

Minutes  
Workers' Compensation Trust Fund  
Wednesday, November 12, 2014 - 7:00 PM  
City Hall - Council Chambers, Room B2  
5850 W. Glendale Avenue  
Glendale, AZ 85301

Members Present

Tom Duensing, Trustee  
John Stern, Chairman  
Julie Stiak, Trustee  
Ken Wixon, Trustee

Members Absent

Yvonne Knaack, Vice-Mayor and Trustee

Staff Present

Dianne Shoemake, Risk Manager  
Lorena Sanchez, Risk & Safety Analyst  
Nick DiPiazza, Deputy City Attorney  
Jim Brown, Director, Human Resources & Risk Management

1. Call to Order

John Stern called the meeting to order at 7:05 PM.

2. Approval of September 4, 2014 Workers' Compensation Trust Fund Board Meeting Minutes

The minutes were provided to the Trustees. Julie Stiak moved to approve the minutes as written and it was seconded by Tom Duensing. Motion Passed.

3. Executive Session

Julie Stiak moved to enter executive session and it was seconded by Tom Duensing. Motion passed. Lorena Sanchez provided information on pending litigation and claims. No action taken. Julie Stiak moved to exit executive session and return to open session, which was seconded by Ken Wixon. Motion passed.

4. Discussion of Workers' Compensation Trust Fund 2014/15 Revenue and Expenses

Risk Management provided a spreadsheet of the Workers' Compensation Trust Fund 2560 for fiscal year 7/1/2014 through 7/1/2015. The following was reported. As of October 31, 2014 total revenue was \$535,626. Of that amount \$7,018 is from stadium security fees, \$5,283 from interest income, \$49,789 from miscellaneous revenues and \$473,536 from department self-insurance premiums. The October and November department self-insurance premiums have not yet been deposited or \$315,692. This would mean total revenue of \$851,318.

The total expenses paid from the Fund were \$507,929. Of that amount, \$254,549 is for payment of claims and \$253,381 for payment of professional and contractual fees (TPA fees, insurance premiums, taxes, ICA fees, actuarial, exposure testing). No administrative costs have been expensed from the fund. Risk Management is working with Finance on obtaining approval for transferring the expenses and the process to be used moving forward. You can also see the Professional and Contractual expenses have already exceeded the budgeted amount. This is due to the cost of third party claims administration services. The services fees are much greater than estimated and we are not realizing the savings we anticipated. If the current trend continues, we can expect the fees to be triple the budgeted amount.

**The City's current ending fund balance is \$6,732,344.** The 2014 ICA estimate of 125% of the city's liabilities is \$3,731,592. The fund balance is \$3,000,747 above that amount. The actuarial 55% confidence level is less at \$3,706,023. Our minimum balance must stay above the ICA estimate of liabilities since it is greater.

The actuary projected that we would pay \$1,510,686 in claims this fiscal year. The balance needed to stay above the ICA minimum and pay projected claims should be \$5,242,283. Currently we are \$1,510,686 above the two numbers. We are in a good position to remain above the ICA minimum and have funds to pay claims this fiscal year.

Risk Management is currently working with the actuary to complete the actuarial analysis. The actuary will provide projections through the 2014/15 and 2015 /16 fiscal years. No action taken.

5. Discussion and Approval of Industrial Commission of Arizona Self Insurance Renewal

Risk Management reported the following. Arizona Revised Statutes (ARS) 11-981 allows a city to self-insure its workers' compensation program for the management, administration and direct payment of workers' compensation benefits. The Industrial Commission of Arizona (ICA) annually requires self-insured entities provide information relating to their claims and liabilities to renew their self-insured status. A public entity may self-insure its workers' compensation liabilities if it has a fully-funded account sufficient to cover liabilities, provide funding to the account each year and post a security deposit or letter of credit amounting to 125% of its liabilities. In 2005, R20-5-1114 was created that allowed public entities to be exempted from providing a security deposit or letter of credit. In order to meet the requirements to waive the security deposit, the Trust Fund must maintain a minimum balance equal to the security deposit, but must be adequately funded to show that it still has funds left to pay claims.

An exemption from posting the security deposit is made by written request to the ICA before the renewal (January 1 each year). The request must state that the public entity is fully-funded, will be funded each year, that the governing body will immediately notify the ICA if the funding falls below the required amount or has insufficient funds to cover all its liabilities and the exemption request is approved by a majority of the governing body. The report is due to the ICA thirty (30) days prior to the renewal or on December 1, 2014.

The City calculates the 2015 required minimum security deposit at \$3,815,988.88, per the attached ICA Workers' Compensation Liability Form. The projected balance at 10/31/14 is \$6,889,091, which is \$3,073,102.12 greater than the minimum security deposit requirement. If the most recent actuarial report indicates an amount greater than the minimum security deposit, the City shall keep the balance above the actuarial requirement. In this instance, the actuarial report is projecting an amount of

\$3,706,023, which is less than the security deposit. The required minimum balance to be maintained in the Trust Fund cannot drop below \$3,815,988.88 during calendar year 2015.

Risk Management is recommending to City Council that they adopt a resolution authorizing the City Manager to request exemption from the requirement by the ICA to post security for the City of Glendale's self-insured workers' compensation claims in calendar year 2015. A draft resolution for consideration by City Council was provided. A motion was made by Julie Stiak to recommend City Council adopt a resolution to request the exemption and waive posting of the deposit for calendar year 2015. The motion was seconded by Tom Duensing. Motion passed.

6. Award of Medical Provider for Occupation Health Clinic – Strength Training Inc.

Risk Management reported that a Request for Proposal for medical services at the Glendale Health Clinic was issued in May, 2014. The Fire Department is responsible for the Health Clinic contract with the provider. Since the services provided at the Clinic include our workers' compensation program, risk management advised the Trustees that the provider would be changing. The Fire Department is recommending to City Council at the meeting on November 24, 2014 awarding the contract to Strength Training Inc. Since this is not a Risk Management contract, no action was taken.

7. There was no new business.

8. Adjournment

Ken Wixon moved to adjourn the meeting which was seconded by Julie Stiak. The meeting was adjourned at 7:05 PM.

Submitted by:  
Dianne Shoemake