



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

**Thursday, November 12, 2015**  
**IRMA Office**  
**9:30 a.m.**

**PRESENT:** David Clark, Chair  
Spencer Parker  
Eric Helm  
Doug Haywood  
Jason Bielawski

John Prejzner  
Gerald Sagona  
Darrell Langlois  
Lynn McCammon  
Joe Mangan

**ALSO**

**PRESENT:** Margo Ely  
Mary Henzler  
Tom Latzke, Marquette Associates

Rita Boserup  
Telly Panousis  
Landon Peterson, Hay Group  
Camille Kuthrell, Hay Group

**ABSENT:** None

**I. CALL TO ORDER**

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

**II. APPROVAL OF MINUTES – September 24, 2015**

A motion was made by Helm and seconded by Sagona to approve the September 24, 2015 Administration and Finance Committee Meeting Minutes. A voice vote was taken and the motion carried

**III. FINANCIAL REPORTS**

- A. IRMA Financial Statements as of September 30, 2015
- B. IRMA Investment Portfolio as of September 30, 2015
- C. IRMA Payables for the period 9/1/15 – 10/31/15

A motion was made by Helm and seconded by Sagona to approve the Finance Reports as presented. A voice vote was taken and the motion carried.

**IV. 3<sup>rd</sup> QUARTER INVESTMENT REPORT – Marquette Associates**

Tom Latzke of Marquette, filling in for Brian Goding, reviewed the 3<sup>rd</sup> Quarter Investment Report that included market environment and a review of IRMA's fund. IRMA's total fund as of September 30, 2015 was \$169,503,902. We began the quarter at \$187,817,793. There was approximately \$10,000,000 that was pulled out of the fund and earnings wise we actually lost \$8,100,486.

Latzke distributed an October 31, 2015 update. The market value of the IRMA fund at the end of October is up to \$174,080,117, so a little over \$4 million was made over the month. Year-to-date the fund is up 1.2%.

Latzke stated that he had one recommendation for a slight rebalance. The recommendation is to move \$3,000,000 from Chicago Equity Partners into the EAFE Index Fund to get those two closer in line. Latzke reported that he and Boserup were also working on a couple changes and are completing the paperwork on those. We have a Northern Trust Short-Term Government Fund that we had \$5,000,000 earmarked for previously, so that is in process now.

A motion was made by Sagona and seconded by Helm to approve the re-balancing of the fund by moving \$3,000,000 from Chicago Equity Partners into the EAFE Index Fund. A voice vote was called and the motion carried.

#### **V. 2016 ADMINISTRATION & FINANCE COMMITTEE MEETING DATES**

Clark stated that the 2016 Administration & Finance Committee Meeting dates were listed on page 35 of the packet and asked those remaining on the committee next year to be sure to mark their calendars.

#### **VI. HAY GROUP STUDY**

Ely introduced Landon Peterson and Camille Kuthrell from the Hay Group to talk about the Compensation Study and Organizational Study that they performed for IRMA. Ely noted that what we are looking for is approval to adopt the salary grade structure that Hay Group identified, approval to implement the salary ranges based on those grades at the 50<sup>th</sup> percentile, and the authority to hire a new business intelligence analyst.

Ely asked if anyone had any questions. Clark noted that in reviewing the report, the way the analysis was laid out and looked at the current compensation practices, it didn't appear that anything was necessarily broken. It isn't a horrible situation; however, we have not looked at this since 2007. Clark asked if any of the recommendations would then need to be incorporated into the Personnel Manual. Ely noted that the policy already states that we pay at the 50<sup>th</sup> percentile, and commented that what she would like to do in the next year is to look at our performance evaluation process. One of the Hay Group's recommendations moving forward is that we should probably look a little bit more at how we measure performance and how we reward accomplishments of goals. There may be some amendments then to the Personnel Manual.

Clark asked if once we have the recommendations and ranges in place, will we be able to manage this ourselves. Ely stated that we reach to the Hay Group every year for purposes of how our ranges should move. Ely stated that she didn't think we would need to retain Hay Group on an annual basis. Kuthrell agreed with Ely stating that it's a good idea to check in each year to see where the ranges have moved, and then every few years do a deeper study.

Peterson stated that it was one of Hay Group's goals to make this as low maintenance as possible. The most that we foresee is for Hay Group to come in every few years to do a deeper dive. The other thing is that roles change or new roles are brought in, and at that point, Hay Group would want to evaluate that job in terms of where it fits in the size and complexity of IRMA. Peterson added that this is rare at IRMA -- it is a small organization and does not have a lot of turnover.

