



# Special Board of Director's Meeting Minutes

**March 9, 2023**

**MCIT Building, Board Room, (3<sup>rd</sup> Floor)**

**St. Paul, Minnesota**

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## **Attendance:**

Ron Antony, Trust Chair, Yellow Medicine County  
Randy Schreifels, Secretary/Treasurer, Stearns County  
Marcia Ward, Winona County  
Kirk Peysar, Aitkin County  
Jack Swanson, Roseau County  
Kurt Mortenson, Ottertail County  
Brett Skyles, Itasca County  
Todd Patzer, Lac qui Parle County  
Absent: Don Wachal, Vice Chair, Jackson County

Andrew Essling, WC Claim Manager  
Kevin Balfanz, Director of Field Services  
Kevin Coleman, Facilities Manager  
Karen Clayton Ebert, Staff Counsel for Risk Control  
Heather Larson-Blakestad, Communications Manager  
Gary Severson, Underwriting Manager  
Sonya Guggemos, Staff Counsel for Risk Control  
Dawn Hinkley, Staff Counsel for Risk Control

## **MCIT Staff:**

Gerd Clabaugh, Executive Director  
Steve Nelson, Deputy Director  
Linda Podritz, Director of Internal Services  
Ondara Nyang'au, Finance Manager  
Eric Nerness, Director of Claims  
Zahir Siddiqui, PC Claim Manager

## **Service Providers:**

Peter Bergstrom, General Counsel  
Pete Schmit, Galliard Capital Management  
Julie Ring, Association of MN Counties  
Tod Deming, Sand Creek EAP  
DJ Enga, Sand Creek EAP  
Wendi Kotlinsky, Sand Creek EAP

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## **CALL TO ORDER**

**000** Chair Antony called the MCIT Board of Directors' Meeting to order at 9:00 a.m. on March 9, 2023 in the Board Room at the MCIT Building in St. Paul, Minnesota.

## **APPROVE THE AGENDA**

**23-03-01** Motion by Swanson, seconded by Ward to approve the agenda. Motion carried. Voting Yes: Antony, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer. Absent: Wachal.

## **STAFF UPDATES**

**000** Dawn Hinkley was introduced to the board by Gerd Clabaugh, Executive Director. Hinkley joined MCIT as Staff Counsel for Risk Control on February 27, 2023.

## **APPROVE THE MINUTES**

**23-03-02** Motion by Ward, seconded by Peysar to approve the minutes of the February 9, 2023 MCIT Special Meeting and February 10, 2023 MCIT Board of Directors meeting. Motion carried. Voting Yes: Antony, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer. Absent: Wachal.

## COMMITTEE APPOINTMENTS

**000** Chair Antony updated appointments to MCIT Committees for 2023 by adding Board members Skyles and Patzer as follows:

- Claims Committee – Antony, Schreifels, Wachal, alternates: Ward January-April, Peysar May-August, Swanson September-December
- Governance Committee – Ward, Swanson, Skyles, Patzer
- Personnel Committee – Antony, Wachal, Mortenson, Skyles
- Audit Committee – Schreifels, Peysar, Antony, Patzer
- Investment Committee – Schreifels, Peysar, Skyles

## COMMITTEE REPORTS

**000** Investment Committee member Randy Schreifels introduced Pete Schmit of Galliard Capital Management to present information on the MCIT Portfolio Structure, the current investment returns and re-cap the investment committee discussions. The committee presented to the Board a table which portrays how Galliard intends to manage contribution receipts in 2023 by taking greater advantage of short term interest rates in Treasuries, and thereby, boosting returns on investment.

## FINANCIAL REPORT

**000** The board reviewed the Executive Summary of the unaudited financial statement for the period ending January 31, 2023 as presented by Finance Manager Ondara Nyang'au. Nyang'au reported outstanding member coverage contributions for 2023 of \$127,000. Those members have been contacted with a request for payment.

**23-03-03** Motion by Schreifels, seconded by Peysar to accept the MCIT unaudited financial statement for the period ending January 31, 2023. Motion carried. Voting Yes: Antony, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer. Absent: Wachal.

