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Minutes of Joint Meeting and Agenda of
Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: March 12, 2025
11:00 AM via ZOOM

Roll: Chair Josh Foli called the meeting to order at 11:04 am with a quorum of POOL members and PACT reached its quorum at 11:18 am when Paul Sikora joined the meeting.

Members Present: Josh Foli, Gina Rackley, Paul Johnson, Scott Lingren, Amanda Osborne, Dan Murphy, Ann Cyr, and Paul Sikora.
Members Absent: Robin Dunckhorst, Joe Westerlund
Others Present: Wayne Carlson, Alan Kalt, Stephen Romero, Marshall Smith, Jarrod Hickman, and Stacy Norbeck

1. **Public Comment**
No public comments were made.

2. **For Possible Action: Approval of Consent Agenda**

   a. **Approval of minutes of Joint Executive Committees Meeting of 9-23-2024**
   b. **Interim Financial Reports**
      1). **PACT Interim Financial Reports**
      2). **POOL Interim Financial Reports**
   c. **NEAM and SAA Investment Reports**
   d. **Report on PRM and PCM 2024 Annual Audits**

Amanda Osborne made a motion to approve the Consent Agenda items for POOL as presented. The second was made by Scott Lingren. Motion carried.

Paul Johnson made a motion to approve the Consent Agenda items for PACT as presented when there was a quorum of PACT members. Second by Amanda Osborne. Motion carried.

3. **For Possible Action: Approval of Grants and Agreements**

a. Pooling Resources, Inc. Grant Budget 2025-2026; Grant Renewal 2026-2030

Stacy Norbeck, General Manager of PRI, reviewed the Fiscal Year 2025-26 budget presented to the PRI Board on March 6th. The information in the board packet included a budget that was flat, a 6% reduction and a 12% reduction in the current year's amount. The PRI Board recommended approval of the budget that reflected a 6% reduction. The proposed grant renewal for the five-year period of 2026-2030 reflected the 6% reduction in the current amount for the new base year (FY 25-26) and a 3.5% increase in the subsequent four years of the grant agreement. After some discussion, Scott Lingren made a motion to approve the Pooling Resource Inc FY 25-26 Budget reflecting a 6% reduction in the current year amount to the full board at the Annual Meeting. Furthermore, recommend approval of the Grant Renewal agreement for Fiscal Year 2026-2030 to the full board at the Annual Meeting, noting the base year reflects a 6% reduction in the current year amount as the base year for FY 25-26 and a 3.5% increase in the subsequent years. The motion was seconded by Ann Cyr and was approved.

b. **Public Agency Risk Management Services, Inc. Lease**

Alan Kalt noted that the Public Agency Risk Management Services, Inc. lease agreement with Nevada Public Agency Insurance Pool (POOL) was for the office space used by the Executive Director at 201 South Roop Street. POOL has moved to annual lease agreements on the office space lease for their building at 201 Roop Street. The amount of the lease is $663 per month for the period of July 1, 2025 to June 30, 2026.

Dan Murphy made a motion to approve the lease agreement with Public Agency Risk Management Services and POOL as submitted in the packet. Amanada Osborne seconded the motion which carried.

4. <u>For Possible Action:</u> **Approval of Proposed Reinsurance/Insurance Coverage and Risk Management Programs for Fiscal Year 2025-2026 for Recommendations to the Boards:**
   a. **POOL**
      i. **Rate Indications from Reinsurers Effective 7/1/2025.**
      ii. **Loss Fund Contribution Indications**
      iii. **Retention Options and Reinsurance Strategies**
      iv. **Ancillary Programs (Student Accident, Pollution Legal Liability, TRIA, and Airports)**

