



**EXECUTIVE BOARD
Committee Meeting Minutes**

**Wednesday, October 5, 2016
IRMA Office
9:30 a.m.**

PRESENT: Kathleen Gargano, Chair
Drew Irvin
Peggy Halik
Bridget Wachtel

David Clark
Jessica Frances
Steve Stricker

ALSO

PRESENT: Margo Ely
Susan Garvey
Mary Henzler

Dan LeTourneau
Rita Boserup
Dennis Bubenik (Revenue Base Appeal)

ABSENT: Julia Cedillo

Eileen Donahue

I. CALL TO ORDER

Chair Gargano called the meeting to order, roll was called and a quorum declared.

II. APPROVAL OF MINUTES

A. Meeting Minutes of May 25, 2016

A motion was made by Clark and seconded by Frances to approve the Executive Board Meeting Minutes of May 25, 2016. A voice vote was called and the motion carried.

Meeting Minutes of August 9, 2016

A motion was made by Wachtel and seconded by Halik to approve the Executive Board Meeting Minutes of August 9, 2016. A voice vote was called and the motion carried.

B. Reports for information only, found in the Member Section of the IRMA website –

<http://www.irmarisk.org/Publications/IRMA-Reports.aspx>

- IRMA Financial Statements
- IRMA Investment Portfolios
- IRMA Payables
- 3rd Quarter Investment Performance Report
- Membership Recruitment Report
- Claims Operational Report
- Risk Management Services Report
- Quarterly Member Participation Report

Gargano asked if anyone had any questions on any of the reports. Hearing none, she moved to the next agenda item.

III. CHAIR'S REPORT - GARGANO

Announcement of Formation of Nominating Committee for 2017 Officers (Chair-Irvin)

Irvin stated that he would be soliciting members to sit on the 2017 Officer Nominating Committee and would make an announcement at the Board meeting asking for volunteers. Irvin stated that the 2017 Nomination Form and Committee Interest Survey would be sent out the Delegates/Alternates early next week.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – WACHTEL

1. Proposed Revision to Member Participation Policy

Wachtel stated that what we are voting on here is a revision to the Member Participation Policy. Those municipalities that are classified as a Category 3 for two or more years receive a letter from the Executive Director stating that they will be referred to the Membership Relations Committee (MRC) for further action as needed including possible expulsion. The MRC thought that was a little harsh, so they are taking out the language "including possible expulsion." Wachtel stated that she would entertain a motion to accept the revision to the Member Participation Policy.

Gargano asked whether there was any added value to tracking participation. Gargano noted that the high participants have been consistent during her tenure at IRMA and the low participants have stayed the low participants. Have we been able to show the connection between the low participants and claims? LeTourneau stated that it is somewhat correlating but not consistent across the board. Gargano stated that she thought it was important that we are self-governed and we have participation, but it's the same people and the people that are scoring low always will. So does it really matter? Wachtel noted that as people are moving across municipalities their participation can fluctuate.

Ely noted that Mike Braiman mentioned that we should consider including this in our experience modifier. If we really want participation then it should be calculated in our contribution in some way.

Irvin questioned the wording "as needed" as to what the value was of having that wording in the policy. It was just adding words and less is more. Irvin asked whether procedurally the Executive Board has the last word, not the full Board? Ely noted that expulsion has to go to the full Board. Garvey stated that it would be the Executive Board recommending expulsion to the full Board.

Ely noted that we are talking about a couple issues. This is just participation. Expulsion is also driven by the contract and bylaws so there are different procedures for different things.

LeTourneau suggested that the last paragraph should read, "The Executive Board will determine if further action is appropriate. If appropriate, the Expulsion Procedure

set forth in Section 4.03(B) of the Contract and By-laws shall be implemented for the most extreme situations.” Ely stated that participation would be a small part of what we would be looking at in considering expulsion.

A motion was made by Gargano and seconded by Frances to approve staff's recommended revisions to the Member Participation Policy with the removal of the words "as needed" in the fourth bullet point following the 4th paragraph. A voice vote was called and the motion carried.

2. Proposed Special Governmental Service District Guideline Revisions

Wachtel stated that this revision has to do with developing some reasonable underwriting evaluation criteria for public safety dispatching. It was agreed upon at the last MRC meeting that underwriting criteria for one specific special district should not be part of this overall policy for special districts. The specific public safety dispatching guidelines should be part of the overall staff prospective new member evaluation process for public safety dispatching agencies and not a part of the special district policy.

A motion was made by Irvin and seconded by Halik to approve staff's recommendation to revise the Membership Guidelines for Special Governmental Service Districts to remove the underwriting guidelines for public safety dispatching agencies. A voice vote was called and the motion carried.

