



Nevada Public Agency Insurance Pool
Public Agency Compensation Trust
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**Minutes of Meetings of
the Board of Directors and of the Executive Committee of
Public Agency Compensation Trust
Place: John Ascuaga's Nugget, Sparks, Nevada
Time: 10:00 a.m. or
Upon adjournment of Joint Board Meeting
Date: April 27, 2010**

April 27, 2010

1. Introductions and Roll

A quorum being present, Chair Kalt opened the meeting. He asked Jackie Cox to make her presentation under item 6 during the luncheon.

2. Action Item: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda

- **Approval of Minutes of Board Meetings:
Board Meeting May 1, 2009**

On motion and second to approve the consent agenda item, the motion carried.

3. Action Item: Acceptance of Audit for June 30, 2009

Alan Kalt commented that the audit committee had reviewed the audit and that the auditor had issued an unqualified opinion.

On motion and second to accept the audit, the motion carried.

4. Action Item: Acceptance of Reports
a. Claims Review Report
b. Large Loss Report
c. Actuarial Update

Wayne Carlson indicated that a review of each member's claims by the board was a regulatory requirement and the report in the board packet showed comparative data by type of member.

Mike Livermore reviewed that large losses and made comments about the specific cases and what the causes of loss were. He noted that in one case, substantial Subsequent Injury Fund recoveries were being received due to the employee's previous injury.

Doug Smith reviewed several pages from the actuarial reports on the reserves and on the funding projections. He noted that PACT funded at a 70% confidence level. He commented that there was an upward trend in claims costs per \$100 of payroll and in the individual average case costs in the most recent three years. He indicated that he had discussions with the actuary about the trends, but that the funding level for municipalities and hospitals was fairly flat for this year, but the schools revealed an increased funding requirement. He said he had not completed his review with the actuary regarding the schools component to develop the final rates, but would be doing so before the rate filing was made.

5. Action Item: Acceptance of Budget for 2010-2011

a. Approve Post-Employment Heart Rate Increase Plan

Wayne Carlson commented that the budget anticipated level revenues and a negative overall result in order to avoid cost increases. He indicated that PACT would rely on the 70% actuarial confidence level to achieve the necessary margins. He said that the Executive Committee had recommended a 10% rate increase for the post-employment heart code only from 3.13 to 3.45 in order to fund more aggressively toward the actuarially recommended level for the post-employment risks. He mentioned that the first actuarial study recommended funding a minimum of \$22 million for this difficult to project post-employment coverage and that PACT had collected about \$6.8 million toward this level. A more recent study, confirmed that target assuming 50% of future claims would be PACT's, but showing that a range of risk up to 100% of claims could raise that base rate needed to about 8.07 if the future shows such a development. The Executive Committee suggested that a more aggressive funding level of an increase of 10% for 2010 and another 10% in 2011 would be warranted, then further review to gauge results for subsequent funding levels. Wayne responded to several questions from board members regarding the funding levels and rates. He explained that the lifetime benefits were expensive, Medicare changes influenced future costs, and legislative changes had given survivor benefits for life, further adding to the potential costs.

On motion and second to approve the budget, the motion carried.

6. Action Item: Cardiac Wellness Program Status Report

a. Update on Cardiac Wellness Program Changes and Results

b. Approve Risk Reduction Incentive Program for Cardiac Wellness

a. Jackie Cox presented an update on the Cardiac Wellness Program and how it had evolved with new knowledge and changes in treatment. She provided information about the medical measurement methods and how combining the Framingham Risk and ATP III Scores with measurements of Metabolic Syndrome and Insulin Resistance revealed a worse risk profile for the future than any one of these measured alone. She commented that there now are effective treatments that can significantly reduce this risk. She reviewed the statistics for PACT showing the profile of the risks based upon each of the foregoing measurements and the combined measurement. Then, she looked at the risk profiles of participants in the CWP

versus non-participants and commented that the risks virtually were the same. The combined risk profile is high so intervention is critical to avoiding heart attack risks in the future and the resulting claims costs and affects on personal lives and finances of the employees.

