



**ADMINISTRATION & FINANCE COMMITTEE**  
**Meeting Minutes**

**Thursday, February 17, 2011**  
**IRMA Office**  
**9:30 a.m.**

**PRESENT:** Kevin Wachtel, Chair  
Robert Merkel  
Scott Anderson  
Janet Binder  
David Danielson  
David Clark  
Dan Nisavic

**ALSO PRESENT:** Laura Vesecky  
Mary Henzler  
Larry Bush  
Brian Goding

**ABSENT:** Michael Braiman  
Bryon Vana  
George Schafer

**I. CALL TO ORDER**

Chair Wachtel called the meeting to order at 9:30 a.m. Roll was taken and a quorum declared.

**II. APPROVAL OF MINUTES – November 22, 2010**

A motion was made by Danielson and seconded by Merkel to approve the Administration & Finance Committee Meeting Minutes of November 22, 2010. A voice vote was taken and the motion carried.

**III. WELCOME TO THE 2011 ADMINISTRATION & FINANCE COMMITTEE**

Wachtel stated that the meeting packet contained several documents pertaining to the Administration & Finance Committee, including several finance policies. Wachtel encouraged all committee members to carefully review the documents. Wachtel commented on the Administration & Finance Committee Statement of Responsibility, noting that the most recent addition to the statement was “reporting known fraud to the financial auditor.” Wachtel encouraged the committee to contact him if they were aware of any fraud and he would put them in touch with the auditor.

Wachtel noted that one of the policies in the packet, Member Deductible Policy, was being modified and would need a vote of the committee to approve the revision. The revision is to include the review of the minimum maintenance deductible every five years on the same schedule as the review of the experience modifier credibility factor.

A motion was made by Nisavic and seconded by Clark to approve the revision to the Member Deductible Policy. A voice vote was taken and the motion carried.

Wachtel noted that page 50 of the packet was the 2011 Anticipated Committee Activity List and that the review of the minimum maintenance deductible would need to be added to this listing.

#### **IV. FINANCIAL REPORTS**

Wachtel explained that these reports include the Financial Statements as of December 31, 2010, the Investment Portfolio as of December 31, 2010, and the payables for the period 11/5/10 – 1/27/11.

Vesecky commented that 2010 was a great year and we earned over \$14 million.

A motion was made by Clark and seconded by Anderson to approve the Financial Reports. A voice vote was taken and the motion carried.

Vesecky encouraged anyone who had questions on any of the reports to give her a call.

#### **V. INVESTMENT CONSULTANT – Brian Goding**

Goding gave a presentation on IRMA's 4<sup>th</sup> Quarter 2010 Investment Portfolio. Goding explained that he has changed the first part of the report on the economic summary to add more information to it and hoped the committee liked it.

Goding noted that as of December 31, 2010, the IRMA asset allocation was not too far off target. Equities were close to 53% versus a target of 50%; fixed income at 42% versus a target of 45% and alternative investments close to the target of 5%. When you look at the managers, there weren't any real changes from the last report. Total market value went from \$112,192,201 at the end of September to \$121,611,001 at the end of December. There has been quite a bit of appreciation in the portfolio for the quarter.

Goding noted that from a return standpoint, we underperformed just slightly. We were at 5.5% and the market was at 5.6%. From a risk return standpoint, we are at 4.36% with a benchmark of 5.27% with a little more volatility. Goding noted that we would like to see about 9/10 of a percent more to compensate.

Goding reported that the total composite of equities shows an increase from September 30, 2010 at \$56,340,630 to \$64,433,972 at the end of December 2010. Total fixed income composite started September 30, 2010 at \$50,176,117 and ended at \$51,289,447 at the end of December 2010. Alternative investments total composite went from \$4,947,129 at the end of September 2010 to \$5,711,094.

Goding noted that as of the end of January the fund returned about 0.79%

Goding talked about the current mix. As of February 16<sup>th</sup>, the fund was up to \$125.5 million. Goding noted that on the equity side we are about 4.7% over target. Goding explained that we usually rebalance at 5%, but he believes we are close enough. Goding recommended that we move \$2 million from the S&P Index Fund, \$1 million out of Chicago Equity, \$1 million out of Denver Investment and \$1 million out of Legg Mason and then give \$2 million to PIMCO, \$2 million to Western Asset Bond and \$1 million to US Tips. This will get us back to our targets.

A motion was made by Danielson and seconded by Merkel to accept the recommendations for rebalancing the portfolio. A voice vote was taken and the motion carried.