3. LTAAC Membership Application

Wachtel stated that this application is for the LTAAC Dispatching Agency comprised of LaGrange, LaGrange Park and Western Springs. Wachtel stated that LTACC members have excellent claims experience as evidenced through the IRMA claims reports. All three members have a combined dispatching claims history of 12 claims for a total of \$123,659 since 1996. In the last five years the members have incurred 1 claim with zero payments. Their claims history consists of all small workers' compensation claims with no dispatching liability claims.

On August 17, 2016, IRMA staff met with the LTACC staff and members at their facilities located in the Village of LaGrange Police Station which is currently in the final stages of renovation/remodeling.

A Summary of the visit is as follows:

- LTACC will be retaining the current dispatchers currently employed by its three IRMA members.
- All dispatchers have received well over the recommended 80 hours of technical classroom training. Their initial training was over twelve weeks. They will continue to receive annual ongoing training of 8-16 hours, in addition to, the twelve hours of required annual Emergency Medical Dispatch (EMD) training.
- LTACC is in the process of completing their Employment Handwork consolidated from their three member handbooks.
- Dispatchers currently and will continue to receive annual performance evaluations.

- LTACC has a detailed training manual in place, which is undergoing an operational and legal review prior to the Center's operational inception.
- LTACC has a Cummins N-Power Back-up Generator System which is tested weekly on Tuesday's. The System is also tested under load annually as recommended by the manufacturer. The Center provided the latest under load test results for review. Recommendation was made to increase testing under load.

Wachtel stated that staff and the MRC have approved offering IRMA Membership to LTAAC effective March 1, 2017 - upon their inception as a public safety dispatching organization.

A motion was made by Irvin and seconded by Halik to approve the LTAAC IRMA Membership Application. A voice vote was called and the motion carried.

4. Workers' Compensation Focus Program - 2nd Quarter Reports

Wachtel stated that the 2nd quarter reports for those members in the Workers' Compensation Focus Program were in the packet for review. LeTourneau noted that Brookfield had both frequency and severity in targets. Carol Stream's severity was within targets but frequency was far below targets. Roselle had a few more claims - mainly medical, but are above their frequency target on an annualized basis. As far as Westchester, both their frequency and severity were below targets. LeTourneau stated that we have added some color coding to the summary sheets.

5. Discussion on IRMA's Growth Philosophy

Wachtel noted that the MRC began this discussion at their September meeting and the discussion was lengthy. The committee is not suggesting appointing a task force to take on this issue, but respective areas of discussion be referred to respective standing committees. And then the Executive Board would discuss policy. The committee had some discussion on the particular entities we would like to target. The MRC recommended that the 2017 budget savings of \$9,000 from the legislative budget be put toward recruitment purposes. The discussion included the following issues:

- Should we begin to aggressively market the pool?
- If so, should we put more internal resources towards marketing or hire a public relations expert?
- Should new growth be led by risk – so we recruit low risk – such as special districts? Would the additional influx of special districts create additional Board voting concerns?
- Allow insurance brokers to submit new member applications? How would these brokers be paid? One-time flat fee? Size based flat fee?
- Encourage more member referrals? Offer a referral fee for new member referrals that join IRMA?
- Develop an enhanced large deductible package with added flexibility such as:
 - defense counsel choices
 - two deductible options – separate WC and Non-WC?
 - higher liability limits

- ability to contribute to an optional deductible credit reserve fund to set aside money for higher deductibles with IRMA ,which earns investment income
- Move from revenue base rating system to eliminate the stigma “as we grow revenue to become more financially stable, we are penalized by IRMA”?
- Consider the more palatable “expenditure” rating system which can be confirmed by financial audit without costly audit procedures.

Wachtel also stated that they talked about IRMA having a presence as a vendor at municipal conferences.

The MRC recommended staff develop a recruitment plan including a High Deductible Package, which should be reviewed by the AFC and include the following:

- Selection of Attorney's w/ approval
- Optional Deductible Claim Fund
- Members Reserve Contribution of 25% versus 50% of Initial Contribution
- High Excess Liability Limits - \$15 million

The MRC directed that any revisions to the current Growth Policy should be presented to the Executive Board rather than establishing a Task Force. Staff will also bring back recommendations for member retention efforts to the MRC based in part on the results of the IRMA Member Survey.

Gargano asked whether the reasons that members left IRMA could be added to the chart in the memo. Ely stated that this could be done.

Irvin asked what the appropriate deductible level should be. Ely stated that she had just talked to someone who had a \$1,000 deductible.

