

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL

Board of Trustees Meeting
Austin
October 11, 2008

Trustees Present

Rickey Childers, Chair
Mary Gauer, Vice Chair
Byron Black
Maggie Burkett
Makia Epie
Andres Garza
Larry Gilley
Don Henderson
Robert Herrera
Greg Ingham
Leo Montalvo
Pat Norriss
Paul Parker
Bill Storey
Frank Sturzl

Staff Present

Marvin Townsend
Carol Loughlin
Hank Domeracki
David Reagan
Mike Bratcher
Scott Epperson
Les Horne
Matt Jordan
David Longoria
Mike Rains
Allan Romer
Tito Villegas
Debbye Mangum
Kim Williams

Also Present

Pam Beachley, Legislative Consultant
Gordon Field, VOSCO
Bob Kamm, Legislative Consultant
Rick Pokorny, Northern Trust

Chair Rickey Childers called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 7:30 a.m. on Saturday, October 11, 2008. Mr. Childers asked for a moment of silence in remembrance of Alex Bickley, a longtime Board member and one of the members of the Committee that brought about the Pool in the early 70's, who passed away October 3.

Roll Call and Excused Absences (Tab 1)¹

Marvin Townsend reported the absences of Kevin Caddell and Henry Wilson and the reasons they asked their absences be excused.

MOTION by Robert Herrera, seconded by Leo Montalvo, to excuse the absences of Kevin Caddell and Henry Wilson. Motion carried with unanimous approval.

¹ All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustees Agenda packet.

Report regarding 2008 Election (Tab 2)

David Reagan presented the results of the October 2008 election for Places 1-4. There were a total of 382 eligible votes cast. All of the incumbents won. He stated that 409 ballots were received, 27 of which were not signed and therefore not counted. Those 27 ballots could not have changed the outcome of the election. Five ballots, received after the deadline, were not opened.

Place 1

Henry Garcia	54
Robert Herrera	242
Michael Nyren	<u>72</u>
	368

Place 2

Kevin Carruth	56
Charles Cox	67
Makia Epie	140
Chris Jones	26
John Mitchiner	18
David Ragan	20
Garry Watts	<u>42</u>
	369

Place 3

Paul Parker	<u>328</u>
	328

Place 4

Rickey Childers	260
Doris Holtman	56
Beverly Queen	<u>55</u>
	371

Recognition of new ex officio member Ms. Maggie Burkett, recently appointed by the TML Intergovernmental Employee Benefits Board. Ms. Burkett will take the place of Mr. Bill Storey

The chair recognized Mr. Bill Storey. Mr. Story told the Board that he had enjoyed his time serving on the Board and appreciated the opportunity to serve a second time but felt that someone else could learn from serving on the Board. Mr. Storey was originally on the Board from 1974-1980, and was chair from April 1977 to January 1979.

Mr. Childers welcomed new member Ms. Maggie Burkett as an ex officio Board member from the TML Intergovernmental Employee Benefits Pool Board. She is the Human Resources Director for the City of The Colony.

Consideration of Minutes of July 25 and 26, 2008 Meeting at San Antonio (Tab 4)

MOTION by Robert Herrera, seconded by Andres Garza, to approve the minutes from the Budget meeting in San Antonio on Friday, July 25, 2008 and the Board Meeting on Saturday, July 26, 2008, as written under Tab 4. Motion carried with unanimous approval.

Consideration of the Report of the Nominations Committee (Tab 5)

Byron Black reported that the Nominations Committee had received recommendations to fill Place 8, vacated by Leo Montalvo, and Place 15, vacated by Alex Bickley. Mr. Black reported that two persons had been recommended in each of the two places and those persons would be contacted to see if they would be interested in serving on the Board. The Nominations Committee will then bring recommendations back to the Board. Mr. Epie inquired as to the names of the recommended nominees. Mr. Black stated that in Place 8, Mr. Larry Melton, Mayor of the City of Odessa and Mr. Jerry Boatner, Mayor of the City of Mt. Pleasant, had been recommended. In Place 15, the citizen member position, Nora Chavez, Chair of the Board from 1992-94, and David Prewitt, Chair from 1998-2000, had been recommended.

