



Board of Directors Meeting Minutes

June 9, 2023

MCIT Building, Board Room 220

St. Paul, Minnesota

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

Eric Nerness, Director of Claims
Zahir Siddiqui, PC Claims Manager
Heather Larson-Blakestad, Communications Manager
Michaela McCue, Graphic Designer
Gary Severson, Underwriting Manager
Nick Anderson, Underwriting Specialist
Kevin Balfanz, Director of Field Services
Sonya Guggemos, Senior 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

Service Providers:

Peter Bergstrom, General Counsel
Blake Ellefson, Eide Bailly
Scott Anderson, Actuarial Advisors

CALL TO ORDER

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

APPROVE THE AGENDA

23-06-01 Motion by Swanson, seconded by Peysar to approve the agenda with changes (on file). Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

APPROVE THE MINUTES

23-06-02 Motion by Schreifels, seconded by Wachal to approve the minutes of the May 12, 2023 meeting of the MCIT Board of Directors. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

FINANCIAL REPORT – PERIOD ENDING APRIL 30, 2023

000 The board reviewed the Executive Summary of the unaudited financial statement for the period ending April, 30, 2023 as presented by Finance Manager Ondara Nyang'au.

23-06-03 Motion by Schreifels, seconded by Peysar to accept the MCIT unaudited financial statement for the period ending April, 30, 2023. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

2022 INDEPENDENT AUDIT REPORT

000 Blake Ellefson of Eide Bailly, LLP presented the results of MCIT's 2022 audit. MCIT received an unmodified opinion on the 2022 financial statements. Eide Bailly noted that no issues or adjustments were needed. They commented on the efficiency of MCIT in preparing for the audit and quality of staff's work. Audit conclusions noted no:

- new accounting policies were adopted and the application of existing policies was unchanged throughout 2022
- transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consequences
- significant transactions recognized in the financial statement in a different period than when the transaction occurred
- disagreement with management arose during the course of the audit
- uncorrected misstatements of the financial statement were discovered during the audit

23-06-04 Motion by Schreifels, seconded by Wachal to accept the 2022 independent audit of MCIT as presented by Eide Bailly, LLP with an adjustment to Table 3 regarding the payment to members of WCRA refund proceeds and its posting as an expense rather than reduction to revenue. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

DIVIDEND ANALYSIS

000 Scott Anderson of Actuarial Advisors presented the dividend analysis for 2023. Given MCIT's loss history and investment income, actuarial models suggest a potential distribution range of fund balance from both the property/casualty and workers' compensation divisions. The board reviewed distribution history.

23-06-05 Motion by Schreifels, seconded by Peysar to return dividends to members in good standing of \$4M in the Workers' Compensation Division; to notify members in August of the amount of their individual dividend; and to pay dividends in November. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

23-06-06 Motion by Schreifels, seconded by Swanson to not return dividends to members in the Property/Casualty Division noting that the actuarial analysis supports the division is running at cost. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

2022 AUTO AUDIT

000 MCIT Underwriting Manager Gary Severson and Underwriting Specialist Nick Anderson presented the 2022 automobile adjustment summary. The audit applied to 138 members. Members made 1,916 changes to schedules during the year that resulted in a -\$61,163 total change in contribution. Severson provided the board with the audit results itemized by county. Severson advised that MCIT will process credit and debit invoices and send those to members in June. Members owing additional contribution will be advised with payment due by January 31, 2024. No action was necessary.

2022 WORKERS' COMPENSATION PAYROLL AUDIT

000 MCIT Underwriting Manager Gary Severson and Underwriting Specialist Nick Anderson updated the board on the results of the 2022 Workers' Compensation payroll audit results. The audit applied to 380 members. The total contribution invoiced for 2022 based on member-estimated payroll was \$17,221,466 and the audited, actual contribution amount was \$17,253,800. The difference between the invoiced contribution and the audited contribution is \$32,334. A breakdown of totals for each county member was provided. Severson advised that credits will be processed in June. Members owing additional contribution will be advised and payment will be due by January 31, 2024. No action was necessary.

2023 INDEXING FACTORS (Buildings, Contents, Property in the Open)

000 MCIT Underwriting Manager Gary Severson presented recommendations for adjustments to building, contents and property in the open replacement cost values for the 2024 renewal reflecting changes in economic conditions over the past 12 months. Using statistical data from the U.S. Department of Labor and the average construction inflation index factors from multiple sources for April 2023, Severson recommended a property index adjustment increase of 5.6% to building values and a 6.5% increase in the value of building contents and property in the open.

23-06-07 Motion by Schreifels, seconded by Skyles to accept staff recommendations to increase 2023 building values by 5.6% and contents and property in the open values by 6.5% for the 2024 renewal. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

REPORT OF THE PERSONNEL COMMITTEE

000 Executive Director Clabaugh reported that the Personnel Committee met Friday May 12, 2023 and again June 5, 2023. Several actions were discussed. The Personnel Committee's recommendations include the following changes to MCIT Personnel Policies:

- Section 1 - Administrative Application - Subd.3 - Definitions - remove the requirement that employees must remain on premises during breaks with any abuse managed through the regular personnel disciplinary process.

- Section 3 - Benefits - Subd. 1 - Holidays - add Juneteenth as adopted in the 2023 legislative session. The committee recommended a clarifying footnote stating the MCIT holiday would take effect as authorized by state law effective June 19, 2023.

- Section 3 - Benefits - Subd. 2 - Vacation - (I) - eliminate the requirement to place a retiring employee's vacation balance into the Minnesota post-employment health care savings plan for purposes of vacation payout - the sick leave provisions will remain.

- Section 3 - Benefits - Subd. 2 - Vacation - (J) - add a new provision relating to rehiring a former employee who departed within two years. The provision would restore vacation accrual rates in place upon their original departure.