Stephen Romero, Relations Manager and Broker for POOL/PACT, reviewed the structure graphs and the year over year comparisons for the POOL. It was noted that this is work in progress as not all the quotes have been received. He indicated that we are still evaluating the most cost-effective placement for the Liability structure with CRL, PRM and GEM. PRM, the POOL's Captive, is looking at costing out the $1M excess $500K layer for municipals only and having CRL take the $1.5M excess $1.5M layer. The actuaries and brokers are looking at the cost of this option compared to the current structure of 70%/30% quota share with CRL and PRM for the Muni level. The Property Renewal Meetings in London appear to be successful. Stephen, Alan Kalt and Dan Murphy went to London and held meetings with 18 different underwriters/syndicates for the POOL. Dan Murphy gave an overview of his experience and will give an update at the Annual Meeting. Stephen indicated that the property layer is likely to go down single digits. He noted that the property exposure Total Insured Values (TIV) was up over 3% from the current amounts. Stephen reviewed the Year over Year chart noting the items in red were tentative numbers subject to change until finalized. He reviewed the ancillary programs for student accidents, pollution legal liability, TRIA, and airport coverage. Noting which ones were completed and those that he is still working on getting final quotes related to multiple year coverage contracts. It was determined that another Joint Executive Committee meeting is needed prior to the Annual Meeting to finalize the structure graphs, placement, budget, and rates for the POOL renewal coverage for Fiscal Year July 1, 2025 to June 30, 2026.

After a discussion, Dan Murphy made a motion to table the POOL reinsurance/insurance coverage program for Fiscal Year 2025-26 for recommendation to the full Board until the additional quotes and renewal options are obtained. Amanda Osborne seconded the motion. Motion carried.

b. **PACT**
   i. **Rate Indications from Reinsurers Effective 7/1/2025.**
   ii. **Loss Fund Contribution Rate Effective 1/2025**
   iii. **Retention Options and Reinsurance Strategies**

Stephen Romero, Relations Manager and Broker for POOL/PACT, reviewed the structure graphs and the year over year comparisons for the PACT. It was noted that this is work in progress as not all the quotes have been received. He indicated that we are anticipating double-digit increases from CRL as another good year falls off the ten-year trend and is replaced with a year that has over $1M in losses. PCM has not received the actuarial report to determine the pricing for the captive layer for worker's compensation. It was noted there was a significant reduction in the payroll amount reported by the members in the renewal applications. Alan Kalt, CFO, went over the PACT classifications approved by the PACT Executive Committee in December and distributed to the membership. The rates remained the same for all classifications except for hospitals, which reflected a 9% reduction based on the actuarial analysis. As with the POOL items, it was determined that another Joint Executive Committee meeting is needed prior to the Annual Meeting to finalize the structure graphs, placement, budget, and rates for the PACT renewal coverage for Fiscal Year July 1, 2025 to June 30, 2026.

After a discussion, Paul Johnson made a motion to table the PACT reinsurance/insurance coverage program for Fiscal Year 2025-26 for recommendation to the full Board until the additional quotes and renewal options are obtained. Dan Murphy seconded the motion. Motion carried.

5. **<u>For Possible Action:</u> Approval of Proposed Budgets for Fiscal Year 2025-2026 For Recommendations to the Boards:**
   a. **POOL**

   Alan Kalt, CFO, reviewed the POOL Budget for Fiscal Year 2025-26 as presented in the packet. He noted that the numbers in red are tentative and will be finalized upon receiving the updated actuarial reports and renewal agreements from the various markets that Stephen indicated in his presentation. Based on preliminary estimates the overall increase for POOL is likely 4%. Kalt noted that the management services amount for the POOL is projected to increase because of the 60/40 split with POOL and PACT with the captives paying 9.8% each of the total NRP contract. This recommendation is based on a review of the time spent by NRP staff serving the various entities. The recommendation to keep the captive's share at 9.8% each is due to the regulatory work needed to provide information to the Division of Insurance. After a brief discussion, the board indicated that the new apportionment of the NRP cost appeared reasonable and equitable given the workload for each respective pool. The amount of $475,000 of the PRM payment to POOL for risk management services is proposed to remain the same in the budget. The budget reflects an increase in the interest income due to the sweep accounts and higher yields earned on our fixed income accounts managed by NEAM. Kalt noted that we do not budget for realized or unrealized gains or losses in the portfolio to due market rate changes on the investments as it is intended to hold the investments to maturity. Once the final actuarial funding reports and reinsurance renewal proposals are received, the budget will be updated and presented to the Joint Executive Committee for review, approval, and recommendation to the Board at the Annual Meeting. Alan reviewed the pie graphs from the