Goding reported that he has contacted Northern Trust regarding their custodian fees. Goding reported that we pay on the assets that they custody. First of all, IRMA pays 5 basis points for the money we have in the index fund (Northern Trust's fund) and they don't charge IRMA any custodian fees on those assets, which is very good. Goding explained that IRMA has two managers there, Denver and Chicago Equity, and Northern charges \$2,500 each in an annual fee and they charge 1 basis point on the assets. Based on \$13 million each, the 1 basis point would be \$2,600. The \$2,500 for each account would be \$5,000, and then they were charging \$15.00 for every transaction. This is where they were charging IRMA too much. Goding stated that he was able to negotiate that down to \$9.00 per transaction, which should save about \$9,000 per year based on transactions. Goding noted that based on his calculations, we have been paying about \$30,000 per year and this should bring it down to \$21,000, which is pretty significant.

Goding stated that Northern Trust would like us to sign a three year contract. Nisavic asked whether we went out with a formal bid. Goding explained that he didn't sense that the committee wanted to do that, but he called and did an informal inquiry with several institutions that he is familiar with.

A motion was made by Wachtel and seconded by Binder to approve the contract with Northern Trust at the terms negotiated by Goding. A voice vote was taken and the motion carried.

## **VI. EXPERIENCE MODIFIER POLICY**

Wachtel explained that this policy decision was actually approved last year by the Board of Directors and included the review of the credibility factor by the actuary and the adoption of a sliding scale beginning with the 2012 calculation. The Experience Modifier Policy is now being revised to reflect these changes. After the acceptance by this committee, the policy will be sent to the Executive Board and Board of Directors for approval. A motion was made by Clark and seconded by Merkel to approve the revisions to the Experience Modifier Policy. A voice vote was taken and the motion carried.

## **VII. IMRF RESOLUTIONS**

Vesucky explained that IMRF recently conducted an audit of IRMA's records, and found that IRMA has failed to submit resolutions to allow inclusion of compensation paid under an IRC Section 125 Plan and taxable allowances as IRMA earnings. They recommend that we pass resolutions retroactive to January 1, 2007. A motion was made by Anderson and seconded by Merkel to approve the IMRF Resolutions 6.72 and 6.74. A voice vote was taken and the motion carried.

### **VIII. 2011 IRMA GOALS & OBJECTIVES**

A. Evaluate the current \$2,500 deductible to determine if it is set at the correct level.

Vesecky stated that this is one of the committee's specific goals & objectives and the question is what does the committee want to do? Do we want to have the actuary take a look at it or send out a survey to see what the membership wants to do? Vesecky mentioned that the actuary would be doing work in the spring, and we could ask him to include some work on this at that time.

Bush noted that we put in here to review this every five years and it was his sense in talking to members that there is no interest in making any further changes at this time.

After a brief discussion, the committee decided to ask the actuary to look at this in the spring.

B. Continue to study the issue of the largest members' loss ratios that were identified, but not yet adopted by the Ad Hoc Committee on Member Retention.

Larry explained that since the size credits were not approved, there may be other alternatives that might help. The solution is out there now with the larger deductibles, but members aren't taking them. Bush stated that he will work on coming up with some alternatives.

### **IX. COMMUNICATION FROM IRMA'S FINANCIAL AUDITOR**

Wachtel explained that the letter from IRMA's financial auditor communicates certain matters related to the scope and timing of our audit for the year ending December 31, 2010. Wachtel stated that this is required communication to the Administration & Finance Committee.

### **X. INVESTMENT NEWSLETTERS**

Wachtel explained that there were investment newsletters on the website for committee members to review.

### **XI. ADDITIONS TO AGENDA**

Vesecky reviewed the 2011 Cash Flow Report that had been distributed. All contributions have been received and it looks like our in-flows and out-flows are pretty close, so she is recommending that we revisit the cash flow report in the third quarter and determine if there are funds available for investment or if funds will have to be withdrawn from the investment portfolio.

Vesecky reported that IRMA has been notified that they will be receiving the Certificate of Achievement for the CAFR for year ending December 31, 2009.

Bush discussed with the committee a claims position reclassification that he was recommending for the Claims Representative I to be changed to a Claims Representative II position. Bush explained that the person in the Claims Representative I position is responsible for liability claims and has added lost time workers'

compensation claims to the workload. The change will involve a promotion for the individual and a modest salary adjustment. Bush explained that his duties in the bylaws include personnel decisions within the budget and from that perspective he could do this on his own. However, the table in the memo is approved by this committee and, therefore, it is being brought to the committee for approval. Bush added that there would be no impact on the budget.

A motion was made by Nisavic and seconded by Merkel to approve the position reclassification. A voice vote was taken and the motion carried.

**XII. CONFIRMATION OF NEXT MEETING**

Wachtel stated that the next meeting of the committee would be on Monday, June 13, 2011 at 9:30 a.m. at the IRMA office.

**XIII. ADJOURNMENT**

A motion as made by Clark and seconded by Merkel to adjourn the meeting. A voice vote was taken and the motion carried.

Submitted by:

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Laura Vesecky  
Director of Financial Services & Administration

Approved by:

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Kevin Wachtel, Chair  
Administration & Finance Committee