



**EXECUTIVE BOARD
Meeting Minutes**

**Wednesday, February 27, 2013
IRMA Office
9:30 a.m.**

PRESENT: Ingrid Velkme, Chair
Art Malinowski
Eric Palm
Scott Coren
Drew Irvin
Paula Schumacher
Kathleen Gargano
Sharon Peterson

**ALSO
PRESENT:** Larry Bush
Dan LeTourneau
Jackie Streid
Chris Naveja
Laura Vesecky
Susan Garvey
Mary Henzler

ABSENT: David Clark

I. CALL TO ORDER

Chair Velkme called the meeting to order. Roll was taken and a quorum declared.

II. APPROVAL OF MINUTES

A. Meeting Minutes of November 26, 2012

A motion was made by Coren and seconded by Gargano to approve the Executive Board meeting minutes of November 26, 2012. A voice vote was taken and the motion carried.

B. Reports for information only in the Member Section of the IRMA Website

Velkme noted that the reports on the website were for information only and asked if anyone had any comments/questions. Irvin stated that at the last meeting a comment was made about the Membership Recruitment Report not being the most current and asked if it had been updated. LeTourneau indicated that the most current report is on the website.

III. CHAIR'S REPORT - VELKME

A. Welcome to 2013 Executive Board

Velkme noted that the packet contained several documents of interest to the Executive Board, including the Executive Board roster and the 2013 calendar of meetings. Velkme noted that she would not be at the March 13, 2013 Board of Directors meeting, but that Chair-Elect Irvin would Chair the meeting. Velkme stated that also included in the packet were several policies including: the Conflict of Interest Policy, IRMA Committee Policy, IRMA Officers Statement of Responsibility, Executive Board Statement of Responsibility, and the Statement of Responsibility for At-Large Representatives. Irvin asked whether the Chair of the Administration and Finance Committee was appointed or elected. Vesecky stated that the Chair of that committee is also the Treasurer of IRMA, and it is an elected position.

Irvin commented that in the IRMA Officers Statement of Responsibility it states that the Executive Director executes agreements under \$15,000, and that seems kind of low to him. Irvin asked if that amount was set statutorily or is it something that the organization set. Bush stated that the organization set it; however, we don't have very many agreements at that level.

B. Defense Panel RFQ Evaluation Committee – Update (Malinowski)

Malinowski reported that on January 9, January 16 and January 22, the committee interviewed over those three days a total of 13 defense counsel firms for either retention or addition to the panel. On February 13, the committee discussed the merits of each of the 13 firms interviewed and formed a recommendation based on the interviews, the firms' track records, and the committee's knowledge of the firms. The committee is recommending retaining five of the seven firms on our current panel, keeping the panel number at seven, and adding two additional firms.

Bush noted that the two firms not being retained are Laner Muchin, who was added fairly recently, but the firm's niche is really in employment only. Bush added that they are also seen primarily as a labor attorney and we are mainly concentrating on trial attorneys. The other firm was Tom Weiler of Langhenry, Gillen, Lundquist & Johnson. The decision to remove Weiler from the panel was based on our records going way back that show that he is more costly than anyone else. Bush stated that it's not that he is charging us for time he doesn't spend, but his approach is that there is no matter too small to be thoroughly investigated. Bush commented that the truth is that some matters are too small.

Velkme asked whether Weiler would be keeping the cases already assigned to him. Bush stated that staff will be going through the cases and generally he will be able to keep them. There may be some of the newer cases that we may transfer. Bush noted that switching is a negative thing, so if the case is near the end, he will be allowed to keep it. Malinowski brought up the fact that Laner Muchin will continue to be used for early intervention situations where members are having difficulty in the area of labor employment law. For the overall panel counsel they really are a niche firm and we are looking for firms that are able to litigate a wider variety of cases.

Gargano noted that another suggestion that came from the committee was to have some type of reception so that the members could meet the panel. One of the concerns raised from time-to-time, is that members didn't know who was on the panel and how they got there.

Bush stated that one of the firms being recommended to be added to the Panel is Best, Vanderlaan & Harrington that is a firm with about 20 attorneys that does solely defense and trial work. They do a lot of work for insurance but also represent a lot of pools. The other firm recommended for addition to the panel is Sotos Law Firm that has about 7-8 attorneys and does a lot of work for the City of Chicago. Jim Soto is very eager to work with IRMA. Bush mentioned that Jim Soto works with Laura Scarry a lot on doing things with the police, so a lot of police officers know him. Bush stated that Jim Soto tries almost all of the cases that go to trial.

Gargano noted that one of the things that the committee liked about the Sotos Law Firm is the flat fee arrangement. Bush stated that we want to get into a discussion with our panel counsel about alternate fees and Jim Soto did make a very strong statement that

pay per hour is the most inefficient and ineffective approach because the only way to get more money is to put in more hours and it doesn't really give an incentive to get out of a case quickly. There are ways to work out fees where there are incentives for both the legal firm and the client to benefit if a case is resolved quickly. Jim Soto was very willing to discuss this. The other attorneys interviewed also indicated they would be willing to discuss alternative fees.

