Nevada Public Agency Insurance Pool
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Minutes of Meetings of
the Board of Directors and of the Executive Committee of
Public Agency Compensation Trust
Date: April 21, 2023
Location: Grand Sierra Resort, Grand Sierra Resort
500 E 2nd St,
Reno, NV 89595
Time: upon adjournment of Joint Board and Executive Committee Meeting which starts at 8:00am

Minutes

1. Introductions and Roll

Chairman Paul Johnson called the meeting to order at 10:15 am. Roll was taken by sign-in sheet and a quorum of the Executive Committee was present, but not a quorum of the full board. Thus, the meeting was conducted by the Executive Committee.

2. Public Comment

Chief Financial Officer Alan Kalt requested permission to hold the final drawing for the PACT Payroll Audit incentive program from all those who completed the payroll audit by April 14th, 2023. Sherry Wideman from Churchill County drew the winner which was Marla Bay GID. They will receive a $250 Amazon Gift Card. Kalt thanked all members for their diligence in getting the payroll audits completed.

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

a. **Approval of Minutes of Board Meetings of April 21, 2022**
b. **Acceptance of Interim Financial Statements**
c. **Acknowledge PCM Articles of Incorporation and Bylaws Changes**

Josh Foli made a motion to approve the consent agenda. Mike Giles second the motion which carried.

4. For Possible Action: Acceptance of Audit for June 30, 2022

Alan Kalt reviewed and presented the PACT Audit PowerPoint presentation for the fiscal year ending June 30, 2022. He reviewed the Statement of Net Position noting that cash has increased to ensure liquidity to pay claims so that no investments needed to be sold to prevent any realized gains /losses on the sale of securities. Investments were reduced due to the Mark to Market reflecting the unrealized losses on the portfolio due to increases in the interest rates due to action by the Federal Reserve Board. He noted the transfer of $2,500,000 from PCM to PACT as approved by the Board. Ending Net Position at yearend was $5,941,966. The Statement of Revenues, Expenses, and Change in Net Position was reviewed. There was a decrease in assessments of 10.6% and claims down 25.2% due to changes in membership during the year. Administrative expenses increased primarily due to the fees by the Division of Insurance increasing by $439,510 to $908,881 during the year. There was a decrease in operating net position and a non-operating net investment loss due to the unrealized losses on the fixed income price of securities down 8.3% while the income return was 1.95%. Josh Foli made a motion which was seconded by Mike Giles to accept the Audit report for fiscal year ending June 30, 2022. He thanked staff for their work and financial diligence.

5. <u>For Possible Action:</u> Approval Regarding Effective Dates of Rate and Experience Modification Factor Changes and Payroll Methodology

Alan Kalt reviewed the PACT Payroll Methodology as recommended by the PACT Executive Committee from the work of the Task Force including Josh Foli, Paul Johnson, Gina Rackley and Wayne Carlson. The recommended action would modify the PACT payroll assessments in the following manner: 1. Use the actuarially determined fiscal year rates and experience modifications effective July 1, 2023. 2. Continue to use calendar year payroll. 3. Continue the quarterly ACH payments on the same basis as currently applied. 4. Make an additional rate and experience modification adjustments effective January 1, 2024. 5. Make future rate and experience modifications changes effective January 1 for each subsequent year. Kalt walked through the detailed information in the packet. Noting that there will be a rate change in July 2023 and another one in January 2024. It is anticipated that January's rate would be approved by the Executive Committee with updated data from the Actuary. Josh Foli addressed the need for the changes and noted that in effect we have been approving rates in April effective January. After a brief discussion, Mike Giles made a motion to approve the effective dates of Rate and Experience medication factor changes effective July 1, 2023, retroactive to January 1, 2023, with a new set of rates/x-modifications effective January 1, 2024, upon approval of the Executive Committee. Gina Rackley second the motion which carried.

6. <u>For Possible Action:</u> Approval of PACT Retention and Renewal Reinsurance Proposals

Stephen Romero started his presentation by giving the training session presentation on understanding claim allocation and who pays claims. He reminded the board that they own the Pools, govern the Pools and the Pools pay claims based upon approved structure graphs. The structure graph for PACT has the PACT maintaining a \$300,000 self-insurance retention (SIR) which pays the first \$300,000 of every claim paid by PACT. The captive company, Public Compensation Mutual (PCM) owned by PACT pays the next \$700,000 of the claim's costs. After the loss exceeds \$1M, PCM pays 25% of the loss and County Reinsurance Limited (CRL), in which PACT has an equity interest, pays 75% up the next \$2M in losses. Stephen reviewed some loss scenarios and the members solved the "Who Pays What?" question. The presentation showed that large losses have happened within PACT and PCM layers over the past ten years. He showed the increase in covered payroll over the past ten years and the 2023-24 PACT reinsurance renewal quotes. It was noted that PCM rate increased 4.94% or \$137,096 and CRL rates increased \$284,964 or 77.6% due to significant adverse development in their layer. It was noted that there are 4 of the 10 years of loss data that had No Losses that are likely to be replaced with years with losses. CRL rates the account based on ten years of historical loss data by the members. Safety Nations rates had a 5.6% or \$9,026 reduction as there has not been claims in their excess layer. After discussion, Mike Giles made a motion to accept the PACT Retention and Renewal Reinsurance proposals as presented. Gina Rackley seconded the motion which carried.

