



**EXECUTIVE BOARD
Meeting Minutes**

**Wednesday, March 9, 2011
Grotto – Oak Brook
Noon**

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

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

ABSENT: Stacy Sigman

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 November 30, 2010

A motion was made by Krumstok and seconded by Wachtel to approve the November 30, 2010 Executive Board meeting minutes. A voice vote was taken and the motion carried with one abstention.

B. Reports in the Member Section of the IRMA Website

Malinowski asked whether anyone had any questions/comments on any of the reports. Vesecky reported that we earned \$14 million dollars last year, which is about a 10.5% return.

III. CHAIR'S REPORT - MALINOWSKI

A. Welcome to 2011 Executive Board

Malinowski welcomed the 2011 Executive Board and thanked everyone for serving. Malinowski stated that the packet contained several items for everyone's information and review.

Irvin commented on page 15 under the Executive Director's responsibility, where it states that the Executive Director can execute agreements under \$15,000 in accordance with the annually approved budget, and asked whether this was an industry standard. Irvin stated that it felt very low to him. Bush stated that if there was an industry standard he was unaware of it. However, most contracts are under the \$15,000. Irvin asked whether this impairs what Bush does on a daily basis. Bush replied, no, it really doesn't. Vesecky noted that this does not refer to claims contracts and most of the contracts are ones that we go out to bid for and are usually either under the \$15,000 or substantially over.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. Announcement of 2011 Committee

Coren stated that the packet contained the roster of Membership Relations Committee members.

2. Village of Bannockburn's Request for Early Withdrawal

Coren stated that the Membership Relations Committee discussed IRMA's withdrawal policy that was developed to prevent members from jumping into and out of pools. Coren also stated that the committee discussed IRMA's policy of returning all member surplus to withdrawing members. For these two reasons, the Membership Relations Committee concurred with staff's recommendation to not approve the Bannockburn's early withdrawal request. A motion was made by Wachtel and seconded by Peterson to not approve Bannockburn's early withdrawal request. A voice vote was taken and the motion carried.

3. Expulsion of Justice-Willow Springs Water Commission

Coren stated that a letter from Justice-Willow Springs Water Commission requesting to leave IRMA was handed out. Coren reported that the Membership Relations Committee and staff are recommending that we allow them to leave effective July 1, 2011. Coren pointed out that Justice-Willow Springs Water Commission has not been in compliance with IRMA's policies and procedures since 2009.

Bush noted that there was an addition to the agenda that needed to be handled before voting on the Justice-Willow Springs Water Commission matter. Bush stated that in looking over the Bylaws, it's implied but not very clear that accepting the request for withdrawal, would change the date of withdrawal from the end of the fiscal year to a date approved by Board. To make this clear, we are proposing a change to the Bylaw regarding Withdrawal.

A motion was made by Irvin and seconded by Velkme to approve the recommendation to grant early withdrawal to Justice-Willow Springs Water Commission. A voice vote was taken and the motion carried.

A motion was made by Irvin and seconded by Krumstok to change Section 4.05 (B) of the Contract and Bylaws to reflect the authority of the Board of Directors to set the effective date of an early withdrawal. A voice vote was taken and the motion carried.

Bush stated that there is no clarity in the Bylaws or any of our policies or procedures regarding how much a member withdrawing from IRMA is paid back. The first question is how much. If a member leaves half way through the year, they probably want to get half of what they contributed to IRMA. There are certain elements that are clear. The loss fund contribution – if we aren't going to be paying their claims it makes sense that they would get back what they paid into the loss fund, which is usually about 85% of their contribution. There is also the amount

that we pay the excess reinsurers on their behalf. The excess reinsurers will reimburse us if a member leaves early, so it's pretty clear that they would get that money back.

Bush noted that another thing is the administrative costs. We are not going to cut our budget because a member is leaving. To give an example, using Justice-Willow Springs Water Commission, Bush stated that \$36,142 is half of what they paid us. If we reimburse everything except the administrative share, they will get back \$32,572.

Bush stated this also has to do with expulsion. If we expel someone, how much do we give them back? Bush noted that there are no exact rules, but if we decide on something then we should probably adopt a policy on that. Bush noted that on an early withdrawal, we can negotiate whatever we want. But on the expulsion, we are kicking them out – do we want to get into an issue of giving them back less than their prorated share? Krumstok noted that if we are expelling someone, we usually have advance notice and we could probably do something in the budget to defray that. Bush did note that this is the first time that anyone has left in the middle of the year. We had other early withdrawals, but they have all been effective at the end of a fiscal year.

Bush noted that there are criteria for early withdrawal that the Board has approved. One of the criteria is that they are about to be expelled and with Justice-Willow Springs Water Commission, that is the case. Krumstok commented that maybe the Bylaws should state that you have to pay for the administrative costs for the year that you are leaving in. Coren commented that depending on the size of the member and the amount of money, couldn't a member say they will just stay for the next six months or the end of the fiscal year. Wachtel pointed out that they couldn't do that if they were being expelled. Wachtel stated that in this particular case, he felt it was a little late because we don't have a policy. However going forward maybe we want to put in place a policy that states everything except the administrative costs for the year will be refunded on a prorated basis. Malinowski stated that he liked that idea, because the administrative costs are what we budget around.

Garvey commented that it would be better to work on a policy and not put something in the Bylaws. Perhaps we can modify the policy on early withdrawal. It was decided that staff would modify the policy and bring it back to the next meeting.

4. Review of 2010 Member Participation

Coren stated that the packet contained the 2010 year-end Member Participation Report and noted that Justice-Willow Springs Water Commission, who has not been participating, will no longer be with IRMA.