B. TRAINING & EDUCATION COMMITTEE – DONAHUE
1. Proposed 2017 Training Programs

Ely stated that these are the proposed 2017 training programs. Ely also mentioned that everyone was going to be joining in at the Education Summit on the 11th. Ely also stated that we have a Police Forum scheduled on November 15th where we are doing a full day of de-escalation and we expect that to be a good turnout.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – CEDILLO
1. Claims Audit Report

Garvey reported that the packet contained the Draft Claims Audit Report that was conducted at the end of May. The overall rating was a 90%, which is very good. There were issues that were raised by the auditor. The first was staffing. The auditor thought our adjusters case loads were way too high based on industry standards and this is a reason that our workers' compensation has a bit of a lower rating because the level of investigation and documentation of the file. This points

to the fact that the adjusters are overloaded. Garvey noted that staff can put together some guidelines with regard to investigation to help the adjusters; however, ultimately, we feel this is a staffing issue.

Garvey noted that the biggest issue is the reserving policy. IRMA's reserving practice is much different from the insurance industry as well as the majority of pools. What usually comes out of the claims audit is the agreement to disagree. Based on the fact that our members have the right to object to reserves and settlement amounts factors into the reserving issue. We don't have any great concern with the issues they raised on reserving. Our actuaries say that we are very well reserved and very financially stable. There will be a statement in the final Audit Report by the auditors acknowledging that our actuaries say that we are very well funded. In regards to specific cases, they have accepted some of our changes but not all of them.

Garvey stated that we need approval of the audit with the statement from the auditor acknowledging that our actuaries say that we are very well funded. A motion was made by Irvin and seconded by Halik to approve the audit with the statement from the auditor's statement acknowledging that our actuaries say we are very well funded.

Irvin asked what would happen if we changed our reserving policy to be more reflective of the market. Ely stated that we would be out of business. The way that they want us to reserve is based on maximum exposure regardless of excess coverage. Ely stated that she had a conversation with the auditor about two cases that we have right now where we know the cost will be millions of dollars. Our excess for one case is \$1.5 million. The auditor wants the reserves set at \$30 million – which is the maximum exposure. If we reserved as they recommend, we would set \$60 million in reserves during 2016. Our annual loss fund for this year is half that. This just doesn't work. We need to have stable rates. We reserve for what the probable outcome is and we take excess insurance into account.

With the motion and second on the table, a voice vote was called and the motion carried.

2. Revised Litigation Guidelines

Garvey reported that Litigation Guidelines are an important tool in having consistency in the representation of members by defense counsel and containing legal costs. There has not been a comprehensive review of the Litigation Guidelines for liability cases since 2010.

Recently, it was noted that we are actually doing things in practice but have not revised the guidelines. First, are the reporting requirements required throughout the pendency of the claim. These changes contemplate providing defense counsel sufficient time to do their initial investigation and document review in order to prepare a meaningful analysis of the claim. These changes also require firmer time frames for defense counsel reporting requirements, such as 7 days to report a ruling on a dispositive motion. Second, is a change in the requirements relating to the number of attorneys that may participate when a case goes to trial. The existing guidelines allow for only the assigned counsel to try the case at IRMA's

expense. However, staff recognizes that in the more complicated cases such as civil rights cases, it is necessary to have two attorneys assist in the trial of the case. The guidelines have been revised to reflect that. Other revisions are for clarity purposes or deleting obsolete practices.

A motion was made by Irvin and seconded by Halik to approve the revisions to the Litigation Guidelines. A voice vote was called and the motion carried.

3. 2017 Coverage Renewal

LeTourneau gave a summary of the 2017 Excess/Reinsurance Coverage Renewal, reflecting favorable rates and premium resulting in an overall 2.3% premium reduction when compared to the same coverage and limits from 2016. LeTourneau explained that this includes the exposure reductions resulting from the departure of the Village of Buffalo Grove and the exposure increases of current members. LeTourneau noted that additional details were included in the complete commercial reinsurance/excess coverage renewal proposal that was distributed. LeTourneau stated that rate decreases of up to 5% were achieved, in addition to flat rates in both liability and workers' compensation where million dollar claims have been experienced over the past five years.

LeTourneau stated that the proposed coverage program also incorporates the addition of an expanded Cyber Risk Response and Coverage program, which will be included for all members along with a new Drones/Unmanned Aerial Systems (UAS) coverage. The optional Cyber Risk program introduced in 2016 was incorporated into the IRMA coverage program for all members with IRMA self-insuring the liability & defense and the first party property portions of the program. HSB will be providing the breach response coverage/services and the e-Risk Portal for loss prevention resources.

LeTourneau added that we also recommend offering optional higher liability limits at either a \$2 million or \$5 million option for members choosing to increase their overall limits to either \$12 or \$15 million based on a revenue base pricing rate.

