



**EXECUTIVE BOARD
Committee Meeting Minutes**

**Tuesday, December 1, 2015
IRMA Office
9:30 a.m.**

PRESENT: Drew Irvin, Chair
David Clark
Steve Stricker
Ingrid Velkme
Peggy Halik
Eileen Donahue

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

ABSENT: Kathleen Gargano
Julia Cedillo
Bridget Wachtel

I. CALL TO ORDER

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

II. APPROVAL OF MINUTES – October 13, 2015

A. October 13, 2015 Executive Board Meeting Minutes

Irvin asked if anyone had any questions or comments regarding the minutes from the last meeting. Hearing none, a motion was made by Clark and seconded by Velkme to approve the Executive Meeting Minutes of October 13, 2015. A voice vote was called and the motion carried.

B. Reports for information only, found in the Member Section of the IRMA website –

<http://www.irmarisk.org/Publications/IRMA-Reports.aspx>

- IRMA Financial Statements
- IRMA Investment Portfolios
- IRMA Payables
- 3rd Quarter Investment Performance Report
- Membership Recruitment Report
- Claims Operational Report
- Risk Management Services Report
- Quarterly Member Participation Report

Irvin asked if anyone had any questions or comments regarding the reports on the website. There were none.

III. CHAIR'S REPORT - IRVIN

- Nominating Committee Report – Slate of Candidates for 2016 Officers – Velkme

Velkme, Nominating Committee Chair, presented the slate of candidates for 2016 IRMA Officers that included:

Chair – Kathleen Gargano, Hinsdale
Chair Elect – Dave Clark, Glencoe
Treasurer – Jessica Frances, Riverside
At Large Representative (Large Member) – Peggy Halik, Woodridge
At Large Representative (Small Member) – Steve Stricker, Burr Ridge

Velkme thanked Drew Irvin and Art Malinowski for participating on the Nominating Committee.

A motion was made by Velkme and seconded by Donahue to approve the slate of candidates for 2016 IRMA Officers and present the slate at the December 16, 2015 Board of Directors meeting for a vote. A voice vote was called and the motion carried.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – WACHTEL

1. IRMA Bylaw Modification – Removal of Watchlist

In Wachtel's absence, Ely reported that since we are moving forward with the Workers' Compensation Focus Program, there are references to the Watchlist in our bylaws that need to be deleted. A motion was made by Clark and seconded by Halik to approve the removal of reference to the Watchlist Program from the IRMA bylaws and to not add reference to the Workers' Compensation Focus Program in the bylaws. A voice vote was called and the motion carried.

2. Member Participants for 2016 Workers' Compensation Focus Program

Ely reported that this item identified the members who have been invited to the Workers' Compensation Focus Program. Ely reported that LeTourneau did the entire analysis for this and when you look at each of the members' specifics you will agree that they are good candidates to be invited to join the program. Ely noted that we will be rolling this out in January with each of the members and their goals will be established by April. The members include Village of Brookfield, Village of Carol Stream, Village of Roselle and Village of Westchester. A motion was made by Halik and seconded by Stricker to approve the member participants for the 2016 Workers' Compensation Focus Program. A voice vote was called and the motion carried.

3. Lobbyist Services

Ely explained that staff is recommending going with our lobbyist services on a month-to-month basis at the same rate - \$2,000 per month. Ely noted that she and Garvey met with Vaughn last week to discuss this. What we want to look at is whether we should be proactive in our legislative actions and should it depend on what the legislative session is bringing and all of the different options. IRMA has never done a competitive lobbyist selection process and hasn't had a formal analysis of what our legislative role should be and Ely stated that she thought this was the right time to do that. After a brief discussion, including possibly partnering with one of the cogs on legislative efforts, particularly on workers' compensation reform, a motion was made by Stricker and seconded by Velkme to contract for

lobbyist services on a month-to-month basis. A voice vote was called and the motion carried.