Announcement by the Chair of appointment of trustees as ex officio members to the TML Intergovernmental Employee Benefits Board and the Texas Municipal League Board.

The Chair announced the reappointment of Mary Gauer as the ex officio member on the Texas Municipal League Board of Directors and Andres Garza, as the ex officio member on the TML Intergovernmental Employee Benefits Pool Board of Trustees.

FINANCE COMMITTEE

Review of August 31, 2008 (11 month) Financial Statements (Tab 6)

Tito Villegas presented the eleven month Financial Statements for the period ending August 31, 2008, under Tab 6.

Review of August 31, 2008 (11 month) Investment Report (Tab 7)

Rick Pokorny of The Northern Trust Company presented an analysis of the investment market and each investment manager's performance as of August 31, 2008, under Tab 7.

Hank Domeracki presented an overview of the eight month Investment Report for the period ending August 31, 2008.

Consider revision to the Large Loss Fund Policy to provide for Board approval based on loss estimates with final payments to be based on actual expenditures. (Tab 8)

Hank Domeracki presented under Tab 8 a revision to the Large Loss Fund policy. The Large Loss Fund was created to protect the financial stability of the Workers' Compensation, Liability, Property and Reinsurance Funds and to carry out the Interlocal Contract provision that the Fund maintain adequate protection from catastrophic losses to protect the Pool's financial integrity. The current policy requires that payment from the Large Loss Fund only be executed upon approval from the Board of Trustees. It was

recommended that the Large Loss Fund policy be amended to delete the provision requiring Board approval before payments are made from the Fund. The Board will be informed through monthly financial statements with specific information on each loss being detailed in the Analysis section of the Financial Report.

MOTION by Byron Black, seconded by Greg Ingham, to revise the Large Loss Fund policy to delete the provision requiring Board approval prior to making payments from the Large Loss Fund. Motion carried with unanimous approval.

Annual Review of the Pool's Investment Policy (Tab 9)

Tito Villegas reviewed the Pool's Investment Policy as required by the Texas Public Funds Investment Act and the proposed list of qualified brokers authorized to engage in the Pool's investment transactions under Tab 9. Two changes to the investment policy and changes to the list of authorized brokers were recommended.

The first change to the Investment Policy on page 1, History, includes the changes to the purpose of the Stability Fund and adds the Coastal Storm Fund, created by the Board in October 2007.

The second change on page 14, Portfolio Evaluation and Reporting, revises the custom benchmark by changing the weighting of the Lehman Brothers Intermediate Government Index from 50% to 25% and by changing the weighting of the Lehman Brothers GNMA 30-Year Index from 50% to 75%.

As part of the Board's annual review of the investment policy, the Board must review and adopt a list of brokers that are authorized to engage in investment transactions with the Pool. It was recommended that 11 new brokers be added to the lists of brokers and 4 brokers on last year's list be removed. The list of qualified brokers recommended is set forth under Appendix C of the Investment Policy under Tab 9.

MOTION by Byron Black, seconded by Greg Ingham, to adopt the resolution as set forth under Tab 9 amending the Pool's Investment Policy and authorizing the list of brokers presented in Appendix C of the Investment Policy. Motion carried with unanimous approval.

Consideration of amending the Mesirow and Conning investment service contracts to limit the terms to two years (Tab 10)

Hank Domeracki presented the recommendation under Tab 10 to amend the investment service contracts with Mesirow Financial Investment Management, Inc. and Conning Asset Management Company. The contracts currently are for three-year terms. In reviewing the Texas Public Funds Investment Act, staff found that investment services contracts can only have a maximum term of two years. Mesirow and Conning have agreed to amend their contracts to bring them in compliance with state law. The staff recommended that the contracts with Mesirow Financial Investment Management, Inc. and Conning Asset Management Company be amended to provide a term of two years.

