



**EXECUTIVE BOARD
Committee Meeting Minutes**

**Wednesday, May 28, 2014
IRMA Office
3:30 p.m.**

PRESENT: Drew Irvin, Chair
Ingrid Velkme
Paula Schumacher
Scott Coren
Eileen Donahue
Kathleen Gargano
David Clark
Eric Palm
Julia Cedillo

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

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 6, 2014

A motion was made by Coren and seconded by Gargano to approve the Executive Board Meeting Minutes of March 6, 2014. A voice vote was called and the motion carried.

Reports for information Only, Found in the Member Section of the IRMA website

Velkme asked LeTourneau if there was an update on recruitment. LeTourneau stated that Oak Park has finally sent in some loss data to analyze. Further, he met with Blaine Wing and other leaders with Des Plaines. LeTourneau indicated that he would continue to pursue Glen Ellyn.

III. CHAIR'S REPORT - IRVIN

No report.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. 2014 Claims to Contribution/Watchlist Report

Coren reported that for the third year, no member is recommended to be on the Watchlist for 2015. Only one member, Olympia Fields, will require further evaluation for possible Watchlist assignment in 2016, depending on their losses.

Coren also reported that the members' overall five-year claims experience to IRMA contribution results for 2013 were the most favorable overall in more than 20 years. The overall Five-Year Ratio was again reduced from 61.33% in 2012 to 59.19% for 2013.

A motion was made by Coren and seconded by Velkme to accept the findings of the IRMA 2014 Claims to Contribution/Watchlist Report. A voice vote was called and the motion carried.

2. Legislative Update

Garvey reported that Senate Bill 3287, amending Section 5 of the Workers' Compensation Act, was passed last week. The concern is that they have changed the language from "...any service organization that is retained by the employer..." to "...any service organization that is wholly owned by the employer..." and the question becomes whether or not IRMA is wholly owned by individual members. . The other part of this is the reference to the insurer, since case law o says that we are not an insurer but a self-insured pool. The conundrum is that we may never have been protected by this anyway, since we are not the insurer and we were never retained by the employer. Garvey noted that we did present some language to Chuck Vaughn while this was still going on to get risk pools carved out but the bill was called for a vote before our language could be introduced.

B. TRAINING & EDUCATION COMMITTEE – DONAHUE

1. IRMA's 1st Education Summit

Donahue reported that page 16 and 17 laid out information on the Education Summit. Streid noted that registration would be opened shortly for this event. Cedillo asked how the committee went about getting input for the event topics. Streid stated that the committee and IRMA staff provided input. Velkme asked who we were marketing this to. Streid stated that we are targeting upper level management. The event will be held at Northern Illinois University in Naperville and we can accommodate 200 attendees.

2. Announcement of Annual Best Risk Management & Safety Awards

Donahue reported that the committee reviewed four submissions and are awarding two awards: Village of Bloomingdale for their "Protective Footwear Guidelines" and Village of Lisle for their "Armed Intruder Emergency Response Plan." Both entities will receive an engraved plaque and a check in the amount of \$750.00.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – CEDILLO

1. Claims Policy Revisions – Settlement Authority

Cedillo reported that the Coverage, Claims & Litigation Committee is recommending increasing the indemnity settlement authority of the Executive Director in workers' compensation cases from \$250,000 to \$500,000, retaining the Coverage, Claims & Litigation Committee's indemnification settlement authority for workers' compensation cases from \$500,000 to \$750,000, and the Executive Board above \$750,000. The reasons cited for these recommendations are that the number of workers' compensation claims with indemnity settlements in excess of \$250,000 has increased and the amounts paid in workers' compensation claims are

established by the rulings of the Workers' Compensation Commission and are not subject to substantial variation.

A motion was made by Gargano and seconded by Donahue to approve the recommended proposed workers' compensation settlement authority levels. A voice vote was taken and the motion carried.

2. Extension of JLT Towers Re Agreement

Cedillo reported that the Coverage, Claims & Litigation Committee is recommending that we retain the services of JLT Towers Re and extend the contract for a period of five years. This is due to the recommendation from IRMA staff and their satisfaction of services that JLT Towers Re has provided under the current contract. The term of the contract would begin on November 1, 2014 and run through October 31, 2019. At the conclusion of year 1, JLT Towers Re is eligible to receive a 5% annual bonus in years 2 through 5 at the sole discretion of IRMA, assuming excellent performance. The maximum annual fee would not exceed \$107,000 assuming full bonus.