B. TRAINING & EDUCATION COMMITTEE – DONAHUE

1. Revised IMAP Evaluation Process

LeTourneau reported that the IMAP evaluation process was looked at by staff. In order to focus more resources on the new Workers' Compensation Focus Program for the kick-off in 2016, staff is recommending delaying the implementation of the next IMAP cycle until 2017. Beginning in 2017, staff is recommending revising the IMAP delivery schedule to improve efficiency as follows:

- Non-IMAP accredited members – onsite visit every three (3) years.
- IMAP accredited members – onsite visit every four (4) years.
- IRMA Level II accredited members – onsite visit every five (5) years.

2. 2016 Final Budget for Member Education/Incentives

Streid reported that there has been an increase in the Accreditation Grants of \$9,045, due to an additional fire equipment grant submission for \$7,500 and a recommendation from the Executive Board to have the Certified Flagger Instructor grant program available to all members and not just the top ten largest members, with an increase in budget of \$1,545, totaling \$3,090.

Streid also reported that the Training & Education Committee approved subsidizing the NAPD/IAPD Driving courses when completed through NIPSTA with a subsidization account of \$20,000.

The budgeted expenses for Member Education/Incentives have increased \$29,045.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – CEDILLO

1. 2016 Claims Audit Update

Garvey reported that three firms were interviewed for the claims audit: ICRMS, Marsh Risk Consulting and NiiS (Northshore). Garvey noted that all the firms were generally equal in experience and qualifications; however, the sub-committee found NiiS to be very straightforward and the concise process and method proposed by NiiS for conducting the audit would be very productive and work well with the practices and processes of the IRMA claims department. Garvey reported that NiiS would start the audit in the 1st quarter of 2016 and we are required to have a report at the June 2016 Board meeting.

A motion was made by Stricker and seconded by Clark to approve the contract with NiiS to perform IRMA's 2016 Claims Audit at a price of \$29,747. A voice vote was called and the motion carried.

2. Optional Cyber Risk Coverage

Ely noted that the information on the Optional Cyber Risk Coverage had been distributed. Ely explained that LeTourneau has been working with our broker on this. The whole idea is to be able to offer it optionally starting in January for our members.

Ely reported that we have received two options each from Beazley and HSB. Staff has reviewed and is recommending going with HSB Option A, which provides for a training portal. During 2016, staff will look at incorporating cyber risk coverage within our own SIR and then have the reinsurance follow.

LeTourneau noted that the Beazley program was the one that was presented at the last Board of Directors meeting. They were an excess carrier, so probably going forward this would not be a good option for us because we want to incorporate this coverage into our current coverage document. LeTourneau stated that HSB knows that we will demand increases in the coverage limits for next year. HSB has agreed to increase the forensic limits from \$10,000 to \$15,000. One of the major pros of HSB is the eRisk user portal for education and training.

LeTourneau commented that HSB is owned by Munich Re, which happens to be our liability reinsurance partner for many, many years.

LeTourneau reported that Emery Nichols, who is the guru of this program, will be available at the upcoming Board of Directors meeting to answer questions.

After a brief discussion, it was suggested that since this was such short notice before the Board of Directors meeting, that perhaps a webinar could be made available to the members to explain this to members' information technology people, to help members decide whether to purchase the optional coverage. It was also suggested to roll out this optional coverage program on February 1st.

Ely stated that staff will do an IT webinar with the broker and HSB and will give a Board of Directors agenda item depending on how that conversation goes. We will negotiate a February 1 start date and a lower minimum than 50%. Velkme stated that she would also like to explore expanding our current coverage document to include the cyber risk coverage. LeTourneau noted that this would be done during the next coverage renewal.

A motion was made by Clark and seconded by Velkme to approve the HSB Option A cyber risk optional coverage program with a start date of February 1, 2016 and a lesser threshold for enrollment, and to hold an informational webinar for members, including their information technology staff, to determine whether they want to purchase this optional coverage for 2016. A voice vote was called and the motion carried.

3. Policy Revisions Related to Attorney Selection

Ely reported that at the last Executive Board meeting there was an agenda item where staff asked for authority to assign workers' compensation cases to a certain attorney in part because of the Workers' Compensation Focus Program and also because we have some complex workers' compensation cases that we have confidence in his ability to handle. The discussion at the Executive Board covered how is that authorized and do we need to revise the Claims Policy.

