



2020 Worker's Compensation and Employer Liability Trust Board Minutes

Regular Meetings

February 6, 2020

June 18, 2020

September 24, 2020

November 19, 2020

These minutes are fully searchable within this year by using the "Find Feature".

**CITY OF CHANDLER WORKERS' COMPENSATION AND
EMPLOYER LIABILITY TRUST BOARD
MINUTES OF THE MEETING OF
FEBRUARY 6, 2020**

CALL TO ORDER & ROLL CALL:

Alex Myer, Chairperson, called the meeting to order at 4:00 p.m. in the Chandler Council Conference Room, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Mr. Alex Myer, Chairperson, Ms. Ayana Allen, Vice Chairperson, Assistant Fire Chief Val Gale, Secretary, Ms. Terry Bond, and Mr. Mike Bohnert

BOARD MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Rae Lynn Nielsen, Human Resources Director; Kristin Maier, Human Resources Manager; Dawn Lang, Management Services Director; Kristi Smith, Accounting Manager; Rowena Laxa, Assistant City Attorney; Nichole Bombard, Medical Leave Coordinator; and Julia House, Management Assistant and Recording Secretary.

OTHERS PRESENT:

None

INVITED GUESTS:

Joshua Jumper, Audit Manager, HeinfeldMeech
Adam Hirsch, Principal, Oliver Wyman (via telephone)

APPROVAL OF MINUTES:

My Myer, Chairperson, asked for a motion to approve the minutes of the regular meeting of November 14, 2019. Ms. Bond made a motion to approve the minutes of the regular meeting of November 14, 2019. Mr. Bohnert seconded the motion and the minutes were unanimously approved.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

None

BRIEFING ITEMS:

A. Workers' Compensation Financial Audit Report – Heinfeld/Meech

Joshua Jumper advised the Board that he will present the results for the Audit ending fiscal year June 30, 2019. The Independent Audit Opinion was unmodified which is a clean opinion and no material misstatements were noted. The Management Discussion and Analysis provided a high level report of the fiscal year and the results of the fiscal year. The Change in Net Position increased year-over-year for the comparison from June 30, 2018 to June 30, 2019. Total Revenues also increased year-over-year along with Expenses. The increase in Net Position went from in \$6.7M to \$6.8M. Page 7 shows a breakdown on where the expenses went. Page 8 delves into the Reserve Levels of the Trust, were they met, and the impact to changes and contributions to the Trust. The Trust Reserve Level was not met and was below the goal as of June 30, 2019, but an ongoing contribution was previously approved and a one-time transfer-in of \$1M effective July 1, 2019, which is anticipated to get the fund back into the necessary reserve level.

Pages 9-11 contain the actual Financial Statements which includes the Statement of Net Position (Balance Sheet), Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Pages 12-17 show the Notes to the Financial Statements. Page 15 includes details about Investments which includes balances, values, maturities, ratings, etc. Page 17 is the detail on claims and changes in claims.

The Report on Internal Control and Compliance contains any notes on any breakdown on internal controls over financial reporting. If we had noted any breakdown on internal controls it would have been reported here. There were none.

There were no material audit adjustments and there were no disagreements with management. It also contains a statement regarding fraud. A copy of the Engagement Letter is also included along with a copy of the Representation Letter which is signed as the audit is being completed and states that management has given their agreement to sign off on the final Audit Report. Overall, it was a good Audit with no major issues or concerns it was Mr. Jumper stated it was great to work with everyone involved.

B. Workers' Compensation Actuarial Audit Report – Oliver Wyman and Associates

Adam Hirsch advised the Board that Page 1 of the Executive Summary shows the scope of analysis and is an estimate of the Unpaid Liability and Open Claims up to June 30, 2019, and a projection of Ultimate Losses for the next twelve months, July 1, 2019,

through June 30, 2020. The first estimate is an evaluation of what the City's financial responsibility is for everything that occurs up through June 30, 2019, which includes open claims or a late reported claim as well. The second estimate is an evaluation of what the City's responsibility will be in the future for July 1, 2019, through June 30, 2020, even though many of those amounts may be paid out subsequent to the twelve month period that we are in the middle of right now.

Our estimate is \$8.5M of what the liability is for the City to close out everything occurring through June 30, 2019. We start with a loss run that has an adjusters estimate on every claim over time. We used \$5.76M as a base and then added the Incurred But Not Reported (IBNR) as the remainder between \$5.76M to the \$8.5M. Our estimate a year ago was at \$7.7M. Even as we try to update our estimates each year, we still are effectively surprised at what we see twelve months later. The bar chart shows the black line rectangle which represents what we would expect to see as far as growth on claims over the last twelve months. The other piece is what we actually saw. The illustration here is that greater than expected activity happened in the most recent few policy years. In the 15/16 policy year, as of a year ago, we had already called that a couple of years old. Looking through the historical workers' compensation development we would have expected that year to remain flat or maybe even decrease slightly. We get the loss run for this year and we saw \$450K of growth in that year. Page 2 is showing Claim Changes since the prior report and the second one is in the 15/16 policy year. There was a claim in October 12, 2015, which the current incurred is \$634K and the incurred change is \$450K. In last year's loss run, that October 15, 2015, claims was listed at \$180K and a year later that claim is listed at \$634K and, given the City's retention for Public Safety claims, the City would retain all of that \$634K with no Stop Loss Insurance on that claim. We are projecting an outpacing of what had been expected and we are getting closer to flat but it is still less than the \$1M that had been discussed in an earlier meeting.

The projection for FY 20/21 is \$2.65M, which represents what we think the City's eventual payments will be for policy year 19/20 accidents once they are all closed. This is what we call the Ultimate Loss. If we look back at 19/20, ten to fifteen years for now, our estimate is that the City would have paid \$2.65M at that point for all claims and, specifically, for the amounts below the deductible and the self-insured retention. Comparing this figure to the estimate one year ago for the 18/19 policy year is the \$2.5M, this estimate increased by 4.5%. It is driven by exposure growth and loss trend. The exposure growth is effectively the growth of the underlying payroll. Payroll is used as a proxy for the size of the workers' compensation risk for the City. Most workers' compensation insurance carriers use this estimate. The risk is a number assigned by job classification whether they are a firefighter or an office worker. If the payroll goes

up by 2% we would expect our estimate for the workers' compensation loss to go up 2% even without looking at a loss experience. The loss trend is independent of loss experience as an inflationary factor. Closing out an identical loss claim is costlier over time. The two things about the \$2.65M is based on the payroll estimate of \$136.8M and our estimate of loss will depend on whether that payroll estimate changes, throughout the year -- 10% overstated or 10% understated -- our estimate of loss will move with that proportionally. It also depends on the retention amount (SIR) which for 20/21 is no change.

The changes in large claims compared to all the other clients we have, The City of Chandler has a unique metric as the vast majority of the large claims, historically, are still open. It is a big contributing factor to everything we have talked about so far. The large claim that is open is contributing quite a few dollars to the Reserve or the Liability Estimate. Out of the \$8.5M almost \$6M is case reserves. Also, the indirect contribution is the large open claims are the claims we specifically see development in so that an open \$180K claim that twelve months later is an open \$630K claim. Those large open claims are the kinds we see increase and it is noteworthy that the City has a quite a few on the books. Out of 64 claims that are incurred above \$75K, 46 of them are open.

