



ADMINISTRATION & FINANCE COMMITTEE
Meeting Minutes

November 17, 2016
IRMA Office
9:30 a.m.

PRESENT: Jessica Frances, Chair Elizabeth Holleb
Darrell Langlois Doug Haywood
Lynn McCammon Jason Bielawski
Larry Noller Brad Bettenhausen (via conf. call)

ALSO PRESENT: Margo Ely Rita Boserup
Mary Henzler Telly Panousis
Tom Latzke, Marquette Associates

ABSENT: Eric Helm Barry Krumstok

I. CALL TO ORDER

Chair Frances called the meeting to order at 9:30 a.m. Roll was taken and a quorum declared.

II. APPROVAL OF MINUTES: September 22, 2016

A motion was made by McCammon and seconded by Bielawski to approve the AFC Meeting Minutes of September 22, 2016. A voice vote was called and the motion carried.

III. FINANCIAL REPORTS

- A. IRMA Financial Statements as of September 30, 2016
- B. IRMA Investment Portfolio as of September 30, 2016
- C. IRMA Payables for the period the period September 1, 2016 – October 31, 2016

Frances asked if there were any questions on the financial reports. Hearing none, a motion was made by Noller and seconded by Holleb to approve the financial reports. A voice vote was called and the motion carried.

IV. 2017 FINAL BUDGET

Frances highlighted several areas of the final budget. The total increase for the final budget is \$546,584, which is 1.75%. The estimated rate of return for investments is projected at 6.5%. Once we remove Buffalo Grove from the calculations, our revenue base actually increased by 2.28% to \$32,466,318. The administration budget increased by 3.34%, while the total budget is expected to increase by only 1.75% due to the loss fund increase of 1.64%.

A motion was made by McCammon and seconded by Langlois to approve the 2017 Final Budget. A voice vote was called and the motion carried.

V. POSITION TITLE CHANGE

Frances stated that this is just a change from a part-time administrative assistant position to a part-time claims processor position to allow for better coverage for such timely tasks as setting up new claims, issuing claim checks, processing mail and filing. Both positions are in the same salary grade, so there is no budgetary impact for this change.

A motion was made by Haywood and seconded by Bielawski to approve staff's request to change the part-time administrative assistant position to a part-time claims processor position. A voice vote was taken and the motion carried.

VI. AFC MEETING DATES FOR 2017

Frances asked if anyone had any conflicts with any of the dates for the 2017 AFC meetings. Frances asked that the dates be sent out as appointments so that everyone would have them on their calendar.

VII. 2016 INTEREST INCOME CREDIT

A motion was made by Noller and seconded by McCammon to approve the 2016 Interest Income Credit. Frances explained that we will be issuing \$9,700,000 to the membership in 2016. Boserup noted that this is from the year 2015 - distributed in 2016. We will be utilizing \$3,000,000 for the APCC Loan Fund and \$1,500,000 for 2017 Rate Stabilization.

Boserup explained that surpluses/deficits in the most recent five years are not transferred into Members' Reserve until the year is five years old. On page 48 of the packet it shows a deficit of \$5,044,392 for the 2015 year. Due to the large amounts potentially being available for transfer into the Members' Reserve Fund in the next three years, it has been suggested that the method for determining the interest income credit be reviewed or that some of the funds be held in a Rate Stabilization account. The Loss Fund Discounting sub-committee is looking into this.

Ely noted that when one large case was moved from claim year 2015 to claim year 1985, the deficit in 2015 will be mitigated. In addition, the investment returns are positive and as a result, the reported 2015 deficit is not a concern at this time.

A voice vote was called and the motion carried to approve the 2016 Interest Income Credit.

VIII. 3rd QUARTER INVESTMENT PERFORMANCE REPORT (Posted on IRMA Website under Publications/IRMA Reports)

Tom Latzke of Marquette Associates presented the 3rd quarter investment performance report to the Committee, including not only global economics, but IRMA's specific investments. Some discussion focused on the performance of EnTrust, who has been on our watch list. The recommendation was to stay put and continue to observe. Marquette has frequent calls with the EnTrust representatives and don't recommend termination at this time. In addition, the Committee accepted the recommendation to

rebalance investments in order to conform with the asset allocation targets. More specifically, take \$1.9 million from the S&P 500 index, \$1.5 million from Chicago Equity and \$1.7 million from Kayne Anderson and transfer it into the Northern Trust Short Term Bond Fund for future claim payments. The Northern Trust Short Term Bond Fund has replaced IMET as our cash flow account.

IX. DISCUSSION OF AUDITOR OBSERVATION EMAIL (pg. 49)

The Committee discussed the Auditor email and heard from our investment advisor as well on the issues. Fred Fisher is our new audit partner with RSM and provided input as to our investment practices. Fred recommends that we move into laddered bonds, specific fixed income bonds, or reallocate some of our equity allocation into a more conservative investment option. In response, Tom stated that Fred's suggestion that bond mutual funds are classified as stocks/equities is something they have not heard of previously and with which they strongly disagree. The discussion included acknowledgment that IRMA invests differently from the insurance industry and we have had positive returns. Rita added that our actuary, Milliman, routinely compliments our investment portfolio returns and the positive impact on our reserve balances, resulting in interest income credits. The Committee concurred with Tom, finding there is no need for revision to our investment practices.

X. REVISION TO ASSET ALLOCATION GUIDELINES

The Committee discussed revisions to the Asset Allocation Guidelines necessitated by the decision to invest 5% in real estate. After a motion and second, the motion carried.

XI. ADDITIONS TO AGENDA

XII. CONFIRMATION OF NEXT MEETING

Thursday, February 16, 2017
9:30 a.m. - IRMA Office

XIII. ADJOURNMENT