Ely noted that the packet outlines that Section 2.06 of the IRMA Bylaws outlines the powers and obligations of the Executive Director in regards to selecting and assigning counsel. Section 6.06 of the Claims Manual outlines guidelines for IRMA

Approved Panel Counsel and staff and the Coverage, Claims & Litigation Committee are recommending revision to the Claims Manual as presented on page 54 of the meeting packet.

A motion was made by Clark and seconded by Stricker to approve the Policy Revisions Related to Attorney Selection in Section VI, Section 6.06 of the Claims Manual as presented.

Clark asked whether the use of special counsel could be included in the Litigation Management Report that goes to the Coverage, Claims & Litigation Committee. Ely and Garvey stated that a separate report could be provided on special counsel.

Clark asked whether number 4 under B on page 55 of the meeting packet could be modernized by replacing the reference to "word processor." Ely stated that staff would modernize.

Irvin questioned the use of word bi-annually, in the fifth paragraph, and asked if it could be changed to "every two years."

Irvin asked Ely to share this with the Executive Board members not in attendance to get any final thoughts.

A voice vote was called and the motion carried.

D. ADMINISTRATION & FINANCE COMMITTEE – CLARK

1. Hay Group Study

Clark reported that the Hay Group Study was presented to the Administration & Finance Committee. Part of the discussion of the committee was that rather than just looking at the insurance market for salary data, the municipal market should be looked at for both the Director positions and the administrative positions. The Administration & Finance Committee rejected the salary ranges for the Director positions.

In regards to the Business Intelligence Analyst position, Clark Reported that the Administration & Finance Committee felt that additional information was necessary to assess the necessity of this new position, including more tangible deliverables and a specific job description. Rather than hold this up, the AFC recommended that the 2016 budget include a total of \$50,000 for the business intelligence function be it a full-time in-house staff position or a consultant.

Clark noted that a supplemental memo and additional material was emailed to the Executive Board prior to the meeting.

Ely noted that we did not get a lot of interest in doing this compensation study from the marketplace. We had to issue the RFP twice. The first time we only got one perspective entity interested and the second time we got two. Hay Group had previously done compensation studies for us, so we retained the Hay Group. Their approach to this study is they first looked at each of our individual jobs. They looked at each job and sized each job internally. The grade chart on page 60 of the packet shows the salary grade analysis prepared by Hay Group that was approved

by the AFC. Each position was analyzed for the required knowledge, required problem solving and required accountability. The AFC also did not have a problem with our claims staff – that their salaries should be dependent upon the insurance market. So the Hay Group data for insurance market was approved for use with the claims staff positions. On page 64 of the packet, the AFC approved ranges 13 through 17 for the claims staff. The AFC found that the recommendations for the Director positions were way too high and that the Hay Group should incorporate information that is not just based on the insurance market, but also based on the municipal market. With respect to the administrative positions, the AFC said that they felt that there should be some municipal analysis for the administrative positions as well.

Ely reported that Hay Group went back after the AFC meeting and obtained some additional information that was provided to the Executive Board last week. Hay Group reached out to their Cook County database and their municipal database, which is a national database. The Hay Group database for salaries for government includes federal, state, local and municipal. Ely stated that she reached out to AGRiP and received information from AGRiP for both profit and not-for-profit. Ely noted that she also pulled actual payroll data from 21 IRMA members by position. The most specific and easily attainable data was for Finance Director. Most every member has a Finance Director. There is not one out of the 21 that she looked at that have a Legal Director, Training & Education Director and Risk Management Director. There is one member that has a Director of Risk Management/HR. For that reason, Ely stated that she also pulled the pay data from the other director positions for purposes of looking at the municipal market. Executive Secretary is a specific title and is usually the City Manager's secretary, so Ely stated she was able to get some comparable data for the Executive Secretary position. The data for the administrative positions range from Admin I to and Admin III. In conclusion for purposes of the administrative positions, when Ely compared the IRMA municipal data with our current ranges and then the Hay Group, one thing that makes sense to take into consideration in looking at our administrative positions is that we have long tenure in this organization. Overall, this study says that we pay competitively. For purposes of the administrative positions, Ely stated that she does think that the municipal data for the administrative positions shows that the Hay Group is a little bit low.