- Section 4 - Insurance Benefits - Subd. 7 - clarifications relating to healthcare savings account (HSA) eligibility for employees. No changes in eligibility are proposed, just simply clarifying current eligibility requirements.

- Section 12 - Offensive Conduct - Subd. 5 - Reporting Procedures - (D) - remove the term "good faith" is intended to clarify that for any complaint - even those that may not meet a good faith standard (which is difficult to define) - will be handled according to the policy.

- **Section 13 - Weapons Policy – Subd. 1 and 2** – two recommended changes: The first results from our adoption of telecommuting, and allows a staff member to have weapons nearby as they're working within their own home under an approved telecommuting arrangement. The second is a simplification of the definition of knife as a weapon. Under the recommended change, all knives are considered a weapon except straight-blade and pocketknives three inches or less. Further, the executive director can make exceptions, particularly related to kitchen knives or utensils brought in occasionally for food related activities.

- **MCIT Sick & Vacation Leave – Temporary Policy Expansion for COVID-19/Coronavirus – June 2020** - Rescind this temporary policy that was adopted to accommodate MCIT's response to the COVID-19 emergency.

- **New Policy – Employee Recognition and Wellness Program** - Last fall the Board provided guidance relative to the adoption of an Employee Recognition and Wellness Program, authorized by State law. After discussions with the MCIT Employee Committee, a policy was developed and proposed to the Personnel Committee. The decision over budget allocations to support this program are separate from the action establishing the program.

23-06-08 Motion by Mortenson, seconded by Ward to accept the Personnel Committee's recommendations as described above. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

DELTA DENTAL EMPLOYEE BENEFITS

Executive Director Clabaugh advised that the premium for MCIT's employee sponsored dental coverage through Delta Dental will increase with the August 1, 2023 renewal. He advised that there is an increase in the total monthly premium ranging from \$3.17 to \$11.48 per employee depending on the enrollment type. The Personnel Committee's recommendation at its most recent meeting – June 5, 2023 - is to shift the full change in premium cost onto participating MCIT employees. The committee also recommends moving from an August 1 renewal to a January 1 renewal to coincide with other benefit renewals.

23-06-09 Motion by Swanson, seconded by Skyles to accept the Personnel Committee's recommendation to renew the Delta Dental contract effective August 1, 2023 shifting the increased cost of coverage onto participating MCIT employees and also move to a January 1 renewal effective in 2024. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

REPORT OF THE GOVERNANCE COMMITTEE

000 Representing the Governance Committee, Ward reported that the committee met on June 8, 2023 and discussed the emerging concern over perfluoroalkyl and polyfluoroalkyl substances (PFAS) which are considered "forever" chemicals, meaning they last for hundreds of years before degrading completely. They are linked to cancer, birth defects, and a variety of health problems with many states, including Minnesota enacting legislation intended to control their use going forward. MCIT's liability reinsurer, CRL, has recommended the adoption of a liability exclusion because of the systemic possibility of liability claims against public entities, but they are not mandating it at this time. CRL has advised that several member pools are voluntarily moving in that direction. Ward explained that it is the committee's recommendation to issue a liability exclusion to the membership via a mid-term endorsement that would exclude coverage for PFAS exposures effective July 1, 2023. Recommended wording is as follows:

SECTION IV. GENERAL EXCLUSIONS

Applicable to all Liability Coverages, the Coverage provided does not apply to:

V. Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)

1. Any injury, damage, loss, cost or expense which would not have occurred, in whole or in part, but for the actual, alleged, threatened or suspected inhalation, ingestion, absorption, consumption, discharge, dispersal, seepage, migration, release or escape of, contact with, exposure to, existence of, or presence of, any Perfluoroalkyl or Polyfluoroalkyl Substance; or
2. Any loss, cost or expense arising, in whole or in part, out of the abating, testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, remediating or disposing of, or in any way responding to or assessing the effects of, any Perfluoroalkyl or Polyfluoroalkyl Substance by any "Covered Party" or by any other person or entity.

For purposes of this exclusion, the term "Perfluoroalkyl or Polyfluoroalkyl Substance" means any:

1. Chemical or substance that contains one or more alkyl carbons on which hydrogen atoms have been partially or completely replaced by fluorine atoms, including but not limited to any:
 - a. Polymer, oligomer, monomer or nonpolymer chemicals and their homologues, isomers, telomers, salts, derivatives, precursor chemicals, degradation products or by-products;
 - b. Perfluoroalkyl acids, such as perfluorooctanoic acid and its salts, or perfluorooctane sulfonic acid and its salts;
 - c. Perfluoropolyethers;
 - d. Fluorotelomer-based substances; or
 - e. Side-chain fluorinated polymers; or
2. Good or product, including containers, materials, parts or equipment furnished in connection with any such good or product that consists of or contains any chemical or substance described in Paragraph 1 of this exclusion.

23-06-10 Motion by Patzer, seconded by Ward to accept the governance committee's recommendation to introduce a new exclusion to the membership via mid-term endorsement that excludes liability coverage for perfluoroalkyl and polyfluoroalkyl substances (PFAS) effective July 1, 2023. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Peysar, Swanson, Mortenson, Skyles and Patzer.

REPORT OF THE EXECUTIVE DIRECTOR

000 Executive Director Clabaugh briefly reviewed activities of MCIT associates since the last board meeting (details on file).

OTHER BUSINESS

- Next Board Meeting: July 14, 2023

ADJOURN

Chair Antony adjourned the June 9, 2023 meeting of the MCIT Board of Directors at 11:45 a.m.

Respectfully submitted by:

Randy Schreifels
MCIT Secretary/Treasurer