Irvin asked what the formal engagement was. Bush stated that we have our litigation guidelines that we use, but not a formal retainer or engagement letter, and indicated that we could change this at anytime, if instructed by the Board. Bush commented that no explanation is needed to discontinue the use of an attorney.

Velkme thanked the evaluation committee for all the time they put into this process.

Bush noted that the committee still needs to review the workers' compensation attorneys and will get to that next.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. Announcement of 2013 Committee

Coren stated that the committee has one new member, Bridget Wachtel of Flossmoor.

2. Legislative Update

Coren reported that the IML has formed a PSEBA working group and has asked IRMA and lobbyist Chuck Vaughn to be part of that group. The IML has asked the members of the group to gather updated data on PSEBA. IRMA sent out a survey to Delegates/Alternates and will be forwarding information to the IML.

Garvey reported on the pooling legislation. The original piece of legislation that was introduced by the Director of the Department of Insurance allowed for no longer than a 90 day withdrawal period to withdraw from a pool. Garvey reported that recently there was a meeting with the Director of the Department of Insurance and a group of pooling people. The Director of the Department of Insurance was very surprised by the number of pooling people at the meeting. His reaction to that meeting was to introduce another piece of legislation that includes the 90 day withdrawal period and a provision that the Director of the Department of Insurance can review any documents, accounts, records of any pool at anytime based upon his discretion, and issue regulations or penalties based upon that. That legislation was drafted and there is a sponsor, Senator Mulroe. Garvey noted that in talking to our lobbyist, Chuck Vaughn, he doesn't think this legislation will be going anywhere. Garvey reported that there was supposed to be a meeting with the Senator on February 28th; however, that meeting has been rescheduled.

Garvey reported that she has been receiving the pooling resolutions from the membership; however, we only have about ten to fifteen of them at present. Garvey stated that a reminder will be sent to the members asking them to send in

their resolutions. Garvey noted that she is happy to come out and talk to members' Boards if requested.

3. IRMA Notices of Withdrawal

Coren reported that we received two notices of withdrawal from Westchester and Wood Dale. Coren noted that as part of our withdrawal policy, if a member decides that they may want to leave IRMA the following year, they need to provide that notice of withdrawal more than one year in advance of the end of the year they want to withdraw in.

Coren reported that Westchester took a quick look at other options and ended up rescinding their withdrawal notice in accordance with IRMA's policy. Coren asked Bush to talk about Wood Dale.

Bush stated that Wood Dale sent in a notice of withdrawal. IRMA staff had a meeting with the Wood Dale Finance Director, and learned that they had received two proposals, but it was hard to tell if they compared apples-to-apples to IRMA. Bush noted that the withdrawal notice came from the City's attorney and the Wood Dale Finance Director was copied, not the City Manager. There was a meeting of their City Council scheduled for Saturday night at 7:30 p.m. Bush noted that the meeting appeared on the City's calendar; however, there wasn't an agenda issued. Bush noted that Wood Dale doesn't really have a firm quote for next year, and he actually suspects that they will really be paying more. However, that is not a problem because the decision to go into risk pooling is to self-insure jointly and the cost for any one year doesn't really make a difference. They should not be making a decision to self-insure or not to join together and self-insure based on one year's cost. The fact that Wood Dale made this decision without knowing the cost is fine. Bush stated that Wood Dale will be withdrawing. However, he is a little concerned that once they get a firm quote that is much higher, they will want to come back. Bush noted that this happened with a school pool and basically started the recent pooling legislation.

LeTourneau stated that after talking to Wood Dale, he is anticipating Mesirov will be coming to our members' Boards looking for business, and that everyone should be aware of this.

A motion was made by Irvin and seconded by Gargano to accept Westchester's request to rescind their Notice of Withdrawal from IRMA. A voice vote was taken and the motion carried.

4. IRMA Withdrawal Policy

Coren explained that our current policy calls for a one year notice for a member to withdraw; however, the concern is that immediately after the first of the year, the notice period is effectively two years, and it is very difficult to justify the necessity of almost two years notice before withdrawal. The Membership Relations Committee took a look at this and is recommending reducing the notice period from one year to 9 months.

Bush added that from a functional perspective, IRMA really needs to know about a withdrawal when the budgeting process starts, which is July 1, because all of the

members are affected by what any other member does. However, we are still allowing the rescission period, but are recommending changing the period to 45 days to 60 days.

Bush noted that the final suggested language for the bylaw and policies was distributed

Bush stated the current bylaws state that if you withdraw, you can retain your vote until the date of your withdrawal. In the past, we have had some members complain about this. We are proposing changing the bylaw to read that the member would lose their vote upon notice of withdrawal, not on the withdrawal date.