FYE 6-30-24 audit to the FY 25-26 tentative budget noting that allocation to the Loss fund,& Insurance Expense, Agent Commissions, TPA Claims Processing, Member Services, Administrative cost and building cost remain within a relevant range for the two years.

b. PACT

Alan Kalt, CFO, discussed the PACT Budget for Fiscal Year 2025-26 as presented in the packet. He noted that the numbers in red are tentative and will be finalized upon receiving the updated actuarial reports and renewal agreements from the various markets that Stephen indicated in his presentation. Based on preliminary estimates the overall increase for PACT is likely 6%. Kalt remined everyone that the renewal letters with the flat rate in the classifications except for the 9% reduction in the hospital classifications were sent to the members after the December meeting so they could input the new classification rates (same as the current year due to no changes) into their payroll system. He noted that we are pending the CRL and PCM renewal rates from CRL and our actuary. One of the challenges of setting the rates in December is that claim development since that time and legislative changes could affect the program cost and not allow us to increase the rates until the subsequent year. Josh Foli questioned whether we should provide indications to the members that the rates are likely to increase in the future and to budget accordingly in the entity's FY 25-26 budgets. Kalt noted that the classification rates have been provided and are based on the calendar year 2025 payroll for FY 25-26 so there will not be an increase other than x-mods and increases in FTE's or employee payroll to the $36,000 cap. We will mention the possible future fiscal impact in subsequent years classification rates at the annual meeting.

Kalt noted that the management services amount for the PACT is projected to decrease as a result of the 60/40 split with POOL and PACT with each captive paying 9.8% of the total NRP contract. This recommendation is based on a review of the time spent by NRP staff serving the various entities. The recommendation to keep the captive's share at 9.8% is due to the regulatory work needed to provide information to the Division of Insurance. As such, PACT's apportionment of the NRP contract will be 30.2%, PCM 9.8%, POOL 50.2% and PRM at 9.8%. The amount of $575,000 for PCM payment to PACT to support risk management services is proposed to remain the same in the budget. The budget reflects an increase in the interest income due to the sweep accounts and higher yields earned on our fixed income accounts managed by NEAM. Kalt noted that we do not budget for realized or unrealized gains or losses in the portfolio to due market rate changes on the investments as it is intended to hold the investments to maturity. Once the final actuarial funding reports and reinsurance renewal proposals are received, the budget will be updated and presented to the Joint Executive Committee for review, approval, and recommendation to the Board at the Annual Meeting. Alan reviewed the pie graphs from the FYE 6-30-24 audit to the FY 25-26 tentative budget noting that allocation to the Loss Fund,& Insurance Expense, Program Expenses, and Administrative costs remain within a relevant range for the two years.

After a brief discussion, Paul Johnson made a motion to table the POOL and PACT Budgets for Fiscal Year 2025-26 to a subsequent meeting when all the renewal proposals and actuarial funding reports are received, and a final budget can be recommended for approval at the Annual Meeting. Josh Foli seconded the motion which carried.

c. Notices of Potential Withdrawal from PACT

  i. Humboldt General Hospital
  ii. North Lyon County Fire Protection District
  iii. North Lake Tahoe Fire Protection District

