

**Minutes**  
**Meeting, Board of Trustees**  
**Kansas Workers Risk Cooperative for Counties**  
**August 18, 2011 at 1:00 pm**  
**Clubhouse Inn**  
**924 SW Henderson Road**  
**Topeka, KS 66615**

The August 2011 meeting of the Board of Trustees of Kansas Workers Risk Cooperative for Counties (KWORCC) was called to order at 1:05 p.m. on August 18, 2011 in Topeka by Board Vice-President Linda Buttron. Trustees present included: Linda Buttron, Jefferson County Clerk, Vice-President; Bonnie Swartz, Gray County Clerk, Secretary; Michelle Garrett, Morris County Clerk, Controller; Steve Garten, Barber County Commissioner; Ralph D. Unger, Decatur County Commissioner and Jim Wise, Miami County Commissioner.

Staff participating included Mr. James W. Parrish, Administrator; Ms. Dortha O. Bird, Deputy Administrator and Staff Counsel; 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 Ms. Susan May, Mr. Jess Cornejo, Mr. Gene Miller, Ms. Marla Dipman and Mr. Paul Davis. Also in attendance was Mr. Chris Thompson of Country Club Bank.

Vice-President Buttron first addressed Agenda Item No. 2, "Approval of the Agenda." Mr. Parrish recommended the modification of item 2a, "Excuse Bonnie Swartz for Personal Reasons" to "Excuse Doyle Alcorn for Personal Reasons." Mr. Unger moved to approve the modified agenda and to excuse Mr. Alcorn for personal reasons. Ms. Swartz seconded the motion which CARRIED unanimously.

Vice-President Buttron addressed Agenda Item No. 3, "Consideration of Minutes of Meeting of July 21, 2011." Mr. Unger moved to approve the minutes as presented. Ms. Garrett seconded the motion which CARRIED unanimously.

Vice-President Buttron next asked Mr. Parrish to present Agenda Item No. 4, "Administrator's Report." Mr. Parrish first addressed Agenda Item No. 4a, "Checks Requiring Board Approval and Ratification of Wire Transfers." He identified the check requiring approval and the electronic transfers of funds requiring ratification. Dr. Garten moved to approve the check and ratify the electronic transfers of funds as presented. Ms. Swartz seconded the motion which CARRIED unanimously.

Next, Mr. Parrish asked Chris Thompson to address Agenda Item No. 4b, "Fixed Assets Report." Mr. Thompson reminded the board that he manages KWORCC's fixed income portfolio. He says he manages by two mandates, liquidity and income, explaining that he must be prepared to address the need for ready liquidity to pay claims while maintaining income from the investments. Mr. Thompson stated that bond prices have risen, driving yields down. He emphasized that "default" is not a credible concern for KWORCC's holdings. Bonds are paying as presented. He said banks and corporations are stockpiling cash as there is no confidence that the economic climate will get better soon. Even though inflation is not being felt in a significant way, inflation is a problem. He explained that although the Consumer Price Index (CPI) reports do not reflect large inflationary numbers, he pointed out that they generally do not include food (up 4.5%) and energy (up 8%). The value of bonds KWORCC owns has increased, but Mr. Thompson said the real concern is the thinning income stream caused by the extended period of low interest rates. Mr. Thompson then asked for and responded to questions. Vice-President Buttron thanked Mr. Thompson for his informative report.

Mr. Parrish then addressed Agenda Item No 4c, "Experience Modification Filing, Preliminary Review." Mr. Parrish began the discussion by pointing out that the Travelers group of insurance companies has become aggressive competitors in the market. Additionally there has been a statutory change which gives the private insurance industry more flexibility in pricing, giving them the ability to vary premiums by as much as 25% either higher or lower in their discretion. Mr. Parrish then asked Mr. Davis to discuss projections for premium income using sample loss cost multipliers (LCM) and showing the use of two or more tiers. He pointed out that KWORCC currently has two tiers, and each county's experience modification factor determines the tier into which that county falls. Mr. Davis discussed the possibility of using more than one tier and also discussed the possibility that the Kansas Insurance Department (KID) may be receptive to developing different criteria for placement of member counties into one tier or the other. He said that he has raised this possibility with KID and will have a response soon. He is exploring ways KWORCC can have more flexibility in setting premiums to be in a better position to compete. Mr. Parrish asked Board members to begin considering how aggressive KWORCC should be in pricing its policies for 2012.