## BUILDING EXTERIOR UPDATE

**000** Deputy Director Steve Nelson, Finance Manager Ondara Nyang'au, Facilities Manager Kevin Coleman and Executive Director Gerd Clabaugh presented updates on the MCIT exterior project. Nelson explained that because the scope of the project has exceeded the original plan the architect, Wold, has asked to revisit the initial contract rate or receive clarification on the project's scope. MCIT and Wold are reviewing the revised project estimate developed by Green Construction and will continue contract discussions. Braun Intertec has also been engaged to address potential environmental / pollution concerns in anticipation of working with the MPCA in light of the covenants previously placed on the property due to the presence of contaminated soils. Braun has provided a \$7,500 proposal for their work in re-evaluating the building site for ground contamination and other environmental issues for presentation to the MPCA. The Board directed staff to continue work on the project and requested the project continue to plan for a broader scope, including relocating the entrance driveway. Executive Director Clabaugh presented the building repair and technology fund statement of revenue and expenditures. The statement presented recasts total tenant revenues, including an estimated cost for MCIT's space as a tenant, against actual costs of operations. Clabaugh pointed out that this draft financial statement shows revenues and expenses offset except for the shortfall roughly equal to annual building depreciation. Clabaugh presented multiple funding options for this project. More discussion on financing the project will occur at future Board meetings. In addition to reacting favorably to the draft building income statement presented, Board feedback included a suggestion to consider developing a capital improvements plan for MCIT to inform future budget planning.

## **CONTRACTS**

### **Capital Improvement Contracts**

**000** Deputy Director Nelson presented information on pending capital improvement projects. In 2022 the MCIT board designated \$750,000 of the \$11.3 WCRA distribution funds for capital improvements to the MCIT facility. Improvements discussed were the three roof top air handling units and technology upgrades to the boardroom and meeting room #220. Staff has researched our needs and obtained quotes for the recommended work, with both projects within budget.

**23-03-04** Motion by Schreifels, seconded by Swanson authorizing staff to enter into a contract with Alliance Mechanical Inc. for the budgeted replacement and installation of three roof top air handling units in an amount not to exceed \$387,010. Motion carried. Voting Yes: Antony, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer. Absent: Wachal.

**23-03-05** Motion by Schreifels, seconded by Peysar authorizing staff to enter into a contract with Bluum Technology to complete budgeted technology upgrades in the boardroom and meeting room #220 in an amount not to exceed \$124,000. Motion carried. Voting Yes: Antony, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer. Absent: Wachal.

### **MEMBER REQUEST FOR WAIVER OF TWO-YEAR TIME LIMITATION FOR REPAIRS**

**000** Claims Director Eric Nerness presented a request from Todd-Wadena Community Corrections to waive the two-year time-limit requirement to complete repairs on a property that was damaged in a May 30, 2022 storm. The MCIT Coverage Document includes a two-year time limit in which to complete repairs to receive withheld depreciation. Nerness provided background on the claim advising of newly reported collapse concerns to an adjacent property that could potentially impact the time limit by extending the deadline in which to complete repairs to March 2025. The board, noting no coverage controversy exists between MCIT and the member at this time, instructed staff to prepare a letter to the member advising that no immediate board action will be taken and that their request will be considered at a future meeting if needed.

### **2022 PERFORMANCE REPORT – EMPLOYEE ASSISTANCE PROGRAM**

**000** Sand Creek Executive Director Todd Deming was joined by associates Wendi Kotlinsky and DJ Enga to present the annual Sand Creek performance report for 2022. Deming reviewed the MCIT / Sand Creek relationship noting that 2022 marked the 27<sup>th</sup> year of Sand Creek providing employee assistance services to member employees and their dependent family members. Deming noted that county utilization in 2022 reached its highest mark at 5.34%. Deming reminded the board that in 2021 the board increased the number of no-cost counseling sessions from 4 to 6 and that resulted in a 30% increase in time spent using counseling services. Over all hours of service totaled 4,204 reaching 3,427 employees and family members. Sand Creek also provided 35 organizational consults to Supervisors and Human Resource professionals.

