



**EXECUTIVE BOARD  
Meeting Minutes**

**Monday, October 1, 2012  
IRMA Office  
9:30 a.m.**

**PRESENT:** Ingrid Velkme, Chair                      Drew Irvin  
                  Art Malinowski                              Paula Schumacher  
                  Kathleen Gargano                                  Eric Palm  
                  Scott Coren

**ALSO PRESENT:** Larry Bush                              Laura Vesecky  
                          Dan LeTourneau                                  Jackie Streid  
                          Susan Garvey                                      Mary Henzler

**ABSENT:**                      Dave Clark                              Sharon Peterson

**I. CALL TO ORDER**

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

**II. APPROVAL OF MINUTES**

- A. A motion was made by Coren and seconded by Malinowski to approve the Executive Board Meeting Minutes of June 7, 2012. A voice vote was taken and the motion carried.
- B. Velkme asked whether anyone had any questions on the reports found on the website under Committee Reports. Velkme asked LeTourneau what the status on Oak Park was. LeTourneau stated that he had spoken to the Deputy Village Manager, who indicated that they have not yet retained a new Village Manager. They do have a sub-committee of their Board that is still looking at IRMA membership, but they want to wait until they have a new manager. The Deputy Manager wants to sit down with the Village Attorney to find out why the Village Attorney has been against joining IRMA. Bush added that they are also waiting to find out the results on the issue that came out of our planning workshop on the higher deductible of \$250,000.

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

Velkme introduced Eric Palm, Village Manager of River Forest, who has accepted the position of At-Large Representative (Small IRMA Member), to fulfill the term of Brad Burke, who is no longer with an IRMA member. Velkme stated that this appointment would need to be approved at the upcoming Board of Directors meeting.

**Announcement of Formation of the 2012 Nominating Committee**

Velkme introduced Art Malinowski, Immediate Past Chair, who will be chairing the 2012 Nominating Committee, responsible for presenting a slate of candidates at the December 12, 2012 Board of Directors meeting for 2013 Officers.

Malinowski stated that he would be working with Henzler to send out a nomination form and a committee interest form to the members, and at the next Board of Directors meeting he would solicit members to serve on the Nominating Committee. The Committee will consist of himself and Past Chair Stacy Sigman, and a few others from the membership.

#### **IRMA Defense Panel Counsel – RFQ Update**

Velkme reported that she has spoken to several members on the Evaluation Committee and she wanted to sort out some issues we have with regard to the RFQ process.

Bush stated that the approach that staff thought they were taking is that the RFQ was approved by the Executive Board. The Evaluation Committee's assignment was the evaluation of respondents to the RFQ according to the terms of the RFQ. Some questions have come up about the content of the RFQ itself. Bush stated that staff brought the RFQ to the Executive Board for approval before it went out and concluded that it was approved by the Executive Board and was the RFQ that we were going with.

Bush distributed a list of the firms that responded to the RFQ. Bush stated that the RFQ was sent to anyone who had asked in the past to be considered for our panel counsel and to firms suggested by the membership. Bush commented that we have received responses from 34 firms and our biggest problem is how to get the list down to a reasonable number of interviews. A discussion ensued regarding some of the individual proposals received and the process for determining who should be interviewed. Velkme asked whether anything had been sent out to any of the firms who submitted RFQs. Garvey indicated that nothing has been sent out to any of the firms. Velkme stated that she didn't think there was a deadline for this and we should move forward so everyone is happy with the process. Velkme stated that she thought that Malinowski was going to be the chair of the Evaluation Committee, and unless the committee decides to do something special, she would like Malinowski chair the Evaluation Committee. The Executive Board agreed to this. Velkme noted that at the next Evaluation Committee meeting that the committee would review the matrix that staff is putting together and then go from there.

Velkme asked what the deadline was for the survey sent to the membership on our current panel attorneys. Garvey stated that since everything has been pushed back a bit, we can extend that deadline. Garvey reported that staff has already received about 35 surveys back. Streid said she would send out a reminder to those members who have not returned their survey.

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

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

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

Garvey reported that there are two pieces of legislation that came up last year that were anti-pooling, and as far as we know right now they will not be coming back up in the fall. They may come up again next year, so we want to take a proactive approach. We brought this to the Membership Relations Committee and there was a consensus that we should go ahead and send this out to all our members. One of the Membership Relations Committee members, Krumstok, suggested that we

put together a "white paper" for members to have in their hand when they meet with their legislators to talk about these issues. The Executive Board concurred with this approach.

