LOCAL GOVERNMENT LIABILITY POOL
BOARD MEETING

Cheyenne, Wyoming
Thursday, January 30, 2020

Board Members in Attendance:

Brad Basse, Chairman, At-Large Member (via telephone)
Kelly Krakow, Treasurer, Mayor of Town of Albin
Linda Smith, Secretary, City of Rawlins
Rick Grant, Converse County Commissioner
Robert "Bob" King, Lincoln County Commissioner
Don Richards, Shoshone Municipal Pipeline (via telephone)

Staff and Guests in Attendance:

Mark Pring, Executive Director
Mike Todd, Deputy Director
Bill Miller, Loss Control Manager
Shuler Boone, Claims Representative
Richard Rideout, LGLP Attorney
Todd Bishop, Kaiser Wealth Management

• WELCOME AND INTRODUCTIONS

Treasurer Kelly Krakow called the meeting to order at 8:03 A.M. He introduced the new board member, Rick Grant, a Converse County commissioner. Rick Grant stated that he lived in Glenrock and had been a county commissioner for eight years. Rick said he is looking forward to serving on the LGLP board as it was a new adventure for him.

• APPROVAL OF MINUTES

Bob King made a motion the board approve both the general session and executive session minutes from the October 31, 2019, board meeting. Linda Smith seconded the motion. There was no discussion, and the motion passed unanimously.

• TODD BISHOP – KAISER WEALTH MGMT. INVESTMENT ACCOUNT UPDATE

Todd Bishop from Kaiser Wealth Management joined the meeting and presented each board member a written summary of the Pool's investment account. The current yield of the investment account was a little over two percent. He reminded the Board, when interest rates decrease, the value of the investment account increases. With the current market of rising interest rates, the value of the investment account had decreased, which was a market-driven change. Todd explained the Pool had a laddered investment portfolio. Page 3 of the report showed the maturity

structure of the portfolio. Most of the current investments will mature in the next five years. He said at the present time, it was not in the Pool's best interest to invest for the long term. The Federal Reserve had met recently and had decided not to change interest rates. Todd felt rates would stay pretty flat for the remainder of the year or at least until after the presidential election. Kelly Krakow asked if anyone had any questions regarding Todd's report. There were none.

• LOSS CONTROL REPORT – BILL MILLER

Bill Miller stated last quarter had not been quite as busy due to the holidays, vacations, and the weather. The Loss Control Department had been trying to do more via telephone and computer. Last quarter there had been 23 visits, 33 classes (harassment, board training and documentation) and three conferences. Judi Just attended a quarterly WAM/JPIC meeting. Bill said he had attended three PRIMA (Public Risk Management Association) meetings, and had worked on several policy and procedure manuals.

The process of membership renewals would start next month, and he will be calculating contributions for the next fiscal year. Each renewal application is reviewed for exposures and the data is entered onto a spreadsheet. For instance, members with playgrounds that do not perform inspections are "red flagged" and a loss control visit is planned. Since a second claim regarding playground equipment had been received, he and Judi were putting an emphasis on that exposure.

• EXECUTIVE DIRECTOR'S REPORT

A. Election Results/Officer Positions

Mark Pring congratulated Rick Grant on his election and Brad Basse for his reelection to the board. He announced the special district position formerly held by Donna Geho was vacant. There were only three meetings left of the special district position term. Mark asked the board if they wish to fill the position or wait and allow the membership to elect someone. Brad said he felt the remainder of the term should be filled. Mark mentioned Jessica Weaver, one of the nominees for the at-large position, with the Tongue River Valley Community Center board, had expressed interest in the position. Mark said he had spoken to Ms. Weaver, who was a commercial insurance agent in the Ranchester area. Rick agreed with Brad that it was a good idea to fill the position. Linda Smith also agreed with Rick and Brad. After a short discussion, Brad made a motion that Jessica Weaver be appointed to fill the vacant special district position contingent upon her acceptance. Don Richards seconded the motion. Linda said she would prefer the motion not contain a name as that would give the board latitude in case Ms. Weaver was no longer interested in filling the position. Rick said that he agreed with Linda because if Ms. Weaver declined, the board would have to make another motion and vote at the next board meeting. After a short discussion, the motion passed with Linda Smith voting "nay".

Mark asked if the board wanted to leave its officers as they were, with Brad as chairman, Don as vice-chairman, Kelly Krakow as treasurer, and Linda as secretary. Bob King made a motion the officers of the board remain the same. Rick seconded the motion and it passed unanimously.

