



Public Agency Compensation Trust
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**Minutes of the Meeting of the
Board of Trustees and of the Executive Committee of
Public Agency Compensation Trust
Date: April 29, 2005**

1. Roll

A sign in sheet was circulated and a quorum determined to be present. The Chairman called the meeting to order at about 10:45 a.m.

- 2. Action Item: Approval of Minutes of Board and Acceptance of Committee Minutes:**
- a. Board Meeting of November 15, 2004**
 - b. Executive Committee Meeting of December 7, 2004**

On motion and second to approve and accept the minutes, the motion carried.

3. Action Item: Financial Report

Staff circulated the March 31, 2005 interim financial statements. Wayne Carlson noted that net income grew by about \$988,000, bringing capital to just over \$8,000,000. On motion and second to accept the financial report, the motion carried.

- 4. Action Item: Acceptance of Reports:**
- a. Claims Activity Summary Report**

Wayne Carlson commented that the claims activity reports summarized claims by type of member, individual member, and by year. He noted that counties tended to have the highest amount of claims due to their larger employment size and type of jobs. He commented on the high and low activity years for each category of member.

- b. Large Loss Report**

Doug Smith handed out an exhibit showing the loss in excess of \$100,000 since 1996. There were 41 claims since 1996 of which 3 exceeded \$500,000 and 4 were between

\$250,000 and \$500,000. He commented that some of the largest claims were from heart cases.

c. Actuarial Update

Doug Smith handed out some actuarial exhibits showing comparisons of methodologies used by the actuary to select and recommend ultimate loss projections. He noted that the actuarial exhibits provided were from Allen Hall of Capital Actuarial Consultants. These were completed prior to his having a serious medical problem develop that resulted in his having to retire from practice. A new firm, Bickmore Risk Services, purchased Allen's practice and is working on the current report expected to be released shortly. Doug reviewed the projections and how it affects the financial position and rates for PACT.

d. Status Report Regarding Police and Firefighter Heart/Lung Case Activity

Doug Smith reviewed the heart/lung case activity noting a slight increase in reported cases. He noted that one case had come to light in which predisposing conditions that remained uncorrected led to a death. Bob Balkenbush commented that the physician had not given clear and specific orders to correct the predisposing conditions, the employer had not been consistent in requiring physicals and had not counseled the employee about the conditions as required by regulations, thus the claim could not be denied. The estimated ultimate loss is \$640,000 over time as a consequence. He encouraged employers to be more vigilant in overseeing compliance with the statutes and regulations. Doug Smith noted that one of the large heart cases had seen positive improvements by the employee in eliminating smoking and making other lifestyle changes and as a result, the claims staff is considering reducing the reserve.

5. Action Item: Amend Article 20 of the Interlocal Cooperation Agreement

Wayne Carlson highlighted the proposed changes. He indicated that while the role of the Litigation Strategy Committee as a board committee would be changed, staff intended to continue the litigation committee activity in the form of a workshop under the direction of staff. He also commented that the other revisions were to clarify the role of the claims committee. On motion and second to approve the amendments as proposed, the motion carried.

6. Action Item: Acceptance of Renewal of Excess Insurance Programs and Options

Bob Lombard handed out an overview of the options available to members. He explained in detail the concept of an aggregate corridor deductible option. Bob mentioned that he and Wayne Carlson visited with Midwest Employers Casualty Company and with Safety National in St. Louis in April to discuss options. The visits were productive even though Safety National subsequently declined to offer terms due to the heart/lung exposures. Bob reviewed the list of markets approached and the results (nearly all declinations). He explained that County Reinsurance, Ltd (CRL) was quoting options with excess provided in combination with Midwest. Bob then compared the options selected by the Executive Committee for consideration by the Board. After considerable discussion about the value of the aggregate attachment compared with the estimated ultimate losses and comparison of the optional specific retentions, the Board

determined that the corridor deductible may be the better option than simply increasing the specific retention.

On motion and second to select Option 1, \$750,000 retention on police/fire/ambulance class codes, \$350,000 on all other classes and a \$500,000 aggregate corridor deductible in excess of both retentions, subject to an aggregate attachment point of \$8,835,411 in exchange for a deposit premium of \$623,766, the motion carried.

7. Action Item: Acceptance of Budget for 2005-2006

Wayne Carlson reviewed the key elements in the budget noting that the excess insurance premium reduction would be offset in part by additional contributions to the loss fund as a result of the corridor deductible addition to the retentions. He also indicated that he expected to receive the actuarial report shortly to firm up the needed contributions to the loss fund. Overall he expected a modest increase in the overall program costs. He indicated that the margin for revenue over expenses was set to accomplish the targeted 15% average equity growth over four year cycles set by the Executive Committee. Investment income expected has been reduced due to current market conditions and has been separated from the operating income as required by accounting standards. On motion and second to accept the budget as proposed, the motion carried.

