



**BOARD OF DIRECTORS
Meeting Minutes**

**Wednesday, June 29, 2011
Westbrook Corporate Center Conference Room
9:30 a.m.**

I. CALL TO ORDER

Chair Malinowski called the meeting to order. Bush called the roll and a quorum was declared.

II. APPROVAL OF MINUTES – March 23, 2011

A motion was made by Krumstok and seconded by Sigman to approve the Board of Directors meeting minutes of March 23, 2011. A voice vote was taken and the motion carried.

Malinowski stated that there were several standing committee reports for information only on the Member section of the IRMA website for Board members to review.

III. CHAIR'S REPORT - MALINOWSKI

A. IRMA Delegates/Alternates

Malinowski reported on the following changes to member Delegates and Alternates:

Delegates

Garrett Hummel, Willowbrook
Jeff White, Stickney
Ron Pfeiffer, Cary

Alternates

Paul Oggerino, Willowbrook
Glenn Burmeister, Lake Forest
Tara Semenchuk, Cary

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. Early Withdrawal – Payments & Refunds

Coren reported that with the Justice Willow Springs Water Commission withdrawal issue, the Membership Relations Committee asked staff to review several policies, one of which was the IRMA Statement of Guidelines for Membership Selection. The committee asked staff to put something in place so that if we face a similar situation, it would be addressed in the guidelines. Coren noted that the Membership Relations Committee and the Executive Board agreed that it would be fair to reimburse Justice Willow Springs Water Commission one half of their total contribution for their withdrawing half way through the year. However, the revised policy will clearly state that members leaving the pool other than year end will not be reimbursed for their pool administrative costs. Changes to the IRMA Statement of Guidelines for Member selection will be revised to reflect these recommendations.

A motion was made by Krumstok and seconded by Coren to approve the revisions to the IRMA Statement of Guidelines for Member Selection, effective July 1, 2011. A voice vote was taken and the motion carried.

2. Revised Member Participation Guidelines

Coren explained that the Membership Participation Guidelines have included NAPD instructors. NIPSTA is now providing most of the instructors. Therefore, it is being recommended to revise the Member Participation Guidelines by removing the 5% credit for NAPD & IAPD Driver training instructors.

A motion was made by Krumstok and seconded by Wachtel to approve the revision to the Member Participation Guidelines. A voice vote was taken and the motion carried.

3. Revised Watchlist Policy – Withdrawal Criteria

Coren reported that as the Membership Relations Committee reviewed the IRMA Member Watchlist Guidelines, the committee felt there should be more clearly detailed criteria for Removal from the Watchlist. This revision gives very specific criteria for removal from the Watchlist and allows staff and the committee to make better recommendations.

Bordui asked whether there are more criteria to come off the Watchlist than there is to be put on the Watchlist. Coren replied that, yes, there are more criteria to come off the Watchlist, as the committee felt that not only will there be a member coming off the Watchlist, but we want them to stay off the Watchlist.

A motion was made by Sigman and seconded by Gargano to approve the revisions to the criteria for Removal from the Watchlist. A voice vote was taken and the motion carried.

4. Presentation – 2011 State of the Membership Report

LeTourneau gave a PowerPoint presentation on the 2011 State of the Membership.

LeTourneau noted that the report is smaller this year, as the individual member claims analysis section is now available online on the IRMA website.

LeTourneau reported that overall 2010 claim frequency was 2,288 versus 2,173 in 2009. Overall claims severity increased by 30%; however, this was largely due to three large claims which made up 87% of the total increase. Workers' Compensation was 38% of total claim frequency, coming down from 40% last year. Liability claims comprised 22% of total frequency; property was 19%; and auto claims were 20%. LeTourneau noted that workers' compensation accounted for 75% of the total claims severity in 2010, up 12% from 2009.

Highlights of the Claims to Contribution/Watchlist Report included:

- Five-year claims to contribution ratio decreased from 74.72% to 70.23%
- Members with a five-year ratio over 100% decreased from 18 to 14

- No additional members recommended to be added to the Watchlist.
- It is recommended that Park Forest be extended one additional year on the Watchlist as of January 1, 2012, to continue their efforts to reduce their adverse workers' compensation loss trend.

LeTourneau reviewed the Summary of Significant Accomplishments:

Claims Frequency remained down 26% overall since 2008.