Ely stated that she was comfortable with Hay Group's recommendation for purposes of the Director salaries. When you look at the Director salary ranges, it comports with all of the data that was compiled.

Ely stated that for purposes of the action that the Executive Board will take, we do have the option to go into Executive Session to discuss this. What she is asking has no budgetary impact. If you agree with the ranges and the new grades, then the new grades and ranges would go to the full Board for action.

Ely stated that page 60 of the packet shows the new grades that she is recommending for approval. On page 61 of the packet are the proposed salary ranges that were part of the preliminary budget before the Hay Group Study was complete. Ely stated that her recommendation is that you approve the salary ranges for the Administrative Assistant, Secretary/Receptionist, Claims Processor, Senior Administrative Assistant and Executive Secretary.

Ely stated for purposes of the claims staff, on page 64, she is recommending grades 13 through 17 be approved for the claims staff positions. Irvin asked if a title could be assigned to each grade to better clarify the chart.

Ely noted that the Hay Group recommendations for the Directors positions could be found in the additional paperwork that was emailed to the Executive Board prior to the meeting. This new information contains the new data from Hay Group and also the AGRiP data. The AFC did not have this information at their meeting and they rejected the ranges that are provided on page 64 of the meeting packet for grades 18 through 23. They said the ranges were too high and needed to incorporate municipal information. The new ranges are included on page 2 of the slides in the additional information.

Stricker commented that he still feels these ranges seem high. It seems significantly higher than what we are paying currently and what you are proposing for 2016. Stricker asked what the difference is from what we did in 2015 and what you show on page 61 of the packet. Ely replied that it was 2% move of the ranges based on inflation. Stricker asked if this was what was in the budget currently. Ely replied that it was in the budget currently, but what is in the budget for purposes of compensation is 3% to our salary. So the current budget gives a 3% for actual pay not to ranges. What if you are at the top of the range? Ely replied that we only have one employee at the top of the range and that employee is basically red circled and so they would get a lump sum for anything over the range based on merit. Stricker asked Clark whether the AFC would like to see this again before it comes back to the Executive Board. You are asking us to make decisions without having the full recommendation. Stricker stated that he thinks that the AFC should see this again.

Clark asked if we could live within the existing ranges and have the AFC review the ranges one more time and review all the information presented. Ely stated that we could definitely do this. Clark stated that if we can live within the preliminary budget this year and take action necessary for anyone who is over the maximum and then the AFC can take a look at this side by side.

Stricker stated that he understood that even if we approved all of this today, it wouldn't change the budget, so people will still be getting 3% on what they had before and there wouldn't be any adjustment to their salary. Ely stated that there would be no adjustments to salaries as the result of the proposed ranges. Ely stated that nobody is paid below a range. Irvin noted that you are just changing the ranges on paper and no one is directly impacted except perhaps the person who was redlined at the max and now has some movement. Ely stated that the person in question was still redlined.

Stricker commented that in one of the Director positions, you are going from \$156,000 to \$183,000 – that is a big jump, but you are not saying that these people aren't being paid appropriately. Ely stated that they are being paid appropriately within that range. Ely stated that from a compensation philosophy and discussed at the AFC, in the next year we propose that we take a closer look at IRMA's compensation philosophy.

Ely noted that from a compensation philosophy perspective, the question of whether we want to adopt a compensation philosophy that takes into consideration

years on the job when we have an at-will, merit based employment workforce here is an interesting question. Ely stated that she thought the number of years you have in your position is a factor to consider in where you are in your range, but more importantly, especially in a small environment like this where it is all merit based, that the performance on an annual basis is rewarded through merit pay. Ely stated that she did not believe that salary adjustments based on tenure alone are merited. Ely stated that she felt that the merit pool of 3% every year should adequately compensate employees for their performance that they have in any given year.

Irvin noted that there was no sense of urgency here and we have talked about having the AFC look at this again. A motion was made by Clark and seconded by Stricker to refer the data on the salary ranges back to the AFC for review during 2016.

