

Minutes
Meeting, Board of Trustees
Kansas Worker Risk Cooperative for Counties
December 11, 2008 at 2:00 p.m.
Clubhouse Inn
924 SW Henderson Road
Topeka, KS 66615

The December 2008 meeting of the Board of Trustees of Kansas Workers Risk Cooperative for Counties (KWORCC) was called to order at 2:07 p.m. at the Clubhouse Inn in Topeka by Board President F. E. "Shep" Schoepf on Thursday, December 11, 2008. Trustees present included F. E. "Shep" Schoepf, Reno County Commissioner, President; Michelle Garrett, Morris County Clerk, Vice President; Jim Wise, Miami County Commissioner, Secretary; Linda M. Buttron, Jefferson County Clerk, Controller; Bonnie Swartz, Gray County Clerk and Ralph D. Unger, Decatur County Commissioner.

Staff participating included Mr. James W. Parrish, Administrator; Ms. Dortha O. Bird, Deputy Administrator and Staff Counsel; Mr. Carl Eyman, Deputy Administrator and Loss Prevention Specialist; Mr. Philip J. Rippee, Loss Prevention Specialist; Mr. Richard Alexander, Accountant; Mr. Bruce Woner, General Counsel and Ms. Nicole Jarboe-Paxson, Executive Assistant and Media Director.

Insurance Management Associates appeared by Ms. Annette Duncan, Mr. Paul Davis and Mr. Gus Campuzano. Also present were Chris Thompson, Country Club Bank and Brad Downard, Security Global Investors.

President Schoepf addressed Agenda Item No. 2, "Approval of the Agenda." Mr. Parrish recommended "Excuse Mr. Alcorn" be added to the Agenda as Item No. 2a, that Agenda Item No. 4 "Consideration of Minutes" be moved ahead of Agenda Item No. 3 "Trustee Training" and that the "Investment Committee Report," Agenda Item No. 11, immediately follow Agenda Item No. 3. Mr. Unger moved to approve the agenda as modified. Mr. Wise seconded the motion, which CARRIED unanimously.

President Schoepf addressed Agenda Item No. 2a, "Excuse Mr. Alcorn." Ms. Swartz moved to excuse Mr. Alcorn; Mr. Unger seconded the motion which CARRIED unanimously.

President Schoepf addressed Agenda Item No. 4, "Consideration of Minutes of Meeting of October 16, 2008." Mr. Unger moved to approve the minutes as presented; Ms. Garrett seconded the motion, which CARRIED unanimously.

President Schoepf asked Mr. Thompson and Mr. Downard to address Agenda Item No. 3 "Trustee Training: State of the Economy and KWORCC's Investments." Mr. Thompson addressed the fixed-income investments, which constitute 92.5% of KWORCC's portfolio. He stated that these fixed-income Government bonds have not been affected by the downturn in the market and explained how debenture securities function. Essentially they are similar to a CD you purchase at a bank and can be liquidated at any time. In the future, he recommends considering some Bank CDs to add to the portfolio.

Mr. Thompson further stated that as of December 1, 2008, KWORCC owned bonds with a value of \$11,950,000 with an average book yield of approximately 4.56% and an average maturity of 8.3 years. KWORCC's estimated annual income is just a bit higher than \$500,000.

Mr. Thompson said that interest rates are at historical lows and the economy is on “soft ground” as recessionary language tops all economists’ forecast. Currently the overnight interest rates are targeted at 1%, but it is widely anticipated that the FOMC will cut this target rate to as little as 0.25%, probably at its meeting next week. He described this as the latest in a series of unprecedented liquidity-injecting maneuvers from the Federal Reserve as it attempts to revive the nation’s economy. He said to expect lower rates going forward. Rates were quite low at the first of the year and are even lower now. The current 8.3-year weighted average maturity will not likely persist as rates continue to decline and bonds are called. Frequent call notices are expected, resulting in a lot of cash and it will need to be reinvested. While rates are low, we will need to take what the market offers us. We will try to stay as short as we can and resist the temptation for long term investments maturities in order to attain additional yield. He believes that would be a mistake because it potentially will create massive unrealized losses when rates do move up, and KWORCC would be locked into historically low yields. Overall, the market situation will result in more of KWORCC’s portfolio being repriced than he had originally intended as new purchases will be at lower rates. This repricing will negatively impact KWORCC’s annual income.