Vice-President Buttron then proceeded to Agenda Item No. 5, "Marketing Report." Mr. Eyman discussed marketing activities for several counties and responded to questions.

Vice-President Buttron declared a break in the meeting at 2:27 p.m. The meeting resumed at 2:41 p.m.

Vice-President Buttron then proceeded to Agenda Item No. 6, "Financial Report." Mr. Alexander discussed in detail the financial statements he prepared for July 2011. Mr. Swartz moved to receive and file the financial report. Ms. Garrett seconded the motion which CARRIED unanimously.

Mr. Alexander presented the check register. Mr. Wise moved to approve check Nos. 14399 through 14425 and the direct debits. Dr. Garten seconded the motion which CARRIED unanimously.

Next, Mr. Alexander reviewed reports showing the value of KWORCC's equity investments as of August 9, 2011.

Vice-President Buttron addressed Agenda Item No. 7, "Claims Report – IMA." As to Agenda Item No. 7a, "Select Claims Review," Ms. May and Mr. Miller reported on claims and answered questions. Ms. May also reported on and requested approval of two pending settlements. Mr. Unger moved to approve settlement of claim number 2005024367. Mr. Wise seconded the motion which CARRIED unanimously. Ms. Swartz moved to approve settlement of claim number 2008034666. Dr. Garten seconded the motion which CARRIED unanimously.

Mr. Miller then addressed Agenda Item No. 7b, "Logicomp Bill Review Report." Mr. Miller reported the amount billed totals \$2,371,348 for the period beginning January 1, 2011 through July 31, 2011. He said the actual paid amount for that period totals \$1,211,152, resulting in a net savings of \$1,171,393 after fees are paid. This is more than 49% of the amount billed for this 7-month period.

Mr. Davis 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 2011. 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. He noted these charts show the status as of the end of July, 2011 and should not be considered a guarantee of either good or poor ultimate loss performance.

Vice-President Buttron called upon Messrs. Eyman and Rippee to address Agenda Item No. 8, "Loss Prevention and County Visits." Mr. Eyman reviewed July, August and September calendars for the loss-prevention staff. Next, Mr. Eyman reported on the enrollment rates and courses completed by the membership for the Gov U online courses.

Vice-President Buttron addressed Agenda Item No. 9, "Legal Report." Mr. Parrish reminded the Board that Ron Laskowski would be at the September meeting to discuss the new Workers Compensation law. He also reported that the decision of the judge in the fee sweep case is not definitive and is somewhat confusing. He said a meeting is scheduled for August 29<sup>th</sup> for representatives of the plaintiffs and their attorney Mike O'Neal to discuss various alternative courses of action. Mr. Parrish said he plans to attend this meeting.

Vice-President Buttron turned to Agenda Item No. 10, "Committee Reports." Mr. Wise reported that the Investment Committee met prior to the board meeting. He asked Mr. Parrish to summarize the meeting. Mr. Parrish explained that GTrust representatives attended the committee meeting and reported that the KWORCC account continues to be diversified with 30% invested in international funds and 70% invested in large cap, multi and small cap growth and value funds, along with real estate and commodity real return funds. While the US stock funds in the account performed better than the S&P 500 stock index, the international funds underperformed the EAFE index. The emerging market funds led the decline. Mr. Parrish said GTrust officials reported that the market value of the investment account as of July 31, 2011, was \$2,042,685 which was a total return of 2.7% as of that date. The account was opened with \$1,941,910 and had increased in value to over \$2,150,000 before declining in the second quarter of 2011. Since July 31, 2011, the market has declined approximately 10%. Mr. Wise moved to accept the report of the Investment Committee. Mr. Unger seconded the motion which CARRIED unanimously.

Mr. Parrish reminded the Board the Personnel Committee would be meeting September 22, 2011 at noon. Mr. Parrish also reminded everyone the September meeting will be held at the IMA Topeka Office, 3024 SW Wanamaker Road, Suite 203.

Vice-President Buttron then addressed Agenda Item No. 11, "Other Business." Nothing further was presented for the Board to address.

There being nothing further before the Board, Mr. Unger moved to adjourn the meeting at 3:25 p.m. Mr. Wise seconded the motion which CARRIED unanimously.

The KWORCC Board of Trustees approved the foregoing minutes on the 22<sup>nd</sup> day of September, 2011.

Bonnie Swartz, Secretary  
KWORCC Board of Trustees