

ADMINISTRATION & FINANCE COMMITTEE Meeting Minutes

February 19, 2019
IRMA Office
9:30 a.m.

PRESENT: Eric Helm, Chair
Barry Krumstok (Via phone)
Colleen Nigg
Bettina O'Connell
Carrie Dittman

Larry Noller
Elizabeth Holleb
Jack Knight
Al Stonitsch

ALSO PRESENT: Margo Ely
Donna Sluis
Tom Latzke, Marquette Assoc.

Rita Boserup
Telly Panousis

ABSENT: Tom Kuehne

I. CALL TO ORDER

Chair Helm called the meeting to order at 9:30 a.m., roll was taken, and a quorum declared. This being the first meeting and we have some new members on the committee, Helm asked that everyone introduce themselves.

II. APPROVAL OF MINUTES: November 13, 2018

A motion was made by Noller and seconded by Holleb to approve the Administration and Finance Committee Minutes of November 13, 2018. A voice vote was called and the motion carried.

III. APPOINTMENT OF VICE CHAIR

A motion was made by Holleb and seconded by Nigg to appoint Larry Noller as the Vice Chair. A voice vote was called and the motion carried.

IV. WELCOME TO THE 2019 ADMINISTRATION & FINANCE COMMITTEE

Helm mentioned there are links within the agenda that describes the AFC and policies that govern IRMA and AFC's involvement.

V. FINANCIAL REPORTS

Boserup gave an overview of the reports to the committee. A motion was made by Stonitsch and seconded by Dittman to approve the Financial Reports. The motion carried.

VI. BUDGET AMENDMENT

Helm reported this is necessary due to the addition of two (2) new members, Mount Prospect and WC3 and asked Boserup to explain why this is needed. Boserup commented that when the 2018 Budget was finalized, Mount Prospect had not committed to becoming a member and was not included in our information. Their contribution is roughly \$580,000 and a majority of this budget amendment deals with Mount Prospect. WC3 joining in March obviously was not part of the budget, but they are roughly \$33,000. In the packet that was handed out, if you look at the very last page which says, "Before budget amendment". You will notice the Loss Fund number is a negative \$603,014. It is because we include Mount Prospect in the actual expense, but as they are not part of the budget, their expense contributes to a grand total loss of \$358,425. If we adjust the contribution to include Mount Prospect and adjust the loss fund budget for the same amount, then we have a positive number. After some discussion, a motion was made by Holleb and seconded by Stonitsch to approve the 2018 Budget Amendment. A recommendation was made to approve a new member budget amendment at the time the member joins IRMA. The motion carried.

VII. 4th QUARTER INVESTMENT PERFORMANCE REPORT

Latzke gave an overview of the 4th Quarter Investment Performance Report to the committee. There was much discussion and concern on the Lazard Composite performance. Ely commented that we are looking for an explanation since Lazard doesn't look like they are performing well and we have them on notice, when do you decide to make a change? Latzke went over the Lazard Composite on page 10 of Exhibit I. Marquette does look at the benchmark, rankings and time periods and there is a little promise there, but we don't necessarily want to replace managers when they underperform. If you go to page 39 of the characteristics table, it shows the investments in the funds and Tom gave an overview to the committee. It was recommended for Marquette to bring back a little more of an analysis on the Lazard funds and their position for the future and search for another fund. A motion was made by Holleb and seconded by O'Connell on the Allocation sheet of moving the \$500,000 from the Lazard fund and putting it into the EAFE Index Fund making the EAFE Index Fund additional contribution a total of \$1,800,000. The motion carried.

VIII. ADMINISTRATION & FINANCE COMMITTEE OBJECTIVES

2018 Administration & Finance Committee Objectives Accomplishments

Helm reported that two (2) of the items were carried over into 2019, which is the development and distribution of a basic financial guide and to prepare a Popular Annual Financial Report (PAFR). A motion was made by Dittman and seconded by Nigg to accept the analysis of the 2018 objectives and accomplishments. The motion carried.

2019 AFC Objectives

Helm gave an overview of these objectives and that IRMA staff would be looking for feedback from this committee in 2019. A motion was made by Stonitsch and seconded by Knight to approve the objectives for 2019. The motion carried.

