



**BOARD OF DIRECTORS
Meeting Minutes**

**Wednesday, June 20, 2012
Westbrook Corporate Center Conference Room
9:30 a.m.**

I. CALL TO ORDER

Chair Velkme called the meeting to order at 9:30 a.m. Bush called the roll and a quorum was declared.

II. APPROVAL OF MINUTES: March 14, 2012

Velkme stated that she had a change to the minutes on page 2, D. 1, where some language is missing. It should read, "Velkme and Bush presented outgoing Chair Art Malinowski with the Outgoing Chair Award Plaque for His Dedicated Leadership in Furthering the Opportunities of Public Risk Pooling." Velkme also stated there was a correction in the last paragraph of the report on the Legislative Update – WMMC should read WCMC.

A motion was made by Irvin and seconded by Gargano to approve the meeting minutes of March 14, 2012 as amended. A voice vote was called and the motion carried.

Reports for Information Only Found on IRMA Website

Velkme asked if anyone had any questions on any of the reports on the website. Hearing none, she moved onto the next agenda item.

III. CHAIR'S REPORT - VELKME

A. Changes in IRMA Delegates/Alternates

Velkme announced the following changes in IRMA Member Delegates/Alternates

Delegates

Douglas Haywood, Mundelein
Robert Hodge, West Chicago FPD

Alternates

Laura Nali, Libertyville
Dennis Keefe, West Chicago FPD
Janet Matthys, Westchester

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

1. 2012 Summer Internship Program

Coren reported that this year we have two interns who will be going to the member sites listed on page 14 of the meeting packet. The sites visited this year were determined based on IMAP rating, claims to contribution percentage, and the perceived need for additional risk management resources.

Coren reported that moving forward, the Membership Relations Committee and IRMA staff will develop an application for members to apply for use of an intern. The application will be submitted with staff recommendations to the Membership Relations Committee for final selection.

2. Legislative Update – Chuck Vaughn

Vaughn reported on the three specific areas that we worked on this year that we had various results on.

Eavesdropping Legislation

Vaughn reported that Representative Nekritz had a bill out that would have allowed the public to record the conversations of a police officer, but would not allow the police officer to expand what he could do now in terms of audio recordings during that same situation. The police thought it was a bad idea and we thought it was a bad idea from the standpoint that we would like to have all the recordings possible to get a complete statement of facts. Vaughn stated that the bill came out of the House and is being held in a captive situation by Senator Nolan. Vaughn stated that he didn't know what was going to happen with this, but he did know that the police associations do not want the public recording them at all.

Tort Immunity Act

Vaughn reported that Senator Harmon from Oak Park brought a bill in that would change representation where you have multiple parties in a lawsuit and they are allowed to bring in their own independent counsel at the municipality's expense. This will increase litigation costs by two or three times and the municipality will lose control of the litigation process. Senator Harmon has indicated that he will not move this legislation forward this session; however, this is not a guarantee that it won't come back next session. Vaughn noted that this was one of the two bills that he was going to ask the IRMA membership to go to the people seeking re-election this fall, and ask them to promise that they will protect the position of local governments and local risk management associations on Senator Harmon's bill. Vaughn stated that he will be working with Bush and Garvey on a memo to be used by the members giving the criteria that we want both the members and their legislators to understand.

Anti-Pooling Legislation

Vaughn stated that we have been under attack for the last several years by people who have chosen to come in and make structural changes on how pools exist. Vaughn commented that insurance companies would love to make pooling a past art. Vaughn stated that one of the good things that came out of this the last year and a half is that our associations have come to a real good understanding of how to prepare ourselves to withstand these types of attacks.

Vaughn stated that municipalities were largely spared during the last legislative session on any kinds of cost increases or cost reductions. One of the noted examples was that there was a diversion from the Traffic and Criminal Surcharge Fund. That takes training money away from State Police. This is important to municipalities because it means that both the number and quality of State Police available as backup to municipalities will decline.

Vaughn also reported that the Enterprise Zone legislation was renewed for another 25 years. They said it was to get more financial transparency, more cost competition. They have a provision in there that allows you to eliminate portions of that enterprise zone if they were counterproductive to the general goals of that enterprise zone. Vaughn noted that this is rather nebulous in terms of what those counterproductive goals are. Vaughn commented that it's probably giving more power to local people than the State ever intended to let them have.