The City sees between 1 to 1.5 claims for every \$1M of payroll and that has been consistent over the last 10 years.

The Ultimate Severity is the average claim costs or the size of claims numbers are limited to claims of \$75K in order to make our estimates. The reason we do that, because without doing so, the large claims dramatically distort the numbers and any meaningful takeaway. There is a gradual increase over the last 10 years and the average size is between \$6-10K. If we multiply the number of claims per payroll with average claims size we get the dollars spent on workers' compensation claims per payroll. That is a pretty flat graph over the last 10 years ranging from \$8-13 per \$1K in payroll. It is probably more meaningful to say it is \$1 for every \$100 in payroll.

The reconciliation of the reserves last year was at 7.7% and this year we are at 8.5%. It is really a two part story. The first part is the middle row which is at \$700K and is our increase for revisiting older policy years. In 15/16, we thought that year would remain pretty flat and now we have a claim that increased by \$450K, we go back and make an adjustment and say that the Ultimate Cost for that year is higher than we thought it was a year ago because of the large claim development. When we look at that over all historical policy years, it represents the \$694K increase over the last year. The other two pieces includes the expected growth in the reserves. We added \$2.5M over the most recent months twelve months, but then the City makes payments of about \$2.4M

during those twelve months. In the same ballpark but that increases about \$100K in the reserve. Overtime, if you have an increasing payroll or increasing workers' compensation exposure and especially if you increase the retention over time, which the City has done for Public Safety exposure you would expect the reserve balance to go up because it takes time to pay these reserves out. Again, that is a smaller piece of the increase with the revisiting of the older years being a much larger piece.

Questions and Answers from the Workers' Compensation Actuarial Audit Report:

1. Ms. Bond asked for an explanation regarding the difference between the current incurred and the incurred change.

Adam Hirsh advised the Board that they start with a loss run which lists every claim with a snapshot value of June 30, 2019, which includes the claim identification, date of injury, type of injury, and will list the incurred amount which is a rough estimate based on the facts you know at the time or the initial facts at the time. However, we have not seen all the medical procedures take place yet. The example we talked about from October 12, 2015, showed \$180K. When we received the loss run a year later it is now showing a value of \$634K. The \$634K is the latest information and that incurred change column is the difference between the two and the increase in the claim. CorVel comes up with the original estimation of the reserve amount and we take that number and estimate the incurred changes in the aggregate based on each policy year as a whole, how old it is and open claims and it is an imperfect science because the amounts keep changing. It is our goal to give the City the best estimate of the future developments and future payments that we can with the information we have each year.

Rae Lynn stated that it is what CorVel calls out as a value and then CorVel places a reserve amount to set aside assuming what we may have to pay based on historical data, type of injury, etc. The reserve amount is not yet paid, just set aside as a future liability that may be paid.

Ms. Bond asked what the oldest open claim is this estimate.

Adam Hirsh advised the Board that there are two open claims from 2003. These claims do not represent a huge portion of the \$8.5M.

Rae Lynn advised the Board is that the City meets quarterly with CorVel and we ask them to look at and make adjustments to reserves or are their claims to settle and pay a lump sum to get it off the books. The portfolio is actively managed by the City and

CorVel. We have claims with supportive care and who have ongoing issues and will remain on our claim rolls for quite some time.

C. Financial Statements

Statement of Net Position – December 31, 2019

Kristi Smith advised the Board that the total assets are \$11.1M which are up \$500K from the last quarter. Total liabilities are at \$20K which remains stable. This gives us an unrestricted net position of just over \$11M. As Adam just reported, that information is included in the notes section of Estimated Unpaid Losses and ALAE of \$8.5M and the Weighted Projected and Ultimate Losses and ALAE of \$2.6M which comes from the summary that Adam provided as of June 30, 2019. This is also the same information Joshua mentioned in the Audit. At the moment, when you compare the unrestricted net position of \$11.1M compared to where the reserve goal would be at June 30, 2019, we are short by \$104K of meeting the reserve goal; that is after the ongoing contribution increase and \$1M transferin as of July 1, 2019.

Statement of Revenues, Expenses and Changes in Net Position – December 31, 2019

Kristi Smith advised the Board that the total operating revenues of just under \$2.2M which is slightly under budget. Operating expenses were \$1.7M which is under budget by \$600K. Comparing the revenues over expenses there is an operating income of \$430K. Nonoperating revenues and expenses of \$1.1M and that is over budget by \$40K related to the interest income from the bonds we are holding. That gives a change of net position of \$1.567M. When you add that in with the net position at the beginning of the year and the ending net position is just over \$11M and that agrees to the Statement of Net Position on the previous page.

Statement of Cash Flows – December 31, 2019

Kristi Smith advised the Board that this report shows the cash we have received, where it came from, and the payments made by activities of operating, capital, noncapital, and investing. The net increase or decrease in cash and cash equivalents of \$1.5M. Added to the beginning of the year cash and cash equivalents you get the \$10.6 in cash and that does again agree to the Statement of Net Position on the first page.

Questions and Answers from the Financial Statements:

None

D. Investment Report – December 31, 2019 – Management Services

Kristi Smith advised the Board that Page 9 of the report shows the yield at cost and the portfolio statistics at 2.37% which is down from the previous quarter of 2.44% and that was down from the quarter before that at 2.49%. What we have seen is two Fed Funds interest rate cuts that have been for the quarter ending September 30, 2019, and another rate cut on October 30, 2019.

On Page 10 the sector allocation shows the different sectors that we hold funds in and the percentage of the portfolio of each type. Page 11 is the sector allocation by quarter and you can see the change from one quarter to the next from last year. You can see a shift to U.S. Treasuries from Federal Agencies. That is consistent with what PFM has been doing with our funds and it is intentional.

Page 13 shows the maturity distribution. The yield at market is 1.65% and the Benchmark is at 1.6%. The yield is above the benchmark. Both of those numbers are down compared to the previous quarter primarily due to the interest rate cuts.

Page 14 shows the effective duration of 1.76 which is in line with the Benchmark of 1.8.

Questions and Answers from the PFM Group Quarterly Investment Report of December 31, 2019

1. Ms. Bond asked about the decision regarding the move from U.S. Treasuries to Federal Agencies.

Kristi Smith advised the Board that PFM has not seen much value in the Federal Agencies so the allocation is shifting to U.S. Treasuries for value purposes.

E. Workers' Compensation Rate Contribution Reserve Recommendation

Dawn Lang advised the Board that this is the time of year based on the Trust Agreement that requires the Board to review the reserve level in the Trust. She pointed them to the reserve analysis to guide the discussion and to make a recommendation through a resolution from the Board.