A motion was made by Coren and seconded by Velkme to approve the 5 year contract extension for JLT Towers Re.

Palm stated that in terms of not going to an RFP, it is more based on that we are happy with their performance and there is no one else out there that can provide what they do. Palm stated that he doesn't have a problem with the extension, but some members may question it. LeTourneau mentioned that they have a unique skill set and have been building their pooling section, so they have something that most brokers do not have. At the last RFP five years ago, other brokers' minimum fees were \$130,000 - \$150,000 with very little pooling experience. Mike Waterman of JLT Towers Re has indicated they want IRMA as a client as they use us as a reference when they are recruiting other pools, so they have dropped their prices for IRMA. LeTourneau added that we were paying \$50,000 more a decade ago for brokerage services .

Palm asked how the performance bonus is determined. LeTourneau stated that it is based on how well they meet our objectives. How quickly they respond to our members and how aggressive are they with the renewal. Palm suggested that in the memo that goes to the full Board, the performance bonus criteria be explained in more detail.

A voice vote was called and the motion carried.

D. ADMINISTRATION & FINANCE COMMITTEE – CLARK

1. Actuarial Report as of 12/31/13

Clark reported that the Actuarial Report could be found on page 39 of the packet and provides a preliminary estimate of the IRMA 2015 average loss fund rate. That rate is estimated to be \$1.879 per \$100 of revenue base compared to \$1.956 in 2014, a decrease of 3.94% (0.077¢). Clark stated that on page 51 of the packet it shows the ranges for choosing the rate, Selected, Low and High, explaining that IRMA typically uses the selected rate. This report also is used to determine the

loss fund reserves for the 2013 financial statements, which have also been reviewed by the auditors.

A motion was made by Clark and seconded by Coren to approve the Actuarial Report of 12/31/13. A voice vote was called and the motion carried.

2. 2013 Audited Financial Report

Clark explained that Mark Tomaw from McGladrey LLP presented this report at the Administration and Finance Committee meeting earlier in the day. Clark noted some of the highlights that were pointed out, including the growth of IRMA's investments from \$139,127,485 in 2012 to \$158,499,609 in 2013. There was also some review of incurred claims activity and member balance information by the auditor. The auditor stated that IRMA is doing well financially. The committee also discussed internal controls and segregation of duties with the auditor.

A motion was made by Clark and seconded by Velkme to accept the 2013 Audited Financial Report. A voice vote was called and the motion carried.

3. Purchase & Sales Policy Revisions

Clark reported on the proposed revisions to the Purchase & Sales Policy, explaining that the changes were highlighted beginning on page 59. Staff is recommending increasing the Executive Directors purchasing authority from \$15,000 to \$25,000 for expenditures authorized by the annual budget then in effect, the authority of the Administration and Finance Committee for expenditures in excess of \$25,000 that are authorized by the annual budget then in effect, and any expenditures in excess of \$25,000 that are not authorized by the annual budget then in effect shall require the approval of the Executive Board.

Clark reported that staff is also requesting that the second signature limit required for Accounts Payable checks be increased from \$15,000 to \$50,000. Clark stated that a listing of the checks in excess of \$15,000 paid after January 1, 2013 is attached as reference.

Clark reported that the packet also contains an opinion from Corporate Counsel Naveja that finds that IRMA should comply with the law with regards to competitive bidding requirements. However, the opinion finds that the competitive bidding process is discretionary for purchases below \$10,000. Staff will be determining if any members have adopted competitive bidding requirements that are more stringent than state law and bring back those results to the September AFC meeting.

Ely stated that the Administration and Finance Committee approved the increase to the Executive Director's purchasing authority and the second signature requirement and instructed staff to begin issuing electronic payment on invoices. However, staff will continue to review the competitive bidding requirements that apply to IRMA.

A motion was made by Clark and seconded by Gargano to approve the Purchase and Sales Policy as proposed. A voice vote was called and the motion carried.

4. Revenue Base Deductions – Outsourced Functions

Clark reported that there was a good discussion at the AFC meeting, and the Public Works Director from Carol Stream was in attendance. The issue boiled down to whether it necessary for the entire function and risk to be transferred in order for a community to be eligible for the exclusion; and, secondarily, if it is an enterprise fund, can they get the enterprise fund water/sewer deduction plus the relief for outsourcing. The AFC committee felt that a standard had already been set with Lincolnwood who owns their own equipment and buildings, but outsources their fire personnel. In the situation with Carol Stream, they have a contract already with outsourced staffing of their water treatment plant, but they own the plant. Clark stated that he thought the Lincolnwood argument helped sway the committee. They kind of paired the two situations. There was some concern as to whether in an outsourced service all the risk would be transferred. The committee felt that as long as IRMA was satisfied with the language in the contract, then that burden would be met.