Vaughn reported that the Open Meetings Act was changed. There are new standards set every year for FOIA requests on what you need to provide, how soon you need to provide it and the quality of records you need to keep. Vaughn commented that as a result of that, anytime they change the threshold of what you are doing, it just gives you one more thing to worry about your liability on. The new rules say that when you put your agenda out, you have to do it in a fashion that at least in a general sense gives a description of each and every item on the agenda that could be acted upon that night. You can't put anything on the agenda with the purpose of hiding it. Vaughn reported that one of the benefits that came out of the negotiations on this bill was, if you are using a mechanical system (email, website) and there are mechanical failures that are not your fault, and that notice period is not met, then there is no liability.

Vaughn also reported on a prevailing wage notification change. Presently, a municipality needs to notify a contractor of changes in the Prevailing Wage Act. The liability was with the municipality to make sure those changes were made known to the contractor. Not any more. The liability is now on the contractor and they need to contact the Department of Labor and find that information themselves.

PSEBA

Vaughn stated that the Illinois Municipal League has taken the lead role in pushing for changes to PSEBA legislation and has determined that a change to the definition of catastrophic injury is essential. This will come back in the January session. Vaughn noted that the Senate President, John Cullerton, is in favor of change. Vaughn stated that he has spoken to the House Speaker and he is also in favor of change. The opponents to this are the organized labor groups on the police and fire side.

Vaughn stated that of all the things that happened in this General Assembly there were 4 things that we knew were going to happen. We knew that they were going to worry over the top about their re-election. This was a year that they did a remap and they were fixed on that through the primary. When the primary was over they started to focus on legislative things. One of those was to do a budget. Another of those was pension reform and another was Medicaid reform. The last one on the tree was passing some kind of a gaming bill to increase the amount of money that was coming into the state from gaming.

They passed a gaming bill, which may or may not be signed by the Governor. They have proposed and passed Medicaid reform. Medicaid reform is not only reduction of over \$2 billion, but a change in categorization so those people who qualify for it are more rationally selected, and the people who currently in the queue for that will be removed from queue.

The Pension reform was something that they told us all session that they would get to, but they never did. Two days before the end of the session, a bill was put up in a House Committee by the Speaker and it had four specific parts to it. The first part was that employees would make a greater contribution. The second part was that the COLAs would significantly change. The third part was that local school boards would have to start picking up the pension costs that the State is paying for them. The last part was the work life of people under pensions would be expanded from 65 to 67 years. The only one of those that seems to still be on the table is changing the COLAs. Vaughn reported that the four leaders and the Governor are scheduled to meet tomorrow. They believe that they have something that may be able to be agreed on. At that point, the Governor will probably call a special session and bring the legislators back maybe next week to try and work something out in the way of pension reform. Police and Fire are not in that yet. This is the other five unions and their pensions that are under the State's control.

After a brief question and answer session, Coren thanked Vaughn for his report.

Bush mentioned that there was something in the meeting packet on Combating the Legislative Attack on Pools, but noted that we would send this out again to each Member with instructions on what to send out to their legislators.

3. Presentation – 2012 State of the Membership Report

a. Claims to Contribution/Watchlist Report

Coren explained that the 2012 State of the Membership Report was distributed to everyone as they came into the meeting.

LeTourneau reported that the Claims to Contribution/Watchlist Report takes a look at all members' performance but focuses on those who have a claims to contribution ratio over 100%. Further evaluation is conducted to determine if they meet the criteria for the Watchlist. It also takes a look at current Watchlist members to determine if they are still meeting the existing criteria for being on the Watchlist.

LeTourneau stated that the recommendation at this time is to remove the three members currently on the Watchlist – Park Forest, Oak Brook and Hazel Crest – and to not assign any additional members to the Watchlist at this time. LeTourneau reported that advisory letters would be sent out to Members who are having adverse claims experience mainly due to a couple of large isolated claims that don't meet the criteria to be added to the Watchlist.

LeTourneau noted that the State of the Membership Report did not include individual member claims analysis, but this could be found on the IRMA website.

A motion was made by Clark and seconded by Peterson to accept the Claims to Contribution/Watchlist Report. A voice vote was called and the motion carried.

b. Presentation – Excellence in Public Risk Management Awards

LeTourneau explained that the Excellence in Public Risk Management Award is based on three criteria: a member's claims to contribution ratio, experience vs. IRMA target, and most recent IMAP score.