Mr. Downard addressed the equity funds investments, stating that the Alpha Opportunity Fund is currently closed to new money. This fund uses a long, short strategy. A global ban on short sales was in place, but has currently been lifted in the United States. However, there is not adequate credit available to do the short sales at this time. The strongest fund is Mid Cap Value Fund, which has a market value which exceeds the cost basis. Messrs. Thompson and Downard asked for and responded to questions from the Board.

President Schoepf proceeded to Agenda Item No. 11, “Investment Committee Report.” Mr. Unger reported on the meeting of the Investment Committee which met just prior to this meeting. He said Mr. Brad Downard of Security Global Investors and Mr. Chris Thompson of Country Club Bank attended the meeting to discuss the status of KWORCC investments. Mr. Unger reported that the Investment Committee recommends KWORCC retain its current equity investments, but not invest any new money at this time and review it every meeting. Mr. Unger moved that KWORCC recess further investments in equities and review this policy monthly. Ms. Swartz seconded the motion, which CARRIED unanimously. Additionally, Mr. Unger moved to ratify Resolution No. 2008-89 approving purchases of United States Government-backed securities during the period beginning July 24, 2008 through November 30, 2008. The motion was seconded by Mr. Wise and CARRIED unanimously.

President Schoepf proceeded to Agenda Item No. 5, “Administrator's Report.” Mr. Parrish addressed Agenda Item No. 5a, “Checks Requiring Board Approval and Ratification of Wire Transfers.” Mr. Parrish itemized wire transfers of funds and said there were no checks requiring approval. Mr. Wise moved to ratify the wire transfers as presented. Ms. Swartz seconded the motion, which CARRIED unanimously.

Next, Mr. Parrish introduced Frances Garcia, Reno County Commissioner to the Board. Mr. Unger moved to appoint Ms. Garcia to fill the remaining year of President Schoepf’s term. Ms. Garret seconded the motion, which CARRIED unanimously.

Vice-President Garrett addressed Agenda Item No. 5c, “Presentation to President Schoepf.” Ms. Garret thanked Mr. Schoepf for his years of service to KWORCC and his past year as President. Mr. Schoepf thanked the Board. Mr. Woner then said a few words to thank Mr. Schoepf for his public service.

President Schoepf then passed the gavel to Vice President Garrett who chaired the remainder of the meeting.

Mr. Parrish presented Resolution No. 2008-83 requesting the Kansas Department of Administration to waive the GAAP requirements of K.S.A. 75-1120a(a) as they apply to KWORCC for the year ending December 31, 2008. Ms. Swartz moved to adopt Resolution No. 2008-83. Mr. Wise seconded the motion, which CARRIED unanimously.

Mr. Parrish asked Ms. Bird to present contract renewals for approval by the Board of Trustees. Ms. Bird detailed the terms and changes incorporated in the renewal contracts for office space, storage space and office sharing and support staff costs. Ms. Bird said the proposed expenditures incorporated in these agreements were approved when the Trustees adopted the 2009 budget in October. She recommended that the Board approve the contracts as presented. Ms. Swartz moved to approve the contracts as presented by staff counsel. Ms. Buttron seconded the motion, which CARRIED unanimously.

Mr. Parrish then addressed Agenda Item No. 5f, "Investment Income Allocation." He recommended that investment income be allocated to fund years, as follows: \$110,000 to 2000, \$120,000 to 2001 and \$600,000 to 2004, for a total allocation of \$830,000. He explained that this allocation does not change the equity position of the pool. Mr. Unger moved to follow the recommendation as presented. Ms. Swartz seconded the motion, which CARRIED unanimously.

Mr. Parrish presented a proposed calendar for KWORCC 2009 Board meetings. After discussion, the following dates were chosen for KWORCC Board meetings in 2009: January 15th, February 19th, March 27th, April 16th, May 14th, June 18th, July 16th, August 13th, September 17th, October 16th, November 16th (Annual Meeting) and December 10th. Mr. Unger moved to approve the dates as well as January 21, 2010. All of the meetings which occur during daylight savings time will begin at 1:00 p.m., and the other meetings will begin at 2:00 p.m. Ms. Swartz seconded the motion which CARRIED unanimously.

Next, Mr. Davis discussed excess insurance renewal and a proposal to add an accidental death and dismemberment to the reinsurance package for 2009. After testing the market and negotiating with Safety national, he said he would recommend renewing the reinsurance policy. The proposed premium will be five percent lower than the premium for 2008 for the same coverage. Ms. Swartz moved to accept the proposal from Safety National for reinsurance. Mr. Wise seconded the motion, which CARRIED unanimously. Mr. Davis reviewed a hand-out describing an additional reinsurance policy covering accidental death or dismemberment. He said he had concluded that the premium offered on this additional policy was too high that it is unlikely that it would be a cost-effective purchase, considering the history of claims experienced by the pool.

