



ADMINISTRATION & FINANCE COMMITTEE
Meeting Minutes

September 14, 2017
IRMA Office
9:30 a.m.

PRESENT: Jessica Frances, Chair
Darrell Langlois
Jason Bielawski
Barry Krumstok
Doug Haywood
Eric Helm
Lynn McCammon
Brad Bettenhausen
Larry Noller
Elizabeth Holleb

ALSO PRESENT: Margo Ely
Donna Sluis
Brian Goding
Rita Boserup
Telly Panousis

ABSENT: None

I. CALL TO ORDER

Chair Frances called the meeting to order at 9:28 a.m., roll was taken and a quorum declared.

II. APPROVAL OF MINUTES: May 24, 2017

A motion was made by Krumstok and seconded by McCammon to approve the Administration and Finance Committee Minutes of February 16, 2017. A voice vote was called and the motion carried.

III. FINANCIAL REPORTS

- A. IRMA Financial Statements as of July 31, 2017
- B. IRMA Investment Portfolio as of July 31, 2017
- C. IRMA Payables for the period May 1 – August 31, 2017

Frances asked if there were any questions on any of the financial reports. Hearing none, a motion was made by Krumstok and seconded by Noller to approve the Financial Reports. The motion carried.

IV. PERSONNEL

Accounting Assistant Position

Boserup gave an overview of the position to the committee. After some discussion, a motion was made by Krumstok and seconded by Bettenhausen to approve the Accounting Assistant Position. The motion carried.

Additional Staff

A motion was made by McCammon and seconded by Bettenhausen to approve the additional staff. The motion carried.

2018 Personnel Report

Frances mentioned that the personnel report is on page 54, which incorporates that position in the accounting assistant with the respective range. The only comment that I had was it's mentioned the ranges were adjusted by the 2.2%. I'm fine with that and I

think it was just rounded to the 2%. I don't know if we want to base it on the CPI that was 2.1%. Moving forward if anyone asks we can say that it's adjusted by the CPI for streamlining purposes. A motion was made by Noller and seconded by Bettenhausen to approve the 2018 Personnel Report. The motion carried

V. 2018 PRELIMINARY BUDGET

Frances mentioned this incorporates the full-time accounting assistant. Boserup and Ely gave an overview of the budget items and of why the percent increase and how it occurred to the committee. One change to the summary page under budget 2017, should read \$2.205 and not \$2.256, which was caught by Haywood. After some discussion, a motion was made by Krumstok and seconded by McCammon to approve the 2018 Preliminary Budget. The motion carried.

VI. FINANCIAL AUDITOR RECOMMENDATION

Boserup gave a brief overview of the RFP's that were submitted. Two firms requested in person interviews, which were accommodated by Plante Moran and Johnson Lambert. Staff really liked Plante Moran and is recommending that they be named as IRMA's auditor. A motion was made by Langlois and seconded by Bettenhausen to contract with Plante Moran for audit services for financial years 2017-2021. The motion carried.

VII. POTENTIAL FOR SUPPLEMENTAL ASSESSMENT TO WITHDRAWN MEMBERS

Ely mentioned there is a total of 12 withdrawn members that are relevant for this claim from a 2006 case. There is sufficient reserve money from 8 of them and 4 that we do not. Until our next audit we will not have exact numbers, but based on this information Palatine will be getting a bill from us. The plan for this is to give them a call and have a meeting with the 4 withdrawn members. There was much discussion and was for information only to the committee.

VIII. REVISED RESERVING PRACTICES – WITHDRAWN MEMBERS

Ely reported that a huge gap in the reserve policy and that we do nothing to recoup the costs from withdrawn members. The policy currently written treats a withdrawn member as though they leave us with no claims and it draws down the reserve fund over a 5-year period, we keep 25% of their reserve until all the claims years are closed. The members' 2018 contribution will be impacted significantly by the experience modifier and the experience modifier is based on the losses that you have for a 5-year period. Our reserve policy does not capture the experience modifier for withdrawn members. The recommended revision is that we treat withdrawn members just like we treat all the current members and that is for a 5-year period we are collecting the experience modifier contribution out of the reserve fund to make sure that the pool is not subsidizing claims that a withdrawn member leaves with us. After much discussion, a motion was made by Krumstok and seconded by Helm to approve the revisions to the policy. The motion carried.

IX. CREDIT CARD ACCEPTANCE

Boserup mentioned there is no action needed and is for information only. Staff receives numerous requests from people to pay by credit card. A 6-month trial will be conducted through our current bank.

X. REVISION TO EXPOSURE BASE

Ely gave an overview to the committee on revenue vs. expenditures. This is letting you know what staff is hearing out there in conversations for member recruitment and retention. What we are encountering, which is true for the elected officials is that when you say our insurance company charges us based on revenues they don't like it. In trying to respond to the membership by more proactive recruitment and retention efforts, I am recommending that you look at it and give us feedback. Several conversations with our actuary has been very clear and sure that revenues should be closely correlated with expenditures. After a lengthy discussion, a motion was made by Helm and seconded by Krumstok to concur with staff's recommendation to appoint an Ad Hoc Committee to evaluate a new definition of expenditure/expense in order to consider a potential switch from revenue base to expenditures/expenses as the "denominator" in the IRMA contribution formula. 2 were opposed. The motion carried.

XI. 2ND QUARTER INVESTMENT PERFORMANCE REPORT

Goding gave an overview of the 2nd Quarter Investment Performance Report to the committee.

XII. PRESENTATIONS REGARDING INVESTMENT STRATEGY: NEUBERBER BERMAN AND PARAMETRIC

Two investment companies presented to the AFC on the opportunity to invest in defensive equity strategy, which essentially is selling insurance against market swings through puts and calls in the stock market. Both companies maintain collateral at a level of the insurance puts and calls and have been engaged in this strategy for six years. After discussion, Krumstok made a motion to invest \$10 million in this defensive equity strategy with half going to Parametric and half going to Neuberger/Berman, to be paid in February from 2018's contributions. The motion was seconded by Helm and carried unanimously. The asset allocation guidelines do not need to be changed as these firms replace Entrust under our Alternatives category.

XIII. ADDITIONS TO AGENDA

None

XIV. EXECUTIVE SESSION

A motion was made by Krumstok and seconded by Helm to approve the Executive Sessions Minutes of May 24, 2017. The motion carried.

XIII. CONFIRMATION OF NEXT MEETING

Frances announced that the next meeting of the Administration & Finance Committee would be held on Thursday, November 14, 2017 at 9:30 a.m. at the IRMA office.

XIV. ADJOURNMENT

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

Submitted by:

Approved by:

Rita Boserup
Director of Financial Services & Administration

Jessica Frances
Chair, Administration & Finance Committee