Coren & LeTourneau awarded plaques and \$1,500 checks to the following:

Village of Westmont – Large IRMA Member Category
Village of Riverside – Small IRMA Member Category
Winfield Fire Protection District – Special District Category

LeTourneau read the names of those member departments who achieved a zero accident rate in both frequency and severity for both vehicle and work injury records in 2011. Certificates of recognition are being mailed to the following members:

Berkeley Fire Department	Clarendon Hills Police Department
East Hazel Crest Public Works Dept.	Glencoe Public Safety Fire Dept.
Hillside Public Works Department	Lincolnwood Fire Department
Olympia Fields Police Department	Riverside Public Works Department
Western Springs Fire Department	

B. TRAINING & EDUCATION COMMITTEE – PETERSON

1. Presentation – Best Safety Initiative Award Winners

Streid explained that this year, the Training & Education Committee reviewed eleven applications for the Best Risk Management/Safety Initiative Award. The categories for the award included outstanding achievement in risk management product or program. The committee evaluated the applications based on cost effectiveness, transferability, originality for approach and their ability to address any risk control issues they were having. From the eleven applications, the committee awarded the following:

1st Place – City of Lake Forest – Public Works Department – Pier Spud Removal Tool (received plaque and check for \$1,000)

2nd Place – Village of LaGrange Fire Department – Back Safety/Prevention (received plaque and check for \$500)

2. Update on use of Autobahn for Driver Training

Peterson reported that staff has been trying to schedule driver training at the Autobahn site since December of 2011. Each time dates have been agreed upon, the Autobahn changed the dates. Staff has found another centrally located site in Stickney – the Hawthorne Race Course. There was a police training held there on June 7th and it went very well and a second training was held yesterday and the feedback is that it also went very well.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

– **Coverage Clarification – 1st Party Property - Watercraft**

Gargano reported that there was a recommendation to amend the 1st Party Property Coverage for Watercraft. It was the intent of the coverage to cover watercraft both in and out of the water, but the current coverage document doesn't reflect that. The recommendation is to remove the last sentence of m. 1, in the 1st Party Property Coverage Document.

A motion was made by Peterson and seconded by Velkme to approve the clarification to the 1st Party Property coverage for watercraft. A voice vote was called and the motion carried.

D. ADMINISTRATION & FINANCE COMMITTEE – CLARK

1. Actuarial Report – as of 12/31/11

Clark stated that the report contained the narrative sections from the December 31, 2011 Actuarial Report and staff's analysis of the report. Clark stated that there were two purposes of this report. One was to determine the loss reserves and the other is to determine a preliminary rate for 2013. Concerning the reserves, as a result of the estimates, the loss reserves for prior years were decreased by \$2.7 million. The net adjustment transferred from Members' Reserve was \$1.7 million, and the Members' Reserve earned over \$500,000 in investment income.

Concerning the preliminary rate for 2013, the selected rate estimated is a .22% increase from the prior year's rate or 0.5¢. This will be revisited in September when the actuary looks at development over the six month period and updates the rate.

A motion was made by Coren and seconded by Velkme to accept the Actuarial Report as of 12/31/11. A voice vote was called and the motion carried.

2. 2011 Audited Financial Report

Clark reported that the audit was conducted in accordance with general accepted auditing standards and it expresses an unqualified opinion that the financial statements are free of material misstatement. It is the opinion of the auditor that IRMA's financial statements present fairly, in all material respects, the financial position of IRMA as of December 31, 2011 and 2010 and the changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles.

Clark added that at the Finance Committee Meeting, they discussed segregation of duties and internal controls with both the auditor and staff and were satisfied with those results.

Clark reported that IRMA generated an operating income of a little over \$2 million that compares to \$3.2 million in the prior year.

A motion was made by Irvin and seconded by Gargano to accept the IRMA 2011 Audited Financial Report. A voice vote was taken and the motion carried.

3. 2012 Potential Interest Income Credit

Clark reported that this item was informational and identifies the potential for an Interest Income Credit in 2012 of \$3.2 million. Clark noted that last year's Interest Income Credit was \$6 million.

V. EXECUTIVE DIRECTOR/STAFF REPORT

B. RFQ for Panel Counsel

Bush stated that as was discussed before, IRMA is going to go out for Request for Qualifications for panel attorneys. We currently have a group of nine attorneys, six on the liability side and three on the workers' compensation side that we have used for many years. Bush noted that the decision to do this is not based on any dissatisfaction we have with any of our current attorneys, but we have not done this in the ten years that he has been here and the thought was to give other attorneys a chance from time-to-time.

Bush reported that there has been a committee set up, which is a subset of the Executive Board. Art Malinowski, Scott Coren and Kathleen Gargano will sit on the committee and help with evaluations when we get down to interviews. We are opening up any suggestions for legal firms to anyone at this meeting. If anyone has a suggestion for a legal firm they would like us to contact, please send that contact information to Susan Garvey. We want to point out that we are looking for trial attorneys. We want firms with a lot of trial experience and municipal defense.