B. New Members/Cancellations

Mark Pring announced two new members had joined the Pool last quarter. Big Horn County Library and Hoback Ranches Service & Improvement District were welcomed as new members of the Pool. Mark mentioned the Pool seldom had cancellations of membership. Linda Smith asked Mark how many members were in the Pool. He answered that the Pool currently had 526 members.

C. Budget Report

Mark announced half of the fiscal year 2020 had passed. Mark reviewed the budget and financial data that had been furnished to the board. Mark explained to Rick, that the actuary's "Incurred But Not Reported" (IBNR) figure had decreased from last year and how it affected the bottom line of the Pool's current financial position. Rick asked if the IBNR figure was historically that high. Mark answered typically it was. Kelly explained the excess coverage account and its history to Rick. Mark said there had been some increase in interest rates, but unfortunately, they had recently decreased. He finished the budget report by stating that the projected financial position had increased by $3 million from last year.

The Pool has three WYO-STAR accounts; operations, vehicles, and reinsurance. Previously, there had been discussion utilizing the new WYO-STAR #2 account. The maturities were longer in the new account, and 23 governmental entities had enrolled. The WYO-STAR #2 account was enjoying some fairly good rates of return.

Mark said the Pool had two investment accounts and it paid 20 basis points for the management of those accounts. Currently, the interest rate for the WYOSTAR account was approximately the same as the investment accounts adjusted for the management fees.

- **PROPOSED LEGISLATION**

Mark assured the board that he and Mike Todd would check the LSO (Legislative Service Office) website regularly to see if there would be any bills introduced that would affect the Pool. He said it had been concerning at times the titles of bills did not accurately reflect what the bill was for. He and Mike had been collaborating with WARM (Wyoming Association of Risk Management) of any bills that could affect them; and they had agreed to do the same. Mike stated, at this time, the only bill that was of interest was the one where the health insurance for the State employees clarified which entities were allowed to join. The definition was not clear, so this year there was a bill to clarify eligibility.

- **EXPENDITURES FOR OCTOBER, NOVEMBER AND DECEMBER**

Mark Pring referred the board to their packets and reviewed the check detail and credit card statements for the last quarter. Linda Smith made a motion the board approve the expenditures and the credit card bills for the past quarter. Rick Grant seconded the motion. Linda had a few questions regarding the VISA bills. There was a vote, and the motion passed unanimously. The board meeting recessed at 9:19 A.M.

- **AON ACTUARIAL REVIEW**

The board meeting resumed at 9:31 A.M. Mark Pring stated Mujtaba Datoo, the Pool's actuarial advisor, had dropped by the office last week. Rick Grant walked in after him and got to meet him. Mr. Datoo was in town for WARM's board meeting.

Mark stated each year the Pool has a financial audit and an actuarial review. He had copied key pages from the actuarial report and placed them into the board's packet for the meeting. He indicated the information from those reports would help answer some important questions: how the Pool was doing, were the current rates adequate, were surplus and reserves adequate? The actuary had given the Pool a 90 percent confidence level. Mark explained that Mujtaba and his staff looked for trends. Sharp peaks and valleys in the severity of claims chart were not desirable. The Pool's severity line was up a small amount, and the frequency of claims was also up a small amount but nothing to be concerned about. Eighty-five percent of the Pool's claims were under $10,000. Mark stated a higher degree of concentration was needed for the other fifteen percent of claims, those over $10,000. The loss control department would concentrate on preventing claims from those areas.

Mark explained Mujtaba had recommended an 11 percent rate decrease in contribution rates for the next fiscal year. He had recommended a decrease last year, and rates were not lowered at that time, so the result of that decision started to compound. Presently, the Pool's rates were above the actuary's recommended rates across the board. For the past several years, the board had felt it was important to leave the rates stable and give the members a credit on their renewal contribution.

Reserves- Mark continued reviewing the actuarial report. He asked the board to look at the Pool's reserves first, because if the Pool did not have adequate reserves, the board would have to apply a surcharge on the rates. The actuarial report provides a recommended minimum level of reserves. The Pool's reserves are well above that figure. There is a separate account for excess coverage as the board decided to self-fund the Pool's excess coverage. The board's actuary had stated that excess coverage rates were increasing exponentially, so it appears the board had made a wise decision years ago. Since the Pool self-funds its excess coverage, it should be more conservative than a Pool that purchases that coverage because it cannot transfer that risk to another party. The Pool had met that minimum reserve level set forth in the actuarial report.

