



IOWA UNDERGROUND STORAGE TANK FUND

Douglas M. Beech, *Chairperson*

Dale T. Cira, *Administrator*

Board Members: Michael L. Fitzgerald Joseph D. Barry Jeff. W. Robinson Karen E. Andeweg Chuck Gipp
 Timothy L. Gartin Dawn M. Carlson Patricia J. Beck N. Kurt Mumm

MINUTES

IOWA COMPREHENSIVE PETROLEUM UNDERGROUND STORAGE TANK FUND PROGRAM

JULY 14, 2016

SUBCOMMITTEE TELEPHONE CONFERENCE

Mr. Tim Gartin called the Iowa UST Fund Board subcommittee meeting to order at 8:02 A.M. A quorum was present, with the following Board members present:

Karen Andeweg
Patricia Beck

Also present were:

Dale Cira, Administrator
James Gastineau, Deputy Administrator
Dave McCue, Resident Managing Director, Aon

PURPOSE OF MEETING

Mr. Gartin provided to attendees an agenda for the meeting laying out topics to be considered and noted that others may have topics for discussion as well. He indicated the agenda items would be addressed point by point and the group will try to reach a consensus; if there are points that need more technical assistance that will be noted. Mr. Gartin also noted the purpose of this meeting is to come up with an anticipated plan for Aon's work.

Mr. Cira responded it was his understanding the purpose was to consider the contract, Aon's compensation and any material changes that can be identified in regard to the run-off of the program on that contract. Mr. Gartin agreed indicated he was saying that in a different fashion and that the compensation cannot be addressed until the work that is entailed is defined.

1) FIDELITY BOND

Mr. Gartin noted that in Section 11 of the Aon contract there is a requirement for a fidelity bond to be posted. The contract does not provide for the mechanism on how that fidelity bond is to be

resolved. Mr. Cira indicated this topic would be referred back to Aon's internal accounting group and then he will report back on the findings and the current status. Mr. Gartin responded he assumes there is a protocol and the State of Iowa has a procedure for handling that when a certain level of completion is reached.

Mr. Gartin added there will be some follow-up tasks that will need to be handled. He asked Mr. Cira to follow up with staff about what has been done in other states Aon has worked with and Mr. Gartin will follow up with Mr. David Steward to review this from the State's perspective.

2) FINANCIAL AUDIT

The second item on the agenda addresses whether a final financial audit is required. Mr. Gartin inquired if an audit should be done where they close out results. Mr. Gastineau responded that he will reach out to the State Auditor's office to find out how they terminate programs but it was noted that the program is routinely audited.

3) CLAIMS ARISING AFTER TRANSFER OF LIABILITY

Mr. Gartin asked what if questions arise after the transfer if a claim comes in. Mr. Gastineau responded that, once the claim is transferred, all liabilities and duties of the Board end. If a claimant calls in with questions, we refer back to that agreement.

In response to Mr. Gartin's question on how many transfers have been completed, Mr. Gastineau indicated two transfers with Petroleum Marketers Management Insurance Co (PMMIC) were completed and in each case, the Board's liabilities to those claims have ended.

4) LIENS

Mr. Gartin indicated he wanted to make sure a list of liens will be provided by the Administrator at the end of the program. In response, Mr. Cira indicated that a list of liens is maintained and an updated list is provided in the current Board packets for reference. It will be up to the Board to determine if the liens are transferred or extinguished.

Mr. Gartin indicated he would follow up with Mr. Steward regarding liens as an assignment of the liens to the DNR or another entity would need to be done.

5) CONFIDENTIAL MATERIALS

Mr. Gartin noted Section 8.2 of the contract deals with Aon's custody of confidential material and discusses the importance of Aon in not disseminating confidential data. Mr. Gartin indicated he assumes there would be a transfer of that data to the DNR in some capacity when the program winds down.

Mr. Gastineau responded that claim files may contain confidential information including a claimant's name, address, and at times, Social Security numbers. The Board will have to determine along with the DNR as to what becomes of these records. The DNR is aware of this

issue. Mr. Gartin commented this is a topic to take back for the Board's consideration. He assumes there is an entity within the State that would take custody of the records.

Mr. Cira added that records will be destroyed for the closed claims that are beyond the threshold retention period. Files within the retention period will be maintained and must be cared for either in storage or under another entity's control.

