

Risk Management Self-Insurance Board of Trustees

January 27, 2022, 2:00 pm

Virtual Meeting

Tucson, Arizona 85701

Item 1- Call to order was made by Allie Matthews at 2:03 pm. A quorum was established.

Board Members Present

Keith Dommer- Board Trustee
Nicole Lowery- Board Trustee
Michael Hannley- Board Trustee (late arrival)
Jeffrey Yates- Board Trustee
Ted Moeller- Board Trustee

Attendees

Allie Matthews- City of Tucson Risk Manager/TRUST Fund Administrator
Julianne Hughes- Deputy City Attorney
Sara Hussak- HR Manager- W/C Occupational Health/Leaves
Annette Gaston- PFM Senior Management Consultant
Gray Lepley- Portfolio Strategist- PFM Asset Management
Vince Tracey- Safety & Health Loss Control Manager
Anthony Diaz-Safety & Health Loss Control Supervisor
Liana Perez- Deputy City Manager
Gail Flannery- Consulting Actuary, AMI Risk Consultants
Trevor Stech- RM Consultant/Insurance Advisor – The Mahoney Group

Motion to change order of business

Jeffrey Yates moved to change the order of business and Mike Hannley seconded the motion. The motion passed and the order of the agenda was changed. Trustees introduced themselves before electing a Board Chairman.

Item 2- Introductions

Parties introduced themselves.

Item 3- Election of Board Chairman

Nomination to elect Keith Dommer as new Board Chairman was made by Jeffrey Yates and seconded by Michael Hannley. Motion passed and Keith Dommer was elected as Board Chairman.

Item 4a & 4b- Approval of Minutes

Minutes for the meeting on June 23, 2021, and August 24, 2021, were approved by trustees after Keith Dommer made revision suggestions. A Motion was made by Nicole Lowery and seconded by Michael Hannley to approve minutes. Motion passed.

Item 5a- Financial Statements

Presented by Allie Matthews, Risk Manager. The name of the Comprehensive Annual Financial Report (CAFR) has changed to Annual Comprehensive Financial Report (ACFR).

There was an increase in the amount of claim settlements, but the amount did not exceed the excess liability retention amount. There was an increase in revenues and expenses due to a change in contractual services, charge for services, salaries, insurance premiums, claim pay-outs, and excess liability coverages for worker's compensation and liability. The net position for Risk Management increased from \$3,907,111 to \$8,163,778 and the total assets did not change significantly.

Item 5b- FY 22

The Financial Statements for FY 22 through December 31st have not been received due to staff working on the required reporting that will be completed by the end of the month. Allie Matthews, Risk Manager will email FY 23 financials to board members in February once they are available.

Item 6- Tort Liability Payment Update

FY 21 approval letter was received in November. \$4,113,459 were approved by the Arizona Property Tax Commission for inclusion in the FY 23 Property Tax Levy.

Item 7- FY 21 Actuary Study

Presented by Gail Flannery, AMI Consulting Actuary. Liability costs have increased by \$3 million due to administrative expenses. Worker's Compensation reserves have decreased by \$76,000 and Liability reserves have also decreased by \$300,000. Costs of future claims for 2021-2022 is projected to be just under \$10 million and gradually increase over time. Projected cash flow for 2021-2022 is between \$8.6 and \$8.7 million and will gradually increase as well.

The number of WC-Indemnity claims per employee has increased to 1.1 claims for every 100 employees. The severity of the claims has also increased. The number of WC-Medical claims per employee has decreased to 8 claims per 100 employees and the severity of these claims has varied.

Item 8- FY 23 Cost Allocation Recommendations

Trustees voted on recommended allocations for Worker's Compensation and Liability. The FY 23 Cost Allocation for Worker's Compensation is \$7,018,415. The Cost Allocation for Liability is \$9,405,706.

Jeffrey Yates moved to assess the recommended actuarial city-wide percentage allocations and recommend them to the City Manager for the FY 2023 budget, and to continue the inclusion of involuntary tort payments in property tax levy. Keith Dommer seconded the motion. Motion passed.

Item 9a- Unfinished Business- Investment Committee Update & Recommendation

PFM-Tucson Self-Insurance Investments and Strategy Recommendation was presented by Annette Gaston, Senior Managing Consultant and Gray Lepley, Portfolio Specialist.

Investment Strategies for Self-Insurance funds were discussed. Estimated reserves for Worker's Compensation, Indemnity, Medical, and Liability were presented, as well as their estimated liabilities and net position as of June 30, 2021. A Market Update was provided by Annette Gaston, Senior Managing Consultant. The Market Update included COVID Improvement Halts, 2022 Rate Hikes, and Inflation. Strategy Recommendation was presented by Gray Lepley, Portfolio Specialist.

A motion was made by Keith Dommer to authorize PFM to pursue the strategy recommendation from the presentation. Mike Hannley seconded the motion. Motion passed. Jeffrey Yates and Keith Dommer will continue to meet with PFM quarterly and update the remaining Trustees at the designated meeting.

Item 10a- New Business- Boards & Commissions Annual Meeting Frequency/Format

Trustees discussed the frequency of meetings. Keith Dommer moved to meet annually in a virtual format with the possibility of additional meetings if needed. Nicole Lowery seconded the motion. Motion passed.

Item 10b-Staff Update & Insurance Market

Allie Matthews, Risk Manager/Fund Administrator, updated Trustees on Safety and Risk Management Staff. Two earlier vacant positions in Safety have been filled as well as the Enterprise Risk Analyst position for Risk Management. There remains one vacant safety position that the team is actively recruiting. The Enterprise Risk Analyst will implement Enterprise Risk Management and identify risk outliers.

Insurance Market update & 2022 Market Trends were presented by Allie Matthews. Liability and Worker's Compensation factors impacting the insurance market were discussed.

Trevor Stech, RM Consultant/Insurance Advisor discussed large liability claims that have impacted the market.

Safety unit program *Target Zero* "concept" was introduced. *Target Zero* is projected to drive costs down, increase the City's safety culture, and improve employee engagement and support. Currently there are two departments that have implemented *Target Zero* and three more that are in the process of implementing the program. *Target Zero* will be launched city-wide and will work collaboratively with Enterprise Risk Management.

Item 11- Call to the Audience

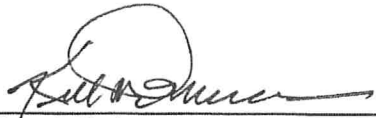
None.

Item 12- Future Agenda Items

Target Zero, Enterprise Risk Management and Total Cost of Risk will be discussed in future presentations.

Item 13- Adjournment

Adjournment at 4:30 pm.


Board Chairman

30 NOV 2022
Date


Board Secretary

11/30/2022
Date