## 2. Group Purchases of Services

Coren reported that this item came out of the Organizational Planning Workshop and was given to the Membership Relations Committee for review and recommendation. The question that came up at the workshop was what can IRMA be doing for the members that they are not currently doing for themselves, or how can we improve some of the current services.

Coren stated that services discussed at the workshop were listed on page 23 of the packet. The Membership Relations Committee had a good conversation on these services and the committee thought that some of these services they already have contracts for or there are pools that provide some of these services, such as COBRA services. The committee asked staff to explore opportunities for group purchasing in certain areas in order of priority. Page 24 of the packet outlines that priority. Staff will bring recommendations with pricing back to the committee during 2013 for possible implementation in 2014.

Streid added that she had taken the service of group equipment purchasing to the Fire Chiefs Steering Committee, because we were considering that to reduce back injuries and sprains, and they provided us with seven resources. Their recommendation is to not offer group purchasing, because there are so many resources out there that they utilize already that are through discount purchasing.

LeTourneau stated that NSN already provides background checks for a 10% discount to members, and they may also administer FMLA and COBRA as well. LeTourneau stated that he would contact NSN to get more information.

## 3. IRMA Summer Intern Application Criteria

Coren reported that we have had the summer intern opportunity available over the past couple of years. Initially, they were assigned to Watchlist members helping them by reviewing and implementing policies. This past year, members were selected based on their IMAP scores and some of their loss history.

Coren stated that moving forward the Membership Relations Committee thought it would be more helpful to have members who were interested in an intern, apply for them specifically and have specific projects for the interns to work on. Criteria to be used in the Membership Relations Committee application review process are listed on page 25 of the packet. The application is found on page 26. The idea is for the member to fill out the application prior to the year, bring it to the Membership Relations Committee for review, and then move forward.

## **B. TRAINING & EDUCATION COMMITTEE – PETERSON**

In Peterson's absence, Streid gave this report.

### 1. Proposed 2013 Training Programs

Streid stated that on page 29 of the packet are the proposed trainings for 2013. Streid reported that one area that the Training & Education Committee spent a lot of time talking about was the Supervisor Program. Several members have shown an interest in IRMA bringing this program back and we are trying to keep the focus more tied to risk management and safety topics. Streid reported that she had provided the IRMA directors with several topics and they came up with the listing on page 29. The committee proposed actually deleting one of them and adding another one in, so we are in the process of revising the topics in the program series. They also suggested that the 4 hour timeframe wasn't sufficient and they are recommending doing a 3 hour program in the morning and 3 hour program in the afternoon.

Streid mentioned that another topic they discussed that is not listed in the packet was doing subsidized training with other agencies. The committee raised some concerns with the proposal on that, so Streid will be looking at other information on certain issues. Streid commented that subsidized training is when an outside agency, such as NIPSTA, offers pricing to their members and another fee to the non-member. We are going to try to come somewhere in the middle of those two fees, and then IRMA would cover say \$20 of that fee and the member would pay \$60 of that fee for a total of an \$80.00 fee to that outside agency. So the subsidized training would be the \$20 that IRMA would pay toward the training.

Streid stated that she is still working on this with several outside agencies and also working on the budget.

Streid reported that a few members have contacted her and asked about purchasing what is called "Safety Tip Sheets" or "Toolbox Talks." Even though IRMA puts out "Safety Talk and Tips" on a quarterly basis, they would like to see something at least monthly. Streid reported that she looked into one company and it is \$295 per year and in talking to them directly found out that we would be able to use it for our whole membership, so we could post it on our website. Streid commented that the committee felt this was worthwhile for that amount of money to go ahead and purchase it for a year. Most of the topics are regulatory. They also do Human Resources and Streid will look into that one as well.

Irvin asked whether staff could do an email blast to the membership as well as post it on the website. Streid indicated that this will be done.

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

##### **1. 2013 Coverage Renewal**

Gargano thanked LeTourneau for his hard work and stated that it was evident to the Coverage, Claims & Litigation Committee that he had spent a lot of time representing IRMA and trying to get the numbers down.

LeTourneau gave an overview of the renewal process, stating that it was more of an aggressive renewal process, especially in the property and workers' compensation areas, where we are seeing a hardening in the market.