Undeveloped claims experience increase mainly due to three claims

Excess/Reinsurance Premiums reduced by 13% for 2011

WC limits increased from \$150m to statutory

Add'l. Five members achieved IMAP accreditation

Delivered a record 324 onsite visits

Expanded summer internship to four member locations

Subrogation recovery of over \$1.6m

LeTourneau and Coren presented award plaques and \$1,500 checks to the following 2010 Excellence in Public Risk Management Award winners:

Village of Westmont – Large Member Category

Village of Clarendon Hills – Small Member Category

Winfield Fire Protection District – Special District Category

LeTourneau announced that the following member departments would be receiving a certificate for achieving a zero accident rate in both frequency and severity for both vehicle and work injury records in 2010.

Bannockburn Police

Hillside Public Works

Northfield Fire

Northfield Public Works

West Dundee Public Works

Flossmoor Fire

Indian Head Park Public Works

Justice-Willow Springs Water Comm.

Prospect Heights Police

Prospect Heights Public Works

A motion was made by Krumstok and seconded by Sigman to accept the 2011 State of the Membership Report/Claims to Contribution Watchlist Report. A voice vote was taken and the motion carried.

B. TRAINING & EDUCATION COMMITTEE – PETERSON

Presentation – Best Safety Initiative Award Winners

Peterson and Streid presented plaques and checks to the following Best Safety Initiative Award winners:

City of Crystal Lake Fire Rescue Department for their Bariatric Ambulance and Equipment program

Village of Mundelein for their Student Pedestrian Safety Web Page

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

Malinowski reported that the Coverage, Claims & Litigation Committee did not meet this quarter.

D. ADMINISTRATION & FINANCE COMMITTEE – WACHTEL

1. Actuarial Report – 12/31/10

Wachtel explained that the actuarial report contains the information that is needed for the Comprehensive Annual Financial Report. It also provides a preliminary Loss Fund rate of \$2.40 per \$100 of revenue.

A motion was made by Krumstok and seconded by Coren to approve the 12/31/10 Actuarial Report. A voice vote was taken and the motion carried.

2. Presentation – Annual Comprehensive Financial Report

Vesecky gave a PowerPoint presentation on the Annual Comprehensive Financial Report. Vesecky reported that our cash and investments increased substantially this year, due to the combination that we earned about \$14 million in investment income during 2010, and our claim payments were about \$6 million less than contributions.

Vesecky reported that the receivables went down, explaining that we had a receivable on the books for excess insurance recovery from Reliance, who is in bankruptcy. During 2010, we discovered that we would not be receiving that money, so we had to write it off.

Vesecky reported that Members' Reserve Fund went down about \$5 million. We transferred about \$6 million from Members Reserve to Excess Surplus. Overall our Operating Expenses came down slightly.

Vesecky noted that we would be submitting the CAFR to the GFOA for the Certificate of Achievement.

Vesecky reported that we are hoping to have an Interest Income Credit this year. This past year, we gave back \$6 million and next year we are hoping to give back \$8 million.

Vesecky noted that the preliminary rate would be looked at again in the fall by the actuaries.

A motion was made by Irvin and seconded by Sigman to approve the 2010 Comprehensive Audited Financial Report. A voice vote was taken and the motion carried.

V. EXECUTIVE DIRECTOR/STAFF REPORT

Changes in Workers' Compensation Act

Bush stated that even though this item was not on the agenda, he thought it would be worth going over. Bush commented that although the changes didn't come close to the reform that was needed, the changes will have a definite impact on IRMA members.

Bush stated that he would be using parts of a presentation by the Illinois Chamber Employment Law Council to highlight items that would impact IRMA members. The presentation was called the Good, the Bad and the Ugly.

Good

Utilization review upgrade – Doctors review medical cases and determine if enough medical treatment has occurred and medical treatment should be cut off. This is something that has been available in Illinois, but it is something that arbitrators have completely ignored, if they chose to do so. We also had doctors not provide the information needed to perform the utilization review. The change in the Act now states that providers are required to provide the medical records that we need, or we don't need to pay them. It also shifts the burden to the employee to show that the utilization is wrong.

Fee Schedule changes – The medical fee schedule has been reduced 30%. Governor Quinn is saying that this will save somewhere between \$500 million - \$750 million. Most people in the business think this is exaggerated, because we are not paying the full fee schedule now. We have a lot of networks where we get discounts. However, savings will be significant. Bush noted that staff is estimating that our actuary will reduce our rate about 3%.