Deming reported that the primary reasons for contacting EAP in 2022 were to address mental health, anxiety, stress and family concerns. Counseling delivery services have shifted considerably since the pandemic in response to safety concerns, greater demand and counselor convenience with 44% of counselors now seeing employees virtually, a significant increase over pre-pandemic services.

## **2022 PERFORMANCE REPORT – PROPERTY CASUALTY CLAIMS**

**000** MCIT PC Claims Manager Zahir Siddiqui presented the 2022 performance report for property/casualty claims and reviewed the staffing of the property/casualty division. Siddiqui informed the board:

- 1,979 claims were received in 2022 compared to 1,517 in 2021. The majority of the claims received involved “auto” lines of coverage (physical damage, liability and PIP) with land use claims being the least frequently reported claims.
- The total incurred cost of all claims in 2022, including reserves and payments, was \$14.7M compared to \$8.8M for 2021 claims.
- The total of recoveries for the year (subrogation, salvage and restitution) was \$577,202.
- Defense costs decreased from \$1.7M in 2021 to \$1.2M in 2022.
- The total incurred cost of all claims in 2022, including reserves and payments, was \$14.7M compared to \$8.8M for 2021 claims

Property/Casualty claim department initiatives for 2023 include:

- Staff cross training/ professional development
- Origami coding project
- Cyber Claims handling
- Update and formalize policies, procedures, and litigation guidelines

## **2022 PERFORMANCE REPORT – WORKERS’ COMPENSATION CLAIMS**

**000** MCIT WC Claims Manager Andrew Essling presented a report on the performance of the worker’s compensation division during 2022 and reviewed the staffing of the workers’ compensation division. Essling informed the board:

- New indemnity claims increased from 702 in 2021 to 820 in 2022. This includes 610 COVID-19 claims, compared to 474 in 2021.
- Medical Only claims increased from 807 in 2021 to 880 in 2022.
- Total claims paid in 2022 at \$11.1M is up from \$9.9M in 2021.
- Departments with the greatest frequency of reported claims were sheriff, jail, hospital, highway and social services.
- Total recoveries from the Special Compensation Fund, Workers’ Compensation Reinsurance Association, subrogation and restitution totaled approximately \$1.4M in 2022.
- MCIT’s new medical bill review partner, Rising, was implemented in July of 2022. They have improved accuracy and efficiency with the average reduction of a typical bill of 56.3%. Adjusters and providers have welcomed the change. Rising has provided an additional benefit of \$400,000 beyond Minnesota’s Fee Schedule.
- Our pharmacy benefits manager, AWPRx, generated 26% savings on prescriptions with positive service and support reported.

## **REPORT OF THE EXECUTIVE DIRECTOR**

**000** Executive Director Clabaugh asked Director of Claims Eric Nerness to update the board on the status of a potential Amicus brief for the Welter case and a separate amicus request from AMC involving the city of Woodbury relating to payment of health insurance and disability benefits. Clabaugh briefly reviewed topics planned for the April work session and other activities of MCIT associates since the last board meeting (details on file). A meeting between AMC and MCIT Executive committees will occur in conjunction with the Board’s April Work Session, on April 13.

## **OTHER BUSINESS**

- Board Spring Work Session: April 13 - 14, 2023
- Next Regular Board Meeting: April 14, 2023
- PRIMA Conference – Long Beach, CA: June 4 - 7, 2023
- CRL Pool Board Governance Conference: July 11 – 13, 2023

## **ADJOURN**

**23-03-06** Motion by Peysar, seconded by Schreifels to adjourn the MCIT Board meeting of March 9, 2023 (12:20 p.m.). Motion carried. Voting Yes: Antony, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer. Absent: Wachal.

Meeting adjourned at Noon.

Respectfully submitted by:

Randy Schreifels  
MCIT Secretary/Treasurer