Everything we have talked about today rolls into this report. The estimated unpaid losses have increased from the last actuarial report by \$835,922 and the projected ultimate loss has increased by \$115K for a total of almost \$1M required for a reserve at a 9.3% increase. Every year it becomes a challenge to estimate what the numbers will do through the actuarial reports. When putting together the analysis we are comparing their projections against Fund actuals and then projecting claims and related impacts out another three years to make sure whatever recommendation we

are bringing forth can be supported, based on the current assumptions being made, for three years out. Last year when we brought forth the recommendation, we were recommending a large increase from the actuarial report from June 30, 2017, to 2018. A big part of that increase was because the retention levels for self-insurance retention (SIR) for public safety changed from \$1M to \$1.25M. Since there was a jump in those levels we were having to incur, the actuals on any claims that had been previously covered at the \$1M level, the City was now having to pick up the additional \$250K. When the actuary is putting together their numbers, they are looking at the severity of claims, and trying to figure out in the future how much more funds would need to be in the reserve to sustain that. We actually brought forth a recommendation in the prior year for an increase of \$1M to the reserve level to put into the fund balance which was a one-time inflow into the fund balance. Then we added a separate inflow of ongoing of \$444,600 into the fund. Now that we have seen actual results and year-end results, we are happy to report that the actions the Board supported that went to Council and was built into the FY 2019-20 budget were effective. Kristi reported that the \$1M transfer-in from the General Fund into the workers' compensation fund, was approved by Council, as well as an increase to the ongoing contribution that goes into the workers' compensation fund has taken place.

We are now at the point half way through the year and using an Actuarial report dated June 20, 2019, to project future needs, a year behind when projecting the next year recommendation. The Actuarial report notes a reserve level of \$11,193,000 is the needed benchmark.

The next section is the financial audit report comparison. When Joshua was going through the audit report, he was reporting on the actuals from Fiscal Year ending 2018-19. The net position at the end of 2018-19, was \$6,813,000 at that time. In order to get the comparative number against where we need to be, based on the actuarial report, we add back in the IBNR. We compare this result of \$9,596,000 against the \$11,193,000. We take the difference the actuarial report and the audit report and based on the nominal value, we are actually \$1,597,000 under. But the actions the Board made in the prior year have gone into effect on July 1, 2019, which are noted that \$4,383,000 is now that ongoing contribution that is feeding into the Trust and supporting all the Trust claims and expenses at a level of \$444,000 higher than it was the year before. It has proven to be a good level of on-going based on the most recent financial report. That one-time \$1M increase to the fund balance was also a need because of the structural change to the SIR. That has also proved to be a good decision.

Now, in order to really get a feeling to where we are recommending you to go for the following year, I would like to discuss the trend and then lead into the current year as well as what we will think will happen in 2021. We will then make a recommendation tonight on the change in where the reserve really needs to be. The actuals section shows the revenues that are flowing into the Trust and you can see how that has changed over the time as back in 2016-17 we were only receiving \$3.5M and we are up to \$4.5M now.

We have broken out our actuals on operating expenditures, which is what it takes to run the workers' compensation program in the City of Chandler, from the claims. In reviewing the claims trend, it used to be at about a \$2M level, and is up to a \$3M ongoing projection. It is important that the revenue stream coming in on an annual basis can support the ongoing expenditure level.

Overall, the ending fund balance after our estimated inflows and outflows is \$11.7M which is actually above the current actuarial report recommended reserve level of \$11.2M. We have a bit of cushion there but we will actually take this projection three more years and look at the inflow coming in and apply an increase to the claim line at 5.7% annually and we believe the current level of funding will support the Fund for the next three years barring any structural change to the SIR level and any unexpected large claims. The Actuary puts in some pretty aggressive projections when it comes to claims and it would have to be something pretty big and that does sometimes happen. We will continue to review this on an annual basis. Based on all of this information, we are not recommending a change to the ongoing contribution or one-time transfer ins. We have been going to Council for three years in a row increasing our contribution levels. This is a welcome message to the City if you all agree with this recommendation.

Questions and Answer from the Workers' Compensation Rate Contribution Reserve Recommendation:

1. Mr. Myer asked why the revenues for 2020-21 will go down.

Dawn Lang advised the Board that the estimated revenues for 2019-20 of \$4.58M to \$4.548M has to do with the estimated risk rates that are applied to different work types. The actual ongoing amount is still the \$4,383,700. Overall, we are still almost \$500K over the actuarial calculated level needed. We didn't recommend taking that out after calculating the risk rates.

ACTION ITEMS:

A. Approve Resolution No. WC-007 A Resolution of the Chandler Workers' Compensation and Employer Liability Trust Fund Board Recommending Workers' Compensation Contribution and Reserve Level for Fiscal Year 2020-2021.

Mr. Myer asked for a motion. Asst. Fire Chief Gale made a motion to approve as presented Resolution No. WC-007 – A Resolution of the Chandler Workers' Compensation and Employer Liability Trust Fund Board Recommending Workers' Compensation Contribution and Reserve Level for Fiscal Year 2020-2021. Ms. Allen seconded the motion and the vote was unanimous to approve.

DISCUSSION ITEMS:

None.

COMMENTS AND ANNOUNCEMENTS

1. Mr. Bohnert asked to have the PFM reports include the basis points fees that the City is paying to PFM.

Dawn Lang advised the Board that she will have PFM provide the fees in the on-going reports.

CALENDAR:

A. Future Meeting Dates

The next scheduled meeting is Thursday, June 18, 2020 (Combined)

INFORMATION ITEMS:

A. Agenda Items for Future Meeting Dates

Financial Reports

Investment Report

Excess Insurance Renewal

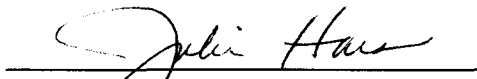
Board Elections

B. Board Member Terms

The Board Secretary advised the Board of their current term status and advised Mr. Bohnert that his current term will end in May and that because he was completing the term of a previous Board member, if he elects to stay on the Board he will be taking a First full term position.

ADJOURNMENT:

There being no other business, My Myer, Chairperson, asked for a motion. Ms. Allen made a motion to adjourn. Mr. Bohnert seconded the motion. The meeting was adjourned at 5:03 p.m.


Alex Myer, Chairperson
Julia House, Recording Secretary

**CITY OF CHANDLER WORKERS' COMPENSATION AND
EMPLOYER LIABILITY TRUST BOARD
MINUTES OF THE MEETING OF
JUNE 18, 2020**

CALL TO ORDER & ROLL CALL:

Mr. Alex Myer, Chairperson, called the meeting to order at 5:13 p.m. in the Chandler City Hall 2nd Floor Training Room A, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Mr. Alex Myer, Chairperson, Ms. Ayana Allen, Vice Chairperson, Assistant Fire Chief Val Gale, Secretary, Ms. Terry Bond, and Mr. Mike Bohnert.

BOARD MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Kristin Maier, Human Resources Manager; Dawn Lang, Management Services Director; Sherry McGlade, Accounting Supervisor; Rowena Laxa, Assistant City Attorney; and Julia House, Management Assistant and Recording Secretary.