LeTourneau presented the 2017 Proposed Excess Reinsurance Program Summary as follows:

2017 Proposed Excess Reinsurance Program Summary

Coverage	Carrier	Exposure	2017 Rates	2017 Premium	2016 Premium
Liability (2M xs 3M)	Great American	Revenue - 1.25%	Flat	\$522,347	\$529,000
Liability (5M xs 5M)	Munich Re	Revenue - 1.25%	Flat	\$475,969	\$482,073
Workers' Compensation	Safety National	Payroll < 1% decrease	Flat	\$585,050	\$586,181
First Party Property	Hartford	Values < 1% decrease	-5%	\$627,672	\$665,513

Crime	Travelers	N/A	Flat	\$56,049	\$56,270
Boiler and Machinery	Travelers	Values < 1% decrease	-4%	\$45,882	\$48,192
PO Bonds	Travelers	N/A	N/A	\$7,234	\$7,141
Cyber Risk (New)	HSB/IRMA	Revenue	N/A	\$45,387	Optional
Total Premium				\$2,365,590	\$2,374,370

LeTourneau also reviewed the lines of optional coverage for 2017.

Ely stated that staff is looking for direction from the Executive Board to stay with the \$10 million limit and be able to offer optional higher liability limits at either a \$2 million or \$5 million option for members choosing to increase their overall limits to either \$12 or \$15 million based on a revenue base pricing rate.

A motion was made by Irvin to approve the 2017 Excess Reinsurance Program, including adding the Cyber and Drone Coverage and staying with the \$10 million limit and offering optional higher liability limits at either a \$2 million or \$5 million option for members choosing to increase their overall limits to either \$12 or \$15 million based on a revenue base pricing rate. The motion was seconded by Gargano, a voice vote was called and the motion carried.

4. Draft of Early Intervention Policy

Garvey explained that this is a practice that we started years ago when there was an uptick in employment liability cases. A member would send a claim in and say that they knew this was coming. We were really trying to encourage our members to get us involved early to assist in possibly averting the claim or at least make it a little more of a defensible claim. We are now seeing more of the high exposure claims where we want a defense counsel to assist a member from the beginning even though there is no litigation.

Garvey stated that we really wanted to get a more formal practice in place. This is really what we have been doing all along. If we get it out there as a formal policy, we think it may encourage more of our members to contact us previous of litigation so we can try to assist them. Garvey stated that she went back and looked and over the past five years we have had five pre-employment cases come in and our intervention cost us about \$7,000. Once it turns into a claim the Corporate Legal Fund gets reimbursed.

Gargano stated that she thought this was another area where IRMA should be marketing the policy. As an entity, we need to make our people aware of this.

Garvey stated that the attached draft Early Intervention Pre-Litigation Management Program is intended to document and expand the continued efforts in this area including setting up procedures for assigning cases to Early Intervention. The Executive Board concurred with formalizing the Early Intervention Pre-Litigation Management Program.

D. ADMINISTRATION & FINANCE COMMITTEE – FRANCES
1. Sub-Committee on Discounting Loss Fund - Update

Frances stated that the Administration & Finance Committee discussed forming a Subcommittee to explore the “discount” approach to reducing the annual contribution rate, from a longer term perspective. At the first meeting on April 27th, the Subcommittee met along with IRMA’s actuaries, Milliman Inc., focusing the discussion on the loss fund, investment income, reserving for future losses and how the threat of wrongful conviction cases factor into the analysis, and should withdrawn members forfeit a portion of their reserves. It was concluded that retention of reserves is a critical practice for IRMA. These reserves assist in payment of new large losses, adverse development in older claim years, and volatility in investment markets. After much discussion, the recommendation was to move forward and utilize up to \$2 million of the interest income credit as a rate stabilizer rather than projecting investment income. This will be approved through the preliminary budget.

2. Establishing a Members Optional Deductible Credit Reserve Fund

Frances stated that IRMA would like members to move to a higher deductible from the \$2,500 minimum in order to encourage more accountability by the member and ultimately reduce losses. Resistance to higher deductibles includes members being concerned that they would not have sufficient internal insurance reserve funds to cover unexpected deductible requirements at the higher deductible levels.

Frances stated that staff is proposing to establish a Member Optional Deductible Credit Reserve Fund that will allow members electing an optional deductible to save the optional deductible credit in an account with IRMA. Members currently receive an optional deductible credit against their contribution (after the experience modifier adjustment), depending on the deductible level chosen, which are \$10,000, \$25,000, \$50,000, \$100,000, \$175,000, or \$250,000. The credit is a percentage of the contribution, which was 9% at a \$10,000 deductible level up to 57% at a \$250,000 level in 2016. The credit percentage is recalculated each year. This new member fund would allow members at higher deductibles to pay their annual contribution up to the full amount, instead of reducing it by the deductible discount as is currently allowed. Any payment above the discounted amount would be deposited into the Member Optional Deductible Credit Reserve Fund. In 2016, deductible credits taken by members ranged from a high of \$375,602 to a low of \$4,230.