MOTION by Byron Black, seconded by Leo Montalvo, to amend the investment service contract with Mesirow Financial Investment Management, Inc. to change the termination date from December 2, 2010 to December 2, 2009, and to amend the investment service contract with Conning Asset Management Company to change the termination date from February 28, 2011 to February 28, 2010. Motion carried with unanimous approval.

Information Technology Report (Tab 11)

David Longoria presented the “Management Information Systems Report” under Tab 11.

UNDERWRITING AND CLAIMS COMMITTEE

Update on Hurricane Ike (Tab 12)

Mike Rains, Les Horne and Matt Jordan presented under Tab 12 an update on Hurricane Ike, including current estimated losses, how the Pool responds to members, the process for setting up claims, authorizing contract adjusters to begin on-site loss estimating, and authorization of remediation activity.

Update on the Political Subdivision Workers’ Compensation Alliance (Tab 13)

Mike Bratcher presented the update on the Political Subdivision Workers’ Compensation Alliance under Tab 13.

Significant Cases and Legal Developments (Tab 14)

David Reagan presented the report on “Significant Cases and Legal Developments” under Tab 14.

Liability Claims Report and Consideration of Settlement Authority in Excess of \$500,000 (Tab 15)

Mike Rains presented the “Liability/Property Claims Report” under Tab 15.

Workers’ Compensation Claims Report (Tab 16)

Mike Bratcher presented “Workers’ Compensation Claims Report” under Tab 16.

Underwriting Report (Tab 17)

Matt Jordan presented the “Underwriting Activity Report” under Tab 17.

Quarterly Report from Contractor Victor O. Schinnerer & Company, Inc. (VOSCO) (Tab 18)

Gordon Field from Victor O. Schinnerer & Company, Inc. presented the quarterly report for Victor O. Schinnerer & Company, Inc., under Tab 18.

Loss Prevention Report (Tab 19)

Les Horne presented the “Loss Prevention Board Report” under Tab 19.

Field Services Report (Tab 20)

Scott Epperson presented the “Field Services Report” under Tab 20.

General Counsel’s Report

a. Legislative Update (Tab 21)

David Reagan presented the legislative update under Tab 21.

b. Comments by Pool legislative consultants, Pam Beachley and Bob Kamm.

Bob Kamm and Pam Beachley reported on items which may be considered during the upcoming Legislative session concerning workers’ compensation, immunity, the Texas Tort Claims Act, and the Texas Windstorm Insurance Association.

Comments by ex officio Members from and to TML and Employee Benefits Boards

Frank Sturzl commented on the upcoming TML Conference in San Antonio and that this will be the second year that the breakfast meeting with TMLIRP and TMLIEBP will be held on Thursday instead of Saturday and how much the attendance had improved by changing the day. Frank also commented on how well the pools work together during the legislative session.

There were no other comments.

EXECUTIVE COMMITTEE REPORT

Lawsuits in which the Pool is a Party (Tab 22)

David Reagan presented the report on “Lawsuits in which the Pool is a Party” under Tab 22.

Personnel Report (Tab 23)

Allan Romer presented the “Quarterly Personnel Report” under Tab 23.

Review of Renewal Application for AGRiP Standards Recognition (Tab 24)

Marvin Townsend presented the review of the renewal of the Pool’s application for recognition for meeting AGRiP’s Standards under Tab 24. Two new AGRiP standards have been added which require a Code of Conduct applicable to the Board and staff as set forth as Exhibit 1 and a Service Provider Bill of Rights as set forth as Exhibit 2.

MOTION by Pat Norriss, seconded by Bob Herrera, to adopt the Code of Conduct and Service Provider Bill of Rights as set forth under Exhibits 1 and 2 of Tab 24 and authorize the submission of the renewal application for recognition for meeting AGRiP’s Standards under Tab 24.

Consideration of Executive Growth and Succession Planning

Marvin Townsend reported that discussion concerning this matter is continuing with the Executive Committee and will be discussed with the Board at future meetings.

Meeting Schedule and Board Continuing Education (Tab 25)

Marvin Townsend presented the proposed Board meeting schedule and continuing education opportunities under Tab 25.

Adjournment

Chair adjourned the meeting at 10:30 a.m.