



**BOARD OF DIRECTORS  
Meeting Minutes**

**Wednesday, October 31, 2012  
Westbrook Corporate Center Conference Room  
9:30 a.m.**

**I. CALL TO ORDER**

Chair Velkme called the meeting to order at 9:30 a.m. Bush called the roll and a quorum was declared.

**II. APPROVAL OF MINUTES – June 20, 2012**

A motion was made by Malinowski and seconded by Clark to approve the Board of Directors meeting minutes of June 20, 2012. A voice vote was called and the motion carried.

**Reports for Information Only Found on IRMA Website**

Velkme reminded everyone that several committee reports could be found on the IRMA website and asked if anyone had any questions on any of the reports. Hearing none, Velkme moved on to the next agenda item.

**III. CHAIR'S REPORT – VELKME**

**A. Changes in IRMA Delegates/Alternates**

Velkme announced the following changes in IRMA Member Delegates/Alternates

Delegates

Remy Navarrete, Morton Grove  
Perry Johnson, Carol Stream FPD  
Mary Ventrella, Cary  
Patrick Brennan, Kenilworth

Alternates

Peter Falcone, Morton Grove  
Richard Kolomay, Carol Stream FPD  
Jodie Andrew, Lake Zurich  
Scott Robertson, Lake Forest  
Jill Norris, Richton Park  
Brandiss West, Berkeley

**B. Appointment of Replacement At-Large Representative (Small IRMA Member) – Eric Palm to Finish out 2012 Term**

Velkme reported that Brad Burke of Kenilworth has taken the position of Village Manager in Lincolnshire, a non-IRMA member, and Eric Palm of River Forest has agreed to fulfill the 2012 term for the At-Large Representative (Small IRMA Member). A motion was made by Irvin and seconded by Peterson to approve Eric Palm as the At-Large Representative (Small IRMA Member) for the remainder of the 2012 term. A voice vote was called and the motion carried.

**C. Announcement of Formation of 2012 Nomination Committee – Malinowski**

Malinowski stated that as a follow-up to the email that was sent out on his behalf early in October, he is forming a nomination committee for the purpose of bringing a slate of candidates for the 2013 officer nominations to the December 12, 2012 Board of Directors meeting. The nominations will include Chair, Chair-Elect, Treasurer, and two

At-Large Representatives. Malinowski asked anyone who was interested in serving on the nomination committee to please contact him within the next week or so.

Malinowski stated that members should return their nomination forms/committee interest surveys to IRMA by November 5, 2012.

#### **IV. COMMITTEE REPORTS**

##### **A. MEMBERSHIP RELATIONS COMMITTEE – COREN**

###### **1. Legislative Update**

Coren reported that about a year ago there was legislation introduced that would have greatly affected pooling in Illinois. This legislation would allow members to move freely into and out of pools and also restricting some of the contracts that a pool could enter into.

Coren stated that all member delegates and alternates should have received a Legislative Action Packet that included some resolutions that we are asking members to bring to their Boards for approval and then send back to IRMA. The reasoning behind this is that if some of this legislation is brought back quickly, we will have some of this information on-hand and will be able to bring this to our legislators for them to see our members' position on these issues.

Coren stated that the other legislative issue is the change to the Illinois Tort Immunity Act that will require the municipality to pay for a separate lawyer of the employee for each employee in the suit without limitation.

Coren stated that if anyone had any questions regarding the Legislative Action Packet, they should contact Susan Garvey at the IRMA office.

###### **2. IRMA Summer Intern Application Criteria**

Coren reported that this is a program that we have had for the past two years and there has been very positive feedback from the municipalities who have participated. Coren reported that initially we have had an intern go to municipalities that are on the IRMA Watchlist. The way we would like to move forward with this program is to have municipalities interested in utilizing the services of an intern go through an application process. These applications would then go to the Membership Relations Committee and the Executive Board for review and selection. The deadline for applications for an intern for the summer of 2013 is January 15, 2013.