Ely stated that the AFC committee has asked staff to bring back an amendment to the Revenue Base bylaw and, specifically, the new provision will be revised to minimize the double-dipping perception.

A motion was made by Clark and seconded by Coren to prepare a Bylaw amendment for the June meeting. A voice vote was called and the motion carried.

5. 2014 Potential Interest Income Credit

Clark reported that this was for information only. Clark stated that potentially 2014 would be a year where a credit would not be issued. However, next year there will be a transfer of almost \$21 million in the Members' Reserve Fund that includes the 2009 year. It is being recommended by staff and the AFC that, due to extenuating circumstances, an Interest Income Credit be issued in 2014. A suggested range for the Interest Income Credit will be provided in the fall.

V. EXECUTIVE DIRECTOR/STAFF REPORT

➤ Discussion on Open Meetings Act, etc. (Chris Naveja)

Ely discussed IRMA's compliance with the Open Meetings Act as a result of the conversation with respect to the recent legislation that prohibits IML from participating in IMRF. As a result of that discussion we have been looking at what laws we should be complying with and starting to transform into a pure public entity rather than sort of a little bit here and there. Ely stated that Naveja has given us some opinions and, as a result, we should comply with the Open Meetings Act, FOIA, the Gift Ban Act, and we will file statements of economic interest.

Naveja stated that in dealing with IMRF, one of the pension code changes was specifically to remove IML, and they pointed to the fact that they shouldn't be benefiting from IMRF because they are not subject to the same requirements of a municipality – they don't comply with the Open Meetings Act, FOIA and all the things that the municipality complies with. There were a couple of other entities, but IRMA was not

included in the group to be excluded from IMRF. We have had discussions with the IMRF general counsel and are awaiting confirmation that IRMA is intended to be a part of IMRF and will continue to be so going forward.

Naveja stated that the first thing we have looked at is the Open Meetings Act and the conclusion is that we should be complying with it. Just like municipalities, we will have to have notice requirements and put those notices on our website. One of the biggest impacts is our tendency to participate in meetings by telephone. That's where we may need to re-visit some of the procedures where we presently have for settlement authority.

Naveja stated that this was just for information purposes and we would not be taking a vote on this today. Ely stated that moving forward with compliance we will have to make some amendments to the bylaws, for example the proxy ability will most likely not comply with the Open Meetings Act. The Delegates may have to go through FOIA and Open Meeting Act training.

Ely stated that she thought we could have something ready for the June Board meeting regarding the changes that need to occur at the Board level. There is going to be a lot of internal policies that we will have to revise, but in terms of revisions to the bylaws – eliminating the proxy and referencing the fact that we are going to comply with the Open Meetings Act, if the Executive Board would like to see that on the June Board of Directors agenda, we can make that happen. Irvin commented that he would like to see a plan as to what has to occur and when we will be in total compliance, rather than take action at the Board in June.

After a brief discussion, the committee decided they wanted to get something in writing from IMRF before moving forward and to talk about this at their next meeting. They also suggested talking to PDRMA and/or IPBC.

VI. EXECUTIVE SESSION

A motion was made by Gargano and seconded by Cedillo to move into Executive Session to discuss matters of: review of closed session minutes, pending litigation and personnel pursuant to 5 ILCS 120/2(c) (21), (11) and (1) respectively. Roll was called and the motion carried.

A motion was made by Cedillo and seconded by Gargano to approve the Executive Session Minutes of March 6, 2014. A voice vote was called and the motion carried.

A motion was made by Schumacher and seconded by Gargano to approve the settlement authority request discussed in Executive Session on the Senne vs. Palatine case. A voice vote was called and the motion carried.

A motion as made by Gargano and seconded by Schumacher to approve the settlement authority request discussed in Executive Session on the Kowalski vs. Woodridge & Lisle case. A voice vote was called and the motion carried.

VII. ADDITIONS TO THE 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 Thursday, October 9, 2014 at 9:30 a.m. at the IRMA office.

IX. ADJOURNMENT

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

Submitted by:

Approved by:

Margo Ely
Executive Director

Drew Irvin
IRMA Chair