



**EXECUTIVE BOARD
Committee Meeting Minutes**

Wednesday, December 4, 2013

IRMA Office

9:30 a.m.

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

**ALSO
PRESENT:** Larry Bush
Dan LeTourneau
Mary Henzler
Rita Boserup
Jackie Streid
Susan Garvey

ABSENT: Eric Palm

I. CALL TO ORDER

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

II. APPROVAL OF MINUTES – October 10, 2013

A motion was made by Peterson and seconded by Irvin to approve the Executive Board Meeting Minutes of October 10, 2013. A voice vote was called and the motion carried.

Reports for Information Only Found on Member Section of IRMA Website

Velkme asked staff not to list reports on the agenda that have not been updated since the previous Executive Board meeting.

Velkme asked LeTourneau for an update on the Membership Recruitment Report. LeTourneau stated that Oak Park has hired a new Corporate Counsel and will be forwarding all of their loss data, so they will be moving forward in considering membership in IRMA. LeTourneau also reported that Glenview has the information they requested and, hopefully, will be setting up a meeting with IRMA.

III. CHAIR'S REPORT - VELKME

Nominating Committee Report – Slate of Candidates for 2014 Officers – Malinowski

Malinowski stated that the slate of candidates for 2014 IRMA Officers had been distributed under separate cover. Malinowski noted that the Nominating Committee formally consisted of him and Stacy Sigman; however, they did touch base with several other members to gain their input.

The slate being presented to take effect January 1, 2014 is:

Drew Irvin, Chair
Kathleen Gargano, Chair-Elect
David Clark, Treasurer
Paula Schumacher, At-Large Representative (Large IRMA Member)
Eric Palm, At-Large Representative (Small IRMA Member)

A motion was made by Peterson and seconded by Coren to accept the proposed slate of candidates for 2014 IRMA Officers. A voice vote was taken and the motion carried.

Malinowski asked that the listing of committee interest be sent to the Executive Board members for help in recruiting members to serve on committees. Bush noted that the committee chairs are appointed by the Chair.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. Voting Rights for Withdrawing of Expelled Members

Coren stated that the committee discussed this and felt that the best compromise was to try to decipher which items would have long term implications and which ones would affect the membership over a shorter period of time while the withdrawing member was still a member of the pool. Coren stated that it was the consensus of the committee to determine what those items were when we do have withdrawing members and to allow them to vote in situations where they would be affected, but not on longer term items that do not take effect until after they leave the pool. Coren noted that part of the discussion revolved around zoning and how concerned some members were in the past after votes that pertained to zoning.

After a brief discussion, Velkme suggested that specific examples be given when this goes to the Board. Irvin stated that for clarity purposes, the bylaw states that the expelled member will no longer be entitled to participate or vote. Irvin suggested that clarity be put into the language on the withdrawn member outlining when they will be entitled to participate.

Schumacher asked what the time frame of the notice of withdrawal is. Bush stated that it is now 120 days. However, a member no longer gets their Members' Reserve back if they leave with less than 9 months notice. Bush noted that, more importantly, a member can withdraw at anytime of the year. Clark noted that perhaps something should be added to the agenda when an item is not eligible for a vote by a withdrawing member. Garvey recommended that it be noted on the cover memo of the item rather than the meeting agenda.

Velkme stated that we need to be very clear about this and give solid examples when this item goes to the Board.

A motion was made by Clark and seconded by Irvin to approve the changes to the Bylaws, Section 3.05 –IRMA Terms and Member Participation, with the clarification that withdrawing members can participate, but not vote on items that have an effective date after that member's withdrawal date.

Irvin asked whether this item had to go to the next Board meeting, or would it be better to come back to the Executive Board with examples. Schumacher commented that this is extremely burdensome to the organization. Gargano questioned how one vote could sway a decision, commenting that we are spending a lot of time and energy on this. After a brief discussion, it was decided to take this off the upcoming Board agenda and bring it back to the first Executive Board meeting of 2014. The motion on the table was withdrawn by Clark.

2. Lobbyist Vaughn Consulting Contract

Coren noted that the Membership Relations Committee is recommending approval of the agreement for lobbyist services with Vaughn Consulting Services. Velkme raised concern that Vaughn does not always stay on top of issues, bringing up the anti-pooling legislation that was out there earlier this year. Velkme also requested that Vaughn come to a Board meeting to give the members a legislative update. Garvey stated that she would talk to Vaughn and have him attend the December Board meeting.

