



ADMINISTRATION & FINANCE COMMITTEE
Meeting Minutes

September 25, 2018
IRMA Office
9:30 a.m.

PRESENT: Lynn McCammon, Vice Chair
Brad Bettenhausen
Elizabeth Holleb (Via phone)
Bettina O'Connell
Jason Bielawski
Larry Noller
Colleen Nigg
Tom Kuehne

ALSO PRESENT: Margo Ely
Donna Sluis
Brian Goding
Rita Boserup
Telly Panousis

ABSENT: Eric Helm, Chair
Barry Krumstok

I. CALL TO ORDER

Vice Chair McCammon called the meeting to order at 9:29 a.m., roll was taken and a quorum declared.

II. APPROVAL OF MINUTES: May 23, 2018

A motion was made by Bettenhausen and seconded by Noller to approve the Administration and Finance Committee Minutes of May 23, 2018. A voice vote was called and the motion carried.

III. FINANCIAL REPORTS

McCammon asked if anyone had any questions or comments on the financial reports. Hearing none. A motion was made by Kuehne and seconded by Bettenhausen to approve the Financial Reports. The motion carried.

IV. 2019 PERSONNEL REPORT

Ely reported that every year we provide the AFC with a personnel report for the budget. For 2019, no additional staff is being requested, but we are asking for a 2.7% change in salary ranges based on CPI, 3% merit pool for compensation adjustments in 2019 and .005% for the bonus pool. A motion was made by Kuehne and seconded by Bielawski to approve the 2019 Personnel Report. The motion carried.

V. 2nd QUARTER INVESTMENT PERFORMANCE REPORT – GODING

Goding gave an overview of the 2nd Quarter Investment Performance Report to the committee. Goding pointed out that Chicago Equity has been on a roller coaster ride. They seem to underperform and then perform well. He is suggesting that we should change their mandate and have them benchmark against the Russell mid cap index as opposed to going out and looking for a new manager. Our analysts think Chicago Equity is a good manager but that they should move into a broader index.

Goding handed out the Asset Allocation spreadsheet to the committee and went over the recommended changes. A motion was made by Bettenhausen and seconded by Noller to approve the rebalancing of the S&P 500 Index Fund and Kayne Anderson Rudnick. The motion carried.

Goding mentioned Chicago Equity earlier in the report. Their recommendation is to continue to use Chicago Equity, but we change their mandate from managing against the S&P 400 mid-cap to manage the Russell mid-cap. Kuehne asked what the difference is between the two (2) indexes and does this change our strategy. Goding commented that the S&P 400 index is made up of 400 mid-cap stocks. The capitalization ranges from about \$3 - \$10 billion and is picked by a committee. The Russell mid-cap index is a broader index and it ranges from about \$3 billion on the lower end and goes up to about \$30 billion on the higher end and contains more securities. Goding mentioned there is no urgency and he could bring comparisons to the next committee meeting in November. After much discussion, a motion was made by Kuehne and seconded by Bettenhausen to make the change from the S&P 400 index mid-cap to the Russell mid-cap. The motion carried.

VI. RAINY DAY FUND

McCammon reported the purpose of this memo is for discussion and consideration of a rainy day fund. Ely commented there is a lot of background information attached to the memo. IRMA had a loss fund sub-committee that looked at this in early 2016 and considered the question of whether we should be discounting our loss fund in a given year based on expected investment income and the committee decided that we should not do that. Rather, the committee decided that we should reduce contributions, if at all, through interest income, rather than relying on future investment income. Prior to this direction, IRMA previously adjusted the contribution rate based on projected investment income.

Staff brought the AFC an agenda item earlier this year about writing a rate stabilization policy and procedure so that we have some parameters moving forward, but we did not reach a consensus. In 2018, we have \$28 million in available interest income and, looking at this from a financial stability and pool perspective, we need to consider what concerns we might have in the future. This committee has recommended that a portion of the interest income would be used for rate stabilization for the last few years. In addition, we also created the Arrest, Prosecution and Conviction Contingency Fund a couple of years ago. It is a threat for all municipalities and that will continue to diminish with the advances in DNA testing and police techniques.

Another item mentioned is the potential of a supplemental assessment, which IRMA has never issued, but it is a possibility when cases are filed beyond a 5 year period. Finally, the prospect that a given case presents exposure greater than our reinsurance limits, or our reinsurance or excess limits are in litigation and disputed by the carrier. Taking all of these concerns, we should consider the creation of a rate stabilization fund. Others suggested it could be called a contingency fund.

There was much discussion about whether we should have 3 funds (rate stabilization, arrest, prosecution, conviction contingency fund, and a rainy day fund), or just 1 fund with different policies that direct the parameters for use of the funds. The committee agreed to create one "Contingency Fund" funded by \$20 million of the interest income credit and that the money can be used for rate stabilization, avoiding supplemental assessments and other reasons. After much discussion, a motion was made by Bielawski and seconded by Noller to create a Contingency Fund with separate policies on how those funds can be used. The motion carried.

VII. INTEREST INCOME CREDIT UPDATE

McCammon reported that staff needs guidance on the interest income credit. There was a lengthy discussion on this item. A motion was made by Kuehne and seconded by Noller to set aside \$20 million from the potential interest income while we consider terms and conditions for a Contingency Fund and rate stabilization policy. The motion carried.

VIII. 2019 PRELIMINARY BUDGET

Boserup gave an overview of the budget to the committee. A motion was made by Bettenhausen and seconded by Bielawski to approve the 2019 Preliminary Budget. The motion carried.

IX. RESOLUTION FOR HEALTH INSURANCE PAYMENTS AS IMRF EARNINGS

A motion was made by Kuehne and seconded by Bielawski to approve the IMRF Resolution regarding cash payments for health insurance as earnings subject to retirement contributions. The motion carried.

X. ADDITIONS TO AGENDA

None

XI. EXECUTIVE SESSION

Executive Session Minutes – May 23, 2018

A motion was made by Bettenhausen and seconded by Kuehne to approve the Executive Sessions Minutes of May 23, 2018. The motion carried.

XIII. CONFIRMATION OF NEXT MEETING

McCammon announced that the next meeting of the Administration & Finance Committee would be held on Thursday, November 15, 2018 at 9:30 a.m. at the IRMA office.

XIV. ADJOURNMENT

A motion was made by Noller and seconded by O'Connell to adjourn the meeting. A voice vote was called and the motion carried.

Submitted by:

Approved by:

Rita Boserup
Director of Financial Services & Administration
Committee

Lynn McCammon
Vice Chair, Administration & Finance