



**BOARD OF DIRECTORS  
Meeting Minutes**

**Wednesday, October 30, 2013  
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 26, 2013**

A motion was made by Krumstok and seconded by Irvin to approve the Board of Directors meeting minutes of June 26, 2013. A voice vote was called and the motion carried.

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

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

**III. CHAIR'S REPORT - VELKME**

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

Velkme announced the following changes to IRMA Member Delegates & Alternates:

Delegates

Tom Durkin, Crete  
Eileen Donahue, Lemont  
Kathleen Gargano, Hinsdale  
Michael Braiman, Wilmette  
Lisa Scheiner, River Forest

Alternates

Michael Smith, Crete  
George Schafer, Lemont  
Doug Pollock, Burr Ridge

**B. Announcement of Formation of Nominating Committee for 2014 Officers  
(Malinowski)**

Malinowski stated that the Nominating Committee is being formed to provide a slate of candidates for the positions of Chair, Chair-Elect, Treasurer, At-Large Representative (Large IRMA Member), and At-Large Representative (Small IRMA Member) for the 2014 year. Malinowski asked anyone who was interested in joining the Nominating Committee to contact him. Malinowski noted that the email sent to Delegates and Alternates on October 10th would be resent as a reminder to return your nomination form/committee interest form by November 8.

### **C. Recruitment for Executive Director**

Velkme stated that she wanted to change the agenda and hold the Executive Session at this point in the meeting. A motion was made by Irvin and seconded by Peterson to move into Executive Session. A voice vote was called and the motion carried.

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A motion was made by Irvin and seconded by Coren to observe the Executive Director's contract as written and to instruct the Chair to memorialize the agreed upon Executive Director's retirement date of April 30, 2014. A voice vote was taken and the motion carried.

Executive Director Recruitment Committee Chair Sigman reported that the recruitment schedule that was distributed was not correct, as she had received a new schedule from Heidi Voorhees. Sigman stated that the recruitment committee would be holding their first meeting on November 8, and requested anyone with input they wanted to share with the committee to contact one of the committee members. Sigman explained that the plan is to have the job announcement on appropriate websites by mid-November. The deadline for resumes will be December 31. Voorhees Associates will be reviewing resumes, conducting interviews and background checks and will narrow the field to 10-12 candidates for further consideration. The Recruitment Committee will conduct interviews and send a recommendation to the Executive Board and Board of Directors for approval. The Agreement for new Executive Director will be voted on at the March 19<sup>th</sup> Board of Directors meeting.

## **IV. COMMITTEE REPORTS**

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

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

Bush stated that there was nothing new to report. Bush did mention that Chuck Vaughn was scheduled to be at the last Board of Directors meeting and has apologized as he had the meeting down for a different day. Bush noted that he will come to a future meeting.

#### **2. IRMA Withdrawal Policies & Procedures**

Coren noted that this has been discussed at length at the committee level, Executive Board and also at previous Board of Directors meetings. On page 10 of the meeting packet is a memo outlining six recommendations. Coren noted that at today's meeting, we want to look at the first five recommendations. We are required to vote on these due to the changes in state law going into effect on January 1, 2014. An example is the state law changed to allow pool members to withdraw within 120 days. We need to modify our own bylaws to comply with state law.

Coren noted that the sixth recommendation relates to a member's voting rights once they issue a notice of withdrawal from IRMA. This is not a requirement of this new law. We have had some comments from members that we may want to discuss this further and vote on this separately.

Coren noted that part of the change to IRMA's bylaws is that if a member withdraws from IRMA prior to the end of any IRMA fiscal year, that member shall not receive refund of its Member's contribution for the remainder of that year. Also, only members that provide notice of withdrawal nine months or more in advance of the end of IRMA's fiscal year will receive a refund of their Members' Reserve.