Wage loss cap – Right now in Illinois, if you can't go back to work and don't have a pension, under workers' compensation, the employer has to pay the difference in pay for the rest of that person's life. They go to the life tables and if the life expectancy is to age eighty-eight, we have to pay that difference in salary all the way to eighty-eight. What the change does is cap the age at sixty-seven, which means that it will be cutting twenty years off of the length of payment we would have had to pay. This applies only to injuries after September 1, 2011, so any cases we have out there now will not be impacted by this change.

Commission ethics – Basically the change says the commission should behave ethically, which we would have thought they would be doing anyway.

Bad

No Change to Causation Standard – Bush reported that currently if the workplace has any contribution to an injury, they will be found compensable. Unfortunately, our highest priority, which was to change the "causation" standard to make the workplace the major contributing cause of an accident or injury, fell short by 5 votes in the Illinois Senate.

AMA Guidelines – The legislation introduces AMA guidelines to help determine impairment. However, this legislation adds other corroborated medical options to the

AMA Guidelines. This allows the arbitrator to ignore the AMA Guidelines and look at the other option and what could be a 10% award could become a 50% award.

Preferred Provider Programs – The goal was to have the employer have the ability to direct treatment to the first doctor. That was not approved. What was approved is that we can now form preferred provider networks to offer to our employees. This will change how we handle accidents when they first occur. We are going to be able to tell employees that this is our network of doctors. The employee does have a choice of doctors within the network. The employee does have the ability to opt out of the network, but if they do it counts as one of their choices of doctors. Therefore, if they opt out of the network, they only have one choice of doctors left. There is some concern as to when this will go into effect, as the Department of Insurance has to approve the networks. Bush noted that staff has meetings starting tomorrow with network providers who say they are going to be approved. Bush commented that we are actually looking at putting together an IRMA network, but since we don't know what the Department of Insurance regulations will be, we don't know whether we can do that. Bush noted that everyone wants to start this on September 1, 2001, but stated that he wasn't sure that the Department of Insurance is even going to issue the regulations by then. Irvin asked whether IRMA would be putting together a network alone, or would we be piggybacking with another organization? Bush noted that we wouldn't be doing it alone, and we are working with Eagle One and several other networks who say we could possibly form a sub-network through them and be able to pick out our own doctors.

Alcohol & Drug Intoxication – Bush noted that it seems obvious that we shouldn't be compensating anyone if their injury revolves around them being intoxicated. However, this was watered down incredibly. It does shift the burden of proof to the employee, but all they have to prove is that intoxication was not the sole cause of the injury.

Ugly

Commission Structure – Beginning July 1, 2011, all arbitrators are terminated. They continue to work until they are replaced or reappointed. The Workers' Compensation Advisory Board may make recommendations regarding the initial set of arbitrators reappointed or new. The initial set of arbitrators must have advice & consent of the Senate. Following that, there is a pattern of reappointment every three years. All newly appointed arbitrators must be an attorney. Current non-attorneys are grandfathered.

Malinowski asked whether it would be possible to send out an executive summary of what was just covered in the presentation on the Workers' Compensation Act. Bush stated, yes; however, he was anticipating putting something in the next E-news and maybe we would have more information on the networks.

Bush mentioned that PSEBA was something that we had hoped to have addressed, but nothing happened. Bush stated that there is some real interest in doing something on this, as there is a senator who is very interested. Even the labor unions have agreed that some changes may be necessary. There is some real optimism that there will be some change next year.

Strategic Planning

Bush reported that next spring IRMA is going to hold a strategic planning workshop. It will be based on the financial circumstances of IRMA's municipalities and districts and changes that are being made. At many of the meetings of managers and mayors, there has been talk of private partnerships, outsourcing and working together. Bush noted that the way IRMA's contribution formulas work right now there is no credit given if a member outsources something or works with another member. It does benefit them in their experience modifier, but it takes five years to come back. If municipalities are looking to do some of these innovative things on transferring work elsewhere and transferring the risk elsewhere, they aren't going to want to wait five years to see some benefit to their IRMA contribution.

Bush noted that we have had several request for more services. Currently, we provide unemployment compensation administration for our members. This is done through group purchasing. There have been requests for FMLA and/or COBRA services and these will also be discussed at the workshop.

Bush stated that if anyone has any other topics they would like to see discussed at the workshop, they should let him know.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VII. CONFIRMATION OF NEXT MEETING

Malinowski stated that the next Board of Directors meeting would be held on Wednesday, October 19, 2011, at 9:30 a.m. at the Westbrook Corporate Center Conference Room.

VIII. 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:

Larry Bush, Executive Director

Approved by:

Art Malinowski, IRMA Chair