

ADMINISTRATION & FINANCE COMMITTEE Meeting Minutes

May 29, 2019
IRMA Office
9:30 a.m.

PRESENT: Eric Helm, Chair
Barry Krumstok (Via phone)
Jack Knight
Al Stonitsch (Via phone)

Larry Noller, Vice Chair
Tom Kuehne
Bettina O'Connell (Via phone)
Carrie Dittman

ALSO PRESENT: Margo Ely
Donna Sluis
Brian Goding
Brian Hale, Plante Moran
Richard Frese, Milliman

Rita Boserup
Telly Panousis
John Fritz, Plante Moran
Doug Nishimura, Milliman

ABSENT: Elizabeth Holleb

I. CALL TO ORDER

Chair Helm called the meeting to order at 9:30 a.m., roll was taken, and a quorum declared.

II. APPROVAL OF MINUTES: February 19, 2019

A motion was made by Kuehne and seconded by Noller to approve the Administration and Finance Committee Minutes of February 19, 2019. A voice vote was called and the motion carried.

III. FINANCIAL REPORTS

Helm asked if there were any questions or comments on the financial reports. Hearing none. A motion was made by Noller and seconded by Kuehne to approve the Financial Reports. The motion carried.

IV. 2018 AUDITED FINANCIAL REPORT

Fritz and Hale from Plante Moran gave an overview of the financial report to the committee. A motion was made by Kuehne and seconded by Dittman to approve the 2018 Audited Financial Report with the addition of the staff explanation memo. The motion carried.

V. ACTUARIAL REPORT AS OF 12/31/18

Helm asked if there were any questions or comments on the actuarial report. Hearing none. A motion was made by Noller and seconded by Kuehne to approve the Milliman Review of Unpaid Loss and ALAE Liabilities as of December 31, 2018. The motion carried.

VI. CONSIDERATION OF A CONTINGENCY FUND

Ely thanked Doug Nishimura and Richard Frese for being here today. Doug has been doing IRMA's loss analysis for almost 40 years and will be retiring in July. Richard Frese and Tim Vosicky will remain on our Milliman account going forward. Ely gave an overview of the potential parameters of a contingency fund. Do we need a contingency fund? If we do, what should it be used for and how much should it be. Nishimura gave a summary on the Contingency Fund Analysis starting on page 90 of the packet. Frese continued the presentation on page 91 of how the loss fund rate is determined. The committee discussed having some parameters reserving the \$12 million, i.e. when investment returns are below a certain level, a case presents exposure above reinsurance limits, and avoiding a supplemental assessment. After a lengthy discussion, a motion was made by Knight and seconded by Kuehne to direct staff to draft a policy with some parameters for review at the September meeting. The motion carried.

VII. 1ST QUARTER INVESTMENT PERFORMANCE REPORT

Goding gave a brief overview of the Private Equity Due Diligence Siguler Guff & Company. A motion was made by Kuehne and seconded by Noller to open an account with Siguler Guff for Small Buyout Opportunities Fund IV with an initial commitment of \$3 million. The motion carried.

Goding handed out the Asset Allocation spreadsheet to the committee and that we need to replenish the short-term bond fund by \$5.5 million. We are recommending moving \$2.1 million from the S&P 500 Index Fund; \$2.5 million from the Kayne Anderson Rudnick and \$900,000 from the EAFE Index Fund. A motion was made by Kuehne and seconded by Dittman to approve the changes reflected on the Asset Allocation sheet dated May 22, 2019. The motion carried.

Goding handed out to the committee the Review of the Lazard Emerging Markets Equity Strategy and gave a brief overview of the market and is recommending maintaining Lazard even though the recent performance has looked terrible. Goding does not see any changes with the team or process that would indicate there is a problem. The committee was in agreement to maintain Lazard.

Goding gave a brief overview of the 1st Quarter Investment Performance Report to the committee.

VIII. 2019 POTENTIAL INTEREST INCOME CREDIT

Boserup reported this is for information only. There is no recommendation at this time.

IX. STAFF CHANGES AND REVISION TO 2019 PERSONNEL REPORT

Ely reported the Director of Risk Management Services is retiring. We have a new Director of Risk Management & Training. We are merging Risk Management & Training and Jennifer Swahlstedt will be taking over that position. The Director of Risk Management Services position will be eliminated. The Personnel Report shows the change in the new title and deleting the old title. A motion was made by Noller and seconded by Knight to approve the changes as presented. The motion carried.

X. REVISION TO IRMA BONUS POLICY

Ely reported in 2014 we adopted the bonus policy that capped any potential bonus for any of our employees to \$1,000 in a given year. She recommended revising the policy to provide for a maximum bonus at 3% of an employee's salary. There is no budgetary impact for this year, but staff will be asking for a slight increase in the bonus fund for the 2020 budget. A motion was made by Dittman and seconded by Noller to establish a new cap for individual bonuses at 3% of an employee's salary. The motion carried.

XI. SEGREGATION OF DUTIES

Boserup reported this is for information only.

XII. ADDITIONS TO AGENDA

None

XIII. CLOSED MEETING

A motion was made by Noller and seconded by Knight to move into Closed Meeting for the purpose of discussing matters of: review pending litigation and personnel pursuant to 5 ILCS 120/2(c) (11) and (1) respectively. A roll call vote was called and the motion carried.

XIV. CONFIRMATION OF NEXT MEETING

Helm announced that the next meeting of the Administration & Finance Committee would be held on Wednesday, September 25, 2019 at 9:30 a.m. at the IRMA office.

XIV. ADJOURNMENT

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

Submitted by:

Approved by:

Rita Boserup
Director of Financial Services & Administration

Eric Helm
Chair, Administration & Finance Committee