A motion was made by Irvin and seconded by Gargano to approve the agreement with Vaughn Consulting Services to provide IRMA with lobbying services in 2014. A voice vote was called and the motion carried.

3. New IRMA Market Comparison Study

Coren noted that one of the things he learned at the last conference he attended was that it is really important to demonstrate that IRMA saves its members "x" dollars. We can do this by conducting periodic market comparisons. Coren noted that we have not done this for several years. Towers Watson, as part of their contract, will be conducting the study for us, using one small and one large member without large experience modifiers. LeTourneau noted that the members chosen for the study are Addison and Glencoe. We wanted to find members that are close to target so the results will impact as many members as possible.

Malinowski questioned whether Addison was the wisest choice given the fact that they do not have a municipal fire department. Following a brief discussion, LeTourneau stated that he would ask Towers Watson to add another member to the study and Bush stated that it would be worth a little extra charge for a third member to be added to the study. Gargano stated that the memo that goes to the Board should state that the cost of the study was absorbed by the fee.

B. TRAINING & EDUCATION COMMITTEE – PETERSON

1. Parks & Recreation Steering Committee – Statement of Responsibility

Peterson noted that the Parks & Recreation Committee met and are proposing several changes to their Statement of Responsibility including: requiring only 2 officers (Chair and Vice Chair) serving 2-year terms; elimination of business minutes and Secretary officer position; elimination of Past-Chair position; and rotation of committee meeting to varying member locations in addition to the IRMA location. A motion was made by Irvin and seconded by Gargano to approve the recommended changes to the Parks & Recreation Committee Statement of Responsibility. A voice vote was called and the motion carried.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

1. Clarification of Allocation of Damages Provisions

Gargano stated that this item pertains to coverage and non-covered damages in a claim, and asked Garvey to report on this item. Gargano asked what member pointed this out and has it ever happened before. Bush stated that it is Park Forest and their claim would be discussed in Executive Session.

Garvey explained that the provisions for allocation of damages and actually the provisions of the unified defense amendment refer to covered and non-covered counts. So there are separate counts of the complaint, but there may be non-covered damages in a count of a complaint that also has covered damages. It was pointed out to us that it could be read that if it is a covered count, we cannot allocate any of the non-covered damages in that count. The argument is that it is a covered count of the complaint, so you can't allocate non-covered damages contained in that count. The proposed language changes that and refers specifically to damages or allegations for claims, so that if there are covered damages and non-covered damages in one count of the complaint, we can still allocate the non-covered damages. We do not limit ourselves just to the counts of the complaint.

After a brief discussion, it was suggested to hold off on the vote on this item until after the Executive Session's report on the Park Forest claim. A motion was made by Gargano and seconded by Irvin to table this item to the Executive Session later in the meeting. A vote was called and the motion carried.

D. ADMINISTRATION & FINANCE COMMITTEE – CLARK

1. Investment Consultant Contract Extension

Clark stated that the Administration & Finance Committee is recommending approval of Brian Goding contract extension, noting that Goding is at the end of a five-year contract and the proposed contract is for two years with an annual fee of \$50,000, which is an increase of \$5,000 from the current year. Clark noted that there has been no fee increase since 2005 at the inception of the contract.

A motion was made by Clark and seconded by Gargano to approve the contract extension for Brian Goding. A voice vote was called and the motion carried.

2. Additional Optional Deductible of \$175,000

Clark noted that currently there is a big gap between the \$100,000 optional deductible and the \$250,000 optional deductible. In case a member wanted to make an intermediate step between the \$100,000 and the \$250,000, the Administration and Finance Committee is recommending approval of the addition of a \$175,000 deductible. Velkme asked whether there has been any thought about \$5,000 being added, as well. Bush stated that there has been talk about making the minimum \$5,000 and this will be looked at in a few years. Bush stated that he could ask the actuary about this; however, it is too late for this year.

A motion was made by Irvin and seconded by Gargano to approve the addition of a \$175,000 deductible. A voice vote was called and the motion carried.

3. Outsourcing – Bylaws

Clark reported that there have been numerous discussions at the Administration and Finance Committee regarding the changes to the Bylaw. Currently, the portion of the Bylaw on garbage talks about license and franchise fees. The change being recommended is to allow for the deduction of refuse collection fees paid to an independent contractor regardless of how the fees are collected. There was discussion on other outsourced functions and the recommendation is to allow for deduction of other outsourced functions that meet certain conditions: to transfer the risk to the contractor and the contract contains preapproved indemnity language or IRMA's suggested indemnity language; the contract is not for construction; and the total value of the contract is more than 5% of the members' revenue base at the time of application for deduction.