Wayne Carlson, Executive Director, reviewed the notices received regarding the potential withdrawal of members from PACT. He noted that Humboldt General Hospital appreciates the services provided by PACT and is considering staying in the program but is facing significant financial challenges. Wayne noted that the hospital rate is going down 9% so they may stay in the program. North Lyon County Fire Protection District has a new fire chief who previously worked for Truckee Meadows Fire who has 7710 as their work compensation provider. They are receiving a quote from 7710 just like North Lake Tahoe Fire Protection District. 7710 is aggressively writing fire department worker comp policies and is using a confidence level of 50% to price the policy to attract the business. Wayne and Stephen lead a discussion about 7710 and how it has been established and its ability to non-renew their contracts when the business is no longer profitable for them. Scott Lindgren noted that North Lyon County Fire District has financial issues. He also indicated that the Police/Fire PERS contribution rate is going from 50.75% to 58.75% effective July 1, 2025. He stated that the upcoming budgets will be a challenge to fund for the PERS rate increase and maintain service levels to the community. Scott noted the challenges and claims associated with firefighting that they have an impact of PACT rates just like the PERS rate. He appreciates the risk management services provided by PACT and hopes it drives down claims costs which in turn will reduce their x-mods and hopefully the required classification rate for firefighters. Stephen indicated that staff will be meeting with North Lake Tahoe Fire to discuss the classification rates, services, and steps to take to improve PACT and claims management. He offered the same type of meeting to Scott at Tahoe Douglas Fire. Paul Johnson asked if it would make sense to have an oversight committee like the Committee on Local Government Finance, to oversee the Police/Fire entities. This oversight would look at claims, loss ratios, risk management service involvement and recommendations on how to proactively address the classification rates for Police/Fire. Wayne noted that Tahoe Douglas and North Lake Tahoe Fire have been incredibly involved in risk management services and Davies is working with them on the PACT 911 program with Swift Orthopedic and Reno Orthopedic Clinic (ROC) and claims management to get the injured worker seen and treated quickly so they can get back on the job in a reasonable amount of time. No formal action was taken on this agenda item as it was informational only.

6. **<u>For Possible Action:</u> Review of Candidates for POOL and PACT Executive Committees for Election at Annual Meeting**

Wayne Carlson, Executive Director, reviewed the election schedule included in the packet. He noted that there are vacancies on both boards due to the retirement of existing members. It was noted that the Pool Executive Committee members Amanda Osborne, Josh Foli and Dan Murphy are up for re-election as well as the vacant position for a member of a city/county with a population of 35,000 or less. All indicated that they are willing to serve. For PACT, Josh Foli, Amanda Osborne, and Joe Westerlund are up for re-election along with the vacant position for a city/county member with less than 35,000 in population. All existing members are willing to continue to serve. Alan Kalt thanks the Executive Committee members for their dedication and willingness to serve for POOL/PACT. As member owners, it is important that the executive committee members are active and responsive to the needs of the Board. Wayne asked members to encourage others to consider serving on the executive committee so we can fill the vacancy of the open positions at the Annual Meeting. No formal action was taken on this item.

7. **<u>Information Only:</u> Staff Updates**

   a. **Legislative Update**

Wayne Carlson, Executive Director, reviewed the legislation that he is tracking for POOL/PACT. He indicated that POOL/PACT does not get requests for Fiscal Notes on legislation. So if you need some assistance in determining possible fiscal impacts on bills effecting the Pools, please let us know and we will work with you to run numbers. During the update, Gina Rackley noted that there is a Bill that seeks to reduce the number of members and to provide term limits for those serving on various boards across the State. She indicated that generally she is supportive of the concept, however, as it relates to the Committee on Local Government Finance, a technical advisory committee to the Department of Taxation and the Legislative Council Bureau, it would term out 8 of the 12 members and likely reduce the representation from the rural entities as NACO, League of Cities, and School Board Associations would likely appoint representatives from Washoe and Clark to fill their board positions. Wayne invited members to reach out if there are additional bills you want us to track and follow during the Legislative session. After discussions on various bills, no action was taken as this was for information only.

8. **Public Comment**

   There was none.

9. **For Possible Action: Adjournment at 11:56 am**