Mark stated surplus was the amount of financial resources over and above liabilities, which help stabilize the Pool's finances in cases of adverse claim experience or unforeseen events. Surplus could be used to adapt to a change in legislation and overall program stability. The actuary typically does not recommend a specific figure but gives several tools to help the Board arrive at a number they feel comfortable with. The actuary had several ratios that assist the board in that decision. The Pool has excess surplus and all the required benchmark ratios had been met.

Rates- Linda Smith said she did not like the idea of lowering rates because she felt that eventually it would be necessary to raise them. Mike Todd commented the Pool had enough reserves to absorb a possible increase in the actuary's recommended rates. Brad Basse mentioned if the caps were raised on governmental claims, it would open the door for more litigation. Brad said that his comment was not meant to affect the upcoming discussion on rates, but just to make everyone aware of what could happen in the future. Mark replied the Pool was in a favorable position to consider lowering rates. Mujtaba Datoo indicated some pools were having double-digit increases

just to stay solvent. Mike commented even with the renewal credits the Pool had given, it was still gaining surplus.

Mark stated he had given the board two options to lower rates in the board's packet. One option was to "rip off the Band-aid®" and lower rates according to the actuary's recommendations. The second option was to use a "blended" approach, for example, the board could lower rates by 15 percent and review the financial position again next year. Bob King stated he liked the blended approach to partially lowering the rates as it was more conservative. Kelly Krakow suggested lowering the rates by 15 percent and not giving the credit. Linda asked if the minimum contribution would stay the same. Mark replied the minimum contribution would stay the same. He added the board could also choose a higher percentage to lower rates. Don Richards asked what was the average annual increase in payroll for members last year. Mark replied the average increase in payroll for members last year had been about four percent. Brad said he felt confident that if rates were lowered 15 percent or more, the Pool could absorb any unexpected items that may come up. Mark reminded everyone the actuary had given recommended rates at several confidence levels. Brad asked Mark what was his recommendation. Mark replied his recommendation would be "rip off the Band-aid®" and charge the actuary's recommended rates. He could see why the board would want to utilize a more cautious approach. He said during Mujtaba Datoo's visit, it was mentioned that pools had been experiencing an increase in discrimination and law enforcement issues. Mark did recommend that whatever the board choose to do he would recommend ending the credit and setting the rates closer to the actuary's recommendations. Linda suggested a ten percent decrease for the next fiscal and a five percent decrease the next year. Mark said if the board chose to not decrease the rates at least 15 percent, the members would see an increase in their contributions. Mike stated if the Pool would always go with the actuary's recommendations for rate decreases and increases, it would show the members that their actions affect the rates for every member. Members might be more proactive in decreasing risks and claims so that they might see a decrease in their rates. Brad suggested tabling the discussion until after the executive session so the board could have more knowledge of any large open claims that might affect their decision. Linda made a motion to table the decision of rate setting until after executive session. Rick Grant seconded the motion and it passed unanimously.

- **EXECUTIVE SESSION**

Linda Smith made a motion the board meeting enter the executive session portion to discuss open claims and personnel issues for the purpose of matters allowed by law. Bob King seconded the motion, and it passed unanimously. The executive session began at 10:28 A.M.

Bob made a motion the executive session be concluded and the regular board meeting resume. Rick Grant seconded the motion, and it passed unanimously. The regular board meeting resumed at 11:00 A.M. Linda made a motion to give Mike Todd authority to sign claim checks as discussed in executive session. Bob seconded the motion and it passed unanimously.

Brad Basse made a motion the board adopt a modified 20 percent reduction in member's rates for fiscal year 2021. Don Richards seconded the motion for the sake of discussion. Discussion followed. Linda made a motion to amend the previous motion to 18 percent. Brad seconded the motion, there was no further discussion, and it passed unanimously.

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- **OLD AND NEW BUSINESS**

Bill Miller stated there was information concerning the upcoming PRIMA conference that would be held in Nashville. He asked the board members to notify the office by the last week in March if they were interested in attending.

Mike Todd said there had been issues with the report side of the new claim's software, as well as some minor glitches. The Recordables team had been responsive, and the system worked well overall.

- **NEXT BOARD MEETING**

The board decided the next board meeting would be held at 8:00 A.M., on Thursday, April 30, 2020, at the Cheyenne office.

- **ADJOURNMENT**

Linda Smith made a motion the meeting adjourn. Brad Basse seconded the motion, and the vote was unanimous. The board meeting adjourned at 12:24 A.M.

Approved:

B. W. Basse
Brad Basse, Board Chairman

5-28-20
Date