OTHERS PRESENT:

None

INVITED GUESTS:

None

APPROVAL OF MINUTES:

Mr. Myer, Chairperson, asked for a motion to approve the minutes of the regular meeting of February 6, 2020. Ms. Bond made a motion to approve the minutes of the regular meeting of February 6, 2020. Ms. Allen seconded the motion and the minutes were unanimously approved.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

None

BRIEFING ITEMS:

A. Financial Statements

Statement of Net Position – March 31, 2020

Sherry McGlade advised the Board that the total assets were \$11.646M which is an increase from the prior quarter of \$537K which is made up of cash and investments. The total liabilities were \$176K which is an increase from the prior quarter of \$156K which is attributable mostly to the Due to City. The total net position was \$11.469M which was an increase over the prior quarter of \$381K and an increase from the prior year by \$1,947,559 which is outlined on the Statement of Revenues, Expenses and Changes in Net Position. The reserve goal is at \$11.193M shows that there is a surplus of \$276K.

Statement of Revenues, Expenses and Changes in Net Position – March 31, 2020

Sherry McGlade advised the Board that the total operating revenues for the pro-rated budget are \$3.289M compared to the actuals of \$3.182M. The total operating expenses from the pro-rated budget were \$3.301M compared to the total actuals of \$2.453M. There were savings in professional services, claims paid, and computer software which could change for the next quarter. The operating income shows \$728K which is better than the budget by \$741K. The non-operating revenues for the pro-rated budget shows \$1.146M compared to the actuals of \$1.219M which is due to the return on investments that was better than budgeted. The change in net position was \$1,947,559, which brings our total net position to \$11,469,460 which agrees with the Statement of Net Position.

Statement of Cash Flows – March 31, 2020

Sherry McGlade advised the Board that this report shows the net cash provided by operating activities at \$1.293M which is the net effect of cash receipt premiums and cash payments for claims such as suppliers and employees. There was a small transfer out due to technology replacement under financing activities of \$3,815. The cash flows from non-capital financing activities – cash received from the city was \$1.041M. The cash flows from investing activities was \$182,337. The net increase in cash equivalents was \$2,513,183. In the beginning of the year, the total was \$9,085,302 and at the end of this quarter there was \$11,598,485 in Cash and investments which ties to the Statement of Net Position.

Questions and Answers from the Financial Statements:

None

B. Investment Report – March 31, 2020 – Management Services

Sherry McGlade advised the Board that the year was started off doing really well but then investing was halted by COVID-19. There were rate cuts by the Feds and some

investments by the Feds into the markets to keep investments going. The fund yield at cost was 2.19% which is a reduction from 2.37%. Again, we see the effect of the interest rate cuts. The sector allocation shows \$4.9M in U.S. Treasury, \$2.3M in Federal Agencies, \$1M in Money Markets, \$800K Corporate, \$800K in CD's, with \$100K in Supra National Agencies. There was movement out of Federal Agencies into U.S. Treasury and Corporate CD's. Money Market does show a \$1M balance which was a movement of dollars into investments. The total of investments of \$9.9M is \$1.1M above the previous quarter. That \$1M in the Money Market does have an effect on the investments. If you were to take out the effect of the \$1M the U.S. Treasury stayed pretty flat from the prior quarter. Federal agencies actually decreased about 2.7% while Corporate increased by 1.9% and CD's increased by 1.0%. The effective duration was 1.8 which was close the custom index of 1.81.

PFM has included a new slide showing the liquidity vehicle between Wells Fargo Public Bank and PFM Market Funds. The quarter end yield the Wells Fargo Deposit Account was at 0.01% and the Money Market Fund was at 0.99%.

A memo that was submitted in June, 2019, is attached in the packet regarding the investment portfolio by addressing investment fees. On page 4 at the bottom, it shows the annual fee rate, based on the dollars the Trust has invested, showing the first \$20M invested with fees at 12 basis points, the next \$30M invested with fees at 10 basis points, with the next \$50M at 7 basis points, and the greater than \$100M would be at 6 basis points. Page 5 of the letter shows what the average account balances were from January, 2018, through December, 2018, with the monthly fees that were paid and the fees of the percentage of the average balance. The fees have not changed as the contract with PFM remains the same.

Questions and Answers from the Investment Report:

None

C. Excess Insurance Renewal – Human Resources

Kristin Maier advised the Board that Safety National did recently provide the City with a renewal quote. There is flat rate and a 1% decrease in the premium; however, that decrease is directly related to a 1% decrease in the amount of payroll. Safety National increased our retention on the sworn police and fire employees from \$1.25M to \$2.25M and the retention for the general employees from \$600K to \$750K. It is important to let you know that, initially, Safety National did propose an increase to \$1M for the general employees; however, through the City speaking with the Broker, Safety National was able to lower it to the \$750K. Another important change to the

coverage is that the communicable disease single retention endorsement for COVID-19 claims are subject to an individual SIR and instead of a one occurrence SIR for that coverage. It is also important to note that if there is a death due to COVID-19 the City should not incur any large claims that would be associated with part of the policy.

Assistant Fire Chief, Val Gale, had to disconnect from the call due to a prior commitment. A quorum was still present.

Questions and Answers from the Excess Insurance Renewal:

None

D. Election of Chairperson, Vice Chairperson, and Secretary

ACTION ITEMS:

a. Election of Chairperson, Vice Chairperson, and Secretary of the Board.

Mr. Myer asked for a nomination for Chairperson. Ms. Allen nominated Mr. Myer for the position of Chairperson. Mr. Myer accepted the nomination. Mr. Bohnert seconded the nomination and the vote was unanimous to approve.

Mr. Myer asked for a nomination for Vice-Chairperson. Ms. Allen nominated Mr. Bohnert as Vice Chairperson. Mr. Bohnert accepted the nomination. Ms. Bond seconded the nomination and the vote was unanimous to approve.

Mr. Myer asked for a nomination for Secretary. Ms. Allen nominated Ms. Bond for Secretary. Ms. Bond accepted the nomination. Mr. Bohnert seconded the nomination and the vote was unanimous to approve.

DISCUSSION ITEMS:

None.

COMMENTS AND ANNOUNCEMENTS:

CALENDAR:

a. Future Meeting Dates

The next scheduled meeting is Thursday, September 24, 2020

INFORMATION ITEMS:

a. Agenda Items for Future Meeting Dates


Financial Reports
Investment Report
CorVel Stewardship Report
Annual Safety Update

ADJOURNMENT:

There being no other business, Mr. Myer, Chairperson, asked for a motion. Ms. Allen made a motion to adjourn. Mr. Bohnert seconded the motion. The meeting was adjourned at 5:31 p.m.



~~Alex Myer, Chairperson~~
MIKE BOHNERT, VICE CHAIR.



Julia House, Recording Secretary

**CITY OF CHANDLER WORKERS' COMPENSATION AND
EMPLOYER LIABILITY TRUST BOARD
MINUTES OF THE MEETING OF
SEPTEMBER 24, 2020**

CALL TO ORDER & ROLL CALL:

Alex Myer, Chairperson, called the meeting to order at 4:00 p.m. in the Chandler Council Conference Room, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Mr. Alex Myer, Chairperson, Mr. Mike Bohnert, Vice Chairperson and Assistant Fire Chief Val Gale, Secretary.