##### **B. TRAINING & EDUCATION COMMITTEE - PETERSON**

###### **➤ Proposed 2013 Training Programs**

Peterson reported that the Training & Education Committee reviewed the proposed 2013 training programs at their September 19, 2012 meeting, and approved the trainings with the following revisions:

- Replace “Roles/Responsibility” with “A Supervisor’s Risk Management Toolbox.”
- Replace “The Art of Delegation” with “Ethics and the Public Employee.”
- Merge “Corrective/Disciplinary Action” into “Critical Personnel Policies.”

Peterson also reported that the Training & Education Committee approved the purchase of annual subscriptions for regulatory safety tip sheets/toolbox talks and human resources tip sheets at a cost of \$295.00 each.

## **C. COVERAGE, CLAIMS & LITIGATION COMMITTEE - GARGANO**

In Gargano’s absence, Colleen Nigg, Vice-Chair of the Coverage, Claims & Litigation Committee, gave this report.

### **1. 2013 Coverage Renewal**

LeTourneau referred to page 21 of the meeting packet and reviewed the 2013 Excess/Reinsurance Coverage Program by line of coverage.

#### Liability – General, Auto, Public Officials

LeTourneau reported that we went to our two current carriers, Munich Re and Genesis and asked for a flat rate. Genesis came back with a flat rate and Munich Re came back with a small 2% rate increase. LeTourneau explained that what staff does to make sure our pricing is still on target is to ask our broker, Towers Watson, to develop some pricing that is rather aggressive for IRMA. The quotes came back with great pricing, so staff is recommending that we continue with our current carriers. LeTourneau added that we are recommending staying with the \$6 million Annual IRMA Member Aggregate Cap for 2013.

#### Workers’ Compensation

LeTourneau reported that workers’ compensation markets are hardening due to industry-wide poor underwriting results and medical inflation. LeTourneau reported that the incumbent, Arch, came back with an 8.5% rate increase. A full marketing effort was then conducted, and we received a great quote from Safety National. The Safety National quote requires prior approval for binding workers’ compensation coverage on new member applications. The recommendation is to move our workers’ compensation coverage from Arch to Safety National for the 2013 coverage term.

#### Property

LeTourneau reported that the commercial property market is also experiencing hardening, and the average increases being seen are between 8% and 15% with good loss experience. Travelers’ initial quote was for an 8% rate increase; however, in negotiating with Travelers, they came down to a 4.86% rate increase. LeTourneau stated that our total insurable values increased less than 1% for 2013.

### Crime

LeTourneau reported that the recommendation is to stay with Travelers with a small premium increase of \$1,569, due to an increase in the overall crime loss severity.

### Boiler & Machinery

LeTourneau reported that this is a flat rate renewal, commenting that we received a 7% rate increase for 2012. LeTourneau stated that there is a very small increase due to the increase in property values.

Overall, the renewal came in at a 1% increase for 2013.

### Optional Coverage Program

Volunteer Accident program – entering a new three-year policy beginning on November 1, 2012 at \$531 per member.

Underground Storage Tank – this is still out to market for the 1/1/13 renewal date.

Special Events Liquor Liability – there has been a slight decrease for larger events by \$25 per day.

Tenant/User – Program is being moved to Towers Watson from Norman Spencer.

A motion was made by Irvin and seconded by Coren to approve the 2013 Excess/Reinsurance Coverage Program and to remain at the \$6 million Annual IRMA Member Aggregate Cap. A voice vote was taken and the motion carried.

## **2. Cyber Risk Coverage**

LeTourneau reported that this item was for information only. LeTourneau noted that staff had asked Towers Watson to do an analysis of common member cyber risks. That article is in the meeting packet along with a chart telling you what IRMA is currently covering and what they are not covering. LeTourneau noted that IRMA currently provides coverage for a vast majority of items are being covered. Items that are not covered are the cost of regulatory fines, the cost for notification that there was a breach, and any type of credit monitoring services.