### Liability

LeTourneau reported that Munich and Genesis proposed a renewal quote in their same layers. -- Genesis providing \$2 million x \$3 million retention and Munich providing \$5 million x of that \$5 million to get to our \$10 million. Genesis' renewal came in flat and Munich came in with a 2.06% rate increase. In the background, staff had Towers Watson running numbers with their actuaries to find out what those layers are worth – what is a good price for those layers. LeTourneau stated that even though Munich had a small increase, they were actually with that increase closer to the aggressive actuarial picks of our broker, Towers Watson. Staff is recommending staying with Munich and Genesis. LeTourneau noted that this year staff looked at higher limits, which came back with significantly price increases. Staff doesn't see the need based on our claims and current exposures to recommend the additional cost.

LeTourneau noted that that the good thing that we did last year was, instead of trying to use the current year's unaudited revenue exposure base for the renewal, we reached agreement with our reinsurers to use the previous year's audited revenue base for renewal quotes. Last year, there was a 1.75% decrease in our revenue base. This year it's going up between 3-4%.

Staff is also recommending staying at the current \$6 million Annual IRMA Member Aggregate Cap, and remaining at the \$10 million liability limit for 2013.

### Workers' Compensation

LeTourneau stated that this line was getting much more difficult in the marketplace. Medical costs are continuing to increase and are not being able to be offset by any kind of investment income; interest rates are down; the experience modifier formula from NCCI didn't previously take into consideration severity, only loss frequency, and now it is.

LeTourneau stated that initially we pushed for an early 2% rate increase with Arch. They came back with an 8.5% increase. We had a two-year rate lock. We went to market and sent it out through Towers Watson to every available excess carrier. We received a quote from Midwest Employers and they wanted approximately \$1 million for statutory coverage. We went to several markets – Ace wanted a 20-25% increase, NY Marine, Liberty Mutual, Meadowbrook, Am Trust and Travelers declined to quote.

Staff went back to Safety National, which had previously been IRMA's excess carrier for many years. Their quote came in at a flat rate. They had one caveat – they wanted to look at any new member applications to determine whether they were also acceptable to them. Towers Watson indicated that they have had this with several other pools and have never had a problem.

Because of that caveat, we went back to Arch and asked for their final best quote. They didn't budge from their 8.5% increase, so we have chosen to recommend moving the excess workers' compensation to Safety National and will work with them on the caveat of them reviewing our new member applications.

### Property

Recommendation is to stay with Travelers for our reinsurance agreement. They came in initially at an 8-10% increase. We continued to work with them and negotiated for a 4.86% rate increase. LeTourneau mentioned that we have had a small increase (<1%) in our TIVs for 2013.

### Crime

LeTourneau stated that the recommendation is to stay with Travelers for a small premium increase.

### Boiler & Machinery

LeTourneau stated that this is mostly a jurisdictional inspection service with Travelers, and they continue to be very competitive. Their quote came in flat, with a small increase due to an increase in property values.

### P.O. Bonds

LeTourneau commented that this is a very small program with a net cost to IRMA of \$5,114.

LeTourneau reported that the total program came in at \$2,479,283, which is a 1% increase over the 2012 program.

### Optional Coverage Program

Volunteer Accident program is recommended to stay with Ace at a \$4.00 per year increase to \$531 per year per member. They offered us a 3 year rate guarantee.

Underground Storage Tank Program doesn't renew until the end of the year, and we will have that information for our December Board meeting.

Special Events remains with Lloyd of London and we were able to negotiate a slight decrease - \$25.00 - in the higher attendee events.

Tulip Program – LeTourneau reported that the broker who was running this program has left his firm. The program is still running through Norman Spencer Group, but we have Towers Watson looking for another program or to take over as broker of record.

A motion was made by Irvin and seconded by Malinowski to approve the 2013 Excess/Reinsurance Coverage Program. A voice vote was called and the motion carried.

## 2. Cyber Liability Coverage

Gargano reported that this item was for information only. It has been determined that there is a minor gap in our coverage for cyber risk; however, the cost of coverage is high when compared to the limited exposure. Staff is not recommending any coverage changes in this area at this time.

3. IRMA Defense Panel Counsel

This item had been discussed under the Chair's Report.

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

In Clark's absence, Vesecky gave this report.

1. Planning Workshop – Actuarial report on Underwriting and Policy Implications

Vesecky reported that Milliman attended last week's Administration & Finance Committee to review this actuarial report. Staff has summarized this report into three main topics.

