



**MINUTES**

**LOSS TRUST FUND BOARD MEETING**

**City Attorney Conference Room and Via Teams  
3939 N. Drinkwater Blvd.  
Scottsdale, Arizona 85251**

**October 17, 2023  
5:00 p.m.**

**PRESENT:** Allan Smith, Chairman  
Linda Wannie, Vice Chair  
Austin Brooker  
Brandon Perlow  
Jacob Seltzer

**STAFF:** Lori Davis, Legal Advisor  
Lauran Beebe, Human Resources  
Denise Plug, Risk Management Assistant  
George Woods, Director of Risk Management  
Sonia Andrews, City Treasurer

**GUESTS:** Adam Hirsch, Consulting Actuary with Oliver Wyman  
Brian Pittluck, Incoming Board Member

**CALL TO ORDER**

Chair Smith called the meeting of the Loss Trust Fund Board to order at 5:11 p.m.

**ROLL CALL**

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

## **OLD BUSINESS**

### **1. Approval of the December 15, 2022, public meeting minutes**

Chairman Smith called for questions or comments. There were no changes.

BOARD MEMBER SELTZER MOVED TO APPROVE THE DECEMBER 15, 2022; PUBLIC MEETING MINUTES AS PRESENTED. VICE CHAIR WANNIE SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR SMITH, VICE CHAIR WANNIE, AND BOARD MEMBERS BROOKER, PERLOW, AND SELTZER VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

### **2. Approval of the January 31, 2023, public meeting minutes**

Chairman Smith called for questions or comments. Chairman Smith noted misspellings for correction.

BOARD MEMBER SELTZER MOVED TO APPROVE THE JANUARY 31, 2023; PUBLIC MEETING MINUTES AS AMENDED. VICE CHAIR WANNIE SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIRMAN SMITH, VICE CHAIR WANNIE, AND BOARD MEMBERS BROOKER, PERLOW, AND SELTZER VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

## **NEW BUSINESS**

### **1. Presentation and discussion of Actuary Study by Oliver Wyman**

Chairman Smith stated for transparency purposes, that he works Oliver Wyman's sister company, but has never worked directly with Adam Hirsch relating to the City of Scottsdale.

George Woods, Director of Risk Management, stated this discussion was to ensure that the Board felt workers compensation liability account was being funded properly to meet projected obligations as noted in the actuary's report.

A change in the reserving practices accounts for the confidence discrepancy between AON and Oliver Wyman. A new adjuster noted the City reserves used life expectancy calculations that were too far into the future and increased the expected projected losses. Upon the agreement between Risk Management, Budget, and Oliver Wyman, reserves were reduced to five-year intervals consistent with financial projections, budgeting, and annual reports. This change decreased the projected loss and confidence level, which decreased the ask from the City for projected loss expenditures.

In response to questions from Board Member Seltzer, Mr. Woods explained the file is being reviewed minimally twice a year and the projections are adjusted accordingly based on a variety of events. The projections and reserve being regularly updated create more accurate projections in terms of the ultimate cost, and the fund is guaranteed to have at least five years of funding available.

Adam Hirsch stated Oliver Wyman's task is determining the final value on every claim, and the adjustors values are used as input data for such actuarial analysis. A consistent reserve pattern creates consistent input and projections. Inconsistency in claims adjustment practices created the discrepancy in the confidence levels. In general, for a variety of reasons, claims adjustor values tend to be insufficient for workers compensation liability data due to the evolution of information.

In response to Chairman Smith's questions, Mr. Woods stated the five-year projection is used in the annual report, but the ultimate final number provided by Oliver Wyman is what is needed in the account for projected losses. Annual asks from the City are to maintain the required final number in the loss account according to the actuary report. It depends on how the city wants to finance the future of these claims, being incremental installments, year-to-year, or ultimate amount up front.

Adam Hirsch provided an overview of the following:

- ▶ The difference between nominal and discounted reserves, noting the City utilizes discounted reserves, which allow credit for investment income gained on money waiting to be paid out. The discounted rate is provided to Oliver Wyman for inclusion in their calculations. Mr. Woods stated the City does not make investments, but monies received from subrogation go into the fund.
- ▶ The incurred loss development, being the difference between the initial claim value and any changes in value upon revisiting the claim. Mr. Woods reminded the Board that recent changes in incurred value are due to the change in reserving practices.
- ▶ Determining the confidence level, using a central estimate and projected ultimate losses per policy year. This provides a reasonable confidence level benchmark, because overall judgment is involved in determining the confidence level.
- ▶ Empirical is the simplified approach to determine the percentile, which is determined by ranking the highest to lowest years, taking the second highest and dividing it by the average.
- ▶ There is more volatility over the past ten years that affects the confidence level and ultimate final projections.

Chairman Smith noted the Board is concerned with the margin of safety and ability to pay for volatility over a time. Mr. Hirsch stated looking back the City had a 20% margin above the central estimate. Board Member Perlow clarified a 17% factor at a 75% confidence level is based on \$8 million central estimate that results in approximately \$9 million in ultimate loss projection. Mr. Woods stated the fund balance stays between \$4 - \$6 million and the ask of the City is to keep the ultimate fund balance available. Chairman Smith stated based on information available, the City and the Loss Trust Fund Board believed they were funding at an 85% confidence level.

Chairman Smith stated a future agenda item would be to develop in conjunction with other departments, a strategy for funding being through the central estimate or confidence level. Board Member Perlow stated it was philosophical decision to make the standard to maintain an 85% confidence level to intentionally be conservative in fund management. A discussion ensued among board members and City staff to make this a future agenda item.

**2. Discussion on City Council decision to make changes to Loss Trust Fund Document Code and Ordinance regarding Department claim deductibles.**

Chairman Smith stated the Board's recommendation regarding assessing tiered deductibles to departments based on the type of damage to City property were adopted by City Council

Mr. Woods provided an overview of the recommended tiered deductible, noting this is a one-year pilot that can be adjusted next year if necessary.

In response to questions from Board Member Seltzer, Mr. Woods stated policy change mostly affected the Police Department, Fire Department, and Solid Waste. All were receptive to the change and there has been a decrease in instances that would require a deductible. The Police Chief implemented additional disciplinary actions and the Fire Department became responsible for the deductible associated with damage to the bay doors, which used to be covered under facilities.

**3. Thank you to Brandon Perlow for his 6 years of service**

Chairman Smith thanked Board Member Perlow for his service to the board, City, and presented a trophy/award to Mr. Perlow for his services.

Board Member Perlow thanked all for their recognition.

Chairman Smith welcomed Brian Pittluck as the newest Board Member.

**OPEN CALL TO THE PUBLIC**

No comments were submitted.

**ADJOURNMENT**

BOARD MEMBER PERLOW MOVED TO ADJOURN. BOARD MEMBER BROOKER SECONDED THE MOTION, WHICH CARRIED (5) TO ZERO (0) WITH CHAIRMAN SMITH, VICE CHAIR WANNIE AND BOARD MEMBERS BROOKER, PERLOW, AND SELTZER VOTING IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:37 p.m.

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