IX. RETAIN MILLIMAN TO ASSIST WITH RATE STABILIZATION & CONTINGENCY FUND

Helm reported this proposal will assist with the Rate Stabilization policy and Contingency Fund and asked Ely to give the committee an idea of what they will be producing. Ely commented that Milliman will run all of our numbers and look back to what we have done with rate stabilization and help us to see what other pools do. We have found Milliman to be helpful when we are looking at our financials. This year's budget has \$20,000 for a

consultant for the strategic plan discussion. A majority of that discussion is about rate stabilization and another part is where are we going in the next 10 years since our office lease expires in 2021. Staff has selected a broker that could help us with that analysis at no cost. Holleb commented that we have only seen Milliman from an actuarial stand point and this is more financial. Boserup commented they helped with the Exposure Base analysis last year. Ely commented they have helped us understand how our revenues correlate with risk. Boserup mentioned they have helped with the optional deductible levels. Doug Nishimura works with a lot of different pools and can see how other pools are doing things. Richard Frese is the actual technical actuary and they approach problems from two different perspectives. Helm asked if we will be talking about the workshop, how these items will be framed, and how Milliman will assist at the next AFC meeting. Ely commented she's hoping to have a report from Milliman that will give us some parameters for consideration of rate stabilization and I'm not positive there has to be a lot of discussion at the strategic workshop, if this committee comes to a conclusion on rate stabilization and the contingency fund. We are hoping to have Milliman at the May meeting to do a presentation on the different options. After much discussion, a motion was made by Holleb and seconded by Nigg to approve \$12,000 of the \$20,000 to retain the assistance of Milliman in efforts to establish a policy and parameters to govern rate stabilization and a contingency fund. The motion carried.

X. DEDUCTIBLE BILLING PROCEDURE CHANGE

Boserup reported because of some changes in how we do things in our claims system, billing for deductibles has become burdensome. We are trying to find a different way of doing them. One of the issues we have is where we bill the deductible and let's say it is a subro type claim and the next month we collect the money we have to give it back to the member. We took the 10 largest members for claims activity for 2018 and had a total of 137 touches for claims at 0 value. We are suggesting changing the billing to when the claim is closed and not every month, effective with claims incurred in 2019. Boserup gave a brief overview of the charts attached. After some discussion, a motion was made by Noller and seconded by Stonitsch to concur with staff's recommendation to revise the deductible billing procedures. The motion carried.

XI. MEMBERS' ONLY SITE DOCUMENT POSTING

Boserup reported that certain financial documents are emailed out to the member's delegate, alternate, and/or finance/treasurer. Staff is suggesting instead of emailing these documents out, instead to post them to the Member Specific page on the IRMA website and send out one email regarding the documents. It will be highlighted at our Board of Directors meeting so that the membership is aware of this change. Holleb commented is it possible for people to have access to their member specific page who should not view any of the documents that are going to be put there. Boserup commented she was going to work with Sluis to split the finance and claims sections. Sluis commented the only people who have access to the member specific site are the Delegates, Alternates and Claims Coordinators. All other users only have access to the website and not the member specific page. A motion was made by Noller and seconded by O'Connell to approve posting financial documents to the members' only site. The motion carried.

XII. DISCUSSION REGARDING REVENUE BASE PASS-THROUGH GRANTS

Boserup reported apparently 10 years ago IRMA used to allow pass-through grants as a deduction on their revenue base. These were things like the Chicago Botanical Garden received a grant, but it has to go through the local government. The Village of Glencoe

received the \$5M, then they pass the entire amount onto Chicago Botanical Garden and it was included in their revenue base for \$5M but there is no allowance in our bylaws for them to deduct the \$5M. There is minimal exposure risk to the member. It has come up occasionally from other members who had grants and were denied on appeal because the deduction is not in the bylaws. This deduction was put before the membership a couple of years ago and one of the members said that if we allow the specific member the deduction, then her entity would pay more, which is correct. The revenue base reallocates the contribution cost among the members. IRMA relies on revenue because it is easily verifiable. Take for example, the Park Forest revenue base appeal last year. The impact to Park Forest's contribution was less than \$5,000, which was a very small percentage. There was some discussion and it was decided as long as there is mechanism that this be on a case-by-case basis.

XIII. EXECUTIVE DIRECTOR/STAFF REPORT

Adding Jennifer Swahlstedt as a check signer to Huntington Claims Bank Account

Boserup reported that LeTourneau is retiring in June. Our claims checks for \$10,000 or above require a second hand signature, currently Garvey and LeTourneau are the second hand signatures. Staff is adding Swahlstedt to the account and Huntington does not need a formal resolution. They need a letter from IRMA and a mention in our minutes saying that we discussed it with the committee. No objections were made.

XIV. ADDITIONS TO AGENDA

None

XII. CONFIRMATION OF NEXT MEETING

Helm announced that the next meeting of the Administration & Finance Committee would be held on Wednesday, May 29, 2019 at 9:30 a.m. at the IRMA office.

XIII. ADJOURNMENT

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

Submitted by:

Approved by:

Rita Boserup
Director of Financial Services & Administration

Eric Helm
Chair, Administration & Finance Committee