7. <u>For Possible Action:</u> Approval of Budget for 2023-2024 including Actuarial Overview

Alan Kalt reviewed the PowerPoint presentation in the Board Packet. He noted that PACT has a statutory legal liability to provide coverage to injured workers. He noted that we collect the assessments in the policy year however claims could take 50 years to pay, thus a long-tail claim period compared to property or liability claims payment. He noted that there has not been a special assessment since the inception of PACT. Noting that the Board has developed and approved risk management services that are designed to bend the claims curve, protect the workers, and support the employees of the member organizations. These programs are funded as a service dividend to the membership to supplement the efforts of their organization. The budget recommended a 6% adjustment to the governmental classifications and a 12% increase in the Police/Fire classifications. Kalt noted that the current year 8% rate adjustment was compared to the Actuary recommended rate of 15% for Police/Fire rates. Thus, the need for increased rates for the Police/Fire classifications in the upcoming year. It was noted that the Los Fund and Insurance Expense comprised of

$12.6M or 64.97% of the total budget with Program Expenses at 16.24%, Administration Expenses which include the Division of Insurance Assessment of $850,633 at 12.98% and a contingency of 5.81% for a total budget of $19.3M. The Loss Fund and Insurance expense was calculated at the 75% confidence level as determined by the independent actuary. PACT's loss fund contribution is $8,864,000, CRL and Safety National at $804,814 and PCM assessments at $2,912,546. The claims and insurance cost has not reached 65% of the total budget benchmark during the past 6 years. The best year was in FY 2017 where it was 68.2%, the worst was in 2019 at 96.7% The six-year average is 86.9%. One way to improve those rates and lower the average would be to increase the Confidence Level above 75%. It was noted that one method may be to gradually increase it one percent per year to get to the 80% confidence level. He reminded the members that their assessments are based on their covered payroll multiplied by the classification rates and their entity's mod-rates. The new mod-rate calculations by the actuary indicated 74 members had mod-rates less than the PACT average of 1.0 and 76 entities will experience mod-rate reductions effective July 1st. It was noted based on the previous board action, the classification rates and mod-rates will be adjusted effective January 1, 2024, upon the approval of the Executive Committee based on the recommendations from the actuary who will update the calculations based on the loss data through June 30, 2023. The PACT payroll audits will remain on a calendar year basis and be performed in the February to March timeframe. After a discussion, a motion was made by Mike Giles and second by Josh Foli to approve the budget which includes a 6% increase in the general government classifications rate and a 12% increase in the police and fire classifications rate effective July 1 to covered payroll beginning on January 1, 2023. Motion carried.

8. **<u>For Possible Action:</u> 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**

Wayne Carlson walked through the claims data included in the packet for each member group. The data shows claim frequency and claims cost for a five-year period. The data was grouped by Counties, Cities, School Districts, Hospitals, and Special District and towns. He also noted that Alan Kalt monitors the activities of the Committee on Local Government Finance which reviews entities that are under watch by the Department of Taxation for financial stress. It was noted that Esmeralda County, White Pine County TV District and Topaz Lake GID were recently on the agenda for late audits and findings. It was noted that these entities are NOT operating in a hazardous financial condition. Gina Rackley, who serves on the Committee on Local Government Finance, made a motion to accept the reports and information as required by the Nevada Administrative Code. Motion seconded by Mike Giles and approved.

9. **<u>For Possible Action:</u> Election of Executive Committee for Two Year Terms 2023-2025**
    a. **Two Representatives from Counties and/or Cities with 35,000 Population or more**
    b. **One Representative from Counties and/or Cities with less than 35,000 Population**
    c. **One Representative of Special Districts/Towns**

Wayne Carlson reviewed the election information included in the packet noting that Mike Giles, Josh Foli, Amanda Osborne, and Joe Westerlund seats were up for re-election. All the candidates expressed a willingness to continue to serve on the Executive Committee. Chairman Paul Johnson asked if there were any other nominations from the members. There were none. Gina Rackley made a motion to approve Josh Foli and Amanda Osborne as the two representatives for entities with 35,000 population or greater: Mike Giles as a representative from Counties and/or Cities with less than 35,000 population and Joe Westerlund as a representative of a Special District/Town. Second was Mike Giles. Motion carried.

10. **<u>For Possible Action:</u> Election of Chair and Vice Chair**

Wayne Carlson noted that Chair Paul Johnson and Vice Chair Mike Giles were willing to continue to serve in these roles. They affirmed they were willing but if someone wanted to serve they would be willing to allow them the opportunity. Josh Foli made a motion to appoint Paul Johnson as Chair and Mike Giles as Vice Chair. Joe Westerlund second the motion which carried. Paul thanked the Executive Committee for their dedication and support to PACT. He noted the collective leadership and governance of this group is what makes POOL/PACT such a strong organization.

11. Public Comment

Chair Paul Johnson asked for any Public Comments. There were none.

12. <u>For Possible Action</u>: Adjournment

The meeting adjourned at 11:44 am.