A motion was made by Irvin and seconded by Malinowski to approve the modifications to the IRMA Bylaws, Section 4.05 - IRMA Term and Member Participation and the IRMA Members' Reserve Fund Policy and Procedure and the IRMA Statement of Guidelines for Membership Selection., A bylaw (roll call) vote was called and the motion carried.

Coren noted that recommendation #6 is a change to the IRMA Bylaw, Section 4.05, pertaining to voting rights. If a member gives a notice of withdrawal, their voting rights at Board of Directors level would end with their giving notice of withdrawal. Coren stated that staff has heard back from several members on this, so it was decided to split this recommendation off from the other recommendations and bring it back to through the committee system for further discussion. After a brief discussion, a motion was made by Irvin and seconded by Gargano to refer this issue back to the Membership Relations Committee for further discussion. A voice vote was called and the motion carried.

Coren reported that the third policy that needed a vote was the IRMA Statement of Guidelines for Membership Selection, Withdrawal and Expulsion. A motion was made by Sagona and seconded by Irvin to approve the modification to the IRMA Statement of Guidelines for Membership Selection, Withdrawal and Expulsion. A voice vote was called and the motion carried.

### **3. IRMA Group Purchases of Services**

LeTourneau reported that decisions have been made and contracts are being put in place for the four new optional pooled/group services that IRMA will be offering. A memo on the Board packet outlines these new optional pooled service programs. There is a kick-off meeting planned for November 20<sup>th</sup> here at the Westbrook Corporate Conference Center. Providers for all four new optional services will be on hand to give an overview of their programs and to answer questions. LeTourneau mentioned that COBRA services are still in the testing phase and should be in place in the 1<sup>st</sup> quarter of 2014. LeTourneau noted that staff is also working to provide optional Pre-Employment Functional Capacity Testing that should be available during 1<sup>st</sup> quarter of 2014.

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

### **1. Proposed 2014 Training Programs**

Peterson stated that pages 36 and 37 of the packet lists the proposed 2014 training programs. Peterson noted that staff is also looking to provide a Vehicle Backing with Trailer training. Peterson stated that staff and the committee are open to other suggestions for training.

### **2. Educational Resources through Safety National**

Peterson noted that this item lists all the training resources that are available to our members at no cost.

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

Velkme reported that Gargano had to leave the meeting early, so IRMA staff would be giving her report.

#### **1. Coverage Extension – Part-Time Engineers**

Garvey reported that we have had situations where our members want to use an outside engineer or architect that is not working for another firm or organization. These independent engineers and architects are finding it very difficult to purchase affordable professional liability insurance. IRMA understands that our members are trying to economize and save money where they can. Staff went to our broker and re-insurers and talked to them about this. The proposed change is basically an extension of coverage to an engineer or architect who is working for the member and not working for any other firm or organization. This change would extend professional liability insurance to them.

Gutierrez stated that they use the services of Gov Temps to provide these types of services and asked whether this would preclude them from the extension of general liability insurance to those from Gov Temps that provide service. Garvey stated that it would be governed by the contract with Gov Temps. Gutierrez noted that Gov Temps provides that coverage at a premium and he would like to see the Gov Temp engineers included in this coverage extension.

Garvey noted that the original intent of this change is that the engineer or architect cannot be working for another firm or organization. Garvey noted that staff didn't really look into Gov Temps as an engineer or architect may be working for other IRMA members as well.

Bush stated that we have been asked to look at this, even more as shared services. This, however, is different as it basically covers engineers or architects that are retired and the municipality wants to continue using them, but they can't because they are no longer an employee. We are trying to accommodate our members in that type of situation where there is really no change in exposure. We are going to be looking into what Gutierrez has brought up; however, it will take a lot more extensive underwriting. We will be bringing something back to the Board on that.

Garvey stated that the recommendation is not to vote on this today and bring it back to the Board. There is some question as to whether or not we should have the ability to pre-approve the architect or engineer. The way the language is written right now it says that their license has to be in good standing and they will have to fill out an application, but it doesn't make an exception for the ability for us to approve it. If a member has an engineer or an architect that has a lot of claims, then maybe IRMA doesn't want to take on that exposure. We may need to add some language that will give us the ability to look at them and actually approve them for the coverage.

