



**Nevada Public Agency Insurance Pool
Public Agency Compensation Trust**
201 S. Roop Street, Suite 102
Carson City, NV 89701-4779
Toll Free Phone (877) 883-7665
Telephone (775) 885-7475
Facsimile (775) 883-7398

**Minutes of the Meeting of
the Board of Directors and of the Executive Committee of
Public Agency Compensation Trust
Virtual Only**

Date: April 17, 2020

Time: upon adjournment of Joint Board and Executive Committee Meeting

1. Call to Order

Vice Chair Cash Minor called the meeting to order at 9:47 am. A quorum of members were virtually present. It was noted that Chair Paul Johnson had a Legislative Educational Funding Committee meeting and was unable to participate.

2. Public Comment

Chair Minor opened public comment. There were no public comments.

**3. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent
Agenda**

- a. Approval of Minutes of Board Meetings of April 17, 2019**
- b. Acceptance of Interim Financial Statements**
- c. Actuarial Overview**

Member Josh Foli made a motion to approve the Consent Agenda. Second was by Elizabeth Francis. Motion carried.

4. For Possible Action: Acceptance of Audit for June 30, 2019

Alan Kalt reviewed the Audit Report for Fiscal Year Ending June 30, 2019. He noted a clean opinion from our Independent Auditor. Net Position went from \$39,374,120 to \$33,454,855 due primarily to underwriting loss of \$583,148, administrative expenses of \$2,944,933 and amortization of transfer from PACT of \$4,321,761 with an offset of non-operating investment income of \$2,989,380. PACT current and long-term loss reserves increased from \$47,629,539 to \$50,781,567 during the year. Investments increased by \$1,644,481 from \$49,996,097 to \$51,640,578. Due to increased claims losses, our key financial benchmark figures slide backwards but remained within our Policy Guidelines. See Audit presentation for details.

After a brief discussion, Josh Foli made a motion and second by Elizabeth Francis to accept the PACT Audit for June 30, 2019 which carried.

5. For Possible Action: Approval of Accounting Policy Expensing All Transfer of Net Contribution Surplus to PCM in the Year of Transfer

Alan Kalt reviewed the materials in the board packet noting that the captives were formed to reduce the cost of insurance, to obtain direct access to reinsurance, to broaden coverage for policyholders, to broaden investment opportunities and to build equity to enable provision of coverage not obtainable elsewhere. The contributions of surplus were amortized over a 10-year period which resulted in an annual significant amortization expense resulting in operational losses and a Net Contribution Surplus to PCM/PRM on the Statement of Net Position. This proposed policy would seek to expense the entire transfer in the year it occurred. The independent auditor, Executive Committee and staff recommended this change effective July 1, 2018. We remain within our Net Position Policy Statement of Net Position to SIR being at least 20: 1. Restating the two prior years, the ratio is 41.1 and 35.7 for FY 2018 and FY 2019. Kalt noted that with this policy change, our financial statements would be more comparable to our Peer Group when comparing financial benchmarks with other Pools across the Country.

Josh Foli made a motion to approve the recommended change in accounting policy to expense the transfer of net contribution surplus to PCM in the year of transfer effective on July 1, 2018. Second by Geof Stark and motion carried.

6. For Possible Action: Approval of PACT Retention Options and Renewal Reinsurance Proposals and Options

Stephen Romero, our Willis Pooling broker, gave a state of the market update for workers compensation noting that in the near-term rates remain soft but the Covid-19 issues may affect rates going forward. He noted improvements in medical care and adoption of return-to-work programs have led to a decrease in lost-time claims. Advancement in medical technology have contributed to workers compensation “mega claims,” which are defined by the NCCI as workers compensation claims in excess of \$10M. These claims have become more frequent in recent years with 70% of these claims arising from motor vehicle accidents and falls from elevation. Stephen went over the renewal quotations noting a total premium increase of 9.21% (\$251,767) over expiring rates. The largest increase was within the captive layers (PCM) due to significant claims paid from this layer over the past several years. PCM rate was determined by our independent actuary using 75% confidence level. After a brief discussion,

Josh Foli made a motion to approve the PACT retention option and the renewal reinsurance proposal as submitted. It was seconded by Mike Giles. Motion carried.

7. For Possible Action: Approval of Budget for 2020-2021

Alan Kalt said a basic budget was prepared considering the current financial situation. Total assessments were based on projected costs and NO ASSESSMENT CHARGE related to COVID-19 was factored into the budget. Loss expenses were projected at the 70% Confidence Level for PACT and 75% for PCM. Increases in program and administrative expenses were primarily due to high claim volume resulting in increased claims processing fees and Insurance Division fees charged to PACT. Projected operating income is \$575,000 or 3.2% of total revenues. Investment income projected at a book rate of return of over 2.5%. Loss Control grants up to \$500,000 will be paid from Surplus. The Board and Staff recognize the difficult times and is reflected in the budget. See the detailed budget in the Board packet.

A motion to approve the PACT Budget for 2020-21 was made by Josh Foli and second by Geof Stark. Motion carried.

8. For Possible Action: Approval of Extension of Willis Pooling Service Contract to Expire July 1, 2026

Wayne Carlson and Mary Wrey from Willis indicated that Willis was willing to extend the existing contract 5 years at no additional cost. It was noted that Willis and AON are going to be merging in the upcoming year pending regulator's approval.

Josh Foli made a motion to approve the Willis Pooling Service Contract extension to expire on July 1, 2026. Mike Giles second the motion which carried.

9. For Possible Action: Action regarding these topics as required by Nevada Administrative Code:

- a. Review of financial condition of each member and prompt notification to the Members of any Member determined to be operating in a hazardous financial condition**
- b. Review of the loss experience of each Member of the association - Claims Experience Report Summary**
- c. Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition**

It was noted that a couple of members are under fiscal watch by the Department of Taxation and that all members are being adversely affected by the economic fallout of COVID-19. A review of the loss experience by members were noted in the Board packet. NO members were noted for removal for excessive losses or operating in a hazardous financial condition.

Josh Foli made a motion to take No Action on this item. Second by Mike Giles. Motion carried.

10. For Possible Action: Election of Executive Committee for Two Year Terms 2020-2022

- a. One Representative from Counties and/or Cities with less than 35,000 Population**
- b. One Representative of School Districts**
- c. One Representative of Special Districts/Towns**

Executive Director Wayne Carlson noted that all the incumbents were willing to continue to serve. Those include Cindy Hixenbaugh (Pershing General Hospital), Elizabeth Frances (White Pine County) and Paul Johnson (WP County School District). Cash Minor asked if there were any members who wanted to seek election. There were none.

A motion by Josh Foli and a second by Mike Giles to reappoint the members to the Executive Committee.

11. For Possible Action: Election of Chair and Vice Chair

Wayne Carlson indicated that Chairman Paul Johnson and Vice Chairman Paul Johnson were willing to continue to serve as Chair and Vice Chair.

A motion by Mike Giles and second by Josh Foli to appoint Paul Johnson as Chairman and Cash Minor as Vice Chairman. Motion carried.

12. Public Comment

Wayne Carlson wanted to recognize Mike Livermore from Davies (formerly ASC) as he is retiring at the end of the month. His dedicated service to PACT has been very much appreciated. Margaret Malzahn has been promoted to take his place.

13. For Possible Action: Adjournment

At 10:21 am on motion by Elizabeth Frances and second by Chris Mulkerns the meeting was adjourned.