



**Nevada Public Agency Insurance Pool  
Public Agency Compensation Trust**

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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: October 7, 2021  
11:00 AM VIRTUAL ONLY**

**Minutes**

**1. Roll**

Meeting was called to order by PACT Chairman Paul Johnson at 11:05 am.  
Members present Paul Johnson, Geof Stark, Josh Foli, Dan Murphy, Jason Westerlund, Cindy Hixenbaugh, Ann Cyr, Gina Rackley, Mike Giles, and Josh Foli joined in at 11:45 am.

Members Absent: Cash Minor, Elizabeth Francis, and Dee Carey.

Others present: Wayne Carlson Alan Kalt, Debbie Connally, Melissa Mack, Marshall Smith, Jarrod Hickman, Stephen Romero, and Michael Bertrand.

**2. Public Comment:**

Chair Paul Johnson opened public comment and hearing none, closed the comment period.

**3. For Possible Action: Approval of minutes of Joint Executive Committees Meeting of August 24, 2021**

On motion by Josh Foli, second by Geof Stark, to approve the minutes, the motion carried.

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

- a. Acceptance of Auditors Report and Recommendations for PACT**
- b. Staff Reports: PACT Audit Overview and Actuary Report Review**
- c. Acceptance of Audit for PACT**

Michael Bertrand, CPA, Independent Auditor, reviewed the letter to the Audit Committee. He reviewed the prior year comments and action taken by management to implement the recommendations. He provided a summary of disbursement testing, noting the dollar percentage of items tested were 94.58% for Admin Expenses, 98.43% for Claims Expenses and 40.17% for Claims Payments. It was noted there was an assessment calculation error of \$86, an issue with a voided check in a bank reconciliation and the recording of interest receivable in the Division of Insurance refund. Mr. Bertrand let the Board know that Debbie and Melissa showed continued improvement in the quality of work, providing requested items timely and quick to response to subsequent requests throughout the audit.

He congratulated management and staff on there being no significant or material control weaknesses or deficiencies noted in the audit.

Alan Kalt, Chief Financial Officer, presented the PACT audit results with a PowerPoint presentation. Highlights include the following items: Total investment balance at 6-30-2021 was \$51,221,911 and total assets were \$66,665,348 compared to total liabilities of \$59,210,265 leaving a Net Position of \$7,455,083. Net Position decreased during the year by \$3,237,099. Total revenues were \$17,423,464 up from the prior year of \$14,741,181. The Loss Fund and Program expenses totaled \$18,202,512 and total Administration expenses were \$2,160,742 resulting in total expenses of \$20,363,254. As such, the Loss Fund and Program expenses accounted for 89.4% and 10.6% for the administration cost. Claim cost increased \$1,819,004 or 20% during the year due to an increase in the amount and severity of the claims. Administration cost we down \$357,684 or 14.2% during the year as budget mitigation and COVID steps were implemented. Non-operating net investment income reflected a loss of \$297,309 due to the unrealized losses on the fixed income investments due to changes in the interest rate environment. Kalt noted that earned interest income was \$1,004,293 during the year. He went over various benchmarks that are consistent with the Vision Statement "To sustain financial strength to meet our commitment to Members." It was noted that the past three years have been challenging to PACT because of increases in claim costs. During the discussion, Kalt noted that Nye County had significant claim development during the year. He reminded the Board that they left the program on July 1<sup>st</sup> to be self-insured. Given their mod-rate of 1.7 this should be beneficial to other PACT members over a period of time. Kalt reminded the Board of the financial strength of the captive PCM which has an audited Total Surplus of \$85,066,480 as of December 31, 2020.

