

**MINUTES OF THE  
RISK MANAGEMENT AND WORKERS' COMPENSATION  
TRUST FUND BOARD**

**May 19, 2010**

City Hall Complex – HR Training Room  
5850 W. Glendale Ave.  
Glendale, AZ, 85031

**MEMBERS PRESENT:** John Stern, Chair Person  
Joyce Clark, Council Member  
Sandra Oates, Board Member  
Julie Stiak, Board Member

**STAFF PRESENT:** Andy Jennings, Risk Manager, ex officio member  
Horatio Skeete, Deputy City Manager  
Alma Carmicle, Human Resources & Risk Mgt. Director  
Pat McPherson, Workers' Compensation Claims Analyst  
Lester Cuebas, Employee Safety Specialist

**MEMBERS ABSENT:** Staff Trust Board representative not appointed as of Trust Board meeting

**Call to Order**

Chairman Stern called the meeting to order at 6:20 PM.

**Review and Consider Approval of the Minutes for Approval**

Council Member Clark moved for approval and Ms. Oates seconded the motion. It was voted unanimously to accept the minutes as presented.

**Risk Department Structure and Functions**

Risk Manager, Andy Jennings, reviewed the mission of the risk department and division staffing and functions. Mr. Jennings also mentioned the restructuring that has happened in the Risk Management division. Council Member Clark asked if any job responsibilities had changed or shifted. Mr. Jennings replied the main job responsibilities everyone has are the same, but some cross-training has been done to help provide coverage for vacations and furlough time. Chairman Stern asked if the annual employee motor vehicle record check done by Risk Management included their entire driving record or just their record with the city. Mr. Jennings replied the driving record check covers their entire driving record. Council Member Clark asked how the driving record checks were done for employees. Mr. Jennings replied how the HR People Soft database is used to identify positions that drive city vehicles, and then an HR

volunteer runs the driving record checks. Chairman Stern inquired about the status of centralizing the review of certificates of insurance in Risk Management. Mr. Jennings responded it remains decentralized. Council Member Clark asked about utilizing the City Clerk's records retention program to get all the certificates in one location. Mr. Skeete replied back that all major contracts that require certificates of insurance have a check in place to see that certificates of insurance are provided to the city. Ms. Carmicle also replied that our HR PeopleSoft database may be able to include centralized certificates of insurance in the future.

It was noted that the authority for the city's Risk Management Trust comes under Arizona Revised Statutes 11-981, which grants public entities the authority to self-insure. Mr. Jennings informed the Trustees State statute requires each public entity that has a self-insurance program, to have a licensed risk management consultant and five joint trustees to oversee the trust funds. Chairman Stern asked about getting the staff trust board position filled. Mr. Skeete replied that we identified the staff position needed to be filled and we didn't have time to get the new staff position appointed by the city council before the trust board meeting date. Ms. Carmicle stated the staff member appointed will be the staff person functioning as the Chief Financial Officer. Council Member Clark mentioned to just send the staff recommendation to the city council and they will get approved.

Mr. Jennings explained that the city has two (2) trust funds. The Risk Management Trust funds the liability claims and excess liability insurance. The Workers' Compensation Trust funds employee injuries, excess insurance for the Workers' Compensation claims, third party claims administration and Industrial Commission of Arizona taxes and fees.

## **Annual Review**

Mr. Jennings noted that internal premiums are assessed to departments annually to fund property, liability and workers' compensation loss exposures. The funds generated by the premiums are deposited in the two trust funds. Each year loss experience is provided to the Budget department for paid claims over the prior five years. The budget department develops the internal premiums based on a formula that weights premiums 50 percent ms on departmental loss experience and 50 percent is based on exposure (staffing level, the size of their fleet, etc).

Mr. Jennings reported excess insurance is purchased to protect the city from large losses. Mr. Jennings mentioned the only change in excess insurance this year was the increase in the excess workers' compensation deductible. Mr. Jennings went on to state that the total cost for all the insurance coverages was \$937,365 which was \$38,007 less then FY08-09. Chairman Stern asked if there was any recommendation from staff to change any insurance deductibles. Mr. Jennings informed the members he did ask for insurance quotes at various self-retention levels, but he did not have the current insurance quotes for FY10-11 to present to the trust board. Mr. Jennings then presented a summary of the current anticipated insurance quotes. Mr. Jennings said the workers' compensation excess insurance is anticipated to come in 20% higher then last FY. Ms. Oates asked how many claims have been covered by our excess workers' compensation insurance. Mr. Jennings responded there has only been one claim with our current insurance carrier. Mr. Jennings went on to explain that the increase in insurance rates was based on the insurance market in Arizona and not just Glendale. Mr. Jennings also stated he had completed two other excess workers' compensation carrier applications to see if the city could get a better rate. Council Member Clark asked if we had told our current carrier that we are re-thinking our position with them because of the potential price increases. Mr. Jennings replied that we had

done so. The board continued to discuss the decrease in payroll and number of employees and how that should be helping give the city favorable workers' compensation rates instead of increase rates.