The first one is if two existing members form a new entity, how do we price the new entity. Milliman's recommendation to start is, if you add up the contributions of the two current members plus their new department, it's going to work out the same as before this transition. Going forward, we might phase in new rates. A couple of concerns that Vesecky and Bush had were that a new police department typically has a higher rate or more losses than the average IRMA member just because of the added exposure and because it's going to be smaller in size, the experience modifier would be limited, so if they have a smaller credibility, they might not be charged as much for their losses as they should be. To start, Milliman will have a mechanism to divide it up and each segment will be the same. Overtime this may diverge as the police department itself has more losses. On this item, the committee did want some more work done. Nishimura did look at some of the other questions that were raised. Vesecky noted that the committee talked about dispatching, because that seems to be a pretty common function that members are looking at forming. Nishimura said that regardless of what it is, he thinks we should stick with our \$50,000 minimum for new entities. So if members work together to form a new agency, he said that anything below the \$50,000 minimum would just be too low and he didn't think IRMA should include them as members, unless they are willing to pay the \$50,000 minimum.

The second topic was members outsourcing major functions to non-IRMA entities. Vesecky stated that the Administration & Finance Committee had a lot of discussion on how "major function" should be defined. Vesecky stated that we are looking at defining that and we will also be issuing a survey to find out what's out there. Milliman's recommendation was that we might set a minimum threshold or a percentage of your revenue as a minimum. We are not looking for construction contracts to be considered. We still have some more work to do on this, also.

The third topic is prospective members with large deductibles. Vesecky stated that this Oak Park may be interested in coming into IRMA at a \$250,000 deductible, and in order for this to apply they would have to agree to always stay at the \$250,000 deductible. We don't want members jumping up and down. We had the actuary look at this and our deductible credit for them did not work. Because it is based on IRMA as a whole and they are large enough to have their own underwriting. Milliman's proposal is to underwrite individual members that want to come into IRMA that meet the criteria they have set up, or for existing members who want to commit to a \$250,000 deductible and always stay there. The cost to do that each year would be about \$5,000 per member, which we would pass on to that member

by building it on to their administrative rate. Vesecky mentioned that this came up not only with Oak Park, but with several of the large members that have left IRMA. The question is, if these are good members that we want to keep, should we be pricing them differently. They help us just by the law of large numbers to get better insurance rates and help cover some of the administrative rate. The actuary made it clear that if they price it correctly, it's not a benefit or a detriment to the pool. For this recommendation, the Administration & Finance Committee did not take a vote but they are in consensus with the concept and if this recommendation is approved by the Executive Board, it is ready to go to the Board of Directors now. The other two need more work and will need to come back.

Bush stated that he thought we should go over all three of these topics at the Board meeting, the first two just as conceptual so they understand the concepts when we send out the survey. The third recommendation on prospective members with large deductibles should have no impact whatsoever on the budget, and we would like to get a vote on that because we have Oak Park as a prospective member. Bush also commented that he was in Palatine for a meeting on a case and they said they would absolutely want to talk to us again if we approved something like this.

A motion was made by Irvin and seconded by Gargano to approve the \$250,000 deductible for prospective members as outlined in Part C of Milliman's report. A voice vote was called and the motion carried.

## 2. Actuarial Report

Vesecky reported that the Actuarial Report had been distributed and it is great news. The rate has come down about 7% for the loss fund. Mainly, the actuary has finally recognizing that our frequency has decreased and it is not an aberration.

A motion was made by Gargano and seconded by Coren to accept the Actuarial Report. A voice vote was taken and the motion carried.

## 3. Excess Surplus Fund Distribution

Vesecky stated that this came out of the Organizational Planning Workshop. Vesecky explained that right now a member can use their Excess Surplus Fund at the beginning of the year to offset their contribution or they can get a check. There are some members with higher deductibles who would like to be able to use it later on in the year if they get hit with a claim that they weren't prepared for. Other members were saying that if they have an equipment purchase, they would like to use their money. This is the members' money and it shouldn't matter what reason they want it back for. We didn't want to open up for anytime, as it becomes an accounting nightmare. The recommendation is to change it so that members, on a quarterly basis, can request a check from their Excess Surplus Fund.

A motion was made by Coren and seconded by Gargano to approve the recommendation to allow members to request a check from IRMA at quarterly intervals. A voice vote was called and the motion carried.

#### 4. IRMA's Salary Compensation Program

Vesecky noted that the Hay Report was inadvertently missing from the meeting packet, but indicated that it would be in the Board of Directors meeting packet. Velkme asked that staff email that report to the Executive Board following the meeting.

