

ADMINISTRATION & FINANCE COMMITTEE Meeting Minutes

Wednesday, September 25, 2019
IRMA Office
9:30 a.m.

PRESENT: Eric Helm, Chair
Barry Krumstok (Via phone)
Jack Knight
Al Stonitsch
Elizabeth Holleb

Larry Noller, Vice Chair
Tom Kuehne
Bettina O'Connell (Via phone)
Carrie Dittman
Shane Johnson

ALSO PRESENT: Margo Ely
Donna Sluis
Susan Garvey

Rita Boserup
Telly Panousis

ABSENT: None

I. CALL TO ORDER

Chair Helm called the meeting to order at 9:30 a.m., roll was taken, and a quorum declared.

II. APPROVAL OF MINUTES: May 29, 2019

A motion was made by Dittman and seconded by Stonitsch to approve the open and closed meeting Administration and Finance Committee Minutes of May 29, 2019. A voice vote was called and the motion carried.

III. FINANCIAL REPORTS

Helm asked if there were any questions or comments on the financial reports. Hearing none. A motion was made by Noller and seconded by Dittman to approve the Financial Reports. The motion carried.

IV. PERSONNEL

Succession Plan and Recruitment for Director of Financial Administrative Services

Ely gave an overview of the recruitment process for the Director of Financial Administrative Services and the responsibilities of the position and recommended that IRMA retain GovHR USA to assist in the recruitment. There was much discussion on the timeline and having two (2) directors doing the same job during this transition. A motion was made by Knight and seconded by Stonitsch to approve GovHR USA to assist in the recruitment of the Director of Finance for IRMA. The motion carried.

2020 Personnel Report

Ely reported that in addition to the previous item where we discussed the succession plan for Director of Finance, there are also staff changes in the Risk Management & Training Department. We are recommending Frankie Giannetti, Senior Risk Control Representative be promoted to Loss Control Manager and we will fill her existing position. We will then have two (2) trainers in the field and will rely less on outside consultants. The money saved (approximately \$10,000) from less reliance on outside consultants will be used in our intern program. For many years, we have had two (2) summer safety interns, but this past summer, we were only able to recruit 1 intern. Staff is recommending that, moving forward, we have one safety summer intern and the other intern would be a Masters of Public Administration (MPA) student. Overall, the Risk Management & Training Department staffing changes result in a savings of approximately \$50,000.

In addition, the personnel report has a 3% merit increase and a 1.8% increase for the ranges in 2020 for cost of living and a bonus fund of \$20,000. After much discussion on the succession plan for the Director of Financial Services and Administration, a motion was made by Holleb and seconded by Stonitsch to change the title to "Interim" and to limit the range to \$130,367-\$160,000. A motion was made by Noller and seconded by Stonitsch to approve the personnel report removing the title of "Director of Financial Services and Administration Succession Plan", but authorizing staff to fill it in a manner that limits the overlap and assures that Rita's interests are protected in respect to pension rights. The motion carried.

V. 2ND QUARTER INVESTMENT PERFORMANCE REPORT

Boserup gave a brief summary of the memo handed out in Goding's absence. Boserup mentioned Lazard's performance is improving. Equities are outperforming right now and it was suggested that Chicago Equity be put on the watchlist. Defensive equities are doing well and no changes need to be made at this time. A motion was made by Knight and seconded by Holleb to place Chicago Equity on alert due to their underperformance. The motion carried.

Boserup mentioned on page 91 of the packet is the Asset Allocation that was sent out back in August. A motion was made by Johnson and seconded by Kuehne to ratify the allocation. The motion carried.

VI. 2020 PRELIMINARY BUDGET

There was a significant increase in our insurance expense. Garvey reported that one part of the increase resulted from the first party property quote. Garvey noted that a huge property insurer left the market causing a void resulting in a hardening property market. The quote we received from our incumbent property insurer was about \$300,000 more than what we paid last year, and we are considered one of their good accounts. After talking with our brokers, they suggested that we go back to our incumbent, Hartford, and suggest an annual aggregate deductible (AAD) of \$1 million to try to bring the premium down. Currently, IRMA's Self Insured Retention (SIR) is \$450,000. If the annual aggregate deductible is approved, then IRMA would pay up to an additional \$1M before Hartford would contribute. Hartford did not agree to the AAD. We initially estimated \$790,000 for the 1st party property based upon the acceptance of the AAD. Because Hartford would not agree, the option is left at the \$941,000 quoted premium. Garvey then noted that for the past couple of years there was an optional limit

of \$3M for coverage up to \$15M. The proposal included a quote for a total of \$15M for every member at a cost of an additional \$154,000. Staff added this amount to the budget for the Committee and Executive Board's consideration. Garvey reported that we were still waiting on the final quote for cyber coverage. CCLC and staff are recommending increasing our limits to \$1 million per claim. Ely commented that we are currently negotiating with KnowB4 for a cyber security training program and offering a discount for IRMA members. We are also talking to Sikich about a regional training for IT professionals. We are including a Cyber review in our IMAP and Underwriting.

Boserup mentioned there was a separate handout regarding Risk Control Technologies Software and gave an overview of the software to the committee. The cost for this is \$52,000 per year and will be implemented June 2020. Boserup gave an overview of the remaining items in the budget. Ely also gave an overview on the grants.

Ely gave an overview of the rate stabilization in the budget, highlighting the distinction between the contingency fund and interest income. The AFC has directed that the contingency fund should not be used for rate stabilization. The policy has been drafted with that prohibition. Ely stated that over the past several years we have relied on interest income for rate stabilization. We expect to have approximately \$11 million in interest income to return to the membership in 2019. In the context of this budget with significant increases in the insurance market, it is the AFC's prerogative to consider whether some of this interest income should be pledged to rate stabilization.

A motion was made by Holleb and seconded by Kuehne to use \$1.25 million of interest income for rate stabilization for the 2020 budget and to direct staff to reduce \$1.25 million from the interest income for 2019. The motion carried.

VII. CONSIDERATION OF A CONTINGENCY FUND

Ely gave an overview of the draft Contingency Fund Policy, stating that it prohibits the fund to be used for rate stabilization. Rather, the contingency fund is available in very few situations: where our limits are insufficient for the exposure presented in a particular case; our reinsurance/excess insurance is denying/disputing coverage, avoiding a supplemental assessment and where we suffer a significant downturn in the investment markets. After much discussion, staff was directed to include some revisions to the policy including the possibility of loans for defense costs until a trigger year is determined in certain reverse conviction cases and to explicitly provide that any excess in this fund should be transferred to the interest income for the particular year.

VIII. ADDITIONS TO AGENDA

Boserup mentioned we will be going out for banking services using a RFP.

Boserup looking for any suggestions on the members returning their revenue base in a timely manner. They are due July 31st and the target is to get it done by the end of the August. Initial email goes out the end of June and several reminders go out. The penalty in the bylaws says something that we increase their contribution. Rita would like to impose some kind of penalty per day that they are late after the 30 days. After some discussion, the consensus was there is no need for any revision; the current Bylaw provides for a 25% penalty and it was determined that Rita should put the members on notice that this will be imposed next year if they are not timely.

IX. CLOSED MEETING

Minutes were approved in Item II.

X. CONFIRMATION OF NEXT MEETING

Helm announced that the next meeting of the Administration & Finance Committee would be held on Thursday, November 14, 2019 at 9:30 a.m. at the IRMA office.

XIV. ADJOURNMENT

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

Submitted by:

Approved by:

Rita Boserup
Director of Financial Services & Administration

Eric Helm
Chair, Administration & Finance Committee