Alan Kalt presented the Actuarial Review of the Worker's Compensation program. Derek Burkhalter, Bickmore Actuarial Services, prepared the review and valuation of the outstanding liabilities as of June 30, 2021, used in the financial statements. The report indicated that at the expected level (50% Confidence Level CL) the outstanding claims liabilities is estimated at \$54,784,000. At the 70% CL it is \$57,222,000 and at the 75% CL it is \$58,300,00 which is the amount used in the financial statement by Board policy. The difference between the 70% vs. 75% funding rate is \$1,078,000. So, when the Board approves the lower Confidence Level for rate setting, it has a negative impact on our financial operations. Kalt reviewed the Loss rate per \$100 of payroll noting it was \$2.15 in FY21 compared to \$2.27 in FY 20 and a low of \$1.48 in FY 14. In looking at the Claim Severity, we are experiencing an upward trend as the Dollar of Loss per claims has risen from a low of \$7,400 to a high of \$14,600 during the ten-year period of review. It was noted that individual claim costs are capped at \$100,000 per occurrence for actuarial purposes. The number of claims per \$1M of payroll has remained stable over the past four years. FY 21 was 1.65 compared to FY 20 of 1.56 and 1.76 in FY 19. These compared to the high of 2.06 claims per \$1M in payroll in FY 16. During the 2021 fiscal year, the Actual Incurred Claim development exceeded the expected by \$4,968,000 and the Actual Claims paid exceeded the expected paid development by \$2,523,000 during the year. As such, the loss and loss adjustment expense and total claims liability significantly increased during the year as noted in the financial statements. He reviewed the claims development schedule included in the notes to the financial statements to show the adverse trend in claim development cost over the past ten years.

After a general discussion of the audit and the actuarial information, a motion was made by Cindy Hixenbaugh and second by Josh Foli to accept the financial audit for PACT. Motion carried.

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

- a. Acceptance of Auditors Report and Recommendations for NPAIP**
- b. Staff Reports: NPAIP Audit Overview and Actuary Report Review**

### c. Acceptance of Audit for NPAIP

Michael Bertrand, CPA, Independent Auditor, reviewed the letter to the Audit Committee. He reviewed the prior year comments and action taken by management to implement the recommendations. He provided a summary of disbursement testing, noting the dollar percentage of items tested were 78% for Admin Expenses and 45% for Claims Payments. A couple of exceptions were noted in the claim's payments by Davies. Mr. Bertrand thanked management and staff for their cooperation throughout the audit and commended them for continues improvement each year in the quality of the work processed and their efficiency, which has allowed them to finish the audit in just over 30 days after the close of the books. There were no significant or material deficiencies observed in the system of internal controls. He congratulated management and staff on a job well done.

Alan Kalt, Chief Financial Officer, presented the POOL audit results with a PowerPoint presentation. Highlights include the following items: Total investment balance at 6-30-2021 was \$26,500,122 and total assets were \$31,413,137 compared to total liabilities of \$12,003,491 leaving a Net Position of \$19,409,646. Net Position increased during the year by \$1,863,749. Total revenues were \$19,077,614 up from the prior year of \$17,925,920. The Loss Fund and Program expenses totaled \$15,911,499 and total Administration expenses were \$1,118,014 resulting in total expenses of \$17,029,513. As such, the Loss Fund and Program expenses accounted for 93.4% and 6.6% for the administration cost. Claim cost increased \$564,160 or 15.2% during the year due to an increase in the amount and severity of the claims. Administration cost we down \$151,547 or 12.0% during the year as budget mitigation and COVID steps were implemented. Non-operating net investment income reflected a loss of \$184,352 due to the unrealized losses on the fixed income investments due to changes in the interest rate environment. Kalt noted that earned interest income was \$604,705 during the year. It was noted that the POOL had a successful fiscal year of financial operations.