Bush stated that there is a change being recommended to the Members' Reserve Fund Policy and Procedure that is will comply with the pending pooling legislation if it is approved. Right now, we say that when a member comes in they are required to stay three years because they have three years to contribute their initial Members' Reserve, which is 50% of their initial contribution amount. So we are proposing making it the choice of the joining member if they want to pay their entire Members' Reserve up front, or over one, two, three, four or five years. In other words, we are saying that a member can't withdraw until they pay their Members' Reserve.

A motion was made by Peterson and seconded by Irvin to accept and send on to the Board of Directors the changes to the IRMA Bylaws, Section 4.05 – IRMA Term and Member Participation, the IRMA Members' Reserve Fund Policy and Procedure, and the IRMA Statement of Guidelines for Membership Selection. A voice vote was taken and the motion carried.

5. Group Purchases of Services – Update

Coren explained that this item came out of the strategic planning workshop last year. One of the things that was discussed was what else can IRMA do to help its members. While some members may be doing this on their own, IRMA staff is researching several potential services, such as FMLA Administration, Cobra, Background Checks, etc. The first step was to send out a survey to the membership to see if anyone is currently contracting for any of the suggested services. The next step will be to determine whether this is going to be paid for by IRMA or whether there would be a contract and the member would pay for the service directly with agreed upon pooled pricing.

B. TRAINING & EDUCATION COMMITTEE – PETERSON

1. Announcement of 2013 Committee

Peterson noted that the roster of the 2013 Training and Education Committee was on page 45 of the packet.

2. Update on Grant Program

Peterson pointed out that the first chart on page 46 of the packet showed the funding that was requested and the actual reimbursements made to members as of

December 27, 2012. The second chart shows the grant submissions from members for implementation during 2013.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

1. Announcement of 2013 Committee

Gargano reported that there are two new members on the Coverage, Claims & Litigation Committee – Blaine Wing from Oak Brook and Dennis Bubenik from Homewood.

2. 2012 Corporate Counsel Workshop Report

Garvey reported that this is the third yearly workshop we have held, and although we didn't have as many participants as in the past, the workshop went very well. The packet contains a summary of the discussion that staff had and notes from the meeting.

D. ADMINISTRATION & FINANCE COMMITTEE – CLARK

Vesecky noted that Clark had called to let her know that he would not be at the meeting, but would participate by telephone for the Executive Session.

1. Announcement of 2013 Committee

Vesecky reported that we have three new members on the committee – Spencer Parker of Westmont, Gerald Sagona of Lake in the Hills and Katy Rush from Woodridge.

2. Recruitment for Director of Financial Services

Bush explained that staff did try and get a couple of quotes for a consultant, but didn't get a very positive response. Staff is recommending contracting with Heidi Voorhees with Voorhees Associates. Velkme stated that she and Irvin had talked to Bush and reminded him that quite a few member Finance Directors may be interested in the position, and there could be some very hard feelings. Velkme stated that both she and Irvin thought it would be best to bring in a professional recruiter, so we don't have any conflicts.

Bush noted that the total fee for contracting with Voorhees Associates is \$15,900, which was not included in the 2013 budget, since the staff anticipated handling the recruitment in-house. Bush noted that we are not asking for a budget amendment, since we do not anticipate exceeding the overall budget. We will need to have the contract approved. A motion was made by Irvin and seconded by Coren to approve the contract with Voorhees Associates for the recruitment of the Director of Financial Services position. A voice vote was called and the motion carried.

Gargano asked whether staff was waiting for Voorhees to recommend the salary. Vesecky noted that staff did run the salary schedule past Voorhees and she thought the range was adequate. Bush stated that this was run past the IRMA Administration and Finance Committee and he also did research what salaries are

out there for Finance Directors. Staff has not determined how the salary for the job will be posted, but will rely on Voorhees' expertise.

Palm asked whether there has been any discussion on process and who will sit in on interviews. Vesecky stated that the Administration and Finance Committee agree that it is a staff function and Bush has the responsibility to hire staff.

V. EXECUTIVE DIRECTOR/STAFF REPORT

Bush mentioned that claims continue to be low, due specifically to the mild weather. Bush also mentioned that in workers' compensation, the fee schedule shift that took place in September of 2011 is kicking in and bills are down substantially.

Vesecky noted that our total investment income from last year was \$15 million. We don't budget for investment income for other years and we had only budgeted for about \$1.6 million, so all the other investment income goes back to Members' Surplus.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VII. EXECUTIVE SESSION

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

VIII. CONFIRMATION OF NEXT MEETING

Velkme stated that the next Executive Board meeting is scheduled for Monday, June 10, 2013 at 1:30 p.m. at the IRMA office.

VI. ADJOURNMENT

A motion was made by Coren and seconded by Gargano to adjourn the meeting. A voice vote was taken and the motion carried.

Submitted by:

Larry Bush, Executive Director

Approved by:

Ingrid Velkme, IRMA Chair