



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

**Monday, June 10, 2013**  
**IRMA Office**  
**9:30 a.m.**

**PRESENT:** David Clark, Chair  
Dan Nisavic  
Scott Anderson  
Spencer Parker  
Katy Rush  
Janet Gorman  
John Prejzner  
Kelly Amidei  
Gerald Sagona

**ALSO PRESENT:** Laura Vesecky  
Larry Bush  
Mark Tomaw, McGladrey  
Brian Goding, Marquette Associates  
Mary Henzler

**ABSENT:** Andrianna Peterson

**I. CALL TO ORDER**

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

**II. APPROVAL OF MINUTES – February 14, 2013**

A motion was made by Anderson and seconded by Nisavic to approve the Administration & Finance Committee Meeting Minutes of February 14, 2013. A voice vote was called and the motion carried.

**III. FINANCIAL REPORTS**

- A. IRMA Financial Statements as of April 30, 2013
- B. IRMA Investment Portfolio as of April 30, 2013
- C. IRMA Payables for the period 1/25/13 – 5/23/13

Clark asked if anyone had questions on the reports. Hearing none, a motion was made by Sagona and seconded by Anderson to approve the Financial Reports. A voice vote was called and the motion carried.

**IV. ACTUARIAL REPORT AS OF 12/31/12**

Vesecky reported that this is great news. The actuaries finally recognize that the decrease in our claims severity and frequency that started in 2009 continues and is trending down. The reserves decreased by \$7 million. It looks like the rate for next year will be coming down quite a bit.

Bush added that another reason our claims severity has gone down is the September 2011 new Medical Fee Schedule took effect.

A motion was made by Rush and seconded by Sagona to accept the 12/31/12 Actuarial Report. A voice vote was called and the motion carried.

**V. 2012 AUDITED FINANCIAL REPORT (Mark Tomaw, McGladrey)**

Vesecky introduced Mark Tomaw of McGladrey, who has been our auditor for the past ten years.

Tomaw reviewed the Report to the Administration & Finance Committee, which he distributed, explaining that the report summarizes certain matters required by professional standards to be communicated to the Administration & Finance Committee in their oversight responsibility for IRMA's financial reporting process. Tomaw reported that one of the key things to take away as part of the audit process is that when they were finished with the audit, there were no audit adjustments made to the financials, which speaks well for the IRMA staff.

Tomaw reported on one identified deficiency in internal control that they determined did not constitute a significant deficiency or material weakness. Tomaw noted that a key control over wire transfers is that they are reported to the Administration & Finance Committee on a periodic basis. The auditor's testing identified a wire transfer that was not reported to the AFC; however, this amount was not significant and was a recurring transaction. Tomaw indicated that they recommend that the wire transfer listing be reviewed for completeness and accuracy by an individual other than the person preparing it prior to submission to the AFC, and document that review.

Tomaw reviewed the Financials for the committee. Vesecky added that if any committee members had any comments on the report, they should contact her by Thursday, June 13th.

**VI. FINANCIAL AUDITOR CONTRACT EXTENSION**

Vesecky reported that staff had asked McGladrey for a two-year extension to give the new Finance Director some consistency and time with the same auditor. McGladrey has come back for 2013 and 2014 with the same level as our current 2012 fees, which is \$48,000, plus reimbursement for out-of-pocket expenses not to exceed \$3,000. Tomaw explained that by using staff from the Chicago office, they have cut the out-of-pocket expenses. They also do a lot of the work remotely.

A motion was made by Rush and seconded by Sagona to approve the financial auditor contract extension. A voice vote was taken and the motion carried.

**VII. SEGREGATION OF DUTIES**

Vesecky reported that this is the standard list of duties that we have agreed with McGladrey on that is reported to the Administration & Finance Committee. The memo confirms that we are still doing these duties.

**VIII. 1<sup>ST</sup> QUARTER 2013 INVESTMENT PERFORMANCE REPORT**

Goding reviewed the 1<sup>st</sup> quarter 2013 Investment Performance Report and the April update. Goding also stated that he prepared a manager search, and would distribute it if needed.

Goding reported that the US Economy continues to grow, averaging right around 2%. Unemployment has come down. Inflation seems to be well behaved – running around 2%.

Goding reviewed the Total Fund Composite. Two firms, Legg Mason Int'l Equity and Mainstream have been put on alert for poor performance. Everyone else is in compliance with guidelines and performance expectations. Goding stated that for the most part the fund is in line with asset allocation policy; however, we are a little bit heavy on equities and a little light on alternatives, because they call money down on capital calls when needed.

Goding reported that the total fund for the quarter returned 5.3%, for one year it is up 10.2%, for three years 9.5%, for five years 6.2%, and for 10 years 6.9%.

Goding reported that the Fixed Income managers, PIMCO and Western Asset are both doing very well – ahead of their benchmarks. The TIPS fund is not doing very well and Goding noted that maybe we should talk about moving some money out of TIPS and into the Fixed Income managers.