BOARD MEMBERS ABSENT:

Ms. Ayana Allen and Ms. Terry Bond.

STAFF MEMBERS PRESENT:

Rae Lynn Nielsen, Human Resources Director; Kristin Maier, Human Resources Manager; Lynna Soller, Benefits Manager; Nichole Bombard, Medical Leave Coordinator; Chris Jarosik, Medical Leave Coordinator; Becky Soter, Safety Coordinator; Tony Dominguez, Safety Coordinator; Kristi Smith, Accounting Manager; Rowena Laxa, Assistant City Attorney; and Julia House, Management Assistant and Recording Secretary.

OTHERS PRESENT:

None

INVITED GUESTS:

Monica Kloskowski, VP National Accounts, CorVel

APPROVAL OF MINUTES:

My Myer, Chairperson, asked for a motion to approve the minutes of the regular meeting of June 18, 2020. Mr. Bohnert made a motion to approve the minutes of the regular meeting of June 18, 2020. Asst. Chief Gale seconded the motion and the minutes were unanimously approved.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

None

BRIEFING ITEMS:

A. CorVel Stewardship Report – Monica Kloskowski

Monica Kloskowski advised the Board that the Claims Summary shows the claims over the last five years. In 2018 there were 152 claims. In 2019 there were 156 claims. Currently there are 126 claims for 2020. CorVel does not anticipate claims to be as high as 156 for calendar year 2020. Severity was up with one large claim for a knee injury. The total incurred for that claim was \$172K which drove up the total and the average incurred. The reserves are anticipated to increase for this claim by \$36K up to \$208K for this claim. The claim count for 2020 is the lowest over the last five years. The total incurred shows that large claim in 2018 and if that is taken out of the equation the total incurred by year actually has been relatively consistent year to year. In 2020, there has been one claim over \$100K. In 2019 there was one large claim for \$482K, and in 2018 there was one large claim of \$1.4M. In 2017 there were six claims over \$100K. So, 2020 is looking comparable to prior years. The 2019 numbers were favorable for the incurred.

The Claim Counts by indemnity vs. medical only show that in 2020 there have been 18 indemnity claims, 108 medical only claims, and 3 report only claims. On average, the City runs around a 30% conversion rate from medical only to indemnity as the claims mature. Using that number and apply 30% there would be approximately 23 indemnity claims for 2020 which is in line with the prior four years.

The Claim Counts by Top Five Location Summary shows that every department experienced a reduction in the number of claims in 2020 or they stayed relatively the same. Police saw the biggest reduction in claims over the last five years.

The Claims Triangle by Incurred Amount shows the total paid claims as far out as 5 years from the date of the claim. CorVel uses this as a barometer to see how accurate CorVel is in setting reserves. We don't like to see large jumps year over year. In 2016 there is a very large jump for initial reserves of \$808K to \$2.5M based on two claims over \$1M each. By the time the claim gets to the 36 month point, reserves stabilize.

The Claim Counts by Nature of Injuries shows the Strains, Contusion, Laceration, Sprain, and Foreign Body injury types. Strains and Sprains continue to be the most frequent injury based on the type of work performed at the City of Chandler. Strains

and Sprains are coming from what is coded as "no other class" which are strains and sprains without a specific code or – not otherwise classified. The runner up was Strains caused by lifting. Contusions were mostly caused from slips and falls. Lacerations were caused from cut, puncture, scrapes, or objects being lifted or handled. The Foreign Body category is mostly foreign matter in eyes.

Incurred Nature of Injuries shows the claims count of the top five injuries and the Incurred Body Part page shows the top five nature of injuries based on total incurred. Strains and Sprains are in the top five. Also, Fractures are now hitting the top five based on the dollar amount spent on claims. In the last five years there have only been 15 fracture claims and they tend to be very costly. There is one fracture claim that was \$97K from 2016 along with one for \$50K. In 2017 there was one fracture claim at \$66K which was half of the costs. In 2020 there has been one fracture that was \$61K which was 50% of the cost of fractures. Out of the 15 fractures, there were five that were surgical and more costly. The five categories for body parts include Knee, Soft-tissue Head include lacerations or hit on the head, No Physical Injuries – no physical injury and could be a smoke exposure, dizzy, anxiety, blood exposures, etc., Foot and Elbow categories were all strains and sprains.

The Paid Financial Summary shows the total payout by transaction year (not by injury). The year 2018 has the highest spike with the highest payments because of the five high claims over \$100K each. The 2018 increase in expenses included the higher bill review due to the review of the hospital bills. Year by year the total paid has been consistent with the exception of large payouts in 2018.

The Network Solutions page shows the bill review savings. In 2020, there is a 65% bill review savings. That number is lower in 2020 due to less hospital bills. The highest savings on bill review comes from hospital bills. In 2018 and 2019 there were more hospital stays and a higher savings was achieved. In 2020, there have been few hospital bills and the savings isn't as good. Although 65% is still a very good percentage of savings as CorVel's average book of business is 61%.

The Pharmacy Summary for 2020 shows the lowest pharmacy count seen in the last five years with the highest savings percent. It is probably the initiative that CorVel has with the ICA and CorVel has a lot of controls in place on the prescription drugs. A lot of the claims are within the pharmacy benefit network so we are getting really good savings where we typically achieve a 10% savings over the pharmacy fee schedule. There are a couple of missed opportunities with two claims that are being litigated who are using some outside pharmacies. Our Adjusters are working on those claims by sending letters to the claimant to re-direct them back to the in network pharmacy. We

are hoping to get those back in network to increase the savings more. There was a low prescription count with high savings and we are doing a good job of getting the injured workers in network using the 24/7 program and keeping them in network.

Questions and Answers from the CorVel Stewardship Report

1. Asst. Fire Chief Val Gale asked if the fracture category includes knee injuries as well as fractured bones.

Monica Kloskowski advised the Board that the injuries to knees would be listed under knees and if they twisted the knee, it would fall under the strains and sprains.

B. Annual Safety Update – Human Resources

Rae Lynn Nielsen advised the Board that this is her most favorite meeting of the year because it is such a great opportunity to do the recap of what happens with the safety program and how good of a job they do as well as the Medical Leave Coordinators. Last year we split the two groups. Lynna Soller is overseeing the safety program and Kristin Maier is overseeing the Medical Leave Coordinators.

Lynna Soller advised the Board that a great part of our Human Resources Division is working with our team of safety professionals and the medical leave coordinators. Slide 1 of our presentation shows the photos of the safety and medical leave coordinators. Slide 2 is about the Executive Safety Steering Committee that meets on an ad hoc basis and really provides guidance and oversight our general safety committee. Slide 3 is about our City-wide safety committee.