A discussion ensued and a suggestion was made to add clarification of "new contracts," such as any new or renewed contracts after May 1, 2014. Bush stated that language can be added to specifically state that this is for new contracts.

Bush pointed out something that should have been in the cover memo on this item and that he would be adding for the Board. The deduction for those that are outsourcing services as far as the revenue base should be 90% of the revenue base. The reason is that it is not possible to have 100% assurance that the risk has been transferred. The actuary looked at this and said that it is very typical in these types of situations to have a fronting fee where we take 10% because somewhere over the years despite the contract language, it could come back and we would have to defend it.

Bush noted that this will be for discussion only at the Board meeting. Irvin stated that perhaps the cover memo could clarify each section to make it easier to understand. Bush stated that he would add to the cover memo for the Board meeting.

4. 2014 Final Budget

Clark reported that the 2014 Final Budget is being presented for consideration. There have been a few changes from the preliminary budget that include: reduction of \$29,930 in Training Revenue; reduction of \$5,000 in Contractual Services from the reduction in the proposed fee for the investment consultant, reduction of \$30,465 in the Member Education category, and reduction of \$3,188 in premiums for Commercial Insurance. The result is a reduction in the budgeted expenses of \$38,653. Clark reported that the Administration & Finance Committee are recommending approval of the 2014 Final Budget.

Velkme asked why we are cutting out so much from the Training budget, and stated that she thought that training and education is one of the hallmarks of IRMA and would like to see IRMA have a signature event similar to other organizations, i.e., every year I am going to go to IPELRA's yearly event.

This was discussed by the Executive Board and they agreed that this a very important building block of IRMA. Velkme noted that she would like to see \$10,000 - \$20,000 back into the Training budget for an annual signature event. Velkme asked if the Training & Education Committee had ever discussed this. Peterson stated that they had not. Velkme noted that if you have a high caliber speaker, you should get a large turnout.

Bush stated that staff could bring this to the first 2014 Training & Education Committee meeting to discuss. Irvin asked whether we should add back \$10,000 to the Training budget.

A motion was made by Gargano and seconded by Peterson to add \$10,000 back into the Training budget, to provide for additional training opportunities. A voice vote was called and the motion carried.

A motion was made by Irvin and seconded by Peterson to approve the 2014 Final Budget as amended. A voice vote was called and the motion carried.

5. 2013 Interest Income Credit

Clark stated that the Administration and Finance Committee are recommending approval of a \$4,000,000 2013 Interest Income Credit. A motion was made by Irvin and seconded by Gargano to approve the \$4,000,000 2013 Interest Income Credit. A voice vote was called and the motion carried.

V. EXECUTIVE DIRECTOR/STAFF REPORT

- 2014 IRMA Calendar of Board, Executive Board, Standing Committee & Steering Committee Meeting Dates

Bush commented that everyone should mark their calendars with the dates of the IRMA 2014 meetings.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VI. EXECUTIVE SESSION

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

The committee came out of Executive. A motion was made by Irvin and seconded by Gargano to approve the settlement authority request presented in Executive Session. A voice vote was called and the motion carried.

A motion was made by Irvin and seconded by Gargano to take the item, Clarification of Allocation of Damages Provisions, off the table. A voice vote was called and the motion carried.

A motion was made by Coren and seconded by Irvin to approve the changes to the Claims Policy, Section 4.02 of the Contract and Bylaws and United Defense Amendments in the GL and POL Coverage Documents as pertains to the clarification of Allocation of Damages Provisions. A voice vote was called and the motion carried.

Gargano asked since the facts of the Park Forest case that pertain to this clarification are not going to be shared at the Board meeting, would it make sense to wait until the March Board meeting to vote on this. Garvey stated that she could add greater hypothetical detail to the cover memo that goes to the Board. Bush agreed that this makes sense.

A motion was made by Coren and seconded by Gargano to move back into Executive Session. A voice vote was called and the motion carried.

VII. CONFIRMATION OF NEXT MEETING

Velkme stated that the next Executive Board meeting is scheduled for Thursday, March 6, 2014 at 9:30 a.m. at the IRMA office.

VIII. ADJOURNMENT

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

Submitted by:

Larry Bush
Executive Director

Approved by:

Drew Irvin
IRMA Chair