

Minutes
Meeting, Board of Trustees
Kansas Workers Risk Cooperative for Counties
October 21, 2010 at 1:00 p.m.
Clubhouse Inn
924 SW Henderson Road
Topeka, KS 66615

The October 2010 meeting of the Board of Trustees of Kansas Workers Risk Cooperative for Counties (KWORCC) was called to order at 1:11 p.m. at the Clubhouse Inn in Topeka by Board President Jim Wise on Thursday, October 21, 2010. Trustees present included: Jim Wise, Miami County Commissioner, President; Doyle "Hooley" Alcorn, Jewell County Commissioner, Vice-President; Linda Buttron, Jefferson County Clerk, Secretary; Michelle Garrett, Morris 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 and Ms. Nicole Jarboe-Paxson, Executive Assistant and Media Director.

Insurance Management Associates (IMA) appeared by Mr. Gene Miller, Ms. Marla Dipman and Ms. Susan May. Also present was Mr. Sam Cargnel of Centric Actuarial Solutions, LLC.

President Wise addressed Agenda Item No. 2, "Approval of the Agenda." Mr. Parrish offered corrections to the Board Packet, including a correction to the September 9, 2010 minutes. He also recommended an addition to the Agenda of "2a, Excuse Ms. Garcia for County Business." Mr. Unger moved to approve the agenda as amended. Ms. Garret seconded the motion, which CARRIED unanimously.

President Wise called for a motion to excuse Ms. Garcia for county business. Ms. Swartz's motion was seconded by Mr. Unger. The motion CARRIED unanimously.

President Wise addressed Agenda Item No. 3, "Consideration of Minutes of Meeting of September 9, 2010." Mr. Unger moved to approve the minutes with the change mentioned by Mr. Parrish. Ms. Swartz seconded the motion, which CARRIED unanimously.

President Wise addressed Agenda Item No. 4, "Administrator's Report." Mr. Parrish addressed Agenda Item No. 4a, "Checks Requiring Board Approval and Ratification of Wire Transfers." He itemized the electronic transfers of funds and the checks requiring approval. Mr. Alcorn moved to ratify the transfers and approve the checks as presented. Ms. Buttron seconded the motion, which CARRIED unanimously.

Mr. Parrish asked Mr. Cargnel to address Agenda Item No. 4b, "Actuarial Report: Centric Presentation." Mr. Cargnel reported that the loss pick for 2010 has not changed; the year has played out as expected. He also explained that there were no modifications to prior estimates for prior years. Mr. Cargnel then reviewed ultimate loss projections for 2011 and asked for and responded to questions. President Wise thanked Mr. Cargnel for his report.

Mr. Parrish then addressed Agenda Item No. 4c, "GTrust Equities Strategy Presentation." He stated GTrust met with the Investment Committee just prior to the Board Meeting. Mr. Parrish gave a brief summary of the equity investment strategy proposed by GTrust and the recommended timing for implementing the strategy. He stated that the Investment Committee report would provide further details.

Mr. Parrish then asked Mr. Eyman to address Agenda Item No. 4d, "Local GovU Online Training." Mr. Eyman explained how GovU works and the types of classes offered by the program. There is a \$3,000 set up fee plus a deposit of \$7,000 for the courses. The list price on most of the courses is \$10, but KCAMP negotiated a \$6 price per course per person, and KWORCC has been offered the courses at that lower price. KCAMP is discussing allowing KWORCC to "piggyback" on their system to enable current users to access the KWORCC training without requiring additional codes. Mr. Eyman has invited a GovU representative to the December Board meeting to discuss the program further.

Next, Mr. Parrish called the Board's attention to Agenda Item No. 4e "Loss Cost Multiplier Discussion." Mr. Parrish reviewed the current loss cost multiplier filing and pointed out that with known information, the current multipliers are not high enough to generate adequate premiums to fund the 2011 budget. Next, he provided samples of single and two-tiered filings that would result in sufficient 2011 premiums. He explained that when the Kansas Insurance Department (KID) publishes the 2011 rates and underwriting has been completed, specific recommendations for both tiered and non-tiered 2011 filing will be furnished to the Board for consideration and approval. Several Trustees expressed a preference for a tiered filing because it rewards good loss experience.

Under Agenda Item No. 4f, "Personnel Committee Report," Mr. Parrish reported that the Personnel Committee met by teleconference. The Committee reviewed articles concerning cost of living and studies conducted on salary increases for 2011. The Committee also looked at the results of a survey of various counties with regard to 2011 pay increases. The final recommendation of the committee was to recommend a 2% cost of living allowance (COLA) in 2011 for the staff. Mr. Alcorn moved to approve the recommendation of the Committee, Ms. Swartz seconded the motion. Ms. Swartz, Ms. Garrett and Mr. Alcorn voted to approve the motion; Messrs. Unger and Wise and Ms. Buttron voted against the motion. The motion did not CARRY.

Next, Mr. Parrish addressed Agenda, Item No. 4g, "Budget 2011." He presented two versions of the proposed budget. The first version assumed all existing accounts would renew, and the second version adjusted for non-renewals. Both budgets included the 2% COLA that had been recommended by the Personnel Committee. Mr. Parrish asked for and responded to questions. Mr. Unger moved to approve both versions of the budget depending on account renewals. Ms. Swartz seconded the motion, which CARRIED unanimously.

Mr. Parrish then presented a draft of a recommended all-terrain vehicle (ATV) operating policy under Agenda Item No. 4h. Mr. Eyman briefly explained the policy. Ms. Swartz moved to recommend the ATV policy to member counties. Ms. Buttron seconded the motion, which CARRIED unanimously.

