be an opportunity at the upcoming Summit to hear about some of these litigation successes – have a topic on litigation lessons learned. Ely stated she thought this was a great idea and asked Streid to put this on the agenda for the Summit.

## **D. ADMINISTRATION & FINANCE COMMITTEE – CLARK**

### **1. Actuarial Report as of 12/31/14**

Clark explained that this report is used to determine the Loss Fund Reserves in the 2014 financial statements, and also provides a preliminary estimate of the 2016 average loss fund rate. The Administration and Finance Committee had a discussion about the methodology of selecting the rate. The history has been to use the selected rate, but there is also a low rate and a high rate identified in the report. Beyond this actuarial report there is also consideration to discuss a methodology of whether or not there is a way to determine, while maintaining financial security of IRMA, using the low rate, or determine whether or not losses that are estimated are sufficient or accurate. This is something that will be studied by the sub-committee that was initiated at the Administration & Finance Committee meeting.

A motion was made by Clark and seconded by Donahue to accept the Actuarial Report as of 12/31/14. A voice vote was called and the motion carried.

### **2. 2014 Audited Financial Report**

Clark noted that materials were distributed from the auditor. The financial statements represent the fair presentation of IRMA as an organization. One major financial note is that last year's interest income increased by \$15 million and this year interest income increased by \$8.2 million. Assets have increased from \$169 million in 2013 to \$180 million in 2014, and as we sit right now at the end of April, investments are up to \$194 million.

The only identified items on the report were a couple of items related to information technology. IRMA currently does not have a formalized information technology policy that requires a periodic review of employees' access levels within its financial reporting and claims systems. Also, employees' passwords need to be required to be changed or updated on a periodic basis. These items are being addressed by staff.

### **3. Claims Reporting Requirements**

Clark reported that staff's recommendation is to revise the Member Deductible Policy and the Contract and Bylaws to clarify when members must report claims. Ely stated that this item is a clean-up. Staff found need for clarification between our Bylaws and the Member Deductible Policy. The question is when do you have to report a claim? The answer is you have to report all claims that are above \$2,500 and any claims that involve third parties. The recommended revisions are making that very clear. There also was a provision that required any member who adopted a higher deductible than \$2,500 to sign an agreement that they will report consistent with this policy. We never enforced this and it's really unnecessary because the Contract and Bylaws provide for that and provide for the ramifications for failure to report.

A motion was made by Clark and seconded by Wachtel to concur with staff's recommendations on the revision to the Bylaws and the Member Deductible Policy. A voice vote was called and the motion carried.

### **4. Actuarial Contract Extension Recommendation**

Clark stated that staff is recommending the extension of Milliman's contract for five years and approve the resolution appointing Richard Frese as IRMA's Principal Actuary Signatory. Milliman has been IRMA's actuary since 2006, and the contract is set to expire on December 31, 2015.

A motion was made by Clark and seconded by Velkme to approve the five year extension of the Milliman contract pending successful cost negotiations and the resolution naming Richard Frese as the Principal Actuarial Signatory.

Irvin asked whether the Resolution will have to go to the full Board for approval. Ely replied that the Executive Board will have the final vote on the Resolution and it will not be voted on by the full Board of Directors.

Gargano commented that since we are voting on extending this contract and it has been nine years, in the future can we change the principal on the account more frequently. Ely stated that the Administration & Finance Committee brought that up for the auditor, but did not mention it for the actuary. Ely stated that Doug Nishimura has been our point person for Milliman for many years. He is very knowledgeable and the question is what are we trying to protect? It is probably the integrity and objectivity of the process. Ely asked Boserup to comment on the integrity and objectivity of the process from an actuarial perspective to an auditor perspective. Gargano stated that she wasn't saying to take the person off the account; just don't have him be the main person, because different people have different philosophies in general. Boserup commented that for all our actuarial reviews, we don't want a different philosophy. For actuarial numbers we want

consistency. Otherwise, we could end up with big swings in our numbers; whereas, with financial auditing there are different interpretations. Also, when they come to meetings, there are two or three people from Milliman that attend. Gargano stated that we don't have to do anything on this now, but maybe raise the issue again in five years.

A voice vote was called and the motion carried.

#### **5. Consultant Contracts**

Clark reported that the Administration and Finance Committee discussed both the financial consultant Marquette Associates contract and the auditor McGladrey LLP contract, both expiring at the end of 2015. The recommendation was to extend the Marquette Associates contract for five years. There is a clause in the contract that allows for a 30 day notice if we are not satisfied with the performance. As to the McGladrey contract, they are recommending a 2 year extension and look at who the principal person is on the account. Staff will work with McGladrey on these concerns.

A motion was made by Clark and seconded by Velkme to approve the recommendations on the renewal of contracts with Marquette Associates and McGladrey LLP. Ely stated that staff would negotiate the contracts with both firms and bring those proposed contracts back in the fall for a vote. A voice vote was called and the motion carried.

#### **6. 2015 Potential Interest Income Credit**

Clark stated that this was for information only. Staff is recommending that an interest income credit be issued in 2015, with the amount to be determined later in the year. The estimated amount available at this time is \$7.3 million.

### **V. EXECUTIVE DIRECTOR/STAFF REPORT**

#### **Re-Application for AGRIP Advisory Standards Recognition**

Ely reported that IRMA's three year recognition for compliance with the AGRiP Advisory Standards expires November 1, 2015, and our application needs to be filed by September 1. Staff is looking for authorization to complete the self-evaluation and have Irvin approve it prior to sending it to AGRiP by September 1. A motion was made by Velkme and seconded by Wachtel to approve staff's recommendation. A voice vote was called and the motion carried.

### **VI. EXECUTIVE SESSION**

A motion was made by Wachtel and seconded by Velkme to move into Executive Session to discuss matters of: review of closed session minutes and personnel pursuant to 5 ILCS 120/2(c) (21) and (1), respectively. A roll call vote was called and the motion carried.

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Back in regular session, a motion was made by Velkme and seconded by Wachtel to approve the Executive Session Meeting Minutes of March 4, 2015. A voice vote was called and the motion carried.

A motion was made by Halik and carried by Gargano to recommend the Amendment to the Executive Director's contract to the Board of Directors. A voice vote was called and the motion carried.

**VII. ADDITIONS TO AGENDA**

There were no additions to the agenda.

**VIII. CONFIRMATION OF NEXT MEETING**

Irvin stated that the next meeting of the Executive Board was scheduled for Wednesday, October 28, 2015 at 9:30 a.m. at the IRMA office.

**IX. ADJOURNMENT**

A motion was made by Stricker and seconded by Halik to adjourn the meeting. A voice vote was called and the motion carried.

Submitted by:

Approved by:

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Margo Ely  
Executive Director

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Drew Irvin  
IRMA Chair