Clark asked Hay Group, in regards to the Business Intelligence position, how common is it in the marketplace to have a staff employee versus a contractual service. Peterson stated that they see both and the trend is moving to bringing that position in house. What we see that role performing at IRMA is really delivering strategic direction that we have heard about in discussions with Ely and some of the other leadership team. Our understanding is that there is quite a bit of in house data that is going untapped right now. The applications for it include added value for membership in terms of being able to recognize what the baseline is on how we are performing in terms of safety, compliance, claims, and really getting an understanding of what is the starting point and then being able to use those metrics and data to grow into how do we improve those metrics over time. For longer term, how do we use our findings and data to become more of the go to expert consultant in this area, and provide marketing information in terms of this is what IRMA can do for our membership, this is how we have proven it using the numbers and the data analytics, and this is where we would like to help our membership get to. With that kind of context, Peterson stated that it would be Hay Group's recommendation to bring that position in-house. This is a little bit longer term position, whereas an outside consultant would not get the same level of familiarity with the data and the membership that an in-house position would.

Sagona asked why in a small organization like IRMA is it necessary to have three levels of compensation for the Director level positions. Peterson stated that the thought behind this is that titles don't always necessarily relate to job content. What we have done when we evaluated the content of the job was to look at the job in terms of its size, scope, knowledge needed, and how complex is this job. All of these positions have titles with the word Director in them, but it is not indicative of the job content. Based on the job content, they are at different grades. One of Hay Group's recommendations down the road is to adjust the titling to reflect that a little bit more. In particular, with the training and education role right now, we don't feel it is at the same content level as the Director of Finance and the Director of Legal Services; however the title is currently Director of Training & Education. Hay Group's recommendation is to pull in additional content for the Director of Training & Education to merit more of that Director title. Clark noted that this is not included in the recommendation in the cover memo. Ely stated that, no, it is not. Ely commented that she has talked to the Director of Training & Education and has added some HR functions to her duties and plans to revise the job description to reflect the new duties. Ely added that the HR role in this organization is a small part of our overall business. With only 20 employees and our longevity, the HR role is fairly small. Ely stated that she herself takes on a lot of it through management, but since Streid does training, she has talked to her about helping us make sure that the organization is getting the right training and professional development. Ely also added that Streid is also very good at organizational project management and this would be added to the job description also.

Langlois asked if the current salary ranges were in the packet. It was pointed out that they could be found on page 99 of the meeting packet. Ely noted that this was part of the preliminary budget and the difference between this on page 99 and the salary ranges at the 50<sup>th</sup> percentile that Hay Group recommends is that Hay Group is recommending that nine of the positions go down a little and eleven positions go up a little. The Hay Group ranges are found on page 67 of the packet.

Langlois stated that when you look at the pay ranges, especially at the top end, they look really, really high. The change to the upper pay grades is significant. Basically, you are

going up \$40,000 in a lot of these pay grades. Langlois commented that those types of changes aren't going on in Hinsdale by any stretch. Peterson stated that it was a good call out. The way they have thought about that is in terms of the market that we are using for external comparison and we have focused on the insurance market. We are trying to approach it that if IRMA is going to approach the talent market to replace anyone of these positions, where are they going to find that talent? Are they taking the talent from insurance companies or are they taking the talent from municipal organizations? Our strategic thought is that most of the talent for these positions would be coming from the insurance industry, even though the two most recent hires did not come from insurance. McCammon asked if they include benefits or are just going on salary. Peterson stated that this was just salary. Langlois stated that he really questions comparing the management at IRMA to Blue Cross and doesn't feel it is the right place for IRMA.

Peterson stated that it is a valid question and Hay Group's thought there is, again, focusing on the insurance industry for the entire organization to help them gain simplicity for upkeep and maintenance. An alternative may be to do a one off for the upper level jobs where we throw in more of a title match, looking at the Director here at IRMA and another Director at a different organization and look at that particular role as a one up as opposed to comparing it to a broader cut of data. Langlois stated that he disagreed with that.