The funds will remain accounted for separately by each member as a claim reserve fund and will not be shared with the pool, and are unrestricted assets of the member and not pool assets. Funds would earn investment income at the same rate as IRMA earns on all of its investments, which is allocated at the end of the fiscal year. For investment allocations, the members deductible fund balance would be the average balance of the four quarters as of the last day of March, June, September, and December. Funds can be withdrawn quarterly in any amount as needed by the member. However, the purpose of the fund is to assist members with higher deductibles to have funds available in the event they experience unexpected high losses.

For 2017 only, in order to be sensitive to potential governmental budgeting issues, for members not on a calendar based budget year, a member can make their first optional deductible credit payment within 30 days after the start of their next fiscal year. For example, a member with a May 1 budget year has not budgeted for the optional deductible credit payment in the current budget cycle. This payment can be included in their May 1, 2017 budget as retroactive for the 2017 contribution and also planned for the 2018 contribution.

After a brief discussion, a motion was made by Irvin and seconded by Stricker to approve the establishment of a Members Optional Deductible Credit Reserve Fund. A voice vote was called and the motion carried. Gargano asked that an example be provided at the Board meeting.

3. Consideration of a New High Deductible Package for New IRMA Members

Frances reported staff is recommending consideration of a potential High Deductible Package for IRMA members, which will enhance recruitment efforts and encourage existing members to move to higher deductibles. This is to give Ely flexibility in recruiting new members and current members to move to a higher optional deductible. This is just for those that opt for the \$100,000 deductible level or greater. The components of this high deductible package could include a reduced initial reserve contribution, optional deductible credit contribution to the newly formed optional deductible claim reserve fund, higher excess liability limits up to \$15 million rather than the \$10 million, and selection of counsel. Frances stated that discussions by the Administration & Finance Committee suggested that this would be helpful.

A motion was made by Irvin and seconded by Clark to approve a new High Deductible Package for new IRMA Members. Irvin asked from a marketing perspective has anyone been asking for this. Ely stated that we haven't gotten to a discussion point where we are bargaining in that way, but we have had specific members ask. Irvin asked if there is a reason we should have the actuary look at this? Ely stated that we have discussed this with Milliman, but I don't think they have run any analysis. In the context of Arlington Heights right now, we have all of their losses and their losses actually translate into a debit. When you do the calculation based on a \$100,000 deductible, it's a way different picture. We are going to have Milliman review Arlington Heights joining the pool to get a better feel for the fit.

Wachtel asked whether these benefits would be offered to current members who are at the \$100,000 deductible. Ely stated Glencoe and Park Forest are at the \$100,000 deductible.

Halik asked whether this policy is something that would be used now in our soft market, but may go away in the future. Ely stated that she didn't think of this as a policy but rather a pilot program. We wouldn't have this if the market didn't sustain it.

Ely stated that she would like the authorization to offer this to Arlington Heights, and then bring it back for more discussion to the Executive Board. Wachtel stated

that she would rather have Arlington Heights bring this up. Ely stated that they did bring this up in discussions and further discussion needs to occur.

Gargano asked what the consideration was. Irvin stated that it sounds like we want staff to review this further for existing members and bring it back for more discussion. Wachtel stated that she thought we agreed on the reduced initial reserve contribution. Wachtel stated that she would refrain from discussion on defense counsel with existing members. Ely stated that she doesn't want to bring this to the full Board until we know that this is going to be effective.

Gargano stated that Ely was looking for authorization to negotiate with Arlington Heights. Ely stated that staff was meeting with them tomorrow morning. Ely was planning on showing Arlington Heights a proposal regardless of what is decided on the High Deductible Package. Wachtel stated that she didn't think this was ready to be voted on. Stricker stated that if we are really serious about Arlington Heights, we need to go forward with this. Ely stated that what she is looking for is some flexibility in negotiating with new members. Currently, there is no flexibility. Ely stated that she can't compete with the brokers. Ely stated that she is asking to go to Arlington Heights and have the ability to present a High Deductible Package, which will ultimately have to go to the full Board for approval through the membership approval process.

The original motion and second were taken off the table.

A motion was made by Stricker to allow Ely to use the framework here to negotiate with Arlington Heights and everything else is tabled to be reviewed at a later date. The motion was seconded by Halik, a voice vote was called and the motion carried, with Clark abstaining from the vote.