Mr. Parrish then asked Ms. Bird to Address Agenda Item No. 4i, "Annual Meeting Update." Ms. Bird reported on the location of the annual meeting and asked for volunteers to complete the vendor booth schedule. She also presented the nominees for the trustee positions and indicated that 40 counties have returned delegate forms – a good indication that a quorum will attend. She provided additional details and answered questions.

As the last item on the Administrator's Report, Mr. Parrish addressed Agenda Item No. 4j, "*Bergstrom* Letter to Legislators." The consensus of the Board was to wait until after the election to send the letters. The Board asked that the *Bergstrom* decision be discussed at the KWORCC Annual Meeting, with a request to the members to assist in contacting legislators to correct the imbalance that results from the decision.

President Wise declared a short break in the meeting at 2:44 p.m. The meeting resumed at 2:56 p.m.

President Wise then proceeded to Agenda Item No. 5, "Marketing Report." Mr. Eyman discussed marketing activities for several counties.

President Wise addressed Agenda Item No. 6, "Financial Report." Mr. Alexander discussed in detail the financial statements he prepared for September 2010. Ms. Swartz moved to receive and file the reports as presented. Ms. Garrett seconded the motion, which CARRIED unanimously.

Mr. Alexander then discussed in detail the third quarterly financial report for 2010 he prepared for filing with the KID. Ms. Swartz moved to approve filing the report with the KID. Ms. Buttron seconded the motion, which CARRIED unanimously.

Mr. Alexander presented the check register. Mr. Unger moved to approve check Nos. 13897 through 13952 and the direct debits. Ms. Swartz seconded the motion, which CARRIED unanimously.

Next, Mr. Alexander reviewed a report showing the value of KWORCC's equity investments as of October 13, 2010.

President Wise proceeded to Agenda Item No. 7, "Claims Report – IMA." Addressing Agenda Item No. 7a, "Select Claims Review," Ms. May and Mr. Miller reported on claims and answered questions. Mr. Unger moved to deny claim number 201039930. Mr. Alcorn seconded the motion, which CARRIED unanimously.

Mr. Miller then addressed Agenda Item No. 7b, "Logicomp Bill Review Report." For the period beginning January 1, 2010 through September 30, 2010, Mr. Miller reported the amount billed totals \$2,903,179. The actual paid amount totals \$1,487,338 resulting in a net savings of \$1,415,841 after fees are paid. This is more than 49% of the amount billed for this 9-month period.

Ms. Dipman reviewed a proposed sample letter advising of claim settlement that would be sent to KWORCC members. Mr. Unger moved to approve the letter. Ms. Garret seconded the motion which CARRIED unanimously.

Ms. Dipman then explained the "Policy Year Performance Review" under Agenda Item No. 7c. This analytical review generated by IMA shows KWORCC's claim history for policy years 2007 through 2010. The documents consist of graphs which compare the actual paid and incurred losses to the estimated paid and incurred losses and show the actuarial projections. She noted these charts show the status as of the end of September, 2010 and should not be considered as a guarantee of either good or poor ultimate loss performance.

President Wise called upon Messrs. Eyman and Rippee to address Agenda Item No. 8, "Loss Prevention and County Visits." Mr. Eyman reviewed calendars for September, October and November for the loss-prevention staff. He stated that they had finished visiting all of the county commissions for KWORCC counties earlier this month.

President Wise addressed Agenda Item No. 9, "Legal Report." Mr. Parrish stated there was no legal report.

Next, President Wise addressed Agenda Item No. 10, "Committee Reports." The Personnel Committee report was given during the Administrator's report. Speaking as chair of the Investment Committee, Mr. Unger reported that the committee heard from Mr. Thompson in his role as KWORCC's fixed asset manager at Country Club Bank. Mr. Thompson suggested general obligation municipal bonds (GO bonds) backed by the full taxing authority of the issuer and essential purpose revenue bonds (paid by subscriber user fees and backed by the full taxing authority of the issuer) are safe and sound investments for the pool which is, by statute, allowed to own such securities. He further stated that the incremental yield pick up over US government and agency securities is substantial. Further, in this historically low yield environment, he recommended Build America Bonds (BABs) as reasonable securities to boost portfolio yield without taking on undue credit risk. Mr. Thompson notes that GO municipal bonds and essential purpose revenue bonds (i.e., city water, sewer, electric) enjoy a history with infinitesimal default rates. He suggested a

portfolio limit of 50% of total portfolio par value and a maturity limit of 10 years maximum, with five years being ideal. Further, he suggest that these bonds be rated A or better; however, he would also purchase non-rated bonds if key financial ratios are in place.

Mr. Unger reported that the Investment Committee also met with GTrust, who provide a specific strategy for equity investments, which were published in the Board packet and previously addressed by Mr. Parrish.

Mr. Unger reported that the Investment Committee recommended to the Board of Trustees to allow Mr. Thompson the latitude to invest in GO bonds and BABs, not to exceed 50% of fixed income portfolio holdings, and that the KWORCC Investment Policy be amended to include these investments, as allowed by Kansas statutes. Mr. Unger moved to adopt this recommendation. Ms. Swartz seconded the motion, which CARRIED unanimously. The Investment Committee also recommended that KWORCC follow the equity investment strategy of GTrust, with current equity holdings liquidated and the funds transmitted to GTrust prior to November 1, 2010. Mr. Unger moved to adopt this recommendation. Ms. Garrett seconded the motion, which CARRIED unanimously.

President Wise then addressed Agenda Item No. 11, "Other Business." There was no other business to bring before the Board.

There being nothing further before the Board, Ms. Swartz moved to adjourn at 4:00 p.m. Mr. Unger seconded the motion, which CARRIED unanimously.

The KWORCC Board of Trustees approved the foregoing minutes on the 16th day of December, 2010.

Linda Buttron, Secretary
KWORCC Board of Trustees