On motion and second to accept the report, the motion carried.

b. Wayne Carlson reviewed the proposed Risk Reduction Incentive Plan document that was included in the board packet. He indicated that the rationale behind the plan was to secure a financial commitment of the agency in promoting the CWP program by penalizing adverse results and rewarding positive results based upon the risk profiles of the agencies. He noted that the design of the proposal was to have higher penalties for higher risks. Considerable discussion ensued with concerns, questions and suggestions from various board members. Members expressed concern about the implementation challenges, the potential costs if adverse results develop, whether an employee incentive would work and other aspects of the plan. Some agreed with the concept, but had concerns about the practical aspects and potential pushback from employees or agency departments.

On motion and second to adopt the plan on a pro forma basis for two years, directing staff to create its own task force to review the results, and to reconsider implementation at a future date, the motion carried.

7. Action Item: Acceptance of Renewal Reinsurance Proposals and Options

Bob Lombard presented the renewal program proposals after reviewing the expiring rates applied to the 2009 payrolls as a basis for comparison. He explained that the Executive Committee had recommended that the board consider renewal with the current program design and three other options shown in a spreadsheet Bob provided. He noted that two addition insurers had quoted higher prices and three had either declined to quote or were non-responsive. Bob reviewed each of the options that included substituting alternative reinsurers for certain layers and higher retentions by either PACT or PCM or both. Bob and Doug Smith commented on the funding for the higher retention options and how that affected the captive and PACT pricing. Bob, Wayne Carlson and Doug responded to questions.

On motion and second to renew the program with the current structure and reinsurers that resulted in a reduction in the reinsurance costs to \$880,862 combined, the motion carried.

8. Action Item: Approval of Renewal Risk Retention Options

No action was taken on this item since the retention did not change under item 7.

9. Action Item: Approval of Contract with Willis Pooling for Broker/Loss Control/Wellness Services for PACT for Three Years Effective July 1, 2010

Bob Lombard provided a stewardship report about changes at Willis Pooling and the scope of services provided and now available. He reviewed the merger of Willis and HRH was completed and fully integrated under the Willis brand. He noted leadership changes in Willis Pooling that had occurred were positive. Bob then explained that the proposed contract was

for no change in the contract fee, but that he expanded his loss control team for the benefit of the pools to dedicate three FTEs instead of the current 2.5 FTEs.

On motion and second to approve the contract with no fee increase, the motion carried.

- 10. 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 - 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 noted that the claims review occurred previously during this meeting. Alan Kalt said that he serves on the Committee on Local Government Finance and that they had recently reviewed entities for financial condition concerns and that all were in decent condition as of June 30, 2009. Reviews will be ongoing and likely worsen in 2010, but no hazardous financial condition cases warrant removal of a member.

On motion and second to note that the required regulatory review occurred and to take no further action, the motion carried.

- 11. Action Item: Election of Executive Committee for Two Year Terms from 2009-2011**
- a. One Representative from Counties and/or Cities with less than 35,000 Population**
 - b. Two Representatives from Counties and/or Cities with 35,000 or more Population**
 - c. One Representative of Special Districts**

Alan Kalt reviewed those up for election this year for two year terms included Toni Inserra for hospitals, Steve West for small cities or counties and Paul Johnson for school districts. He called for additional nominations.

On motion and second to reelect the same persons, the motion carried.

- 12. Action Item: Election of Chair and Vice Chair**

Alan Kalt noted that both he and Vice Chair Cash Minor were willing to continue to serve.

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

- 13. Public Comment**

No public comment was received.

14. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at 2:40 p.m.

The Agenda was posted at the following locations:

**N.P.A.I.P. / P.A.C.T.
201 S. Roop Street, Suite 102
Carson City, NV 89701**

**Carson City Courthouse
885 E. Musser Street
Carson City, NV 89701**

**Eureka County Courthouse
10 S. Main Street
Eureka, NV 89316**

**Churchill County Administrative Complex
155 North Taylor Street
Fallon, NV 89406**