Peterson reported that in the past IRMA had worked with Hay Group to do a study of other risk management organizations and they did this on a national level where they surveyed 30-40 different risk pools for the Executive Director position in all those organizations, and they benchmarked what the top salary was in all the organizations. That was in 2008. Peterson stated that it was a good study, but we ask ourselves the question does this Executive Director come from these other risk pools when you need to find talent for that role. It is Hay Group's thought that you are not going to replace this role from other risk pools and the insurance industry is a better proxy for the talent market that we would be competing in.

Parker asked where in the packet it showed the proposed ranges for each position. Ely stated that it was on page 67 of the packet. That is for the ranges to be tied to the grades. The grades are on page 46.

Langlois asked what has happened to the IRMA organization over the last 7 years that the salaries have gotten so broke and these salaries need to move so much. Haven't they been moving up with inflations since the last study? Ely replied that they have.

Helm stated that what is being recommended today is page 67 and page 99. Each of those pages shows a different grading system. Ely stated that what she is hearing is how it is that the Director level positions are, according to this market study, paid lower than the rest of the staff. There are two charts for purposes of our pay practices – packet page 49 shows how people get paid compared to our ranges and commented that they get paid based on performance and tenure. There are a couple of people who are paid at a higher percent than other people. Then when you go to packet page 54 you have the market, which seems to be a concern. This shows that at least three directors – Executive Director, Director of Finance and Director of Legal Services – that would be below the 50<sup>th</sup> percentile. Everyone else is pretty much at the 50<sup>th</sup> percentile. Then you bring up the point that has a lot of merit that says you have the ability to reject

part of these ranges. Langlois stated that you can't have pay ranges that are \$100,000 over the City Manager in Naperville.

Ely noted that IRMA's experience speaks very differently from what we are seeing in the Hay Group report. So what is the solution? Peterson stated that there are two things they could look at. Do we feel that the insurance industry is where IRMA competes for talent? Langlois commented that for the claims people that is the right industry; however, for your higher level positions and analysts and admin staff maybe you need some kind of a hybrid. You need to look at municipal benchmarks also.

Peterson stated that option 2 could be that we could use the insurance market, but not use the 50<sup>th</sup> percentile – perhaps use the 25<sup>th</sup> percentile. Langlois questioned whether when they are using the insurance market are they dealing with companies that have less than 20 employees? Peterson stated that it is a much broader – we use broader organizations and non-profits. Langlois stated that IRMA is way on the low side. Peterson said that if they are going to use the insurance industry that we target a lower level in the market like the 25<sup>th</sup> percentile. However, what he was hearing is that we should use more of a hybrid market. We pull in more of the municipal cut of data, more of the government, public sector type of data as opposed to the broader insurance market.

Peterson commented that in the study that was done in 2008 that looked at the other risk pools' pay levels for the Executive Directors, they could age them out to 2015 and it would show that they are significantly lower than what we are seeing in the insurance industry. Ely asked Peterson if he could pull the 2008 study and age it out and come up with different salary ranges for the Director level positions. Peterson stated that he could. Sagona asked what indices he would use to project forward. Langlois noted that we have been using CPI all along, so the data will be the same or not far off. Ely stated that what we are learning is that it makes sense to look at the insurance industry for the bulk of the positions; however, we are learning that there is a comparable for the Director level that makes more sense. This study came back and told us that the bulk of our jobs are being paid at the market. There is a slight tweak to the Director positions that I don't think will be difficult to accomplish. Langlois also commented that the lower grades in his municipality make more than the lower positions at IRMA. Those lower grades may have been treated adversely by using the insurance industry. Ely stated that this was discussed and these jobs may be tempered with municipal data.

Ely noted that this study looked at every job according to knowledge required, problem solving required and accountability in a generic way. Sagona asked whether we check with other pools, such as MCMRMA and PDRMA. Peterson stated that they did; however, he couldn't share the information due to client privilege. He did say that they did start with the insurance industry and then created a hybrid model.

Langlois stated that he didn't have a problem with the claims staff being paid according to the insurance industry. He stated that all the Director level positions and admin positions should be paid according to the municipal industry. He didn't think this should be too hard.

Sagona stated that he felt that Hay Group should have talked about the process they went through with PDRMA in their discussions with IRMA.

Prejzner noted that what was initially recommended is to set salary ranges at the 50<sup>th</sup> percentile of the market, adopt a grades-based salary structure, adopt salary ranges per grade and hire a Business Intelligence Analyst.