Tony Dominguez advised the Board that we will show you the aspects of the program and discuss the larger internal programs. The City-wide safety committee has been together since 2002, at least in its current state. There are 29 members consisting of representatives from divisions and departments across the City. There may be multiple representatives from some divisions based on their size or exposure and we encourage more representation for the employees. The committee meets on a monthly basis and each representative can present and identify safety concerns or issues from their groups. Chris and Nichole present the monthly workers' compensation accident and injury review. Our wellness coordinator, Kara Boley, also participates because of the relationship we have established with wellness to talk about areas where employees can improve their health and opportunities to participate in the wellness program to prevent overall accident and injuries based on their physical well-being. The safety committee members are responsible to

communicate with their respective groups and carry back information about training programs, training subjects, safety projects, etc. Those representatives are responsible for carrying that information back to their groups and pushing it back out to the City so we have top to bottom communication about what is going on within the safety program.

Becky Soter advised the Board that Slide 4 is about the Hazardous Waste Operation and Emergency Response Training. This training is usually given every year in March and is a face-to-face training that is 8 hours long and covers the training of employees on how to store, handle, work with hazardous materials, proper disposal, etc. so everyone stays safe and there is no contamination or exposures. This year presented a challenge because of COVID-19. There was only one face-to-face training and as a result, we converted eleven presentations into a digital format with recordings of the presenters which included herself, 2 presenters from environmental management, as well as a representative from storm water pollution prevention to cover the topics. The presentations were merged into a course that was presented through LEAF (the City on-line learning/training tool) and pushed that out to all of the affected employees. Historically, the training has been over 100 employees. Last year we trained 142 employees. This year we also trained 142. We managed to do it in a very short amount of time and it was a large feat and went well.

Lynna Soller advised the Board that with COVID-19 hitting us in March precisely at the same time frame for this scheduled training and we had to be very agile and get this training in a digital format. We commend the team for that because it was a large undertaking to transition that material into a digital format and to deliver the programs via our learning platform which is what LEAF is.

Tony Dominguez advised the Board that Slide 5 is the Emergency Action Plan. This plan is designed to provide directed responses to different types of emergencies in the City. Primarily what we deal with is fire evacuations. The City is fortunate that we do not have many internal emergencies. The majority of those are done through drills that are to be conducted annually at all City facilities. Currently this program covers fifty occupied facilities. We dictate that any facility that has employees that are housed or operate in it are required to be covered by this program and establish emergency action coordinators (EAC's). Each department/division has representatives as emergency action coordinators. A picture on the slide shows a group of coordinators in red vests after an evacuation and are being debriefed by Battalion Chief Vargo. BC Vargo works closely with Safety in facilitating these drills in working with the Fire Department to determine how we can improve our response to certain events that might occur inside a City facility. The EAC's are City employees internal to each location

that are really the driving force behind this program. They are responsible for facilitating all of these responses as the different events occur. There are written guidelines that are required to be established by OSHA. The EAC's are trained on those and as we drill and retrain them, we keep their skills sharp so they know how to handle and manage different types of events that may occur in any of the facilities.

Becky Soter advised the Board that the next program on Slide 6 is the Respirator Fit Testing which is an OSHA mandated program for employees who are exposed to respiratory hazards in their work environment. In addition to regular training on what a respiratory hazard is and when they should utilize respiratory protection, we include respirator fit testing annually. Seventy-three employees were tested last year. This year we are expecting to test eighty-four; however, due to recent job transitions, terminations, and retirements, the number has decreased. The machine used for fit testing is a quantitative test machine which measures the ambient air and the air inside the mask to get a good idea of the fit that the employee has with their respirators. We want to know that when an employee enters into a hazardous area they are being protected.

Rae Lynn Nielsen advised the Board that the Respirator Fit Testing program used to be done through an outside vendor and was brought in-house three years ago.

Tony Dominguez advised the Board that Slide 7 shows a Fire Extinguisher Training as a versatile training. We like to highlight training and have some fun with it. Working with the training section the Fire Department, we borrowed a burn prop with live fire. In November 2019 we took this out to several facilities for hands-on training on the proper use of a fire extinguisher with methodologies that are promoted by the Fire Department. There were over 213 employees trained in different locations in order to get the hands-on experience in dealing with a fire extinguisher, discharging it, and putting out a life fire in a controlled setting.

Lynna Soller advised the Board that Slide 8 is a summary of the fiscal 19/20 training program with the number of classes, number of employees trained, and the amount of hours trained. Some of these are OSHA mandated, operational to work area and specific situations that were needed. The Return to Service C-19 Prevention was a training program with six classes and 210 employees. In light of the evolving C-19 circumstances, we needed to help employees understand the proper use of PPE, hygiene, and social distancing. The summary shows the hours in training.

Tony Dominguez advised the Board that Slide 9 shows the annual calendar for 2020 and it ties into the subjects from the summary on Slide 8. COVID-19 is a great example

of the need to develop a program for the health, safety, wellness, and benefit of the City employees. All twelve months we plan targeted training including the OSHA mandated training. It also includes injuries that we are seeing in the field, and we can develop targeted training to do prevention to minimize the exposure the employees have on the job. The calendar is adjusted annually with a review of the most high-risk exposures from 2020 and OSHA mandated training. We will develop specific training for what is needed.

Rae Lynn Nielsen advised the Board that in March, COVID-19 changed everything with a rapid shift of focus in the safety and leave management areas. Slide 10 is an example of some of the initiatives that the Safety Committee participated in. The Emergency Operations Center (EOC) was activated by City Council and is located at the Fire Department and is staffed and run by the Fire Department.

Asst. Fire Chief Gale added that there are two staff members there on a part-time basis. They were there full-time at the EOC for several months.

Rae Lynn continued that the safety team was included in the several of those EOC-related activities. One of the things that the Safety Committee was called upon to do was to identify the groups at the highest risks for COVID-19 and work with the safety division of the EOC to talk about resources that were going to be needed City-wide such as Plexiglas barriers to mitigate the risks. The City provided a lot of education and communication as a big part of the program on an on-going basis. The EOC and the Safety Committee developed numerous training programs such as, personal hygiene videos and sanitization kits that were distributed throughout the City. This was a huge effort between Safety, Central Supply, and the EOC to make sure that all departments had masks, gloves, disinfectant wipes, etc. in order to keep areas clean. There were posters, safety inserts, computer wallpaper, etc. Lynna has already discussed the COVID-19 training that was developed by safety. The leave coordinators, organizational development and wellness employees also participated. Human Resources took a holistic approach as we had received hundreds of phone calls and inquiries from employees about how to handle certain things, medical leaves, etc. It has consumed our lives over the last several months.

Slide 11 shows the Return to Work Tips that was communicated to all employees. There were around 700 employees that were working from home for a certain amount of time. There was, at least, half of the workforce at work in the office on a daily basis. As we were looking to transition everyone back to work, the City Manager asked for guidelines for return to work about wearing a mask, social distancing, washing hands, etc. There was an employee video that was pushed out City-wide with the City

Managers to welcome and encourage people to come back safely. There are still a few employees working from home; however, there is a majority of employees in the office at this time. It will continue to be our focus for Safety.

Kristin Maier advised the Board that COVID-19 has been the big focus of our area since March and continues to be. Chris Jarosik and Nichole Bombard will present the OSHA report.