5. Legislation

Coren stated that the legislation update was in the packet and asked Garvey for any additional information. Garvey added that the legislation on the workers' compensation initiative was in the Senate yesterday for a reading, but there is no update as yet. Garvey also reported that the PSEBA legislation has been assigned to the Cities and Villages Committee, but there hasn't been any action taken on it.

Krumstok asked whether any of the members in Category III of the Member Participation Report are starting to respond by increasing their participation. Bush reported that he and LeTourneau had met with management in Prospect Heights and they are aware that they need to increase their participation. Bush stated that everyone in the Category III list would be mailed a letter, prior to the Board of Directors meeting, indicating that they need to attend the Board meeting and increase their participation. Bush commented that staff does try to meet with members who are not participating to encourage them to increase their participation. The idea is to continue to work with them and if they don't comply, then take further action if necessary.

B. TRAINING & EDUCATION COMMITTEE – PETERSON

1. Announcement of 2011 Committee

Peterson stated that the roster for the 2011 Training & Education Committee was on page 36 of the meeting packet.

2. Announcement of 2011 Steering Committee Officers

Peterson noted that the listing of the 2011 Steering Committee Officers was on page 37 of the meeting packet.

3. Update on Grant Programs

Peterson explained that this update on grant programs shows the grants originally requested and the actual reimbursements made to members as of January 5, 2011.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

1. Announcement of 2011 Committee

Gargano noted that the roster of the 2011 Coverage, Claims & Litigation Committee was in the meeting packet on page 41.

Bush reported on a handout regarding litigation expenses that he had handed out at the Coverage, Claims & Litigation Committee and that committee had recommended sharing this with the Executive Board. Bush pointed out that we have really had a good year in regards to our litigation expenses. Bush stated that the litigation software purchased earlier in the year has played a role in this. A bigger difference is the change in the last couple of years of trying to get claims settled quicker. Bush noted that the trend is continuing. Bush stated that he had sent an email to our attorneys yesterday stating not to be concerned that they aren't getting cases, because there aren't as many. We have only had two complex cases since the beginning of the year.

D. ADMINISTRATION & FINANCE COMMITTEE – WACHTEL

1. Announcement of 2011 Committee

Wachtel stated that the roster of the 2011 Administration & Finance Committee was on page 41 of the packet.

2. Member Deductible Policy

Wachtel noted that this policy was revised last year to include the aggregate caps. This revision will include the review of the minimum maintenance deductible on the same schedule as the review of the aggregate deductible buckets and the experience modifier credibility factor. A motion was made by Wachtel and seconded by Krumstok to approve the revision to the Member Deductible Policy. A voice vote was taken and the motion carried.

3. Experience Modifier Policy

Wachtel stated that this policy revision would approve the revision to the Experience Modifier Policy to include the review of the credibility factor by the actuary and the sliding scale. A motion was made by Wachtel and seconded by Irvin to approve the revision to the Experience Modifier Policy. A voice vote was taken and the motion carried.

4. IMRF Resolutions

Wachtel stated that we have two resolutions from IMRF to approve: 6.72, to include compensation paid under an IRC Section 125 Plan as IMRF earnings; and 6.74 – to include taxable allowances as IMRF earnings.

A motion was made by Wachtel and seconded by Krumstok to approve the two IMRF resolutions.

Krumstok asked whether this was brought up in an audit. Vesecky stated that, yes, it was. Malinowski asked what the tax allowances were. Vesecky stated that we have two people who have auto allowances.

A voice vote was taken on the motion, and the motion carried.

5. Position Reclassification

Bush stated that this was a reclassification in the claims department, as we did eliminate two full time positions last year and to help accommodate that we shuffled responsibilities and the person who had been working only in liability is now working also in workers' compensation, which is a higher level of job. This reclassification does not change the number of positions, but is basically a promotion for one of our current staff. A motion was made by Krumstok and seconded by Gargano to approve the position reclassification. A voice vote was taken and the motion carried.

Irvin asked why this had to come to the Executive Board. Wasn't this something he could have just done? Vesecky stated the personnel report is approved by the

Board of Directors every year with the number of positions. Since the Board approves it, it was determined that the change should be brought to the Board for approval.

6. Northern Trust Custodian Contract

Wachtel reported that our financial consultant, Brian Goding, was able to negotiate the custodian contract with Northern Trust that will save us about \$10,000 per year in custodial fees.

7. GFOA Certificate

Wachtel reported that, once again, the GFOA has awarded the Certificate of Achievement for Excellence in Financial Reporting to Vesecky and the staff, and thanked everyone for their efforts.

V. EXECUTIVE DIRECTOR/STAFF REPORT

Bush reported that we have filled the part-time position in liability with the hiring of Erica Warfield. Bush noted that this has really helped relieve the pressure on the workers' compensation department with the other liability person being able to take on more workers' compensation cases. Bush also reported that John Martin, our medical only claims representative, is retiring at the end of the week, and we have replaced him with Jim Leyland, who is also very experienced.

Bush also reported that several weeks ago we received settlement authority of up to \$500,000 for the Lassie case, but the case was settled for \$260,000. Bush noted that one of the things that helped with this case was finding other cases out there involving tasers, where motion for summary judgment was granted.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VI. CONFIRMATION OF NEXT MEETING

Malinowski reported that the next Executive Board meeting would be held on Monday, June 13, 2011 at 1:30 p.m. at the IRMA office.

VII. ADJOURNMENT

A motion was made by Irvin and seconded by Krumstok 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