Alan Kalt presented the Actuarial Review of the Worker's Compensation program. Derek Burkhalter, Bickmore Actuarial Services, prepared the review and valuation of the outstanding liabilities as of June 30, 2021, used in the financial statements. The report indicated that at the expected level (50% Confidence Level CL) the outstanding claims liabilities is estimated at \$10,009,000. At the 70% CL it is \$11,241,000 and at the 75% CL it is \$11,245,00 which is the amount used in the financial statement by Board policy. The difference between the 70% vs. 75% funding rate is \$551,000. So, when the Board approves the lower Confidence Level for rate setting, it has a negative impact on our financial operations. Kalt reviewed the Loss rate per \$100 of payroll for *liability* noting it was \$0.37 in FY21 compared to \$0.38 in FY 20 and a low of \$0.29 in FY 15. In looking at the *liability* Claim Severity, we are experiencing an upward trend as the Dollar of Loss per claims has risen from a low of \$13,700 to a high of \$22,900 in FY 21. It was noted that individual claim costs are capped at \$100,000 per occurrence for actuarial purposes. The number of *liability* claims per \$1M of payroll has remained stable over the past four years. FY 21 was 0.16 compared to FY 20 of 0.23 and 0.24 in FY 19. These compared to the high of 0.27 claims per \$1M in payroll in FY 13. Next, Kalt reviewed the Loss rate per \$100 of payroll for *property* noting it was increasing over the past three years. The rate moved from 0.025 to 0.032 and 0.035 in FY 2021. In looking at the *property* Claim Severity, we are experiencing an upward trend as the Dollar of Loss per claims has risen over the past three years as the Loss per Claim was \$13,800 in FY 19, \$16,700 in FY 20 and \$19,500 in FY 21. It was noted that individual claim costs are capped at \$100,000 per occurrence for actuarial purposes. The number of *property* claims per \$1M of payroll has remained stable over the past three years. FY 21 was 0.018 compared to FY 20 of 0.019 and 0.018 in FY 19. These compared to the high of 0.021 claims per \$1M in payroll in FY 17.

During the 2021 fiscal year, the Actual Incurred Claim development was lower than the expected by \$1,191,000 and the Actual Claims paid was lower than the expected paid development by \$946,000 during the year. As such, there was favorable claim development during the year as noted in the

financial statements. He reviewed the claims development schedule included in the notes to the financial statements to show the adverse trend in claim development cost over the past ten years.

After a general discussion of the audit and the actuarial information, a motion was made by Josh Foli and second by Dan Murphy to accept the financial audit for PACT. Motion carried.

**6. For Possible Action: Approval of Applications for Recognition from AGRiP**

- a. NPAIP
- b. PACT

Executive Director Wayne Carlson reviewed the NPAIP and PACT applications for recognition from AGRIP. The comprehensive application reviews all aspects of the POOL's operations. The responses must be policy specific and undated on a regular basis to qualify for the recognition. The completion of the applications was a Team effort with Marshall, Alan, and Wayne. Next time, Stephen and Jarrod will be tasked with completing the application as a learning tool to better understand our operations. Once the applications have been approved by the governing board it will be forwarded to AGRIP for their review and comments. Any recommended changes need to be implemented to achieve the AGRIP award. Paul Johnson thanked staff for completing the application and suggested that a brief overview be provided at the Annual Meeting, so the membership is aware of the process and quality control used in the awarding of the AGRIP Recognition Program. Josh Foli made a motion to approve the NPAIP and PACT applications for the AGRIP recognition program. Geof Stark seconded the motion which carried.

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

- a. **PACT August 2021 Financial Reports**
- b. **POOL August 2021 Financial Reports**

Alan Kalt noted that the interim financial reports were included in the meeting packet. He suggested that if you have any questions or concerns, please let him know and he will answer your questions.

**8. Information Only: Staff Updates**

Wayne Carlson gave a brief staff update noting the hiring of Stephen Romero and Jarrod Hickman. He outlined some of the projects that they are working on, and the success achieved in a short period of time.

**9. Public Comment**

There were no public comments.

**10. For Possible Action: Adjournment**

Being no further business, Chair Paul Johnson adjourned the meeting at 12:25 pm.