## **3. IRMA Defense Panel Counsel – RFQ Update**

Garvey reported that an RFQ for IRMA's Liability Defense Counsel Panel was issued earlier this year. We have seven members who are sitting on the committee to review and interview candidates. The RFQ requested information from firms on their experience in several different areas: federal civil rights, police professional liability, tort negligence actions, appellate practice, zoning and land use. We also asked firms about their trial experience. Staff took all the submissions and came up with a grid for the committee. The committee met on October 30<sup>th</sup> and picked six firms who are not currently on the panel to interview.

They also made the decision to interview all of our current panel counsel. The interviews will be set for late November and early December.

**D. ADMINISTRATION & FINANCE COMMITTEE**

**1. IRMA's Salary Compensation Program**

Clark stated that staff is recommending a change to the IRMA Salary Compensation Program, calculating merit increases off each employee's actual salary, rather than off the mid-point of their range. Both the Administration & Finance Committee and the Executive Board approved the recommendation.

A motion was made by Coren and seconded by Peterson to approve the change to IRMA's Salary Compensation Program, calculating merit increase off each employee's actual salary, effective in 2013. A voice vote was called and the motion carried.

**2. 2013 Personnel Report**

Clark presented the 2013 Personnel Report that includes 2013 staffing levels and the 2013 salary ranges and adjustment factor. Clark noted that this has been reviewed and the recommendations were approved by both the Administration and Finance Committee and the Executive Board.

A motion was made by Irvin and seconded by Malinowski to approve the 2013 Personnel Report Recommendations as follows:

- Approve two month overlap for Director, Financial Services
- Approve promotion for a Claims Representative II to Claims Representative III
- Approve 2013 staffing levels
- Approve 2013 salary ranges
- Budget for a 3.0% salary adjustment factor.

A voice vote was called and the motion carried.

**3. 2013 Preliminary Budget**

Clark stated that following the voting action on the preliminary budget, the final budget will be brought to the December 12, 2012 Board of Directors meeting for a vote with any final changes.

Clark reported that the good news is that in looking at the total budget from 2012 to 2013, there is a 2.63% decrease, caused mainly by the decrease in the loss fund of 4.21%. Each standing and steering committees have reviewed their portions of the budget.

A motion was made by Coren and seconded by Schumacher to approve the 2013 Preliminary Budget. A voice vote was called and the motion carried.

\*\*\*\*\*

Vesecky reported that the Optional Deductible memo went out to all members yesterday and she is asking for replies by November 25<sup>th</sup>. Vesecky stated that if

any member has to take this item to their Board and needs more time, they should contact her and she will work with them.

#### **4. Excess Surplus Fund Distribution**

Clark reported that a change to the IRMA Members' Reserve Fund Policy and Procedure is being recommended to allow members to access their Excess Surplus Fund quarterly, and not just one time per year, for any reason they want to take monies out of their fund.

A motion was made by Irvin and seconded by Coren to approve the amendment to the Credits and Assessments section of the IRMA Members' Reserve Fund Policy and Procedure. A voice vote was taken and the motion carried.

#### **5. Planning Workshop – Actuarial Report on Underwriting and Policy Implications**

Clark reported that there were three items that came out of the organizational planning workshop. The first two items are for information only at this time. The third item that is on the agenda for a vote is to establish a permanent \$250,000 deductible. This will require both a voice vote on the amendment to the IRMA Member Deductible Policy and a roll call vote on the amendment to Bylaw, Section 3.02 (B).

Clark stated that the items that came out of the organizational planning workshop are being discussed by the committee and they are looking at mechanisms where we see more intergovernmental cooperation between members and how we can set up methods of pricing. The other item being looked at is members outsourcing major functions to non-IRMA entities.

Vesecky noted that most of the information in the packet on this item is for information and indicated that we would be bringing it back next year. Staff wanted to let the Board know what we are working on and answer any questions.

Vesecky noted that the first item being looked at is that we have a couple of members who are joining together to combine and form a major function. The question is now those losses won't be assigned to either member A or member B, but to the major function – how do we price them? The goal is that the sum of all three of those units, the two members and the major function is going to be the same as what the two members now pay. Vesecky stated that we have to work out the pricing with the actuary. It is our intent that we want to cover this function; we just need to work out the pricing. Vesecky added that she hasn't heard about any other members doing this, and as long as it is both IRMA members, it shouldn't cause any problems. Staff will come back to the Board next year with a recommendation on this issue.