4. Personnel

Hay Group

Frances reported that discussions with the Hay Group started back in 2015. It presented initial findings at the November 2015 Administration & Finance Committee meeting. The Administration & Finance Committee is concurring with the final recommendations presented in 2015. Gargano asked if all of this was included in the preliminary budget. Frances stated that it was.

Ely stated that this is just the salary grade ranges that the Hay Group is recommending that the Administration & Finance Committee, Executive Board and Board of Directors discussed in June in Executive Session. This is the out in the open formal adoption of what has been discussed.

A motion was made by Gargano and seconded by Halik to approve the Hay Group recommendations for position grades and salary ranges. A voice vote was called and the motion carried.

Risk Management & Training Manager Position

Frances stated that this is a recommendation to downgrade the Director of Training and Education position to "Risk Management and Training Manager." This will

result in no change to the current headcount and will positively impact the personnel budget by approximately \$60,000.

Frances stated that the attached job description creates a new position at IRMA that will replace the Director of Training and Education. The new "Risk Management and Training Manager" will bridge the gap between claims and risk management in order to ensure that training programs are targeted at reducing and preventing losses. In addition, the position will continue to be responsible for the Grant Programs, the training DVDs and other materials, conducting surveys, assisting with marketing materials and will be the staff liaison to the Training and Education Committee and the Fire Chiefs Steering Committee. With the data provided by Milliman through the predictive analytics function, this position will move our risk management and training programs to a higher level of effectiveness. The creation of this position also positions IRMA well for succession planning in the future, which has been a challenge for the organization.

A motion was made by Irvin and seconded by Halik to approve the new Risk Management & Training Manager Position. Irvin asked whether the direct report would be to Ely or LeTourneau. Ely stated that it would be her. A voice vote was called and the motion carried.

Additional Staffing

Frances reported that this item would add two additional adjusters, one for workers' compensation and one for general liability based on the proposed claim loads. This would change the headcount from 18.7 to 20.5. Gargano asked why Margie and Patti's counts will be going up. Ely stated that we need to take more away from Faith, who is part time. A motion was made by Irvin and seconded by Clark to approve the additional staffing of two additional adjusters. A voice vote was called and the motion carried.

2017 Personnel Report

Frances stated that the 2017 Personnel Report is asking for approval for the following recommendations:

- Approve 2017 staffing levels
- Approve 2017 Salary Ranges.
- Approve a 3% merit increase for 2017.
- Approve .005% bonus program to recognize IRMA employees

Frances stated that the Administration & Finance Committee has approved all recommendations. A motion was made by Irvin and seconded by Halik to approve the 2017 Personnel Report. A voice vote was called and the motion carried.

5. Establishing an Arrest, Prosecution and Conviction Contingency Fund

Frances stated that staff is recommending the creation of a new reserve loan fund referred to as the Arrest, Prosecution and Conviction Contingency Reserve Loan Fund and deposit \$3,000,000 from the 2015 interest income credit, which will be allocated in 2016, to the fund.

Frances stated that the Administration & Finance Committee concurred with the recommendation, highlighting the fact that this is a loan fund and will be reimbursed once an event year is determined in any particular case. As such, this fund will not preclude a supplemental assessment if one becomes necessary with the disposition of a case. This fund will finance the defense costs of eligible APCC cases, but will not reserve for indemnity.

A motion was made by Irvin and seconded by Halik to approve the creation of an Arrest, Prosecution and Conviction Contingency Fund. A voice vote was called and the motion carried.

6. Revenue Base Revisions

Boserup noted that the Administration & Finance Committee (AFC) only passed two of these items and that is all we want to move on to the full Board. The AFC had a spirited discussion and this will be sent back for further discussion.

Boserup stated that the AFC approved the new exclusion listed as (Additional exclusion/deduction #1) Investment income losses as well as the additional section related to situations where members change their fiscal year. The AFC recommended that the investment loss change should be applied retroactively to members for the 2017 revenue base worksheets in order to capture the loss of investment income from IMET. As such, the revision to the Contract and Bylaws in the packet includes only these two changes. The AFC rejected the proposed exclusion for tax incentive agreements (Additional item #2), finding that new developments increase risk and the additional sales tax revenue should remain in the IRMA contribution calculation. In addition, the AFC rejected the proposed exclusion (Additional item #5) related to PPRT and revenue "take backs" because it is such a small number and the difference in the financial reporting of these revenues is too diverse. The remaining proposed exclusions and adjustments will be discussed at the next AFC meeting.

Ely noted that if we don't want to make a bylaw amendment, we can just suspend the rules and say for purposes of 2017, IMET losses and pluses are equal. If this is never going to happen again, why amend the bylaws. Call it the IMET exclusion and suspend the rules for IMET.