Chris Jarosik advised the Board that as of August 27, 2020, we had 389 employees tested for COVID-19. Slide 12 shows this number and it just reflects those who reported the test to Human Resources. For employees who tested on their own, we have no way of tracking this information if they did not advise us. As of this week, that number has increased to 406. There are a few employees that had duplicate testing due to the exposures in their line of work for Police and Fire. Of those that were tested, there were 88 that were positive and one more in September to 89. Fifty of those people were in Public Safety (Fire or Police). Only 3 of the employees of the 89 required medical care above self-care measures at home. Of these 89 people, 3 were in the hospital, 2 were discharged very quickly, and 1 had a challenge, but has recovered and has returned to work. Two of those were work related and one was a personal exposure. The cost of the testing to the Workers' Compensation Trust is just under \$31K to-date.

Rae Lynn advised the Board that the City process was to handle or view any exposure that could directly correlate to a work-related issue which was mostly Police and Fire. We ran those tests through the Workers' Compensation program so we paid for the testing and paid for any time off and we did not require any employees to use their own leave time. Even their time off for doctor visits was paid through the Workers' Compensation Trust. The employees that were exposed outside of work or off the job had a completely different process that Nichole and Chris managed as well, with benefits and leave time. This second process was through our Health Care Benefits Trust that you also help the City manage.

Nichole Bombard advised the Board that Slide 13 shows the OSHA Calendar Year Recordable Injuries numbers. Monica Kloskowski reported our fiscal year number and they are a little bit different. The definition of an OSHA recordable injury is anything above first aid. There are no deaths, unconsciousness, lost days from work, and restricted duty. These are required as OSHA recordable. Even if there is only a diagnostic test or an office visit and no further treatment, they do not count as OSHA recordable numbers. For calendar year 2019, there were 106 and the previous year there were 104. The line graph is the average number of employees that was reported

to OSHA. The average for 2018 was 1,926 and for 2019 there were 1,904. These numbers are steady and we don't foresee any drastic increases for this next year; however, the numbers are reviewed on an annual basis.

Lynna advised the Board that the safety team will now discuss other programs available.

Becky Soter advised the Board that the additional Safety/Occupational Health Programs are a few of the programs that we have put a lot of effort into involving the employees, supervisors, and staff to come up with sound solutions for some of these situations. The commercial driver license program is a great example where we engage the employees who are affected by this program from the date of hire and their supervisor to make sure they are trained and that everybody is aware of the requirements, standards, and expectations that need to be met by this program. The ergonomics program includes, not only the desk or work station assessments, but, Tony puts in a lot of effort to make sure that the employees fully understand what their needs are and goes the extra mile to make sure they have chair and keyboard adjustments, etc. Those are just a couple of the additional programs that we have and have put a lot of effort into.

Tony Dominguez advised the Board that our on-going programs include respirator fit testing and training, to prevent exposures due to COVID-19, and training. For the fiscal year we are still providing training. We had training on COVID-19 that included wellness and organizational development. As the CDC and the State provide more information, we continue to tailor this training to make sure we are providing the best possible information to our employees so they can continue to manage their exposures, prevent illness from occurring, and keep our environment safe for ourselves, employees, and citizens of Chandler who enter into our offices to conduct business and for services we provide. As we return to some type of normal, we will still continue those practices to make sure we minimize any chance of exposure. Although we haven't been doing a lot of site inspections, we visit sites and evaluate work locations where our employees are doing work and have the greatest exposure. It gives us an opportunity to see what is going on and try to prevent accidents from occurring. We can then try to prevent accidents from occurring by advising them on what they can do to make their work environment safe, change practices, need for more training, etc. Becky and Tony are both members of the Arizona Governmental Safety Association (AGSA) which is a consortium of safety professionals around the state of which the City of Chandler was one of the originating members in the early 1990's. They have continued to sit on this organization and it has grown to over 50 different represented groups from around the state comprised of municipalities,

county and state agencies, utilities, and school districts. This group meets every other month to talk about state-wide or Federal-related issues and for ways to improve safety. The best way to describe it is a big think tank. The City of Chandler has been fortunate to have been selected to participate in ADOSH's public advisory committee. The group meets with the ADOSH director and the associate directors on a quarterly basis to provide insight on what can be done to improve safety across the state. Four of the members sitting on the ADOSH public advisory committee are also sitting on the AGSA members. The City of Chandler really believes there is a benefit to participating in these groups and having representation and the City is getting direct lines of information on how to improve our program for the benefit of our employees.

Rae Lynn Nielsen advised to Board that Tony was being modest because he was hand-selected and invited to be a participant of the ADOSH public advisory committee which is a testament to the type of safety professional he is. It is great for the City to have representation which is due to Tony's hard work and being known in the safety community as well.

Assistant Fire Chief Gale advised the Board that he appreciates the work that Human Resources did during the bulk of the COVID-19 testing. He had an opportunity to work closely with Human Resources and with all the work that was going on, not only to make sure the employees were taken care of and also to make sure the employees could get back to work when appropriate. This work was done on evenings and weekends. He stated that it did not matter when I called Rae Lynn or Kristin they answered the phones 24/7. For a while, there was a lot of testing. I appreciate the work they did. Also, a report for Tony, that my neck is much better since he came in and showed me how to position my monitor better.

Questions and Answers from the Annual Safety Update

None.

C. Financial Statements – Management Services

Statement of Net Position – June 30, 2020

Kristi Smith advised the Board that the financial statements are unaudited and are undergoing the annual audit at this time. The total assets are \$12.37M and that is up \$725K primarily due to a small increase in cash overall and a swing in the Due From City which was a substantial portion of that. The previous quarter it was reported Due To City under the Liability section. The swing on that one was about \$800K. The total current liabilities are \$45K and the net position is \$12.3M which is up \$855K from last quarter. When you compare that to the notes section, the reserve goal based on the

June 30, 2019, actuarial report of \$11.2M and comparing that to the net position, we show a surplus of \$132K.

Statement of Revenues, Expenses and Changes in Net Position – June 30, 2020

Kristi Smith advised the Board that there are usually four columns in this report including the prorated budget; however, we are only showing three columns since it is year end and the prorated budget is no longer required, as well as the actuals for the full year. The total operating revenues are just under \$4.4M. The total operating expenses are at \$2.88M which is under budget considerably on the expenditure side giving us a total operating income of just under \$1.5M. The operating revenues and expenses of \$1.3M shows a change in net position of \$2.8M. Adding that to the net position as of July 1st you get the net position at June 30th, which is about \$12.3M and that does agree to the previous page.

Statement of Cash Flows – June 30, 2020

Kristi Smith advised the Board that this report shows the cash primarily by activity type where we paid to or received cash from. The cash and cash equivalents totaled \$11.7M and that does tie to the first page of the statement of net position and cash on hand.

