



**Nevada Public Agency Insurance Pool
Public Agency Compensation Trust**
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**Minutes of the
Audit Committee of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: October 11, 2022 Time: 9:00 A.M.
Place: ZOOM and telephonic**

1. Roll

Audit Committee Members Present: Josh Foli, Gina Rackley

Other Present: Michael Bertrand, Wayne Carlson, Alan Kalt, Melissa Mack

A quorum being present Gina Rackley called the meeting to order at 9:02 am.

2. Public comment

Chair Rackley opened the Public Comment hearing, there were none.

3. Action Item: Approval of Minutes of Meeting of October 19, 2020

Josh Foli made a motion to approve the minutes of October 19, 2020. Motion seconded by Gina Rackley. Motion carried.

4. Action Item: Acceptance of Auditor's Report and Recommendations Regarding Public Agency Compensation Trust

Michael Bertrand the independent auditor went over the letter to the Audit Committee. He noted that the updated procedures manual was completed, and management has started to work on cross training. Bertrand reviewed the summary of disbursement testing, loss control grants liability schedule, cash receipts controls and proposed adjustments. There was a discussion on the Cash Receipt controls where management acknowledged this deficiency and is resolving it by transferring those duties to another as stated in the letter. Wayne Carlson clarified that this is being done a temporary basis until Accounting and Administrative Technician is back in the office on a full-time basis. The internal controls are being followed as these duties are completed by someone independent of the person making the deposit. Josh Foli was concerned that this transferring of duties should only be on a temporary basis. Michael Bertrand reviewed the letter to those in charge of governance with the Committee. A motion was made by Josh Foli to accept the Auditor's Report and Recommendations regarding PACT. The motion carried.

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

Alan Kalt reviewed PACT's financial statements with a PowerPoint presentation. He noted that Cash increased from \$4,679,886 to \$12,513,078 at June 30, 2022. Noting this would be invested at higher yields subsequent to year end. The investment balances reduced due to the mark to market reflecting the unrealized loss in investments due to the book yield being lower than the market yield as a result of the Fed's aggressive increases in the Fed Funds rate during the year. Total Assets were \$66,665,348 which were down 1.7% from the prior year. The total claim reserves increased \$67,000 or 0.1% during the year as calculated by our independent actuary using the 75% confidence level. As approved by the Board, there was a \$2.5M capital contribution from PCM to PACT during the fiscal year. The Net Position was \$5,941,966 which was a decrease of \$1,513,117. This was the result of a net operating loss of (\$342,855), non-operating net investment loss of (\$3,670,262) and the capital contribution on \$2,500,000.

Kalt reviewed the Statement of Revenues, Expenses and Change in Net Position with the Committee. It was noted that the assessments decreased from \$16,848,464 to \$15,055,750 or 10.6% due to Nye County going self-insured. The Loss Fund & Program expenses decreased from \$18,202,512 to \$13,610,889 a reduction of \$4,591,623 or 25.2%. This was primarily due to the reduction in claims expense of \$4,550,369 or -34.9% due to Nye County no longer in the program. Administrative expense increased \$201,974 due to the significant increase of \$439,510 in the Division of Insurance Fees charged to PACT during the year. It was noted that the DOI Fees are based on a formula that uses 3 years of claims paid. It is expected that our DOI fees will slowly reduce as the claims cost go down due to Nye County not longer in our program. Kalt noted that our decrease in Operating Net Position for 2022 was a loss of \$342,855 compared to a loss of \$2,939,099 in 2021. He noted positive progress is being made to improve the financial operations. The non-operating net investment loss of \$3,670,262 was due to an overall total return on the investment portfolio of -6.31% during the year. The price return was -8.26% offset by the income return of 1.95% on the fixed income investments.

It was noted that PACT has 100% ownership interest in the Public Compensation Mutual (PCM) captive. Since inception, PACT's net contributions to PCM have been \$51,200,939. At 12-31-2021, the audited Total Surplus for PCM is \$88,508,108. Kalt noted that the Boards have approved an additional capital contribution of \$2.0M to PACT by December 31, 2022. He indicated that an analysis will be done to determine the amount of future capital contributions needed to PACT to assure financial and rate stability for PACT.

After a brief discussion, Josh Foli made a motion to accept the Public Agency Compensation Trust audit. The motion carried.

6. Action Item: Acceptance of Auditor's Report and Recommendations Regarding Nevada Public Agency Insurance Pool

Michael Bertrand reviewed the Auditor's report and recommendations noted in the letter to the Audit Committee. He reviewed the summary of disbursements, findings, audit adjustments, and thanked management and staff for their hard work throughout the audit. Josh Foli made a motion which was seconded by Gina Rackley to accept the Auditor's report and recommendations. Motion carried.

7. Action Item: Acceptance of Audit: Nevada Public Agency Insurance Pool

Josh Foli indicated that he had reviewed the audit and related PowerPoint presentation and for the sake of time was willing to make a motion to accept the audit of the Nevada Public Agency Insurance Pool. Gina Rackley seconded the motion with carried.

8. Public comment

Chair Rackley called for Public Comments. There were none.

9. Action Item: Adjournment

Meeting adjourned at 9:40 am.