



**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

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**Minutes of  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: October 11, 2022  
9:30 AM VIRTUAL ONLY**

**1. Roll**

POOL Members present: Josh Foli, Geof Stark, Gina Rackley, Ann Cyr, Scott Lindgren, Amanda Osborne POOL Members absent: Dan Murphy  
PACT Members present: Paul Johnson, Josh Foli, Mike Giles, Amanda Osborne, Joe Westerlund, Craig Roissum PACT Members absent: Robyn Dunckhorst  
Others Present: Wayne Carlson, Alan Kalt, Michael Bertrand

A quorum being present, PACT Chair Paul Johnson called the meeting to order at 9:43 am.

**2. Public Comment**

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

**3. For Possible Action:**

- a. **Approval of minutes of Joint Executive Committees Meeting of May 18, 2022**
- b. **Approval of minutes of Joint Executive Committees Meeting of July 29, 2022**

Josh Foli made a motion to approve the minutes as submitted. A second was by Mike Giles.  
Motion carried.

**4. For Possible Action: Acceptance of Financial Audit for PACT**

**a. Acceptance of Auditors Report and Recommendations for PACT**

Michael Bertrand, the independent auditor, went over the letter to the Board of Directors. He noted the required communications with those in charge of governance and the recommendations and related information in the letter. He noted that he provided a letter to the Audit Committee dated September 30, 2022 which included the finding and recommendations. He noted that audit went smoothly and acknowledged the hard work of management and staff. Noting that we were able to complete the audit by the September 30, 2022 target date. A motion was made by Josh Foli to accept the Auditor's Report and Recommendations regarding PACT. Mike Giles seconded the motion. The motion carried.

**b. Staff Reports: PACT Audit Overview and Actuary Report Review****c. Acceptance of the Audit for PACT**

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 no 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.

Kalt presented the Actuarial Review of Self-insured Workers' Compensation program for PACT based on the actuarial report by Bickmore Actuary and lead actuary Derek Burkhalter. The report provides the independent valuation of the outstanding claims liabilities as of June 30, 2022. He noted that Board policy was to value the liabilities at the 75% confidence level. Kalt reviewed the historical trends for frequency and severity over the past ten years. The valuation of the claims liability at the 75% confidence level is \$58,367,000 which was up \$67,000 from the prior year. It was noted that no discounting factor is used in the calculation of this long-term liability.

After a brief discussion, Josh Foli made a motion to accept the Public Agency Compensation Trust audit. The motion was seconded by Mike Giles. Motion carried.

**5. For Possible Action: Acceptance of Financial Audit for NPAIP**

**a. Acceptance of Auditors Report and Recommendations for NPAIP**

Michael Bertrand reviewed the Auditor's report and recommendations noted in the letter to the Board of Directors. He reviewed the summary of disbursements, findings, audit adjustments, and thanked management and staff for their hard work throughout the audit.

**b. Staff Reports: NPAIP Audit Overview and Actuary Report Review**

**c. Acceptance of Audit for NPAIP**

Alan Kalt reviewed POOL's financial statements with a PowerPoint presentation. He noted that Cash increased from \$983,799 to \$4,482,628 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 \$33,659,438 which were up from the prior year amount of \$31,873,728. The total claim reserves increased \$784,000 or 6.6% during the year as calculated by our independent actuary using the 75% confidence level. The Net Position was \$20,250,068 which was an increase of \$840,452. This was the result of a net operating income of \$2,575,303 offset by non-operating net investment loss of (\$1,734,881). It was noted that we implemented GASB 87 accounting for lease assets which added \$300,005 as a non-current asset and a deferred inflow of the same amount.

Kalt reviewed the Statement of Revenues, Expenses and Change in Net Position with the Committee. It was noted that the premium written increased from \$18,306,983 to \$20,536,646 during the year. Program expenses increased from \$15,911,499 to \$17,425,012 an increase of 9.5%. This increase was primarily due to the increase of \$490,691 in the loss and loss adjustment expense, \$428,965 in excess insurance premium expense and \$487,110 in special insurance programs for environmental and student accident coverage. Administrative expense of \$1,286,070 reflects 6.9% of the total expenses. Kalt noted that our increase in Operating Net Position for 2022 was \$2,575,303 compared to \$2,039,797 in 2021 prior to the non-operating investment results. He noted positive progress is being made to improve the financial operations. The non-operating net investment loss of \$1,734,881 was due to an overall total return on the investment portfolio of -6.15% during the year. The price return was -8.17% offset by the income return of 2.02% on the fixed income investments.

It was noted that POOL has 100% ownership interest in the Public Risk Mutual (PRM) captive. Since inception, POOL's net contributions to PRM have been \$29,477,263. At 12-31-2021, the audited Total Surplus for PRM is \$50,082,077.

Kalt presented the Actuarial Review of Self-insured Liability and Property program for POOL based on the actuarial report by Bickmore Actuary and lead actuary Derek Burkhalter. The report provides the independent valuation of the outstanding claims liabilities as of June 30, 2022. He noted that Board policy was to value the liabilities at the 75% confidence level. Kalt

reviewed the historical trends for frequency and severity over the past ten years. The valuation of the claims liability at the 75% confidence level is \$12,575,982 which was up \$784,000 from the prior year. It was noted that no discounting factor is used in the calculation of this long-term liability.

After a discussion on the financial statements and actuarial presentation, Josh Foli made a motion to accept the Auditors report and recommendations for NPAIP and accept the Audit report for fiscal year ending June 30, 2022 for Nevada Public Agency Insurance Pool. Second by Ann Cyr. Motion carried.

**6. Information Only: Interim Financial Report**

**a. PACT August 2022 Financial Reports**

**b. POOL August 2022 Financial Reports**

Alan Kalt noted that the interim financial reports are presented at all Joint Committee meetings as an informational item. He asked if there were any questions. There were none.

**7. Information Only: Staff Updates**

Wayne Carlson gave an update on the activities of staff and noted he looks forward to seeing the members at the HR Leadership Conference.

**8. Public Comment**

Chair Johnson asked for Public Comments. There were none.

**9. For Possible Action: Adjournment**

The meeting was adjourned at 10:36 am.