



**EXECUTIVE BOARD
Meeting Minutes**

**Monday, October 3, 2011
IRMA Office
1:30 p.m.**

PRESENT: Art Malinowski, Chair
Barry Krumstok
Kathleen Gargano
Drew Irvin
Kevin Wachtel
Scott Coren
Sharon Peterson
Stacy Sigman

**ALSO
PRESENT:** Larry Bush
Mary Henzler
Susan Garvey
Laura Vesecky
Dan LeTourneau
Jackie Streid

ABSENT: Ingrid Velkme

I. CALL TO ORDER

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

II. APPROVAL OF MINUTES

A. Meeting Minutes of June 13, 2011

A motion was made by Sigman and seconded by Krumstok to approve the Executive Board meeting minutes of June 13, 2011. A voice vote was taken and the motion carried.

B. Reports in the Member Section of the IRMA Website

Malinowski asked whether anyone had any questions/comments on any of the reports. There were no questions.

III. CHAIR'S REPORT - MALINOWSKI

➤ **Announcement of Formation of 2012 Nomination Committee – Chair Sigman**

Malinowski announced that Immediate Past Chair Sigman would be chairing the 2012 Nomination Committee. Bush noted that there was a problem in that normally the three most recent past Chairs are on the Nominating Committee and, this year, Palmer is no longer with an IRMA member and Gutierrez is now working for Northfield, and it wouldn't be appropriate for him to sit on the committee. Sigman asked that when the nomination form is sent out, it include a request for volunteers to sit on the Nominating Committee. She would also ask for volunteers at the upcoming Board meeting.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. Legislative Update

Garvey reported that in regards to the pooling legislation that we successfully fought off last year, we are hoping that it won't come back. However, if it should come back, we have agreed with some of the other pools on some alternative language that the pooling community would be agreeable to.

Garvey reported that staff is having a meeting with several municipal cogs on the PSEBA legislation on October 11th, to try to all get on the same page about language and changing the definition of catastrophic injury. Garvey stated that IML would be at the meeting and are taking the lead, but we wanted to have everyone work with them on the language.

Garvey reported that IRMA would also be supporting Sound Suppressor by Tactical Law Enforcement Officers (basically, silencers). The legislation would allow our law enforcement officers to use sound suppressors in tactical situations.

Garvey reported that lobbyist Chuck Vaughn would be at the upcoming Board of Directors meeting to present a legislative update and what he foresees for the next legislative session.

B. TRAINING & EDUCATION COMMITTEE – PETERSON

1. Training Evaluation Survey Results

Peterson reported that the Training and Education Committee reviewed the surveys and the recommendations documented in questions 1, 4, 8 and 9. Recommendations include: not renewing the contract with WebQA's Discussion Board, since most members have access to similar services; continue offering and promoting more often My Community Workplace, as there is no cost to IRMA; continue to offer IRMA self-paced learning online courses; and continue to offer webcasts.

Bush commented that the one thing that really came through in the responses was the lack of member staff time to attend training. It wasn't cost, it wasn't location. It was mainly that staff is overworked and there are less people to take their place if they attend training.

Sigman noted that the on-site training seems to be popular with the members. Streid indicated that there are possibly five new on-site trainings that we could bring in. Streid commented that most of the time, the on-site trainings are regulatory trainings, so they would mainly pertain to public works departments.

Streid also pointed out that there were responses regarding offering more regional trainings. Streid noted that we have set these up in the past few years, and they are not that successful; however, we will continue to offer them.

Streid noted that for 2012, there were no recommendations for Leadership training, as attendance has been dropping off over the past few years.

Streid mentioned that for the Fire Special Training, we have been partnering with MABAS and NIPSTA and this is working well. Police Special Training has been partnering with NEMRT and will continue to do so in 2012.

2. Training Monthly Report – August 2011

Peterson noted that this item was for information only.

3. Proposed 2012 Training Programs

Peterson stated that the packet contained the recommended trainings for 2012.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

1. Coverage Renewal

LeTourneau reviewed the 2012 Excess/Reinsurance Coverage Program, which includes flat rates in all lines of coverage except Crime that has a slight increase after 7 years of a flat or reduced premium.

Liability

Letourneau reported that we are eliminating the \$1m corridor retention above \$5m, resulting in an estimated annual loss fund savings of \$81,649. Coverage is per occurrence, per member with clash coverage. Recommending the same \$6 million Annual IRMA Member Aggregate Cap, which equates to two full pool self-insured retentions paid on behalf of one member in one year. Both carriers, Munich Reinsurance and Genesis, have agreed to rate reductions for 2012.

Workers' Compensation

LeTourneau reported that this is the second year of a two year rate commitment and the rate is flat for 2012. The small premium increase is due solely to payroll increase.