A motion was made by Gargano and seconded by Halik to suspend the rules for IMET and decline to amend the bylaws based on it and to amend the bylaws for a change in fiscal year. A voice vote was called and the motion carried. This will have to go to the full Board.

7. 2017 Preliminary Budget

Boserup noted that we don't have final numbers from the actuary, only a preliminary rate. A flat contribution rate and an expense budget that increased by only \$30,197.

Boserup gave an overview of the budget: The preliminary 2017 IRMA Revenue Base decreased -.78% overall and decreased by \$11,528,743 from 2016, from

\$1,474,188,558 to \$1,462,659,815. Buffalo Grove has given notice of withdrawal effective 12/31/2016, so if we remove Buffalo Grove from the calculations, the Revenue Base increased by 2.57% and by \$36,629,038. The total administrative budget increased by 3.34% while the total budget is expected to increase by only .1% due to a reduction in the loss fund.

- **Personnel** – The number of full-time equivalent employees is planned to increase by 2 FTEs to 20.5. The salary budget increased by \$69,835 or 3.86%. The IMRF contribution rate decreased from 14.39% in 2016 to 13.76% in 2017. The health insurance budget includes a 19% estimated rate increase.
- **Other Personnel Expenses** – This category increased 3.2% due mainly to increased tuition reimbursement requests and membership dues.
- **Commodities** – This category increased by 1.64% while the net dollar change is \$4,397. The increase is mainly from a building lease escalator.
- **Contractual Services** – This budget decreased by 3.40%. We have contract increases in the Risk Management consultant agreement and in the fees charged by our auditors, investment consultant, and actuaries. These increases are partially offset by a \$30,000 reduction from the 2016 budget for a claims audit that is conducted every three years and therefore is not budgeted in 2017 as it was done in 2016.
- **Member Education/Incentives** – The budget decreased by 34% mainly due to a \$128,098 reduction in the Fire Equipment Grant program. Two of the five years of fire equipment grants were budgeted in 2016 to allow our members to catch up with the program. We also had a \$20,000 decrease in driver training as NIPSTA now handles that program. A new Member Recruitment line item has been added to incentives to attract and retain members.
- **Information Technology** – The budget has increased by \$105,682 and includes the following projects: Email Upgrade/Office 365 \$16,000; MimeCast Spam/Secure Messaging \$8,500; Wireless Upgrade \$4,000; BI Server \$15,000; SAN Upgrade \$63,000.
- **Capital Outlay** – The budget is unchanged from 2016. We plan on continuing to update our miscellaneous computers, printers, and monitors from this budget.
- **Commercial Insurance** – This budget increased by .44%. Premiums for property and liability coverage decreased by \$7,666. We expect the State of Illinois workers' compensation self-insurance fund cost to increase by \$20,000, or 29%. The contribution rate for the state workers' compensation self-insurance program changes every 6 months and we are unable to predict it with any accuracy.
- **Loss Fund** – The actuary's recommendation at the selected level is a pure premium preliminary loss fund rate of 1.842 a decrease of .4% from 2016.

The loss fund rate is multiplied by the preliminary revenue base to determine the loss fund budget. We expect to have the final loss fund rate in October. The pure premium rate does not include any administrative expenses and additional insurance costs. The loss fund rate (1.842) is multiplied by the preliminary revenue base (1,462,659,815) to determine the loss fund budget (26,942,194 + 2,200 for LITH airport buildings).

The preliminary member contribution rate based on the five-year average revenue base for 2017 is 2.256, the same as 2016, due to use of \$1.5 million as a rate stabilization from the interest income credit. This rate will be multiplied by each member's five-year average revenue base to determine the annual contribution. This annual contribution is adjusted by many factors, including an experience modifier, to determine the member's final contribution. The final contribution can be reduced by an optional deductible credit, which members will select later in the year. The final budget will be presented to the committees in November and will then be forwarded to the Board of Directors for approval at the December meeting.

A motion was made by Irvin and seconded by Frances to approve the 2017 Preliminary Budget. A voice vote was called and the motion carried.

V. EXECUTIVE DIRECTOR/STAFF REPORT

A. August 9, 2016 Special Meeting Follow-up

Ely stated that in the interest of time, the Executive Board had asked staff to look at this and staff is requesting more time to bring this back to the Executive Board. Staff was to provide follow up to the August 9, 2016 Executive Board discussion. First, staff recommends revisions to IRMA's policies and bylaws, including the Reserve Policy, for Members who withdraw from IRMA. Second, the memorandum explains costs projected for a project that will outline the impact of pursuing a new contribution formula based on expenditures rather than revenues. Staff will bring this item back to the Executive Board. There will need to be a lot of analysis done at a cost of at least \$15,000, so we are asking that the Executive Board authorize the \$15,000 up to \$20,000 to do the expenditure analysis.