LeTourneau noted that Naveja recommended that in #5 of the amendment, the first sentence should read "... part-time engineers or architects who are pre-approved by IRMA and work solely...." LeTourneau suggested that we could take a vote to include Naveja's recommended addition and vote on this now and then bring what Gutierrez was talking about earlier back to another meeting.

Halik asked that staff look at Department of Labor implications of this, and stated that she thought the Department of Labor would look at this as a temporary employee. It was also noted that the IRS would also agree with the Department of Labor on this as the way it is written it should comply with the IRS guidelines.

A motion was made by Irvin and seconded by Palm to bring this item back to the next meeting. A voice vote was called and the motion carried.

## **2. 2014 Coverage Renewal**

LeTourneau reported that it was a good renewal overall and referred to the coverage renewal chart in the Board packet.. With regards to general liability, our cost is going down slightly from \$1,041,621 to \$1,038,818. We are at a flat rate with workers' compensation even when commercial insurance in this area is rising in the 5%-10% range. In property, LeTourneau noted that we have been with Travelers for quite some time, but the management team and underwriters who have been working with IRMA at Travelers have moved to Hartford. Without any contact from Travelers, they proposed a 10% rate increase. Staff decided to go out to market and get all new quotes for the property line. Several firms were not able to provide us our high coverage levels. We received quotes from Travelers and Hartford. We received a very aggressive quote from Hartford and are recommending going with them at a \$450,000 retention. They have given us a two year rate guarantee subject to a 35% loss ratio.

LeTourneau reported that we received a flat rate in crime, and a 3% rate reduction in boiler and machinery. In summary, LeTourneau reported that we are at an overall 2% reduction over our 2013 commercial excess and reinsurance costs.

LeTourneau stated that the vote to approve the 2014 Coverage Renewal includes remaining at the \$10 million liability limits with the current \$6 million Annual IRMA Member Aggregate Cap.

A motion was made by Irvin and seconded by Malinowski to approve the 2014 Excess / Reinsurance Coverage Program as presented.

## **3. 2013 Claims Audit**

Bush reported that the audit is for information and commented that staff is extremely pleased with the results. The average score was 96%. There was one issue regarding reserving that will be handled in the next agenda item.

## **4. Reserving Policy and Procedure**

Bush stated that unlike commercial insurance companies, IRMA requires the approval of the member when reserve changes are made. That reserve notice

seeks approval not only of the reserve itself, but also authority to settle. There are situations where there is a very serious claim, usually dealing with loss of life, and the member is not ready to authorize paying to settle a claim, thus delaying the establishment of a financial reserve. The auditor has pointed out that delaying the establishment of a financial reserve is not a best practice. Staff is recommending clarifying the reserve notice requirement by separating the Settlement Reserve Notice from the establishment of a financial reserve. The financial reserve would not create any authority to settle, but would account for the potential exposure to the pool.

A motion was made by Coren and seconded by Sagona to approve the clarification of Reserve Notice Procedure. A voice vote was called and the motion carried.

#### **D. ADMINISTRATION & FINANCE COMMITTEE – CLARK**

Velkme reported that Dave Clark was not at the meeting and staff would be handling his report.

##### **1. Exceptions to IRMA's Contribution Policy**

Bush reported that a request from the Village of Barrington led to this agenda item. Since the 1940s, Barrington has been providing fire services to the Barrington-Countryside Fire Protection District. Elimination of this function will cause a substantial drop in Barrington's annual revenues and the number of fire department employees will drop from 40 to 18. Because we have been looking at situations of outsourcing, staff thought this should be considered. Staff asked our actuary what the impact of this change would be on the loss fund. Because the loss fund contribution and Barrington's contribution will be reduced an identical amount, no other member's contribution will be impacted in any way by this change. The amount the actuary came up with was \$85,707.