Property

LeTourneau reported that the rate is flat for 2012, and we are staying at \$450,000 retention after evaluating a \$750,000 and \$1 million retention. The only premium increase is due to the increase in Total Insurable Values. We are also expanding the Earth Movement Coverage, which Garvey will talk about later in the meeting.

Gargano suggested that since we will be approving the coverage renewal program before we talk about the Earth Movement Coverage, that we summarize that change now. Gargano explained that currently, if a building exploded, IRMA would pay to put the building back, but wouldn't pay for the grading to correct the foundation to put the building on. Garvey added that if the grading around a foundation washed away, IRMA would not pay for replacing it. Garvey noted that this has occurred a couple of times, so we are recommending adding to the coverage the cost of backfilling or mud-jacking. Irvin questioned the language on page 30 of the packet. In reading the language, if his Village had poured a slab

and it cracked, could he make a claim under this specific language (earth settled under building)? Garvey stated that it wouldn't be for normal settling of a foundation/building, but if it is based on water or something that would wash it out, then it would be covered. Irvin stated that he didn't think the proposed language read that way. Garvey noted that staff would go back and look at this again and revise as needed.

Crime

LeTourneau reported that a full marketing effort was conducted, and although Travelers has provided an aggressive renewal quote, we are still waiting for final response from Chartis. Three other carriers refused to quote as they could not compete with the current terms from Travelers.

Boiler & Machinery

Travelers proposed a 7% rate reduction for 2012.

P.O. Bonds

Rate is flat for 2012. Supplemental P.O. bonds are available under Optional Coverage Program.

Overall, LeTourneau reported that the total coverage cost is \$2,445,248. This does not include the reduction of \$81,649 for eliminating the liability corridor retention. With the loss fund savings, the 2012 premium is \$2,363,600, or a 2.5% premium increase from 2011 due to increased exposures.

Optional Coverage Program

Volunteer Accident/Disability – Final year of three year policy with price guarantee of \$527 per member per year.

Underground Storage Tank – Awaiting 2012 final premium quote to determine 2012 per tank pricing.

Special Events Liquor Liability – Member rates remain at \$125 - \$225 per day based on number of expected attendees.

Fiduciary Liability – Conducted full marketing effort for 2012, with Travelers coming in with the most competitive program.

Tenant/User – Web-based program. LeTourneau indicated that the Norman Spencer Group is still looking for a different carrier who will provide more flexible terms to reduce the frequency when a proposal must be forwarded to underwriting rather than providing an immediate online price..

Gargano suggested that a vote be taken on agenda item 1 – Coverage Renewal and 3 – Earth Movement Exclusion – 1st Party Property Coverage, noting that the language will be amended. Gravy stated that she thought the Earth Movement Exclusion should be brought back when the language was amended. The committee did not have a problem with making the motion to include the Earth Movement Exclusion as amended.

A motion was made by Gargano and seconded Sigman by approve the 2012 coverage renewal including the Earth Movement Exclusion as amended, the elimination of the \$1 million corridor in Liability, and the \$6 million Annual IRMA Member Aggregate Cap. A voice vote was called and the motion carried.

2. Coverage for Recovery of Costs for Straight Time

Garvey explained that we had a member that had a third party loss that damaged village property. As part of the loss, IRMA does not provide coverage if the village's public works employees have to go out and repair it on regular/straight time. If they have to expend overtime in order to repair, then overtime is covered because it is considered an extra expense. The member asked the Coverage, Claims & Litigation Committee to look at whether or not straight time should be covered. Garvey explained that what is done on occasion, is to not pay the straight time labor, but when subrogating against a third party try to collect that straight time for the member. Garvey noted that this doesn't always work.

Garvey reported that the Coverage, Claims & Litigation Committee voted unanimously not to modify the coverage to include coverage for the costs the members incur for straight time paid to Village employees to repair damage to Village property.

A motion was made by Irvin and seconded by Krumstok to approve the recommendation of the Coverage, Claims & Litigation Committee. A voice vote was called and the motion carried.

Bush explained that we will not bring this to the Board of Directors, but will report back to the member who asked.

3. Earth Movement Exclusion – 1st Party Property

Gargano explained that this item had been handled with the Coverage Renewal item.

4. Review of Restructured Coverage Documents

Garvey explained that the coverage document can be very confusing, so staff decided to review the GL and POL documents and where they could put amendments into the body of the coverage document, so it is contained as much as possible. Garvey noted that while staff was going through the documents, a couple of items that needed clarification were found.

The first clarification broadens the exclusion of Village or City Attorneys as members contained in the Definition of Member in both the GL coverage document and the POL coverage document to include all outside contracted professional service providers.