8. Action Item: Approval of Claims Management Services Contract with Alternative Service Concepts, LLC

Donna Squires explained the history behind the proposed changes to the contract, noting that the board requested a three year term in lieu of the annual term as in the past. ASC considered this and reached a corporate decision to propose a cost-plus approach to all of their pooling clients. As a result, she is proposing a three year cost plus contract since 89% of her office's effort is devoted to both POOL (39%) and PACT (50%). Eighty-nine percent of costs for all office services and staffing would be allocated to the pools with a 12% profit margin the first year, 15% the second and 18% the third. Their national margin set by home office was 18%, but she was given the flexibility of implementing this over time. Various members of the board asked questions concerning accountability for the costs. Donna responded that quarterly reports would be provided to POOL/PACT administration to facilitate monitoring results. She stated that at the end of each year, costs would be trued up to actual and additional costs or reductions would be passed along. If ASC acquires additional clients, the office allocation percentages would be adjusted.

On motion and second to approve the contract, subject to deletion of the words "with cause" under the section entitled "ASC and CLIENT MUTUALLY AGREE AS FOLLOWS," subsection 1, the motion carried.

9. Action Item: Update on Police and Firefighter Physicals and Wellness Program with SpecialtyHealth

Josh Wilson reiterated his presentation at the Joint Board meeting about the wellness efforts. He said that SpecialtyHealth's Dr. Greenwald shared the physical examination results with the officers in Churchill County and Fallon, spending a half-hour with each

one reviewing the results and discussing corrective actions. He noted that the officers were very motivated for change and appreciative of the opportunity to receive guidance and encouragement. Wayne Carlson noted that members were surveyed about their compliance with the physical examination regulations and the results showed that several physicians were not using the required forms and employers were not following up on the results. He encouraged members to improve their compliance efforts. He also said that if the results of the pilot project on wellness prove positive as expected, then rolling this out to additional members will be critical to preventing losses and preserving the lives of employees. In this manner, compliance with orders to correct predisposing conditions will be secured and claims will not have to be denied as a result. No action was taken on this item.

10. Action Item: Update on Hospital Loss Prevention Program

Doug Smith explained that the focus of this program is on prevention of back injuries in hospital settings. Rick Hudson added that he had seen cases in which a light weight employee was attempting to lift an over weight patient, leading to injury. The goal of the program is to improve selection of employees, to increase physical conditioning of employees, to promote use of lifting devices and to reduce injuries to employees. Rick said he had met with staff at Washoe Health Systems for information and they were very helpful in providing ideas and assistance. Doug indicated that Rick, he and Bill Zelinski (CHRM) were working together on a comprehensive program. No action was taken on this item.

11. Action Item: 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**
- c. Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition**

Alan Kalt asked whether there was any member in financial jeopardy or having excessive loss experience such that they should be considered for removal from PACT. He stated that Pershing General Hospital was under review by the Department of Taxation for action to turn around their financial situation in which they have been late on PERS and other required payments. He asked whether they were current on PACT. Wayne Carlson confirmed that they were. He also indicated that no removals were recommended at this time and that the previous review of the claims (Item 4.a. of this agenda) complied with the regulations.

On motion and second to record for the record that the board has taken action as required under the regulations with regard to these topics, the motion carried.

12. **Action Item: Election of Executive Committee**
- a. **One representatives from Counties and/or Cities with less than 35,000 population for a two year term from 2005-2007**
 - b. **Two representatives from Counties and/or Cities with 35,000 or more in population for two year terms from 2005-2007**
 - c. **One representative of Special Districts for a two year term from 2005-2007**
 - d. **One representative of hospitals for a one year term from 2005-2006**

On motion and second to reappoint the incumbents and to elect Toni Inserra of South Lyon Community Hospital as the hospital representative on the Executive Committee to fill the remaining year on Gordon Hutting's term expiring in 2006, the motion carried. Reelected for two year terms from 2005-2007 were Roger Mancebo of Pershing County, Claudette Springmeyer from Douglas County, Cash Minor from Elko County and Mike Tourin from Sun Valley General Improvement District.

13. **Action Item: Election of Chairman and Vice Chairman**

On motion and second to reelect Alan Kalt as Chairman and Cash Minor as Vice Chairman, the motion carried.

14. **Public Comment**

No public comment was received.

15. **Action Item: Adjournment**

The meeting adjourned at about 1:30 p.m.