6) TAIL INSURANCE POLICY FOR FUTURE CLAIMS

Mr. Gartin reported there is a provision in the contract for maintaining insurance and inquired if some kind of tail policy has been considered. He noted this is a situation where the contract could have been improved by providing some expectations on for a tail policy. Mr. Gartin wondered if a similar kind of policy needs to be in place.

Mr. Cira responded he was not sure what specific insurance requirements were negotiated early on in the program but the Board can be assured that Aon maintains all the appropriate standard insurance requirements while the contract is in place. As far as tail coverage goes, there is nothing specific in the contract obligating Aon to provide that and absent the specific requirement, Mr. Cira is not sure Aon has engaged any specific insurance program for this work other than our normal day-to-day business insurance requirements.

Mr. Gartin thinks this is quite likely how this will be involved. He believes it would be helpful to make sure we have some kind of understanding that, if a claim arises once Aon is done, there would be coverage for that claim. Mr. Gartin asked Mr. Cira if it is possible to make an inquiry with the insurance carrier to verify there would be ongoing coverage for the work Aon did while the contract was in place.

Mr. Cira indicated we should get some specific questions on the table and take them back to our various carriers to see how they would respond. Mr. Cira indicated he is confident that the appropriate mechanisms are in place to make sure the State is protected but we will explore this issue to make sure the State is protected in a case such as this.

7) FINAL REPORT FOR FUTURE REFERENCE

Mr. Gartin suggested it might be helpful for Aon to write a summary document that we would provide to the State that lays out the journey of the IUST fund for future reference.

Mr. Cira remarked there are numerous documents in place already documenting the program and doesn't believe any additional work is needed in this regard. Ms. Andeweg added there is a document in the annual Board packet that describes everything that has occurred from the beginning; she finds the document to be a very good layout of what the Board does and that would be a great starting point if anyone ever has a question. Ms. Beck concurred with Ms. Andeweg that this document is very complete.

Mr. Gartin indicated that he would ask the Board to see if they have an interest to do anything else and said maybe nothing else is needed in this regard.

Mr. Cira noted that as compensation is discussed, there would be talk that some of the scopes of work may not be needed as we go forward. Ms. Andeweg inquired, in connection with Section 10, does the Board require Aon to show insurance coverage each year. Mr. Cira indicated Aon could provide a certificate of insurance and will do that for this particular circumstance.

Mr. Gartin inquired if there were any other topics for discussion before moving on to Aon's compensation. Hearing none, discussion proceeded on to compensation.

8) AON COMPENSATION

Mr. Gartin noted that Mr. Gastineau provided a table with Aon's fee structure going back to 2011 and commented that this is a helpful document.

Mr. Gartin inquired if the Mr. Cira wanted to discuss what Aon is proposing compensation-wise. Mr. Cira indicated Aon went back to the request for proposal put forth in 2010, looking at what the State's expectations were, what they were looking for in a contractor and a program and then went back to the responses. He noted that the RFP provided the outline for the fee structure table as provided to the members. He also noted that the fees shown on the table include that paid to Aon and their subcontractor Cunningham-Lindsey.

Referring to the table, Mr. Cira noted that following the first two years, the contract provides for an increase of 3.5% with each renewal. He noted in 2015, Aon agreed to adjust its fee and centered the reduction on Aon's work in addressing the open claims. He noted Aon waived its 3.5% increase and provided a 10% decrease in the claims fee.

In response to a question as to whether or not Aon has a particular proposal to make on compensation, Mr. Cira indicated Aon has some ideas that he'd like the subcommittee to consider. Some items that could be modified include lobbying and rule making. Mr. Cira noted lobbying is not expected to be a meaningful role going forward. He did note that Aon has been involved in Board and stakeholder discussions and does not expect that to change. For rule-making, that may change with the program winding down.

He also noted that under the general support services category that those kinds of services are probably winding down and that there is some room to reduce fees generally but not in every category. He also noted that under the claims program, Aon can probably make some fee specific recommendations. He noted that as the claims numbers are down, the remaining claims take more effort per claim and that staff are pursuing claimants to seek their involvement.

Mr. Cira stated Aon does not have a proposal to put forward but have discussion items to share. He noted that we are probably talking about a 10-15% reduction on the general services and something more aggressive on the claims programs. Mr. Cira did not know what that total will come out to but might be 20% as a total reduction when tallied up. Mr. Cira indicated he was throwing that out for feedback. Mr. Gartin indicated there will be a base level of administrative work that will be required no matter the level of claims.