The second clarification is a recommended change to Exclusion 1 in the POL coverage document whereby a member receives some type of monetary gain resulting in a windfall for the member, there is exclusion for coverage for that. A couple of years ago we added a provision about willful and wanton, saying they had to have the intent to injure in order for it to be exclude.. When looking at it again,

the way it was going to read with the willful and wanton is that there would be coverage for the monetary gain that an individual received, meaning the pool would pay back the monetary gain they shouldn't have gotten, plus pay for a defense. Staff recommends going back to the exclusion as it was originally, without the willful and wanton language. A defense would still be available.

The third clarification is to the POL and GL. A number of years ago, we excluded coverage for the Public Safety Employees Benefits Act, but other similar statutory benefits were not specifically excluded. The recommendation is to include similar statutory benefits like the Public Employees Disability Act in the exclusion

The fourth clarification is to change the definition of member in the GL to mirror the definition of member in the POL, subject to one or two provisions that should remain in the GL.

Garvey explained that the POL and GL documents in the packet are marked up to show what was moved from where. Bush noted that this is basically cleaning up the documents and there are no changes to the documents.

A motion was made by Gargano and seconded by Irvin to approve the restructured GL and POL coverage documents and the four coverage clarifications/modifications as discussed. A voice vote was taken and the motion carried.

D. ADMINISTRATION & FINANCE COMMITTEE – WACHTEL

1. Minimum Member Deductible

Wachtel reported that one of the Administration & Finance Committee goals this year was to evaluate the current \$2,500 deductible and determine if it is set at the correct level. A survey was sent out to the membership and the responses were 50% in favor of changing the deductible to \$5,000 and 50% in favor of leaving it at \$2,500. The actuary was incredibly ambivalent as to whether we should increase it or not. The Administration and Finance Committee recommended not changing the minimum deductible at this time. It will be reviewed again in 2014.

A motion was made by Coren and seconded by Irvin to approve the recommendation of the Administration and Finance Committee to leave the minimum member deductible at \$2,500. A voice vote was called and the motion carried.

2. 2012 Personnel Report

Bush explained that there were only a few changes in the 2012 Personnel Report. In Claims, there is a slight reduction from 0.8 to 0.5 in the part-time workers' compensation representative. This person has worked with IRMA before and is very organized and is able to keep up half-time, as opposed to the other person who was in this position.

Bush noted that the second change is a promotion, noting that typically he wouldn't bring this to the committee; however, this position is budgeted by classification and the budget amount needed to be changed.

Bush noted that in regards to the salary ranges and adjustment factors, as we have done over the last several years, we rely on the Hay Group. There is a change to the salary ranges for 2012. For 2011, they recommended a 2.5% adjustment in the salary ranges. Based on the data they currently have, they are recommending a 2% adjustment. We are accepting that data and are recommending a 2% salary adjustment in the ranges. The Hay Group data shows that expected salary increases at the 50th percentile will average 3% in 2012. Based on that data, staff is requesting a 3% budget for salary increases in 2012.

One other change being recommended is to change the "Needs Improvement" performance rating to 0% - X-1%.

Malinowski asked Wachtel how the Administration and Finance Committee voted on the 2012 Personnel Report. Wachtel stated that the committee was in support of the 2012 Personnel Report and the adjustment in "Needs Improvement."

A motion was made by Irvin and seconded by Wachtel to approve the 2012 Personnel Report and the recommendations as follows: approve 2012 staffing levels with reductions of 0.3 FTE; approve 2012 salary ranges; approve budget for a 3.0% salary adjustment factor, and approve the change increase as a percentage of midpoint for the Needs Improvement Performance Rating to 0% - X-1%. A voice vote was called and the motion carried.

3. Banking Contract

Wachtel reported that RFPs were sent out to five banks for banking services, and proposals were received from three banks. Fifth Third is still our lowest cost and staff and the Administration and Finance Committee are recommending remaining with Fifth Third utilizing compensating balance to offset fees. Fifth Third will guarantee this arrangement for a five-year period.

A motion was made by Wachtel and seconded by Krumstok to approve the recommendation to remain with Fifth Third for IRMA's banking services for a 5-year period. A voice vote was taken and the motion carried.

4. Actuarial Report

Vesecky noted that we don't have the full report, but a sheet was distributed showing the rates. Vesecky stated that the selected loss fund rate is what staff and the Administration and Finance Committee are recommending going with. That rate is \$2.259 versus \$2.634 in 2011 – a decrease of 4.5%. Vesecky explained that the workers' compensation rate came down some with the legislation, but our exposures went up and the revenue base did not, so the rate didn't come down too much. The biggest decrease was in the GL, due in part to the elimination of the funding of the corridor.

A motion was made by Wachtel and seconded by Irvin to accept the actuarial report and the selected loss fund rate of \$2.259 per \$100 of revenue. A voice vote was called and the motion carried.