Vesecky stated that we have heard a lot of members talking about forming a major function, such as dispatching, not only with other IRMA members, but also with non-IRMA members. In our discussions with the actuaries, they are recommending that we still maintain our minimum contribution of \$50,000. We are looking at a special rate and special pricing formula for a fire protection district or dispatch cooperative, etc. This will be quite a bit different from what we

are doing now, but their risks are very different. In theory, this should not adversely affect the other members, if it is priced correctly. Vesecky noted that this will take a lot more study and will be brought back next year with recommendations.

Vesecky noted that the third area looked at was the outsourcing of functions. Currently we have a deduction and it's pretty specific to garbage. If you collect franchise fees to pay a garbage hauler, you can deduct that amount from your revenue base. If you have a garbage hauler and you collect revenue through taxes, you cannot deduct that. We have heard from members that they are looking at outsourcing more functions. We are looking at what those functions are and whether there should be a deduction for other functions, regardless of how the revenue is raised. Vesecky stated that the first thing we are going to do is send out a survey and ask members to let us know what they are currently outsourcing. The actuary has recommended that we have a minimum percentage of your overall revenue base and are recommending 5% -10%. We are going to ask for anything over 2%, because we want to get a pretty complete list to see what is out there. Vesecky noted that we don't want small contracts and we don't want construction contracts. Vesecky noted that if this were to go into effect, this would affect each member's contribution, so the allocation of the contribution would change depending on the scope. The survey will be sent out in the next couple of weeks and we ask that everyone respond so we can get a clear picture of what is out there.

The last item is that we have a prospective member who may be interested in coming into IRMA at a \$250,000 permanent deductible. Vesecky noted what we have found is that when some of the larger members have left IRMA, they are going to at least a \$250,000 deductible. We have talked to our actuaries and we do have a deductible credit at \$250,000 that members will still be able to use, but that is not totally accurate. The actuary can individually price these members by doing individual underwriting. The member would have to be of a certain size, they have to have financial stability, and they have to have credible loss data. If they have all of that in place, rather than using our normal formula, they would price them separately every year. This could be made available to current members if they wanted to make that move also. It should not have any adverse impact on the pool, if they are priced right.

Vesecky noted that this will take two votes – one is a policy amendment and one is a bylaw amendment.

A motion was made by Irvin and seconded by Malinowski to approve the amendment to the IRMA Members' Reserve Fund Policy and Procedure, as outlined on page 55 of the meeting packet. A voice vote was taken and the motion carried.

A motion was made by Irvin and seconded by Schumacher to approve the amendment to Bylaw – Section 3.02 (B) as outlined on page 54 of the meeting packet. A roll call vote was called and the motion carried.

**V. EXECUTIVE DIRECTOR/STAFF REPORT**

Bush mentioned that the Legislation against Pooling is not only affecting Illinois' pools, but other pools across the country. Bush mentioned that it has gotten very serious in New Hampshire. Bush stated that he felt it was important to get out ahead and have your Boards pass the proposed resolution. If any member wants help from IRMA, IRMA does have a program about the advantages of pools and would be happy to come out and present the program.

**VI. ADDITIONS TO AGENDA**

There were no additions to the agenda.

**VII. EXECUTIVE SESSION**

➤ Executive Director's Performance Review – Discussion

A motion was made by Irvin and seconded by Clark to move into Executive Session. A voice vote was taken and the motion carried.

\*\*\*\*\*

The Board moved back into regular session.

**VIII. CONFIRMATION OF NEXT MEETING**

Velkme stated that the next meeting of the Board of Directors is scheduled for Wednesday, December 12, 2012 at 9:30 a.m. at the Westbrook Tower 2 Conference Room.

**IX. ADJOURNMENT**

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

Submitted by:

---

Larry Bush, Executive Director

Approved by:

---

Ingrid Velkme, IRMA Chair