Bush reported that staff is in the process of revising our Personnel Handbook. As part of that we wanted to make one change to our compensation program because the budget is going in now, we want to handle this item first.

Bush stated that this pertains to our past practice of having merit increases off of the salary midpoint rather than the actual salary. Bush noted that every year it is a source of confusion for the Board of Directors. When we say it's a 3% increase, it's not really a 3% increase. Making the change to base the merit increases off of the actual salary impacts the budget by about 1/10 of one percent of the budget. Bush stated that it seems to be common practice among municipalities that the percent of increase is off the actual salary, and we would like to do the same thing.

A motion was made by Coren and seconded by Gargano to approve the recommendation to have merit increases off of the actual salaries. A voice vote was taken and the motion carried.

#### 5. 2013 Personnel Report

Bush reported that the Recommendations section of the memo summarizes what is in the report. There is a two-month overlap to the salary for the Director of Financial Services, with the thought being that there is a lot of training to be done and it would be worth the investment to have the current Director here for two months while training the new Director. There is also one promotion being recommended for a claims representative. There is no change to the staffing levels. There is a 3% salary adjustment factor being recommended, based on the Hay Report. Hay's suggestion for a 2% move in salary ranges is being recommended.

A motion was made by Irvin and seconded by Malinowski to approve the recommendations in the 2013 Personnel Report. A voice vote was called and the motion carried.

#### 6. 2013 Preliminary Budget

Vesecky reported that the preliminary budget had been approved by the Administration and Finance Committee, who went through it more thoroughly. Vesecky noted that the insurance costs that LeTourneau presented have not been pushed through, so the budget will come down about \$170,000 more and there might be a few increases in the final budget for other training or other issues that may come up. Vesecky stated that when it goes to the Board of Directors, she will push that through. The net result is that our total budget for 2012 before the optional deductible credit was \$35,355,300 and it has come down to \$34,485,051, so the budget has decreased about \$900,000, mainly because of the decrease in the loss fund

Coren asked whether there would be an Interest Income Credit. Vesecky stated that the maximum credit would be about \$3.5 million and investments have done well; however, we will not make a recommendation until December.

A motion was made by Irvin and seconded by Coren to approve the 2013 Preliminary Budget. A voice vote was called and the motion carried.

#### Investment Manager

Vesecky reported that we have an investment manager that we want to get approved. There was a handout distributed that explained the details. Vesecky reported that the Administration & Finance Committee have been monitoring Denver Investment Advisors for sometime. They are our small cap manager and have been consistently underperforming. Our Investment Consultant, Fiduciary Consultants, came to the committee meeting with a manager search and presented two additional managers and we asked him for an index fund as well. The recommendation of the committee was to move the funds to Kayne, Anderson. They meet all of our requirements. They have a small cap fund that has really performed well over time. Vesecky noted that this just needs Executive Board approval and doesn't need the full Board's approval.

A motion was made by Gargano and seconded by Schumacher to approve the recommendation of replacing Denver Investment Advisors with Kayne, Anderson Small Cap Core Manager. A voice vote was taken and the motion carried.

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

#### **A. AGRIP Standards Recognition Application**

Bush reported that every three years IRMA applies for AGRIP Standards Recognition. Bush commented that they have fairly extensive requirements for this recognition. This does require the approval of the Executive Board. Bush noted that there is one area where we may have to come back and have the Board approve a Record Retention Policy. Bush commented that although we have a Record Retention Policy, we have never had it approved by the Board of Directors, so we will probably bring that to the December Board meeting.

A motion was made by Coren and seconded by Gargano to approve the AGRIP Standards Recognition application. A voice vote was called and the motion carried.

#### **B. Performance Measures for Key Functions within IRMA**

Bush indicated that he didn't have this item, but it would be included in his performance review.

### **VI. EXECUTIVE SESSION**

A motion was made by Coren and seconded by Irvin to move into Executive Session. A voice vote was called and the motion carried.

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Having moved out of Executive Session, the regular meeting continued.

**VII. ADDITIONS TO AGENDA**

Velkme asked if there were any additions to the agenda. There were none.

**VIII. CONFIRMATION OF NEXT MEETING**

Velkme stated that the next Executive Board meeting is scheduled for Monday, November 26, 2012 at 1:30 p.m. at the IRMA Office

**IX. ADJOURNMENT**

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

Submitted by:

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Larry Bush, Executive Director

Approved by:

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Ingrid Velkme, IRMA Chair