



MINUTES

LOSS TRUST FUND BOARD MEETING

TELEPHONIC

September 30, 2021

5:07 p.m.

PRESENT: Brandon Perlow, Chair
Allan Smith, Vice Chair
Richard O'Connor
Suzanne Welch
Linda Wannie

STAFF: Lori Davis, Senior City Attorney
George Woods, Acting Director of Risk Management, Claims Manager

GUESTS: Tracy Fleck, AON

CALL TO ORDER

Chair Perlow called the meeting of the Loss Trust Fund Board to order at 5:07 p.m. He welcomed Board Member Wannie to her first meeting. Board Member Wannie provided a brief personal background.

ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above.

OLD BUSINESS

1. Approval of the March 11, 2021 public meeting minutes

Chair Perlow called for questions or comments. There were no changes.

BOARD MEMBER O'CONNOR MOVED TO APPROVE THE MARCH 11, 2021 PUBLIC MEETING MINUTES AS PRESENTED. VICE CHAIR SMITH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR PERLOW, VICE CHAIR SMITH AND BOARD MEMBERS O'CONNOR, WELCH AND WANNIE VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

NEW BUSINESS

1. Presentation and discussion of Actuary Study by AON

Tracy Fleck, AON, provided an overview of the report, noting that all figures discussed reflect only amounts up to the City's self-insured retention.

Board Member Welch made a typographical correction.

Ms. Fleck noted that Worker's Comp claims decreased upon the COVID pandemic, beginning in March 2020 and throughout 2021. An adjustment was made to claim data to reflect this. Estimated outstanding losses is the estimate of what is yet to be paid on all claims. As of June 30, 2021, the estimate is \$20.65 million. The estimate from the same period last year was \$19.6 million. The second conclusion looks forward to estimate costs for the upcoming year for claims with accident dates after 6/30/21. Projected ultimate losses by the next five years by coverage were reviewed, beginning at \$7.8 million and growing to \$9.6 million. The driver is the underlying loss rate change and exposure growth. Frequency and severity rates were discussed and these numbers are converted to loss rates for a comparable basis year to year.

In response to a question from Chair Perlow regarding the projection drop from 20/21 into 21/22, Ms. Fleck stated that the projection looks at a long-term average and takes into consideration the COVID environment. Years '19, '20 and '21 are more variable and uncertain than typical years.

Projected losses paid equate to a cash flow projection. For the upcoming year, the estimate is \$6.5 million increasing to approximately \$8.5 million. These track with ultimate loss increases. This is a combination of legacy losses and the new run rates. The fund balance is the difference between assets and liabilities for the program. The recommended fund balance is equal to the estimated outstanding losses. In other words, there are estimated outstanding losses of approximately \$22 million and the recommendation is to have a cushion in this amount to support those liabilities. The intent of the cushion is to absorb large claims or catastrophic events. The study provides estimated outstanding losses at different confidence levels. The goal is to look at long-term averages and use best judgment in making factor and weight selections.

In recent years, there have been a larger number of open claims. Larger claims tend to remain open. This is typical for a Worker's Comp program. Only one claim in the last ten years has exceeded the self-insured retention above \$1 million.

2. Review and discuss new format for Annual report

George Woods, Acting Director of Risk Management, Claims Manager, reviewed proposed changes for the annual report. This includes the suggestion to make the annual breakdown medical costs more robust in detail in terms of general liability, medical bill review, claims above \$100,000, average cost savings and frequency of claims also for \$50,000 and \$25,000 claims. In terms of recovery, it would be helpful to know how much claims are being recovered on, rather than simply reflecting the total number at the end of the year. There was confusion last year in regards to individual departments with some question regarding whether the amounts listed in the severity for fiscal year are the amounts incurred during the fiscal year or attributable to claims arising in the fiscal year.

Approved December 17, 2021

For clarity, the intent is to separate out claims originating in that year in one column and claims attributable financially to that fiscal year in another column. This will be helpful in terms of comparison.

Because the City is now in the Public Entities Partnership Program (PEPP) with ADOT, Scottsdale is subject to increased facility inspections. Once the City obtains its designation with PEPP, there should be reductions in terms of proper insurance and Worker's Compensation premiums. It would be desirable to include a safety section within the annual report, which covers ADOT's inspections, findings, efficiencies and improvements enacted and time frames for response. They would also like to address training resulting from the new Learning Management System (LMS). Also being promoted are lifting and stepping techniques. New initiatives include an injury review board.

In response to a question from Commissioner Welch, Mr. Woods stated that because the City is participating in the PEPP program, they have obtained buy-in from City Manager, Jim Thompson. They will be meeting with the City Manager's Office in the coming weeks to discuss making safety and injury reduction a component of every director's performance goals. Public Works has recently hired a safety and training coordinator with the goal to have a safety and training coordinator in each department. In addition, there will be a safety and training championship award. Board Member O'Connor suggested supporting these goals in the Board's letter to City Council. Mr. Woods concurred with the suggestion, emphasizing that safety and injury mitigation is paramount. Chair Perlow asked that this be included in the Board's upcoming meeting in December.

Vice Chair Smith asked how the leadership score cards will measure safety. Mr. Woods stated that each department presents varying challenges and as such, there will not be an identical approach across the board. They have developed a number of measurements that are specific to each department.

In response to a question from Chair Perlow, Mr. Woods confirmed that the issues discussed during the course of this meeting will be included in the annual report; this is why he wanted to specifically include the safety section in the report.

Chair Perlow asked whether Mr. Woods recommends removing any sections from the annual report. Mr. Woods recommends removing some sections as well as changing the format of the synopsis at the end of the report. The self-insured medical and dental plans are not germane to risk management and fall more under HR. Chair Perlow commented that he has appreciated receiving the breakdowns on the health and safety wellness programs. Vice Chair Smith agreed. Mr. Woods confirmed that based upon these comments, those sections will remain in the report.

3. Review and discuss recently enacted legislation related to the Firefighter Cancer Reimbursement Fund Assessments and its impact on the Loss Trust Fund

Mr. Woods stated that the Arizona legislature passed a bill requiring all cities and towns to fund the Cancer Reimbursement Fund for firefighters. Funding of the Fund totals 15 million and each city is responsible for a portion, based on population size. Scottsdale's portion is \$668,000. As this is new legislation, the required funding was not anticipated nor included in the budget. The Arizona League of Cities and Towns negotiated a deal that would transfer money typically paid to the Department of Revenue (approximately \$666,000) to the Firefighter Cancer Reimbursement Fund. It is not confirmed at this time whether this is a one-time or annual requirement.

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In response to a question from Board Member Welch, Mr. Woods stated his understanding that the fire department utilizes decontamination kits for cleaning equipment of possible harmful contaminants.

Vice Chair Smith referred to the \$15 million assessment and asked about the actuarial component used to determine the number. Mr. Woods stated his understanding that much of this legislative push was driven by the City of Phoenix, which has the bulk of cancer claims in Arizona. The City of Phoenix has currently reserved \$10.5 million specific to address the cancer issue. In comparison, the City of Scottsdale only has approximately six to eight cancer claims with extremely low costs. There has been some disagreement in terms of allocation of responsibility for each city.

OPEN CALL TO THE PUBLIC

There were no comments submitted.

ADJOURNMENT

Chair Perlow thanked Sue Welch for her time and service on the Board.

VICE CHAIR SMITH MOVED TO ADJOURN. BOARD MEMBER WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR PERLOW, VICE CHAIR SMITH AND BOARD MEMBERS O'CONNOR, WELCH AND WANNIE VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:08 p.m.

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