Questions and Answers from the Financial Statements:

None

D. Investment Report – June 30, 2020 – Management Services

Kristi Smith advised the Board that on Page 2, PFM has included the graphs of the labor market struggles. On Page 15 under the portfolio statistics shows the yield at cost of 1.57%. Page 16 shows the quarter rates that we are receiving on the money market funds. Wells Fargo is showing 0.01% and PFM was at 0.09%. Unfortunately, as most people know we are not getting much return or any on money market and checking accounts. Page 17 shows the sector allocation. We continue to see a shift to Federal Agencies from U.S. Treasuries which is easier to see on Page 18 showing the sector allocation by quarter on the bar graph. Page 20 shows the maturity distribution and the yield at market is at 0.31% which is down from the previous quarter but is still above the custom index at 0.17%. Page 21 shows the effective duration is at 1.87 and is in line with the custom index at 1.82.

Questions and Answers from the PFM Group Quarterly Investment Report of June 30, 2020.

None.

ACTION ITEMS:

None.

DISCUSSION ITEMS:

None.

COMMENTS AND ANNOUNCEMENTS

Rae Lynn Nielsen advised the Board that Ayana Allen has resigned from the Boards as she has moved out of state. She did notify us this week that she would not be with us going forward. That leaves a Board vacancy. There is a process from the City Clerk's office where citizens can apply to be members of the Board and we will look to see what applications are available. We are hoping to put this out to the Board members that if you know any Chandler residents in your respective professions or anyone who may be interested we would love to have that referral and recommendation. Please have them go to the Chandler website and apply under the Boards and Commissions page. If you have a name and number of someone, please forward that to Julia and we will reach out to them. Otherwise, we will go through the City Clerk's application process and we may need to advertise and go through an interview process. I think we will have a vacancy for the next meeting, at least. We will target to have someone on board the first of next year.

CALENDAR:

A. Future Meeting Dates

The next scheduled meeting is – November 19, 2020

INFORMATION ITEMS:

A. Agenda Items for Future Meeting Dates


Financial Reports


Investment Report

Review of 2021 Meeting Dates

ADJOURNMENT:

There being no other business, My Myer, Chairperson, made a motion to adjourn. Mr. Bohnert seconded the motion. The meeting was adjourned at 5:00 p.m.



Alex Myer, Chairperson
MIKE BOHNERT, VICE CHAIR

Julia House, Recording Secretary

CITY OF CHANDLER WORKERS' COMPENSATION AND

EMPLOYER LIABILITY TRUST BOARD

MINUTES OF THE MEETING OF

NOVEMBER 19, 2020

CALL TO ORDER & ROLL CALL:

Mr. Bohnert, Vice-Chairperson called the meeting to order at 5:07 p.m. in the Chandler Council Conference Room, Chandler, Arizona. Roll was taken.

BOARD MEMBERS PRESENT:

Mr. Mike Bohnert, Vice Chairperson, Ms. Terry Bond, Secretary, and Assistant Fire Chief Val Gale.

BOARD MEMBERS ABSENT:

Mr. Alex Myer

STAFF MEMBERS PRESENT:

Kristin Maier, Human Resources Manager; Kristi Smith, Accounting Manager; and Julia House, Management Assistant and Recording Secretary.

OTHERS PRESENT:

None

INVITED GUESTS:

None

APPROVAL OF MINUTES:

Mr. Bohnert, Vice-Chairperson, asked for a motion to approve the minutes of the regular meeting of September 24, 2020. Asst. Chief Gale made a motion to approve the minutes of the regular meeting of September 24, 2020. Ms. Bond seconded the motion and the minutes were unanimously approved.

SCHEDULED / UNSCHEDULED PUBLIC APPEARANCES / CALL TO PUBLIC:

None

BRIEFING ITEMS:

A. Financial Statements – Management Services

Statement of Net Position – September 30, 2020

Kristi Smith advised the Board that there were total assets of \$12,548,177 which is up \$178K. The primary changes are cash and investments that are up \$705K and Due From City is down \$526K. There are no liabilities reported for this quarter. The Total unrestricted Net Position of \$12,548,177 is up \$222K. Comparing the reserve goal of \$11,193,129, there is a surplus of \$1.36M.

Statement of Revenues, Expenses and Changes in Net Position – September 30, 2020

Kristi Smith advised the Board that this report shows the total operating revenues of \$1,006,062 and it is slightly under budget by \$89,863. The total operating expenses are at \$850,955 which is under budget at \$766,309. The operating income totals \$155,107. The nonoperating revenues (expenses) are \$67,788 with a change in net position of \$222,895. The Total Net Position for September 30th is \$12,548,177 which agrees with the Statement of Net Position.

Statement of Cash Flows – September 30, 2020

Kristi Smith advised the Board that this report shows where the cash went and came from by activity providing an increase in cash of \$705,345. The ending cash is at \$12,386,837 which agrees to the Statement of Net Position.

Questions and Answers from the Financial Statements:

None

B. Investment Report – September 30, 2020 – Management Services

Kristi Smith advised the Board that Page 10 shows the Portfolio Statistics yield at cost of 1.26% which is down from the previous quarter of 1.57%.

Page 11 shows the interest rates on the money market accounts. Wells Fargo is paying 0.01% and PFM is paying 0.03% which is down from the last two quarters. These are in line with the current market.

Page 12 is the Sector Allocation showing the primary funds being held in Federal Agencies and we are seeing a continued shift away from U.S. Treasuries which is a sector that is down from previous quarters.

Page 13 Sector Allocation shows the same information in the graph.

Page 15 is the Maturity Distribution showing the yield at market of 0.25% which is down from the previous quarter. The index is at 0.13%.

Page 16 shows the effective duration at 1.71 which is lower than the index at 1.83 and lower from the previous quarter at 1.87.

Kristi Smith advised the Board that the Workers' Compensation Financial Audit was completed this last week and the results will be provided at the next meeting.

Questions and Answers from the PFM Group Quarterly Investment Report of September 30, 2020.

None.

C. Review of 2021 Meeting Schedule

Julia House advised the Board that a review of possible calendar dates were compiled and approved through internal channels.

The Board Members indicated that the initial meeting dates were acceptable.

ACTION ITEMS:

None.

DISCUSSION ITEMS:

None.

COMMENTS AND ANNOUNCEMENTS

None.

CALENDAR:

A. Future Meeting Dates

The next scheduled meeting is – February 4, 2021

INFORMATION ITEMS:

A. Agenda Items for Future Meeting Dates

Review of Financial Audit Reports – Heinfeld Meech

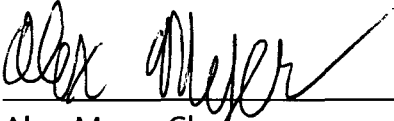
Financial Statements – Management Services

Investment Report – Management Services

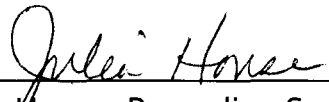
Rate Contribution and Reserve Recommendation – Management Services

ADJOURNMENT:

There being no other business, Mr. Bohnert, Vice-Chairperson asked for a motion, Ms. Bond made a motion to adjourn and Asst. Chief Gale seconded the motion. The meeting was adjourned at 5:22 p.m.



Alex Myer, Chairperson



Julia House, Recording Secretary