5. 2012 Preliminary Budget

Vesecky noted that the budget that was distributed is updated with the new loss fund rate, and didn't change very much from what was in the meeting packet. Vesecky stated that, overall, the Administration costs are going up about 4%. In Personnel, our IMRF costs are increasing and we are assuming a 9% increase in healthcare. Vesecky noted that we hope to have the healthcare number by the December meeting, so we can take that down if it comes in lower. Member Education/Incentives went up, but is offset with higher revenues. The Commercial Insurance went up and the Self-Insured Loss Fund went down. Overall, we are looking at a 3.5% decrease in the total budget.

Krumstok questioned the WC Self-Insurer Funds estimated 2011 budget at \$9,900 out of the \$120,000 allocated. Vesecky stated that when she got the statement, she had to do some research and found out that when the fund gets over funded, they suspend it, but we don't know that it is going to be suspended for 2012. This is based on what you pay in TTDs and settlements.

Irvin asked about the Capital Outlay line item and who wants the sound meter. LeTourneau stated that overall it's been an issue that has been neglected over time with several members putting together hearing conservation programs. LeTourneau explained that we had a sound meter in the past, but was discarded a couple of years ago because it couldn't be calibrated. This purchase will be a replacement for the discarded sound meter.

A motion was made by Irvin and seconded by Krumstok to approve the 2012 Preliminary Budget. A voice called was called and a motion carried.

6. Interest Income Credit

Wachtel reported that because of the volatility of the market, the Administration & Finance Committee is recommending deferring the decision on the Interest Income Credit until their November meeting. The sheet that was distributed shows where we are as of September 26th. The second sheet provides a percentage breakdown for each member on what their Interest Income Credit allocation would be. Vesecky reported that she would be putting together an email to state just that because she has been getting a lot of calls on this. We are not sure whether if the market keeps going down, we will have anything to give back. We want to inform the membership that the maximum would be \$7.5 million and the minimum could be zero. Vesecky noted that in the past we have often waited until November to approve an Interest Income Credit. When the market has been up, we can decide earlier.

Gargano asked about the experience modifier and stated she felt it went hand-in-hand with the Interest Income Credit. Vesecky reported that she has the experience modifier done and will be sending that out to the members, as well.

Vesecky noted that we want to give a heads up to three members who have severe increases because of the change in the experience modifier this year including up to \$1,000,000 and they had some adverse experience in 2010, which is when the new formulas started.

Bush noted that as of today, staff is speculating that the Interest Income Credit will be \$5 million, since we had \$7.5 million and as of today we are down \$2.5 million. Bush noted that he plans to meet with all three of the members to discuss their increases.

EXECUTIVE DIRECTOR/STAFF REPORT

A. Strategic Planning

Bush reported that staff is planning on holding a strategic planning workshop in the spring, and he has contacted Jenny Emery, formerly with Towers Watson, to inquire whether she would be interested in acting as facilitator. Bush stated that although Emery is not a professional facilitator, she has years of experience with intergovernmental pooling and has worked with our pool in the past. Her fee would be \$3,000 plus travel expenses. Bush stated that he wanted to get a sense from the Executive Board as to what they thought. From his own perspective, Bush stated that he would rather have someone who has a lot of experience with pools as the facilitator. Sigman stated that she thought that would be a good idea to go with Emery. Streid noted that she had another facilitator out of Michigan who works with pools and was waiting for his references.

Gargano commented that when we have done strategic planning in the past, there was something that we wanted to get information about. Gargano asked what staff is looking for to get out of the strategic plan for the members. What are you looking for specifically to gain from the strategic planning from the members and what are looking for the members to get?

Bush noted that one example is that if members are outsourcing for services, there is no adjustment to their revenue base, and members are very unhappy about this. More and more IRMA communities are looking at things like dispatching services.

Gargano stated that if you are trying to identify issues facing the membership, that's one thing versus talking about a strategic plan that is very basic, broad macro items, but staff is looking at very basic things. When you put this out there as a strategic planning session, she is thinking about something very different. Bush agreed and commented that maybe we need to re-title this session. Bush also noted that staff has also been asked to look at other things, all as a result of the financial crunch we are in, and not broad items.

VI. EXECUTIVE SESSION

A motion was made by Irvin and seconded by Krumstok to move into Executive Session to discuss pending litigation and the Executive Director's performance review. A voice vote was taken and the motion carried.

A motion was made by Krumstok and seconded by Irvin to move out of Executive Session and back into the regular meeting. A voice vote was taken and the motion carried.

VII. ADDITIONS TO AGENDA

There were no additions to the agenda.

VIII. CONFIRMATION OF NEXT MEETING

Malinowski reported that the next Executive Board meeting would be held on Wednesday, November 30th at 9:30 a.m. at the IRMA office.

V. ADJOURNMENT

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

Submitted by:

Approved by:

Larry Bush, Executive Director

Art Malinowski, IRMA Chair