



**ADMINISTRATION & FINANCE COMMITTEE**  
**Meeting Minutes**

**Monday, October 3, 2011**  
**IRMA Office**  
**9:30 a.m.**

<b>PRESENT:</b>	Kevin Wachtel, Chair Michael Braiman George Schafer Janet Binder	David Danielson Scott Anderson David Clark Dan Nisavic
<b>ALSO PRESENT:</b>	Laura Vesecky Mary Henzler	Larry Bush Brian Goding
<b>ABSENT:</b>	Robert Merkel	Bryon Vana

**I. CALL TO ORDER**

The meeting was called to order at 9:35 a.m. Roll was taken and a quorum declared.

**II. APPROVAL OF MINUTES – April 13, 2011**

A motion was made by Braiman and seconded by Clark to approve the Administration & Finance Committee Meeting Minutes of April 13, 2011. A voice vote was taken and the motion carried.

**III. FINANCIAL REPORTS**

Vesecky asked if there were any questions regarding the financial reports that include the Financial Statements as of July 31, 2011, the Investment Portfolio as of July 31, 2011, and the payables for the period 5/27/11 – 9/15/11. There were no questions.

A motion was made by Clark and seconded by Anderson to approve the Financial Reports. A voice vote was taken and the motion carried.

**IV. 2<sup>nd</sup> QUARTER INVESTMENT PERFORMANCE REPORT – Brian Goding**

Goding presented IRMA's 2<sup>nd</sup> Quarter 2011 Investment Portfolio and an update through August.

Goding reported that through June, growth had been outperforming value and smaller companies had been outperforming larger ones. Also, through June, most things were positive year-to-date.

In looking at IRMA's fund, Goding reported that as of the end of the quarter, we were very close to targets. This has changed as equities have sold off and bonds have gotten better. We started the quarter with \$126.5 million and ended at almost \$128 million.

When you look at manager performance for the quarter, most of the managers did well. Mainstream did not do well and was down 7.04% for the quarter; however, they are starting to pick things up and are doing better.

In equities, we started with almost \$63 million and ended the quarter with \$63.6 million. S&P is doing exactly what the index is. Goding commented that we were concerned with Chicago Equity, but decided to stay with them and it is beginning to pay off. Chicago Equity is ahead for the quarter. Denver is the same story – they actually started off well with us, then last year looked particular bad. They have turned it around and are looking good. Legg Mason's numbers are starting to look better. Lazard Emerging Markets fund (growth) has underperformed slightly and Lazard Developing Markets (value) has outperformed for the longer period.

Fixed income started the quarter at \$57.1 million and ended with \$58.3 million. We have most of the money split between PIMCO and Western Asset with 20% in the Tips fund. PIMCO has performed well over time, however, has underperformed over the last few months. Western also underperformed for the quarter, but their long-term numbers look good. Goding noted that the Tips fund allocation has done very well for us. There is some concern about future inflations, so there is a lot of money going into Tips. Return is pretty close to the index for the quarter.

In alternative investments, we started the quarter at \$5.9 million and ended at \$5.8 million. Mainstream has about 56% of the assets. They had a terrible quarter, but have improved in the last couple of months. The two Siguler Guff distressed funds are well ahead of the benchmarks

Goding reported that page 28 showed the performance for July and August, noting that we started at \$128 million and went down to \$122.8 million. As of September 28, 2011, the fund is down to \$118.8 million.

Goding distributed a chart with what they would recommend if IRMA wants to increase their Alternative investments: increasing equities from 44.9% to 49.9%; alternatives from 4.7% to 5.1% and reducing fixed income from 50.4% to 45.0%. Vesecky asked how quickly they would be funding Siguler Guff Distressed IV. Goding stated he thinks it will take a number of years before they get it up and fully funded, but thinks there is a capital call coming up soon. Vesecky stated she was wondering whether we want to put the whole \$450,000 into Alternatives or hold some back for the Siguler Guff Distressed IV capital call. Goding indicated that it would be a good idea.