Mr. Parrish next discussed the strategy for KWORCC's participation in the Kansas Association of Counties (KAC) orientation program for newly-elected county commissioners scheduled next February 5th and 6th in Topeka. KAC has guaranteed KWORCC and KCAMP will be included in the agenda. He said this event also provides an opportunity for KWORCC and KCAMP to host a dinner or reception for the new commissioners. The general consensus of the Trustees was that all new commissioners should be invited, even if they are not from member counties, and that a reception would be better than a dinner.

Mr. Parrish then stated that the proposed premiums for KWORCC members could not be finalized for consideration by the Trustees at this meeting because several members had not made a final decision on membership. He proposed a special meeting be conducted by teleconference on Friday, December 19 at 10:00 a.m. to consider the premiums for approval. There are four county entities from which additional information is still needed.

Finally, Mr. Parrish addressed Agenda Item No. 5k, "Day after Christmas or Day after New Years." He pointed out that the State of Kansas declared the day after Christmas to be a paid holiday and the day after New Year's Day to be a work day. He suggested that KWORCC follow a holiday schedule that was similar to that adopted by county governments, and it was determined after discussion that the counties represented on the KWORCC Board adopted a schedule similar to the state. Mr. Unger moved to give the KWORCC staff the day off on the day after Christmas. The motion was seconded by Ms. Swartz and CARRIED unanimously.

Vice-President Garrett turned to Agenda Item No. 6, "Marketing Report." Mr. Eyman stated that two county hospitals are still considering KWORCC membership. He said the Metropolitan Topeka Airport Authority (MTAA) chose to stay with KWORCC and Atchison County decided to stay with KERIT.

Thereupon Vice-President Garrett declared a break in the meeting at 3:49 p.m. The meeting resumed at 4:03 p.m.

Vice-President Garrett addressed Agenda Item No. 7, "Financial Report." Mr. Alexander reported on financial statements he prepared for October and November. Ms. Swartz moved to accept the financial reports as presented. Ms. Buttron seconded the motion, which CARRIED unanimously.

After Mr. Alexander's explanation that all claims had been paid for policy year 1996, Mr. Unger moved to close this policy year on KWORCC's books and transfer the balance to the Member Protection Fund. Mr. Wise seconded the motion, which CARRIED unanimously.

Mr. Alexander presented the check register. Mr. Unger moved to approve check Nos. 12790 through 12874 and the direct debits, all as presented. Mr. Schoepf seconded the motion, which CARRIED unanimously.

Mr. Alexander then reviewed a spreadsheet showing the value of KWORCC's equity investments as of November 30, 2008.

Vice-President Garrett addressed Agenda Item No. 8, "Claims Report -- IMA." Ms. Duncan addressed Agenda Item No. 8a, "Select Claims Review." She reported on several claims and answered questions.

Ms. Duncan then reviewed the "Logicomp Bill Review Report" under Agenda Item No. 8b for the period from January 1, 2008 through November 30, 2008. She said the report shows the total amount billed is \$4,365,568; the actual paid amount is \$2,421,952 for net savings after fees of \$1,944,017. This is more than 45% of the amount billed for this eleven-month period.

Mr. Davis then explained the "Policy Year Performance Review" under Agenda Item No. 8c. This analytical review generated by IMA shows KWORCC's claim history for policy years 2007 and 2008. The documents consist of graphs which compare the actual paid and incurred losses to the

estimated paid and incurred losses and shows the actuarial projections. Mr. Davis emphasized these charts should not be considered as a guarantee of either good or poor ultimate-loss performance.

Vice-President Garrett called upon Messrs. Eyman and Rippee to address Agenda Item No. 9, "Loss Prevention and County Visits." Mr. Eyman reviewed calendars for November and December for the loss-prevention staff as well as the breakdown of county visits since the first of the year.

Vice-President Garrett addressed Agenda Item No. 10, "Legal Report." Mr. Parrish stated there was no legal report.

There being no further business on the agenda, Ms. Swartz moved to adjourn at 4:26 p.m. Mr. Unger seconded the motion, which CARRIED unanimously.

The KWORCC Board of Trustees approved the foregoing minutes on the 15th day of January, 2009.

Jim Wise, Secretary
KWORCC Board of Trustees