Nevada Public Agency Insurance Pool
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Minutes of Meeting and Agenda of the
Audit Committee of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: October 13, 2023 Time: 9:00 A.M.
Place: ZOOM

Join Zoom Meeting
https://us02web.zoom.us/j/83810805758?pwd=K3Z2RVlyU2s4Y3JnclN0K1JZYXV2Zz09

Meeting ID: 838 1080 5758
Passcode: 910507

Minutes

1. **Roll**
   Audit Committee Members Present: Josh Foli and Paul Johnson
   Other Present: Wayne Carlson, Alan Kalt, Debbie Connally, Stephen Romero

2. **Public comment**
   Acting Chair Josh Foli opened the Public Comment hearing, there were none.

3. **Action Item: Approval of Minutes of Meeting of October 11, 2022**
   Paul Johnson made a motion to approve the minutes of October 11, 2022. Josh Foli seconded the motion which carried.

4. **Action Item: Acceptance of Auditor's Report and Recommendations Regarding Public Agency Compensation Trust**
   Chair Foli indicated that the Audit Committee will take item 4 and item 5 together>

5. **Action Item: Acceptance of Audit: Public Agency Compensation Trust**

Chief Financial Officer Alan Kalt reviewed the information included in the meeting packet starting with the Audit Committee letter, the letter to those in charge of governance and the audit report. He noted that 97.3% of the Admin Expenses were tested by the auditors, 99.3% of the Claims expenses and 34.5% of the Claims payments were tested by the auditors. Noting a very rigorous level of testing. He reviewed the email notification of monthly financial statements and the proposed adjustments by the auditors. Kalt walked through the PACT PowerPoint presentation of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position as well as the Cash Flow statement. Highlights included Cash and Investments increased $4.0M or 7.6% during the year and total assets increased by $6.5M to $71,969,433 at FYE 6-30-23. The current portion of reserves for claim losses increased from $7,019,710 to $7,241,880 and the long-term portion increased from $51,347,290 to $51,629,120 noting that these amounts are calculated by the independent actuary at a 75% confidence level. Net Position increased from $5,941,966 to $11,246,832 which was a result of favorable operations and the $2.0M capital contribution from PCM during the fiscal year.

In reviewing the Statement of Revenues, Expenses, and Changes in Net Position, the assessments increased from $15,055,750 to $18,563,181 and increase of $3,507,431. He noted that the classification rates went up 8% and the remaining increase was due to payroll assessment increase of 15.3% from membership growth in FTEs. The total loss fund and program expenses increased to $13,877,965 from $13,610,889 which represented an increase of $267,076 or 2.0% during the year. The claims adjustment expense increased slightly from $8.485M to $8.573M. Underwriting and claims processing increased from $905,653 to $983,850 during the year. Administration Expenses represented 12.8% of total expenses. They were down by $332,913 from the prior year as a result of lower Division of Insurance fees due to a larger member leaving a couple of years ago. The Net Operating Income was $3,230,866 compared to a loss of ($342,855) in the prior year. The Non-operating net investment income (loss) for FYE 23 was $74,453 compared to ($3,670,262) due to interest increases during the year. The increase in Net Position was $3,304, 866 compared to the prior year's ($4,013,117) giving PACT its first operating gain in several years. Kalt noted that PCM contributed $2.0M in FY 23 compared to $2.5M in FY 22 as approved by the Board of Directors. He noted that this was a very favorable year for PACT and noted the favorable results with the elimination of a member with adverse loss history in the past.

There was a quick overview of the Bickmore actuarial study performed by Derek Burkhalter. It was noted that the 75% confidence level was used based on Board approved policy. It was noted that Derek recommends funding at 80% confidence level as it adds to a degree of stability in the level of contributions and is less likely to need a special assessment should adverse claim development occur. Kalt reviewed the historical trends in terms of frequency, severity and average claims cost of a 10-year period. He finished the actuarial portion by showing the loss cost by layers as well as the Workers Compensation structure graph indicating who pays what expenses related to claims especially as they exceed $1.0M and the comparative schedule of claims development in the notes to the financial statements.

Chairman Foli thanked Alan for the presentation and the hardworking staff who do such an amazing job on the audit. He asked if there were any questions and there were none. Paul Johnson made a motion to accept the Auditors report and recommendations noting the overview of the audit and actuary report. Josh Foli seconded the motion which carried.

6. **<u>Action Item:</u> Acceptance of Auditor's Report and Recommendations Regarding Nevada Public Agency Insurance Pool**

Chair Foli indicated that the Audit Committee would take items #6 and #7 together.

7. **<u>Action Item:</u> Acceptance of Audit: Nevada Public Agency Insurance Pool**

Alan Kalt reviewed the PowerPoint presentation included in the packet for the Nevada Public Agency Insurance Pool financial operations for the fiscal year ending June 30, 2023. He reviewed the Audit Committee letter and the letter to the Board of Directors. Noting that the most sensitive estimates affecting the financial statements are the loss reserves, specific and aggregate recoverables. NPAIP is in arbitration with United Educators to collect a specific recoverable on a claim. Given the delay in payment and subsequent actions by United Educators, Management felt it prudent to make an allowance though it is believed the full amount should be recovered. Therefore, this year an allowance of 50% in the amount of $775,980 was made by management as a conservative measure in the event the arbitration panel does not find fully with the POOL. The loss reserve estimate is determined by an independent actuary at the 75% confidence level.

In a review of the Statement of Net Position, it was noted that cash and investments increased during the year. Cash increased from $4,482,628 to $5,700,870 and investments increased from $23.2M to $24.1M. The total leased assets were $136,633 which is the POOL building. The total claims reserves decreased $623,000 or 4.95% during the year. The short-term portion was $5,198,461 and the long-term portion of $6,754,539 for a total of $11,953,000 at the 75% confidence level as determined by the independent actuary. Net Position increased by $2,787,670 or 13.8% during the year for a total Net Position of $23,037,738.

The Statement of Revenues, Expenses and Changes in Net Position noted total revenues increased from $21,286,385 to $22,134,614, an increase of $848,229 or 3.98%. Program expenses increased 0.8% to $17.570M. Loss and loss adjustment decreased $1.755M -36.8% due to loss activity. It was noted that the excess insurance premiums increased $748,810 mostly within the Old Republic layer for School Districts. NPAIP continues the special insurance programs for environmental and student accident program with a cost of $493,655 and the bad debt expense of $775,980 for the UE specific recoverable. Administrative expenses were 7.5% of the total expenses. There was an increase in Operating Net Position of $2,895,733 compared to the prior year of $2,575,303. The non-operating net investment loss for FY 23 was ($108,063) compared to FY ($1,734,881) because of low yielding fixed rate investments getting closer to maturity. The Net Position increased to $2,787,670 for the year. Kalt noted that these were favorable results for the POOL during the year. Member education and training remained strong at $1,389,976 during the year.

After a brief discussion, Paul Johnson made a motion to accept the auditor's report and recommendations for the Fiscal Year Ending June 30, 2023. Paul Johnson seconded the motion which carried. Chair Foli again thanked staff and the independent auditors for the great job.

8. **Public comment**

Chair Foli called for Public Comment. There was none.

9. **<u>Action Item:</u> Adjournment**

Meeting adjourned at 9:30 am.