Goding stated that because we had a time crunch with making the decision on the Siguler Guff Distressed IV fund, one of the things discussed was bringing in Siguler Guff to the November meeting to talk about some of their other alternative funds. The committee was very interested in having Siguler Guff at their November meeting.

Vesecky stated that if we are going to change the allocation of fixed income to 45%, we would need to bring this to the Board for approval. Goding stated that he was not recommending changing the allocation at this time, but was recommending rebalancing back to our targets. Binder asked for a recap of the rebalancing. Goding explained that we have targets as follows: 50% equity, 5% alternatives and 45% in fixed income. As of a few days ago, we were at 44.9% equity, 4.7% alternatives and 50.4% fixed income. Typically when we get outside of a 5% band away from our targets, we rebalance to get back to targets. Vesecky noted that we will sell off some of fixed income and put it into the equity.

A motion was made by Danielson and seconded by Schafer to approve the rebalancing back to targets. A voice vote was taken and the motion carried.

## **V. MINIMUM MEMBER DEDUCTIBLE**

Vesecky reminded the committee that we had talked about this at the last meeting and it is one of the goals of the committee to take a look at the minimum member deductible. Vesecky reported that staff has talked to the actuary and they gave us what the deductible would be at \$5,000. The actuary's take on it is that it really doesn't matter – it is just passing the risk onto the members. Staff sent out a survey and 42 members responded. The responses were evenly split as to which members wanted to increase the minimum member deductible to \$5,000 and those who wanted to keep it at \$2,500. Vesecky noted that it is interesting that most of the members who responded in favor of the increase to \$5,000 are already at the higher deductible. Vesecky noted that if the committee votes to keep it at \$2,500, we would just report it to the Board of Directors. If the committee votes to increase to \$5,000, we would take it to the Board of Directors for a vote.

Braiman inquired whether anyone has ever looked at offering a separate deductible for workers' compensation claims. Vesecky stated that this has never been looked at. Wachtel commented that he thought it was an interesting concept. Bush agreed that this was something to look at. Vesecky commented that perhaps we could put this on the committee's goals for 2012.

After further discussion, a motion was made by Danielson and seconded by Schafer to keep the minimum member deductible at \$2,500 and review it again in 2014. A voice vote was called and the motion carried.

## **VI. BANKING CONTRACT**

Vesecky explained that staff went out with an RFP and Charter One came back very aggressive. Fifth Third called to find out how it looked, and matched what Charter One was offering. They proposed a compensating balance based on an annual balance rather than a monthly balance. Fifth Third will guarantee this arrangement for a five-year period.

A motion was made by Clark and seconded by Anderson to remain with Fifth Third Bank for IRMA's banking services for a five-year period. A voice vote was called and the motion carried.

## **VII. 2012 PERSONNEL REPORT**

Bush reported that there a couple of minor changes that staff is recommending. One is that we will reduce the part-time workers' compensation representative from .8 to .5. This person handles claims very quickly and efficiently and has to stay at 1,000 annual hours.

The other change is a promotion from Claims Representative III to Sr. Workers' Compensation Claims Representative. Bush explained that this person has been with IRMA for 5 years and is performing very well and budget for this promotion will be added to next year's budget.

Bush noted that over the past several years we have been relying on the Hay Group for our salary adjustment factor and salary increases. The Hay Group has come down from last year on the salary range movement to 2% from 3% last year. They are recommending a 3% pool for merit increases, which has come from a mix of data from both the private and public sectors.

Another change staff is recommending is changing the increase as a percentage of midpoint for the "Needs Improvement" rating to 0% - X-1%.

After a brief discussion, a motion was made by Clark and seconded by Braiman to approve the 2012 Personnel Report's recommendations. A voice vote was called and the motion carried.

