



Board of Director's Meeting Minutes

May 12, 2023

MCIT Building, Room 312 (3rd Floor)

St. Paul, Minn.

Attendance:

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

Jeff Kulas, IT Manager
Gary Severson, Underwriting Manager
Heather Larson-Blakestad, Communication Manager
Zahir Siddiqui, PC Claims Manager
Doug Vanasek, PC Claims Adjuster
Eric Nerness, Director of Claims
Karen Ebert, Senior Staff Counsel
Sonya Guggemos, Senior Staff Counsel
Kevin Coleman, Facility Manager

MCIT Staff:

Gerd Clabaugh, Executive Director
Steve Nelson, Deputy Director
Linda Podritz, Director of internal Services
Ondara Nyang'au, Finance Manager
Kevin Balfanz, Director of Field Services

Service Providers:

Peter Bergstrom, General Counsel
Pete Schmit, Galliard Capital Management
Andrea Johnson, Galliard Capital Management
Scott Anderson, Actuarial Advisors
Erik Steuernagel Actuarial Advisors

CALL TO ORDER

000 Trust Chair Antony called the MCIT Board of Directors' Meeting to order at 9:00 a.m. on May 12, 2023 at the MCIT Building in St. Paul, Minnesota.

APPROVE THE AGENDA

23-05-01 Motion by Peysar, seconded by Mortenson to approve the agenda with charges. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

APPROVE THE MINUTES

23-05-02 Motion by Schreifels, seconded by Patzer to approve the minutes of the April 13 & 14, 2023 Board Work Session and the April 14, 2023 Board Meeting. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

INTRODUCTION OF STAFF

000 Property Casualty Claims Manager Zahir Siddiqui introduced Doug Vanasek to the board. Vanasek joined MCIT on April 17, 2023 as PC Claims Representative.

FINANCIAL REPORT

000 The board reviewed the Executive Summary of the unaudited financial statement for the period ending March 31, 2023 as presented by Finance Manager Ondara Nyang'au. Nyang'au explained that representatives from Eide Bailly, MCIT's audit firm, were onsite last month and are on schedule to complete MCIT's annual audit on time for audit committee review next month.

23-05-03 Motion by Peysar, seconded by Wachal to accept the MCIT unaudited financial statement for the period ending March 31, 2023. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

1st QUARTER 2023 INVESTMENT REPORT

000 Andrea Johnson and Pete Schmit of Galliard Capital Management presented a report on the performance of MCIT's investment portfolio during the first quarter of 2023. Johnson presented an overview of general economic conditions for the 1st quarter of 2023. She noted 1st quarter GDP was 1.1% as suspected. Consumer spending slowed, but employment stayed consistent. The FED will meet in May and is expected to continue to adjust interest rates at a slower rate.

Schmit reviewed MCIT's portfolio and 1st quarter transactions. The investment portfolio reported a positive return for the 1st quarter with an estimated annual income of \$3.7 million for 2023. The overall strategy for MCIT's portfolio remains unchanged for the quarter and investments remain well diversified across all sectors. Yields are positive compared to the benchmark. The board reviewed a detailed list of quarterly transactions. All investments are AA or AAA rated and passed all FFIEC risk security tests.

Johnson reviewed the MCIT Portfolio Structure Update with the new treasury ladder for short term investment of the yearly renewal contributions that will be used to meet MCIT payment obligations.

RESERVE ANALYSIS

000 Scott Anderson of Actuarial Advisors, presented the 2022 year-end reserve analysis to the board. Based upon his work, he advised that liabilities in the Workers' Compensation division are higher as compared to the 2021 year-end analysis. He further advised \$2.17M of reserves are needed to maintain a 70% confidence level in the Workers' Compensation Division.

000 Anderson's year-end review of liabilities in the Property Casualty Division for the period of December 31, 2021 to December 31, 2022 indicate an increase of 20.3% or \$3.9M. This increase is due to 2021 being lower than average for claims and increased costs in property and auto liability claims. He advised \$2.01M of reserves are needed to maintain a 70% confidence level in the Property Casualty Division.