Ely stated that what she would ask, based on the conversation she is hearing, is that we table this item and direct staff to take a look at the Director level positions and the admin positions and bring back more of a hybrid comparable analysis for what those ranges should be. Ely stated that she would look for consensus as to whether the grades are the way that the grades should be on page 46. Are there concerns about Hay Group sizing the jobs? Langlois stated that page 46 looks okay to him. Helm stated that he thinks the AFC making any changes would introduce some subjective material that probably undermines the objective of the job factor analysis. Ely commented that she is not recommending any changes to the job factor analysis and stated that she thought the process had integrity. The compensation and salary analysis, based on the conversation here, needs to go back to the drawing board and we need to look at some additional information.

Ely commented that there are no 2016 budget implications attributable to the recommendations of this Compensation Study, noting that the Board already approved the 2016 salary ranges as part of the preliminary budget. The 2016 budget is not going to change based on any recommendation out of this Compensation Study, except for the possible approval of a Business Intelligence Analyst position.

McCammon asked for some examples of what this position would do. Ely stated that the position would be consistent with the predictive modeling project that will be performed by Milliman in 2016 – that is data analytics. We do not have anyone on staff who is committed or has time to do the data analytics. We have no ability to generate data to show that our risk management programs are effective. If you have a return-to-work policy and you get people back to work on light duty quickly, does it show that your claims are less costly and people come back to work more readily. We do not have the ability to run that kind of data. This is important for us moving forward. With the Workers' Compensation Focus Program, we need to find out why these members are experiencing high and more frequent losses. How do we figure this out? Ely noted that some of the data is in Riskmaster and we have not been able to get it.

Sagona suggested in fairness to the AFC, staff should come back with some kind of a job description on what this person would do. Sagona noted that in his municipality, if someone suggests a new position, there is a whole formal process they go through. Sagona asked if this was included in the final budget. Boserup explained that there are two versions of the budget. Clark wondered whether we wouldn't need this position until Milliman is doing the predictive modeling. Also, perhaps staff could do an analysis of a staff person versus a consulting position.

Ely stated that the motion would be to table the Hay Group Study and work with them on a hybrid for the Director level positions and admin positions and deny the Business Intelligence position for 2016 to give staff a chance to bring back more detailed information on the position. The question was asked whether the 2016 budget could be approved with the suggested Business Intelligence Analyst position compensation, but not approving the position until further analysis is provided. Ely stated that it could. Ely stated that the difference between the 2015 budget and the 2016 budget is about \$100,000. Sagona suggested putting half that amount into the budget, because the

position, if filled, would need to have AFC approval and that wouldn't be brought to them until their first meeting of 2016.

A motion was made by Sagona and seconded by Prejzner to table the Hay Group study ranges and work with them on a hybrid for the Director level and admin level positions. A voice vote was called and the motion carried.

A motion was made by Sagona and seconded by Helm to include \$50,000 in the 2016 budget and increase the investment income by \$50,000 in order to provide an allocation for a Business Intelligence Analyst resource to be determined pending further analysis and action by the Administration & Finance Committee. A voice vote was called and the motion carried.

**IX. 2016 FINAL BUDGET**

Ely requested taking this agenda item next.

A motion was made by Sagona and seconded by Helm to approve the 2016 flat budget of \$31,186,185 and add \$50,000, and keep the rate at 2.256. A voice vote was called and the motion carried.

**VII. TELEPHONE SYSTEM**

Ely reported that we hired a consultant to write a RFP for a new phone system. We received 4 proposals and have chosen to go with ATI for a Shoretel system for \$30,937. A motion was made by Sagona and seconded by Parker to approve the awarding of the RFP to ATI for a Shoretel phone system for \$30,937. A voice vote was called and the motion carried.

**VIII. 2015 INTEREST INCOME CREDIT**

A motion was made by Sagona and seconded by Helm to approve staff's recommendation for a 2015 Interest Income Credit of \$7,000,000 to be issued in December. A voice vote was called and the motion carried.

**IX. EXECUTIVE SESSION**

A motion was made by Helm and seconded by Sagona to move into Executive Session. Henzler called the roll and a quorum declared.

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**X. CONFIRMATION OF NEXT MEETING**

Clark reported that the next meeting of the Administration & Finance Committee was scheduled for Thursday, February 11, 2016 at 9:30 a.m. at the IRMA office.

**XI. ADJOURNMENT**

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

Submitted by:

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Rita Boserup  
Director of Financial Services & Administration

Approved by:

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Jessica Frances  
Chair, Administration & Finance Committee