## **VIII. ACTUARIAL REPORT**

Vesecky explained that she didn't have the whole report for distribution because staff just got the draft on Friday, so she had distributed a handout with a one page comparison. Vesecky stated that in the past we have gone with the selected rate. The actuary provides us with a high and low rate. The rate for 2011 for the loss fund was \$2.364 and the rate for next year at the selected rate is \$2.259, so it has come down somewhat. Vesecky noted that a couple of things have happened. One is the workers' compensation legislation, which has a positive impact. We no longer are going to be self-insuring the corridor deductible, and our GL rates have brought down our cost. The loss fund will go down 4.43% if we stay at the selected rate.

A motion was made by Danielson and seconded by Schafer to accept the Actuarial Report with the selected rate of \$2.259. A voice vote was called and the motion carried.

Vesecky asked the committee if they wanted her to send the Executive Summary when it was available. The committee decided that the handout they received was sufficient.

## **IX. 2012 PRELIMINARY BUDGET**

Vesecky stated that she was handing out the preliminary budget with a very small change to the loss fund rate from what was in the packet. Vesecky pointed out that all the explanations of the categories were in the packet.

Wachtel pointed out another small change to the Member Education/Incentives. Vesecky noted that the Training & Education Committee took out the Discussion Boards from their budget items, since no one is really using that service. But then we got another request for an accreditation.

Clark asked whether we market our training outside of IRMA for an opportunity to make more revenue. Bush replied that there are times that we do, and we have a non-member rate.

Wachtel asked if we plan to have an intern program for 2012. Bush replied that we have included this in the budget and the Training & Education Committee recommended keeping this at the same level.

Vesecky reported that overall, contributions were \$35,000,000 in 2011 and will drop 3.47% to \$33,800,000 in 2012, mostly due to the drop in the loss fund. Vesecky stated that she will include the sheet on the Experience Modifier in the packet that goes to the Board of Directors.

A motion was made by Clark and seconded by Schafer to approve the 2012 Preliminary Budget as presented. A voice vote was taken and the motion carried.

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Braiman asked whether the meeting packets have to be mailed all the time and whether they could just be emailed. Vesecky explained that other committees have gone to receiving their packets by email; however, the Administration and Finance Committee packet is usually pretty large and the committee member would then have to print them. Vesecky stated that if the committee wanted to receive them by email, we could accommodate that. Henzler noted that she could mail the packet and then follow it up with an email in Pdf format for recordkeeping.

**X. INTEREST INCOME CREDIT**

Vesecky stated that with the volatility in the markets, she wants to wait until the next meeting to report on this. Bush stated that we plan to distribute this now to the membership, but it won't be final until the end of the year.

**XI. 2011 COMMITTEE GOALS**

Bush reported that the goal to continue to study and make recommendations of the issues identified, but not yet adopted, by the Ad Hoc Committee on Member Retention was added following the December 2011 Board of Directors meeting. At that time, significant changes to the experience modifier were approved and the \$50,000 cap was replaced with a sliding scale. Bush reported that there is a Strategic Planning workshop session planned for early next year and the IRMA revenue base formulas are going to be reviewed at that time.

Bush noted that with the impact of recent changes not yet known and additional possible changes within the next year, he doesn't feel it's appropriate to devote additional resources at this time to the issues that were explored by the Ad Hoc Committee within the past year.

**XII. INVESTMENT NEWSLETTERS**

Wachtel explained that the investment newsletters could be found on the IRMA website.

**XIII. ADDITIONS TO AGENDA**

Braiman brought up the idea of IRMA providing some kind of coverage for intergovernmental cooperation with non-IRMA members. Bush noted that this was actually on the agenda of the Coverage, Claims & Litigation Committee meeting, and would get back to Braiman on this.

**XIV. CONFIRMATION OF NEXT MEETING**

Wachtel stated that the next meeting of the committee would be on Thursday, November 10, 2011 at 9:30 a.m. at the IRMA office.

**XV. ADJOURNMENT**

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

Submitted by:

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Laura Vesecky  
Director of Financial Services & Administration

Approved by:

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Kevin Wachtel, Chair  
Administration & Finance Committee