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 Meeting and Agenda of
Executive Committee of
Public Agency Compensation Trust
Date: December 4, 2024
8:30 AM
ZOOM Meeting

Minutes

1. **Roll**
PACT Chair Paul Johnson called the meeting to order at 8:33 am when a quorum of members was present.
PACT Members present: Paul Johnson, Paul Sikora, Josh Foli, Joe Westerlund, Mike Giles, Amanda Osborne, and Robyn Dunckhorst.
PACT Members absent: None.
Staff members present: Wayne Carlson, Alan Kalt, Stephen Romero, and Debbie Connally.

2. **Public Comment**
There were no public comments.

3. **<u>For Possible Action:</u> Approval of Consent Agenda**
   a. **Approval of December 19, 2023, PACT Executive Committee Minutes**
   b. **Approval of interim financial reports for PACT**
   c. **Approval of NEAM Investment Report**

After a brief discussion, Paul Sikora made a motion to approve the consent agenda items a.-c. Josh Foli second the motion, which carried.

4. **<u>For Possible Action:</u> Approval of PACT Classification Rates and Experience Modification Factors Effective January 1, 2025**
   a. **Review of PACT Loss Fund Contribution Rate Indications by Actuary**
   b. **PACT Rate Change Indications Options**
   c. **PACT Experience Modifications Plan Renewal**

Alan Kalt reviewed the PowerPoint presentation included in the meeting packet. The following items where highlighted during the presentation: Rate Process, Structure Graphs, Renewal Layers, Classification Rates and Actuary Proposed X-mods and PACT Budget Overview.

Kalt reminded the Executive Committee that at the Annual Meeting held in April 2023, the Board approved the new rate setting timeline that would require a December meeting to set the new rates that would become effective on January 1st for the upcoming calendar year payroll cycle. This would allow the Members to update their payroll systems to include the new rates and x-mods for each entity effective January 1st. The assessment cycle using calendar year payroll and three quarterly assessments with a fourth quarter true-up assessment in the second calendar quarter after the independent PACT payroll audit by SPR would not change.

Kalt reviewed the current year, FY 24/25, Structure Graph noting that there would not be any recommended changes to the various layers in FY 2025/26. Alan reviewed slides created by Stephen Romero which indicate who pays what in a large loss ($1.5M) scenario. It was explained that our captive Public Compensation Mutual (PCM) pays the next $700,000 above PACT's $300,000 SIR as well as 25% of the loss amounts between $1M and $3M loss. CRL is liable for the remaining 75% of that $2M excess layer per large loss claim. It was noted that it is important to understand how large claims affect the other layers of coverage as it has an impact on the renewal rate calculations.

The PACT Assessment factors used by the actuary: payroll assessments are capped at $36,000 of covered payroll, individual losses are limited to $100,000 per occurrence, payroll amounts are weighted based on pre-determined class code relativities, experience period over the past four years and the maximum change to a member's experience modification factor (x-mod) from the previous year is limited to +15% to -10%. The Committee reviewed the historical classification rates over the past three years, noting the level of increases in each of the years.

A discussion ensued on the cost of the reinsurance layers which include PCM, CRL and Safety National. Alan Kalt reviewed the CRL Premium analysis for the current year (FY 24-25) which had an increase of 54.2%. CRL uses a 10-year look back on large losses. In the current year, we experienced a $0 Loss Year being replaced by a $2,400,000 loss year (2021). Our oldest five years of losses (2011-2015) had 4 years with no losses and our most recent 5 years have significant losses in the CRL Layer in each year. As such, premium increases are likely to be significant until old large losses roll off the calculation.

Kalt reviewed the slides related to the Actuarial reports prepared by Derek Burkhalter from Bickmore Actuarial. The slides show the multi-year trends for Loss Rates, Claim Severity and Claim Frequency. Derek points out that a reasonable goal might be to maintain a fund at the 85% confidence level. This could provide stability in the required level of contributions from year to year. Noting that if you fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. Additional contributions for years by that time long past may be required while costs are increasing dramatically on then-current claims. The additional burden of funding increases in past years as well as current years may well be prohibitive. It was noted that you only get one opportunity to fund the injured workers' claims as PACT has never had to have a special assessment and does not plan on any in the future. Kalt noted that at the 80% confidence level for the PACT $300,000 SIR level $9.603M was needed in funding compared to the 75% CL at $9.252M.

A review of the PACT expense budget classifications of Loss Fund & Insurance, Program Expenses and Administrative Expenses noted cost containment and stability have been incorporated into the FY 25-26 budget. Kalt reviewed distinct items within the proposed budget and the impact on the Classification Rate assessment. The Committee reviewed PACT's Historical Paid Loss Ratio as noted below:

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025B	FY 2026B Opt 1
Assessments	10,083,799	11,792,275	12,675,642	14,834,560	15,055,750	18,562,181	18,915,112	18,197,290	19,824,556
Heart Lung Assessments	1,104,106	1,109,118	1,490,539	2,013,904					
Total Assessments	***11,187,905***	***12,901,393***	***14,166,181***	***16,848,464***	***15,055,750***	***18,562,181***	***18,915,112***	***18,197,290***	***19,824,556***
Loss Fund and Claims Expense									
Claims and adjustment Expenses	6,431,493	8,822,730	9,103,742	10,922,746	8,485,681	8,572,744	7,856,139	9,460,000	9,603,000
Heart Lung loss expenses	1,450,372	1,506,637	1,601,459	2,113,304					
Excess insurance premiums	526,516	537,133	432,826	467,538	474,027	495,712	771,938	1,026,889	1,283,611
Re-insurance premiums (PCM)	1,931,416	1,607,000	2,237,700	2,522,875	2,583,635	2,601,409	2,912,546	3,158,377	3,411,047
Total Loss/Claims Expenses	***10,339,797***	***12,473,500***	***13,375,727***	***16,026,463***	***11,543,343***	***11,669,865***	***11,540,623***	***13,645,266***	***14,297,658***
Paid Loss Ratio (Total Claims/Total Assessments	***92.4%***	***96.7%***	***94.4%***	***95.1%***	***76.7%***	***62.9%***	***61.0%***	***75.0%***	***72.1%***
Reduction in Net Position During Fiscal Year	***$ (2,941,036)***	***$ (1,597,504)***	***$ (28,702)***	***$ (3,237,099)***	***(4,013,117)***	***$ 3,304,866***	***$ 6,427,656***	***1,119,943***	***2,202,914***
			5 Yr Net Position Accumulated Loss		***$ (11,817,458)***	***7 Yr P/L Ratio %***	***82.74%***		

A discussion on the four years where the Paid Loss Ratio was over 90% was held. It was noted that large losses from members who have left the program have impacted the ratio significantly. It was noted that the past three years have shown improvement in the Paid Loss Ratio, increases in investment income, as well as an increase in Net Position. The seven-year average ratio is 82.74% which is greater than the acceptable range of 65-75%.

The proposed Tentative Budget and Classification Rate assessment for Fiscal Year 2025-2026 was discussed at length. It was recommended to consider separate rate increases for the group of classifications based on rate relativity of classifications historical loss experience based on size of class (in terms of payroll) as recommended by the actuary. As such, the budget was developed using a 0% classification increase for School, -9% for hospital Classifications, 0% for General Government Classifications, 2% for Police and 4% for the Fire Classifications. This should generate adequate assessments to reach the 80% confidence interval funding in the actuarial report. Alan Kalt noted that we will receive the renewal pricing from CRL and PCM on the reinsurance layers in March. The budget estimated a 25% increase for CRL and 8% for PCM due to the historical losses in those layers. He indicated that if the increases were above the projected amounts, the investment earnings could absorb those increases, if not, there would be a reduction in Net Position.
There was a discussion on the use of Net Position and investment earnings to smooth out the rate of increase if the rate increases become significant. Kalt reminded the Committee that PCM had to transfer capital back to PACT in FY 22 in the amount of $2.5M and $2.0M in FY 23 to maintain capital adequacy in PACT.

Josh Foli appreciated the hard work by staff in developing the budget recommendations. He noted that PERS just sent out their contribution rates effective July 1, 2025, which reflected an increase in the Regular Members from 33.5% to 36.75% and an increase from 50% to 58.75% for the Police/Fire classification. He noted that this will have a significant impact on our members, especially those with Police/Fire employees. As such, he questions the timing of moving to the 80% CL From the 75% CL in the current year. Kalt noted that the difference in funding levels is approximately $351K as computed by the actuary. Kalt walked the Board through Option 2 budget which keeps the classification rates flat at the current rate. It reflected a reduction of approximately $350K in assessments. Alan noted that the Hospital rate should reflect the negative adjustment as recommended by the Actuary in its rate relativity study. After further discussions, it was also recommended to fund the estimated claims/losses at the 75% funding level. This reduction would allow for an increase in the estimated re-insurance cost by CRL and PCM at their excess layers. There was a discussion about this being a Legislative year and we do not know what changes may occur to the Workers Compensation statutes. This is another unknown going into this early rate setting discussion.

After a question-and-answer period, Josh Foli made a motion to approve the PACT Classification Rates at a FLAT RATE with the exception of REDUCING the Hospital rate -9%, funding losses at the 75% Confidence Level and accepting the Actuary's X-Mod rates that are calculated in the Actuary's X-Modification Study. Amanda Osborne seconded the motion, which carried unanimously.

5. **Report on Status of PACT Renewal Processing and Changes in Membership**

Wayne Carlson reviewed the Member Status Report included in the packet. He noted that Southern Nevada Health District fired their Nevada agent, hired an agent from Missouri and left POOL/PACT for political reasons and accepted a much lower coverage level for POOL related coverages. The four rural hospitals left as a new agent outside of the Nevada Rural Hospital Partners organization came in and offered a lower rate. Chairperson Johnson asked if we need to provide additional training for agents to better understand our coverages and services. He also asked Wayne why he felt members left PACT. Wayne responded that short-term lower rates during tough economic times have driven some members to leave (hospitals) and they have forgotten why the POOLs were formed in the first place when the insurance market refused to provide coverage to Local Governments. As for agent training, which could assist in the process, many of the agents have been long-standing partners with POOL/PACT, understanding our program and services. It is the out-of-state agents that do not understand our programs.

6. **<u>For Possible Action:</u> Approval of Churchill County School District for PACT Membership**

Wayne Carlson reviewed the Churchill County School District underwriting application. Noting their loss ratio. They are looking to go to a fully insured program supported by members' services and a quality claims administrator to process their claims. During a CCSD Board meeting, it was explained that they could pay PACT to process and pay the runoff of existing claims like what Incline Village General Improvement District did in the past. It will be something for them to consider after they become a member. This would take their long-term liability off their financial statements. After a question-and-answer period, Josh Foli made a motion to approve Churchill County School District for PACT membership based on the information included in the packet. Mike Giles seconded the motion, which carried.

7. **Public Comment**
   There was none.

8. **<u>For Possible Action</u>: Adjournment**
   Chairperson Paul Johnson adjourned the meeting at 9:41 am