Goding stated that one of the equity managers that we had talked about at the last meeting, Legg Mason, actually had a good quarter and continued to grow during April. Goding noted that he did have a search with him, if the committee wanted to look at it. Vesecky stated that perhaps we should wait until next quarter to see how they perform. The committee concurred. Goding stated he would bring the search to the next meeting.

Goding noted that Mainstream is not performing all that well. Goding stated that he wasn't ready to pull the trigger on them yet and suggested that we given them to the end of the year to improve.

Goding noted that the report that is shown on the LCD is really hard to read, and suggested that at future meetings, he just review the paper copy of the report and not put the report on the computer.

Goding suggested moving money out of the TIPS and to the other Fixed Income Managers. Goding recommended decreasing the TIPS fund by 4% and moving 2% to each of the Fixed Income managers, bringing both PIMCO and Western Asset to 18% respectively. A motion was made by Rush and seconded by Sagona to approve the reallocation as outlined by Goding. A voice vote was called and the motion carried.

#### **IX. IRMA 2013 CASH FLOW REPORT**

Vesecky reported that, in reviewing the cash flow report, staff is not recommending making any changes at this time. The committee can revisit it in the fall.

#### **X. 2013 POTENTIAL INTEREST INCOME CREDIT**

Vesecky reported that if you go by our formulas, there should not be an interest income credit for this year. Vesecky referred to the balance sheet on page 12 of the packet and to the line item, Amounts Due to (from) Members. Vesecky explained that each year a year is added to the Members' Reserve and that is what affects our formula. Based on our formula, there would not be an interest income credit this year and probably next

year as well, because of the negative number for 2008. However, in 2009, there will be almost \$20,000,000. Staff is proposing that rather than give no interest income credits for two years, if everything looks okay in the fall, we give an interest income credit for the next two years. Vesecky pointed out that our bylaws provide for extenuating circumstances. Vesecky commented that she felt that the members would rather have something over three years, rather than received no interest income credit for two years.

Vesecky noted that she did not have a dollar amount right now, but Bush will come back in the fall with the amount of the interest income credit. Clark stated that he agrees with the approach.

#### **XI. IRMA PERSONNEL HANDBOOK – PART-TIME EMPLOYEE VACATION**

Bush stated that this was a mistake that was discovered in the IRMA Personnel Handbook. Part-time employees were accruing vacation time the same way a full-time employee does. The suggested change is to have part-time employees accrue vacation based on the number of hours actually worked each week. A motion was made by Rush and seconded by Anderson to approve the change to Part-Time Employee Vacation in the IRMA Personnel Handbook. A voice vote was taken and the motion carried.

#### **XII. REVENUE BASE DEDUCTIONS – OUTSOURCED FUNCTIONS**

Vesecky stated that this item is based on the discussion held at the last Administration & Finance Committee meeting. There are two recommendations and, if the committee concurs, we will bring back actual language to the next meeting for a vote. Vesecky noted that right now garbage that is outsourced can be deducted from the IRMA revenue base if it meets certain conditions. It is being recommended that we allow for the deduction of garbage fees paid to an independent contractor, regardless of how the fees are collected. It is also being recommended that we allow for deduction of other outsourced functions that meet certain conditions – the contract contains preapproved indemnity language or IRMA's suggested indemnity language; the contract is not for construction; and, the total value of the contract is more than 5% of the member's revenue base at the time of application for deduction.

After a brief discussion, the committee concurred with the two staff recommendations. Vesecky stated that actual language would be brought back to the September meeting.

#### **XIII. IRMA EMPLOYEE RETENTION**

Bush noted that this was discussed at length at the last meeting. Bush stated that in evaluating the scope of work needed to evaluate the compensation program, he now believes that it would be inadvisable to initiate a major effort at this time, primarily because of the changes in management that will occur over the next year.

Bush did report that there are a couple of individual issues that he will bring back to the committee as part of Personnel Report at the September meeting.

#### **XIV. INVESTMENT NEWSLETTERS**

Vesecky reported that the investment newsletters were posted on the IRMA website.

**XV. ADDITIONS TO AGENDA**

Vesecky thanked everyone for serving on the Administration & Finance Committee and stated that her tenure as Director of Finance has been great.

**XVI. EXECUTIVE SESSION (PERSONNEL)**

A motion was made by Anderson and seconded by Gorman to move into Executive Session. A voice vote was called and the motion carried.

Bush updated the committee on the search for the Director of Finance and Administration and explained that he was ready to make an offer.

A motion was made by Gorman and seconded by Prejzner to adjourn from Executive Session and move back into the regular meeting. A voice vote was taken and the motion carried.

**XII. CONFIRMATION OF NEXT MEETING**

Clark reported that the next scheduled meeting of the committee is Thursday, September 19, 2013 at 9:30 a.m. at the IRMA office.

**XIII. ADJOURNMENT**

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

Submitted by:

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Laura Vesecky  
Director, Financial Services & Administration

Accepted by:

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David Clark, Chair  
Administration & Finance Committee