Ms. Andeweg asked if there is an incentive in 2016 as in 2015. Mr. Gastineau answered that there was not a plan for this calendar year. Mr. Gastineau also commented on the claims programs. He noted that for the data table, the reference to the remedial claims program includes handling of the different claims paid from the remedial fund, including remedial and retroactive claims, the No Further Action project claims, and the tank closure claims. He noted only a few new remedial claims are seen each year, except for the tank closure program which sees about 80 claims each year. He also noted that there are less than a dozen new ILO claims a year and that the opt-in claims program is also decreasing as many of the innocent landowner claims don't incur a co-payment. He noted that the fees for the loan guarantee program were abolished when that program ended. As far as the CRP's and the closure contract projects, he noted that those programs are where work is still ongoing. Mr. Gastineau noted he did reach out to Ms. Elaine Douskey of the DNR and she would like us to keep those going so we can do as much work as possible on stalled sites to get them to closure before the program ends.

Mr. Gartin indicated it would be helpful to have a starting point for making a proposal to the Board for compensation. Mr. Cira responded he would like feedback from Mr. Gartin in the ballpark of what reduction he thinks is fair. Mr. Cira said he thinks the findings can be captured, refer back to the contract and determine what will be eliminated and changed and then put it as a package that not only are these contract items going to be addressed going forward but the compensation would be "x". In looking at the contract, the compensation would be a final "not to exceed" number and Aon would provide documentation to support that change.

Mr. Gartin responded he feels this is a bit difficult to respond to these issues without DNR technical input to respond to some of these issues. Ms. Beck indicated DNR input would be helpful to her when considering a final number. Mr. Gastineau asked what kind of input is expected from the Department. Aon works hand-in-hand with the Department but doesn't provide input direct to them. Mr. Gartin indicated he was thinking input from both Ms. Douskey and Mr. Hall would be helpful going forward.

Mr. Gartin suggested this has been a good discussion of perspective and wondered if the compensation part is taken as far as it can be and should be taken back to the Board; he is not comfortable about making a firm recommendation without having full Board and DNR input.

Mr. Gartin added that we could continue this process by providing a recommendation on the contract changes and then invite someone from the DNR, Mr. Hall or Ms. Douskey, for their input so they are involved in that discussion. With regard to the Aon fee, Mr. Cira is not sure how much their input is going to be meaningful in a contractual sense; the contract is with the Board and the subcommittee represents the Board's interests and inviting DNR as part of that subcommittee would be fine but having them take a look at Aon's compensation a form of feedback should not be a final determinant.

Mr. Gartin responded we are looking for a "not to exceed" number and not just picking a number less than \$1.2 million. Mr. Cira suggested that, based on discussions, that it will be a supported number based on changes in the numbers reported on the fee structure table and will be the basis for making a recommendation.

Mr. Gartin asked the other committee members if they are satisfied with Mr. Gastineau's and Mr. Cira's recommendations or if there are any other factors for consideration. Ms. Andeweg sees the scope is changing in less work and can see that the DNR might have a concern in the scope of work but not in the fee structure. Ms. Beck indicated she thought a 15% decrease in fee would be reasonable and it would be up to Aon on how they would want to disburse to their categories.

Mr. Gartin asked how long it will take Aon to come up with a proposal. Mr. Cira responded it won't take long but this is a contract issue between Aon and the State. Aon would need executive level buy-in and would need to consult with Cunningham-Lindsey as this is not just an Aon change but also is a fee change for them. We will need to have all those parties in agreement before we can go forward.

Mr. Cira continued that he does not believe Aon can have a proposal ready prior to the annual meeting on Monday, July 18, but could have it ready by the August Board meeting and in time for the Board packets to go out.

In response to a question from Ms. Beck, Mr. Gastineau responded that the \$200,000 that is provided to the DNR for administration comes through an allocation in the legislation. That is a side item, is not given to them directly and does not impact Aon's contract.

Mr. Gartin said it seems like a reasonable call to put together the material for the August Board meeting.

He inquired if there were any other topics and there were none.

Mr. Cira stated he believes the key issues have been addressed. Aon will prepare a recommendation and present something between now and the next board meeting so it can be presented at the next board meeting.

Respectfully submitted,



James Gastineau
Deputy Administrator