Irvin commented that when this is brought back to the AFC, he thinks it is a good idea to have it linked to the data from Hay Group, AGRiP and municipal. We need to describe the blend used for each of the positions. Halik stated that she felt we need to be careful of when we want to pick and choose when we want to compare with municipalities, when we want to compare against the insurance market. We need to keep this in mind. Stricker commented that when this comes back to the Executive Board, he would like to see new charts – get rid of all of the old data and present the most current data to be able to compare apples to apples – what we had last year compared to what is being proposed.

Stricker asked about the Business Intelligence Analyst position that is being proposed. What exactly would this person do? Ely stated that the Hay Group recommended that IRMA hire a staff position called a Business Intelligence Analyst. There is no doubt that IRMA is technologically challenged which is why we hired Sikich to update some of our computer and technological issues. We are working on that and we are making progress. However, we do not have anybody here who provides analytics for purposes of our data. We have a wealth of data in this organization that should be captured for purposes of not only helping our members to further reduce their injuries and losses, which is why we are engaging Milliman for \$35,000 in 2016 for the Predictive Modeling project. What we will be looking at there is identifying what information we have that will teach us and identify opportunities to reduce losses and opportunities to contain costs in the future.

Stricker asked Clark whether the AFC thought it was a good idea to look at a Business Intelligence Analyst position. Clark stated that the committee agreed with the need and the committee discussed whether or not it needs to be a full time person or a consulting service. The committee did feel it was important enough not to wait another year, so the recommended budget was to include \$50,000 for the Business Intelligence Analyst to get started with this during 2016.

The motion on the table was amended to approve leaving the \$50,000 in the 2016 budget to get started with a Business Intelligence Analyst during 2016. A voice vote was called and the motion carried.

2. Telephone System

A motion was made by Clark and seconded by Halik to approve staff's recommendation to award the Request for Proposal for a new phone system to ATI for a Shoretel system for \$30,937 as presented. A voice vote was called and the motion carried.

3. 2015 Interest Income Credit

A motion was made by Clark and seconded by Velkme to approve staff's recommendation for a 2015 Interest Income Credit of \$7,000,000 to be issued in December 2015. A voice vote was called and the motion carried.

4. 2016 Final Budget

Clark noted that at the AFC meeting, Haywood asked the question about interest and allocations and the amount of interest that is in the budget. This item will be brought back to the AFC for discussion. Initially, what was found is that the amount that is applied for an interest factor in the budget is based on the earnings on the contributions for that specific year versus the total holdings of IRMA. When the AFC thought about this, they thought that they needed to think about this further. At the AFC meeting, staff provided an update to the original final budget recommendation to accomplish a flat rate to the IRMA member contribution rate. After discussion, the AFC adopted staff's recommendation for a flat rate, which revises the Revenue for Investment Income to increase from \$1 million to \$1.8 million. Clark stated that the AFC also approved an addition of \$50,000 for the Personnel line item for business intelligence activities during 2016.

A motion was made by Clark and seconded by Velkme to approve the 2016 Final Budget as presented. A voice vote was called and the motion carried.

It was suggested that for the Board packet, changes from the preliminary budget be included in the meeting packet.

V. EXECUTIVE DIRECTOR/STAFF REPORT

2015 Personnel Budget Category Revision

Ely stated that under the Budget Policy, she is asking the Executive Board to authorize a transfer of \$10,000 from the "Other Personnel Expenses: to the "Personnel Services" category for the 2015 year as outlined in the memo on page 146. A motion was made by Stricker and seconded by Clark to approve the transfer of \$10,000 from the "Other Personnel Expenses" category to the "Personnel Services" category for the 2015 year. A voice vote was called and the motion carried.

2016 Calendar of IRMA Board and Standing/Steering Committee Meetings

Irvin stated that the 2016 Calendar of IRMA Board and Standing/Steering Committee Meetings was in the packet for information and asked everyone to mark their calendars accordingly.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VI. CONFIRMATION OF NEXT MEETING

Irvin reported that the next Executive Board meeting is scheduled for Wednesday, March 2, 2016 at 9:30 a.m. at the IRMA office.

VII. ADJOURNMENT

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

Submitted by:

Approved by:

Margo Ely
Executive Director

Kathleen Gargano
IRMA Chair