Mr. Jennings then presented the Worker's Compensation experience indicating total costs for FY09-10 is expected to be \$1.3 million, down from \$1.5 million in FY08-09. Council Member Clark asked about the increase in staffing costs since FY05-06. Mr. Jennings replied the city nurse was added to Risk Management, so our staffing costs increased. Mr. Jennings mentioned the third-party administrator and Industrial Commission of Arizona costs are anticipated to decrease and our staffing costs are anticipated to be about the same as last FY. Mr. Jennings mentioned our insurance costs went down \$10,000 because we raised our self-retention up to \$600K.

Mr. Jennings next presented the Property and Liability experience indicating total costs for FY09-10 are expected to increase to \$2.7 million. Mr. Jennings went on to say this increase is largely the result of two large liability claims that were settled. Mr. Jennings said staffing costs decreased as the result of Jim Loeb retiring. Mr. Jennings also said insurance costs continued to go down.

The Midwest Employers Casualty Company benchmark graph and data was presented reflecting the City is near the target performance best practices benchmark of 20% better than the mean of similar entities.

The total cost of risk graph was discussed by Mr. Jennings. He informed the trustees the cost of risk is anticipated to increase to 1.19% in FY09-10. A pie chart reflected over five years that 50% of all cost of risk expenses was for claims and 31% of claims expenses were for insurance costs while 12% was for staffing and 7% for other division expenses.

Risk Manager Jennings discussed the purpose of having actuarial studies performed and reviewed a graph with the board members. The actuaries establish a fair statement of what our liabilities are for the financial statements at the end of the year. Mr. Jennings informed the trustees the city funds claims at approximately the 55% confidence level.

Mr. Jennings mentioned the changes that were made to the funding of Workers' Compensation trust fund. The Workers' Compensation Trust fund did not receive its normal level of premiums from departments. The Workers' Compensation Trust started the FY09-10 at the 90% confidence level and is projected to end above the 55% discounted confidence level. Mr. Jennings proposed to the trust board that funds should be transferred from the Risk Management Trust to the Workers' Compensation Trust to bring the confidence level up above the 70% confidence level. The trust board discussed this proposal and agreed with it. Mr. Jennings said he would send out a report to the trust board once the FY09-10 ends and the Budget report is ready. Then Mr. Jennings will determine what amount of funds will be transferred between the accounts and he will make the transfer and notify the board what has been done. Mr. Jennings mentioned that the Risk Management Trust fund started the FY09-10 above the 90% confidence level and despite some budget transfers is anticipated to end the FY09-10 still above the 90% level.

Safety and loss control activities and measures were presented to the trustees. Causes and nature of injuries were reviewed with the trustees. Mr. Jennings informed the trust board about the progress of the defensive driving classes at the city and the increase in employee seatbelt usage.

Vehicle accidents were discussed and graphs reflected the causes and types of preventable vehicle and equipment accidents.

Loss prevention efforts were shared with the trustees including expansion of the intranet site; development of 5 new safety programs focusing on OSHA compliance; defensive driving training of 435 employees; training 1578 employees on 14 different topics; and performing fall protection safety inspections on 91 city buildings. In the occupational health area, staff began performing random drug and alcohol testing for Non-CDL Safety Sensitive positions which resulted in a cost savings of \$6000 to the city. Staff also performed hearing tests for all city employees (except Police) at the Glendale Regional Safety Health Center which resulted in a savings of \$3200 to the city.

The trustees were informed of the development of the new formal CDL policy.

Risk Manager Jennings finished the presentation by telling the board he finished his Associate in Risk Management certification in March.

### **Adjournment**

Council Member Clark moved for adjournment, Trustee Oates seconded the motion and it carried unanimously. The meeting adjourned at 7:35 PM.