23-05-04 Motion by Schreifels, seconded by Swanson to accept the actuary's reserve analysis for the Workers' Compensation division and directing that MCIT maintain a 70% confidence level in the amount of \$2.17M; accept the actuary's reserve analysis for the Property Casualty division directing that MCIT maintain a 70% confidence level in the amount of \$2.01M and accept the 2022 reserve analysis as presented by Scott Anderson, Actuarial Advisors. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

23-05-05 Motion Schreifels, seconded by Swanson, after further consideration to rescind motion **23-05-04** and accept the actuary's reserve analysis for the Workers' Compensation division and directing that MCIT maintain a 70% confidence level in the amount of \$2.17M. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

23-05-06 Motion by Schreifels, seconded by Wachal to accept the 2022 Workers' Compensation estimated liabilities of \$54.4M. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

23-05-07 Motion Ward, seconded by Peysar to accept the actuary's reserve analysis for the Property/Casualty division and directing that MCIT maintain a 70% confidence level in the amount of \$2.01M. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

23-05-08 Motion by Skyles, seconded by Wachal to accept the 2022 Property/Casualty estimated liabilities of \$23.4M. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

INVESTMENT DURATION DISCUSSION

000 Andrea Johnson and Pete Schmit of Galliard Capital Management presented the current benchmark and duration asset/liability duration summary as of 12/31/22. The consolidated duration for our liabilities is 4.35 years and investment account asset benchmark is 4.83 years. Johnson recommended retaining the current benchmark and portfolio duration of 4.9 years.

23-05-09 Motion by Schreifels seconded by Skyles to accept the recommendation of Galliard Capital Management to maintain the benchmark and portfolio duration of 4.9 years. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

MEMBERSHIP ISSUES

000 Director of Field Services Kevin Balfanz reported member Metro Alliance for Healthy Families is withdrawing from MCIT Membership effective January 1, 2023 due to dissolution. Withdrawal of a member due to dissolution requires no formal MCIT Board action under the bylaws.

000 Balfanz reviewed the current risk management board meeting report schedule. These meetings will continue through early fall.

000 Balfanz advised the board that the 2022 Minnesota Safety and Health Conference was held May 1-3, 2023 and attended by 44 MCIT members. He also reminded the board that all MCIT member organizations are provided membership in the Minnesota Safety Council as part of their membership in MCIT.

2022 PERFORMANCE REPORT - INFORMATION/TECHNOLOGY

000 MCIT Information Technology Manager, Jeff Kulas presented the 2022 IT performance report. Kulas reviewed IT activities and accomplishments that included new website development, implementation of a new workers' compensation bill review provider, implementation of CrowdStrike anti-virus, upgrade V-center; installation of Synology NAS and worked with Tenable Security to obtain licensing to conduct hybrid risk assessments. Kulas highlighted IT initiatives for 2023 (on file).

BOARD MEETING ROOM LOCATION

000 The board discussed their meeting room accommodations finding interest in relocating from the existing board room (#313) to a room within the MCIT facility offering more space. Staff was directed to present options and consider the most effective use of funds previously allocated towards technology upgrades within the facility.

NOTABLE CLAIMS

000 Director of Claims Eric Nerness presented PTSD (post-traumatic stress disorder) Workers' Compensation Claims information including recent Minnesota case law affecting PTSD Workers' Compensation coverage and highlights of MCIT's related claim experience.

REPORT OF THE EXECUTIVE DIRECTOR

000 Executive Director Clabaugh reviewed upcoming conferences including CRL Board Meeting May 16-18, PRIMA conference June 5-7 in Long Beach, CA and CRL Governance Conference July 11 in Boise, ID. He reported that AMC has expressed interest in inviting Gordon Graham back as a keynote speaker during December's annual conference with MCIT as sponsor. Deputy Director Steve Nelson has reached out to coordinate that appearance and confirmed Mr. Graham is available. MCIT is working with AMC on other presentation opportunities during the conference.

OTHER BUSINESS

- Next board meeting: June 9, 2023 (board photos)
- Audit Committee meeting: June 8, 2023
- Personnel Committee meeting: June 8, 2023
- Governance Committee meeting: June 8, 2023
- Claims Committee meeting June 9, 2023
- Staff / Board picnic: August 11, 2023

ADJOURN

Chair Antony adjourned the May 12, 2023 meeting of the MCIT Board of Directors at 12:25 p.m.

Respectfully submitted by:

Randy Schreifels
MCIT Secretary/Treasurer