Boserup stated that she had gone back to look at revenue base history and couldn't find where we have ever looked at expenditures. Irvin suggested that maybe we have this conversation at the full Board meeting to see what they want to do. Do they want to do this with the probable outcome is that there will be winners and losers. And let them think about that before we vote.

Ely stated that we could put this on the full Board agenda and see how the discussion goes. Ely stated that we need a vote out of the Executive Board and the votes should be yes or no. Irvin stated that Ely is asking us whether this should go to the full Board and that is our vote. Ely stated that the question is does the Executive Board want to throw \$20,000 into the 2017 budget to study an expenditure model as the basis of our contribution formula. A motion was made by Halik to bring this issue to the full Board for discussion and action by the full Board. Wachtel stated that there was too much disagreement even among this group to warrant this going forward. We should work on

a better marketing piece based on the information that our actuary gives us. Ely commented that is another approach. We have not had a cohesive marketing approach. We have an old fashioned application that is in an IRMA folder. We did do a brochure a year ago. Maybe we try a different marketing approach before we open up this whole can of worms. Ely stated that the Executive Board could stop that here - we don't have to blow it up at a Board meeting. Frances stated that maybe the \$20,000 would be better spent on marketing rather than an analysis.

Halik withdrew her motion. We can continue this discussion at another time. Gargano stated that we should take the \$9,000 and put it toward marketing and evaluate the membership through a survey of some type as to whether they want to engage in even looking at this. We will continue to have this float out there, but concentrate on marketing.

Clark suggested that maybe instead of having the study, maybe on the next underwriting questionnaire we ask for this information. Have the members put together the five years of CAFR information. Gargano stated that this is a good idea - mine the information from our own members.

Wachtel asked whether we are going to do this or not. Halik stated that we have talked about a lot of things. How about we come up with a list of here are all the things that we think we should explore in terms of recruitment and retention and then let's bring that forward and this is one of the components of that. Gargano asked if Margo could put a list together for either the next Executive Board meeting or the one after that. Ely stated that she could do that. Ely stated that she would like to get out there and see what we can do. We have gotten a lot of feedback. Let us spend some money on recruitment and training. Let us be a little more aggressive in our recruitment. Ely stated that she didn't think she could do a marketing plan until she gets a little bit more feedback out in the market. Gargano concluded that nothing will be going forward to the Board.

B. Homewood Revenue Base Appeal

Boserup reported that this appeal would be heard following the meeting. Ely stated that this was a MABAS grant that Homewood got for \$2 million. Homewood's revenues are somewhere around \$18 million, so \$2 million was a big hit. Homewood only kept \$94,000 worth of radios out of this because they were the lead agency. They called in an appeal to the revenue base calculation. The Appeals committee unanimously agreed that the appeal be granted. This is brought to the Executive Board under our contract and bylaws for affirmation. A motion was made by Irvin and seconded by Clark to affirm the appeal to the revenue base calculation. A voice vote was called and the motion carried.

VI. ADDITIONS TO AGENDA

Boserup stated that there was an addition to the agenda. In pursuing our investment policy, it turns out that we are supposed to have any changes to an investment manager approved by the Executive Board. Brian Goding from Marquette suggested that we look into a core real estate trust to diversify our portfolio. This is a long term fund. We went through a study of three

managers and Goding is recommending a \$10 million investment. We need the Executive Board to approve the investment manager, which is Heitman's American Real Estate Trust.

A motion was made by Frances and seconded by Halik to approve Heitman's American Real Estate Trust as a real estate fund money manager. A voice vote was called and the motion carried.

VII. EXECUTIVE SESSION

A motion was made by Irvin and seconded by Wachtel to move into Executive Session to discuss matters of: review of closed session minutes and pending litigation pursuant to 5 ILCS 120/2(c)(21) and (11) respectively.

A roll call vote was called and the motion carried.

Back in regular session, a motion was made by Clark and seconded by Irvin to approve the Executive Session Minutes of May 25, 2016. A voice vote was called and the motion carried.

A motion was made by Clark and seconded by Wachtel to approve the Executive Session minutes of June 13, 2016. A voice vote was called and the motion carried.

VIII. CONFIRMATION OF NEXT MEETING

Gargano reported that the next meeting of the Executive Board is scheduled for Wednesday, November 30, 2016 at 9:30 a.m. at the IRMA office.

IX. ADJOURNMENT

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

Submitted by:

Approved by:

Margo Ely
Executive Director

Kathleen Gargano
IRMA Chair