Bush noted that this does relate to some degree to the changes we have been talking about regarding outsourcing. We will be looking at the same methodology for that and we will need to make changes to our policies and procedures. We plan to bring that back to the December Board meeting for discussion and to the March Board meeting for a vote. Because the situation in Barrington will be effective January 1, 2014, and we are not quite ready with our policy and bylaw changes, it was recommended that we handle this as an exception.

Bush noted that in regards to Lincolnwood, he mistakenly thought they were in a unique situation. Bush stated he has received calls from several members with similar outsourcing situations. We are going to be bringing these situations back in our discussion on outsourcing.

Velkme noted that procedurally, we need to suspend the bylaws and then move that the Village of Barrington's 2014 annual contribution is determined according to the IRMA Contract.

A motion was made by Irvin and seconded by Coren that pursuant to Section 2.03 (c) (v) of the IRMA Contract and Bylaws, Article III - Finances and Risk Management of the Contract and Bylaws is temporarily suspended for the duration

of this Board meeting solely for the discussion and voting on potential contribution changes for the Village of Barrington. A bylaw (roll call) vote was taken and the motion carried.

A motion was made by Irvin and seconded by Palm that the Village of Barrington's 2014 annual contribution determined in accordance with the IRMA contract and bylaws and all applicable policies will be reduced by an amount equal to the actuarially determined reduction to the 2014 IRMA Loss Fund arising out of the termination of the provision of fire services to areas outside of the Village of Barrington. A bylaw (roll call) vote was called and the motion carried.

## **2. IRMA's Personnel Handbook – Vacation for Part-Time Employees**

Velkme noted that this is an additional change from what was voted on at the last Board meeting. It is being recommended that regular part-time employees earn two weeks of part-time vacation three months after employment begins. A motion was made by Irvin and seconded by Peterson to approve the recommend change in the IRMA Personnel Handbook to the Vacation for Part-Time Employees. A voice vote was called and the motion carried.

## **3. 2014 Personnel Report**

Velkme reported that the number of employees will remain the same in the 2014 budget. The 2014 budget will include costs for the recruitment of the new Executive Director and transitional costs associated with the retirement of the current Executive Director as a separate budget category. The 2014 budget also includes a promotion for an Administrative Assistant to Senior Administrative Assistant.

Salary ranges are based on reports from the Hay Group and staff is requesting a 1.75% increase in the salary range for 2014. Staff is requesting a 3% budget for merit increases in 2014.

Velkme reported that the result of these changes is an increase in the budget for salaries of \$32,469 or 1.97%.

A motion was made by Coren and seconded by Palm to approve the 2014 personnel report. A voice vote was called and the motion carried.

## **4. 2014 Preliminary Budget**

Velkme reported that the 2014 IRMA Revenue Base increased by 4.27%; for the same members in both years, the Revenue Base increased by 2.85% in total dollars. The total administrative budget increased by 6.27%, while the total budget is expected to decrease by 8.5% due to a reduction in the loss fund. The preliminary rate based on the five-year average revenue base for 2014 is \$2.318, a decrease of 6.53% from 2013. Velkme noted that if anyone had any questions, they should talk to Rita Boserup.

A motion was made by Malinowski and seconded by Coren to approve the 2014 Preliminary Budget.

**V. EXECUTIVE DIRECTOR/STAFF REPORT**

Bush commented that staff appreciates getting comments from members prior to the Board meeting and stressed that it is really important that members review the packet prior to the meeting.

**VI. ADDITIONS TO AGENDA**

There were no additions to the agenda.

**VII. CONFIRMATION OF NEXT MEETING**

Velkme stated that the next meeting of the Board of Directors was scheduled for Wednesday, December 18, 2013 at 9:30 a.m. in the Westbrook Tower 2 Conference Room.

**VIII. ADJOURNMENT**

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

Submitted by:

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Larry Bush, Executive Director

Approved by:

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Ingrid Velkme, IRMA Chair