Bush stated that there is an opportunity for anyone at the meeting who is interested in participating on the committee. They should contact Susan Garvey. Logistically, we are trying to keep the committee below seven, so we have two spots open. If we receive more volunteers, we will have to determine who will serve on the committee on some basis.

C. Organizational Planning Workshop Report

Bush noted that this is a summary of the Organization Planning session that took place on February 22, 2012. It was determined that since 2008, the financial circumstances of many of our members have changed and it has led many of our members to consider outsourcing services and consolidating with other governmental units providing services. Our current revenue base system of determining contributions doesn't fully reflect that. There is also a need for additional services. There have been cut backs in training and some of the resources our members have, so the question was are there some things IRMA should do in light of these new financial circumstances to be more responsive to our members' needs.

Bush apologized that the report that was included in the packet was not the final report and that is why the final report was distributed. There is really no difference in substance, but there are some typos in the preliminary report.

Bush noted that any recommendations would be coming back to the full Board after they are reviewed by the standing committees at the next round of standing committee meetings.

Bush went over a couple of highlights that the standing committees would be looking at.

The first highlight was on page two of the report under Underwriting Policy Implications – A. Should IRMA develop methods to better recognize the changing service delivery models in its revenue-based rate formula? Bush noted that the consensus was that we really do need to do something. We have a number of members looking at consolidating police services and creating a new Police District similar to what Fire has done more traditionally. We have to reflect some way under our current method that the revenue is still going to the village/city and liabilities are being transferred to another district. Presently, the revenues are not being reduced, and it really doesn't work out correctly. The Executive Board's consensus is that the membership would want to remain with the revenue base for our basic municipalities, but for these newly formed districts, we need to determine whether another method of pricing would be more appropriate. Bush noted that the problem with the revenue base right now is that the revenue base is established for all of IRMA. If we have a district that is only police services, that revenue basis is really too low, as police really do have more exposures both in workers' compensation and liability. If we were to price a police only district on the basis we are pricing a whole municipality, it's not going to be fairly priced.

As far as outsourcing to private contractors, we are looking at some method of deducting the revenue base, so you are not being charged for exposures that you are transferring to somebody else. Bush noted that we want to do this for functions, not on a contract-by-contract basis.

Bush noted that the Administration and Finance Committee would be looking at this and we will be coming back to the Board in October to discuss this fully and probably in December take a vote on the changes. Bush commented that none of the changes we would be talking about would change any member's contribution for 2013.

Bush stated that we have had some interest, specifically from Oak Park, in the concept of very large members who want to join IRMA at a \$250,000 deductible. We have talked about this at the committee level and have talked to the actuary. At that level, if a member was willing to come in and remain permanently at that \$250,000 level, there is the ability to do individual underwriting for that member. Bush noted that when we looked at Oak Park, our formulas were not competitive, because they are not really giving the proper credit for the first \$250,000 of every loss. The Executive Board wants this looked at further and the actuary thinks it should not affect other members at all, but just means properly pricing someone at that level. If an existing member wanted to make it a permanent \$250,000 deductible, this would affect them as well.

Bush reported that another complete area we are looking at is other changes we can make to accommodate the financial crisis of many of our members. One thing we are planning on doing is giving complete access to the Member of their Interest Income Credit. Currently, each year a member decides how much of their credit they want to

use to offset their contribution. If you don't do that, the money stays in the pool and is not accessible to the member until the next year. We are looking at allowing members accessibility to that money four times (quarterly) a year and allow a member to use their money for other things throughout the year.

Bush noted that staff will be looking at group purchases to benefit the members, similar to the Unemployment Claims Administration Service currently provided. Suggestions were FMLA, COBRA and drug testing. This will be looked at by the Membership Relations Committee and recommendations be brought back to the Board.

Bush reported that one thing that was explored and the consensus was that the membership would not want to do is expand grants for equipment. We have had requests to look at this, but the consensus was that members really didn't want to subsidize equipment purchases of other members.

Bush concluded with the comment that these proposed changes would be coming back later this year.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VII. CONFIRMATION OF NEXT MEETING

Chair Velkme announced that the next Board of Directors Meeting would be held on Wednesday, October 31, 2012 at 9:30 a.m., in the Westbrook Conference Center.

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

Submitted by:

Ingrid Velkme, IRMA Chair