

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting
Holiday Inn – El Paso
January 24, 2009

Trustees Present

Rickey Childers, Chair
Mary Gauer, Vice Chair
Byron Black
Kevin Caddell
Nora W. Chavez
Makia Epie
Andres Garza
Don Henderson
Greg Ingham
Leo Montalvo
Paul Parker
Henry Wilson

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

Also Present

Pam Beachley, Legislative Consultant
Bob Kamm, Legislative Consultant
Mike McClanahan, VOSCO
John Prescott, Johnson Lambert & Co.

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, January 24, 2009.

Welcome New Board Member Nora W. Chavez – Appointed at the Board’s special meeting on October 30, 2008

Chair Rickey Childers welcomed new Board member, Nora W. Chavez, to the meeting.

Roll Call and Excused Absences (Tab 1)¹

Marvin Townsend reported the absences of Maggie Burkett, Larry Gilley, Robert Herrera, Larry Melton, Pat Norriss, and Frank Sturzl and the reasons they asked their absences be excused.

MOTION by Makia Epie, seconded by Kevin Caddell, to excuse the absences of Maggie Burkett, Larry Gilley, Robert Herrera, Larry Melton, Pat Norriss, and Frank Sturzl. 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

Consideration of Minutes of October 11, 2008 Board Meeting in Austin and the Special Board Meeting in San Antonio on October 30, 2008 (Tab 2)

MOTION by Mary Gauer, seconded by Leo Montalvo, to approve the minutes from the Board meeting at Austin on Saturday, October 11, 2008, and the special Board meeting on Thursday, October 30, 2008, at San Antonio as written under Tab 2. Motion carried with unanimous approval.

FINANCE COMMITTEE

Presentation of the Financial Audit for October 1, 2007 to September 30, 2008 by Johnson Lambert & Company (Tab 3)

Hank Domeracki presented an overview of the audit of the Pool's financial statements for the year ending September 30, 2008. He introduced Mr. John Prescott, Johnson Lambert & Co., LLP, who presented the results of the financial audit for the year of October 1, 2007, to September 30, 2008, set forth under Tab 3 and in the auditor's letter of December 15, 2008, to the Finance Committee and management of the Pool.

MOTION by Byron Black, seconded by Greg Ingham, to accept the audit as presented under the auditor's letter of December 15, 2008, and under Tab 3. Motion carried with unanimous approval.

Review of November 30, 2008 (2 month) Financial Statements (Tab 4)

Tito Villegas presented the two month Financial Statements for the period ending November 30, 2008, under Tab 4.

Review of November 30, 2008 (2 month) Investment Report (Tab 5)

Tito Villegas presented an overview of the two month Investment Report for the period ending November 30, 2008, under Tab 5.

Consideration of renewing the Investment Management Contract with MFC Global Investment Management for two years with two year renewal options (Tab 6)

Hank Domeracki presented the proposal to renew the contract for Investment Management Services with MFC Global Investment Management Services, LLC. for two years with unlimited two year extension options beginning July 1, 2008, as set forth under Tab 6. The contract ended June 2008 and MFC Global has continued to provide investment services under the original contract terms.

MOTION by Byron Black, seconded by Kevin Caddell, to renew the contract for Investment Management Services with MFC Global Investment Management Services, LLC, for two years with unlimited two year extension options beginning July 1, 2008. Motion carried with unanimous approval.

Consider revision to the Large Loss Fund Policy to increase the attachment point for property losses from \$1,000,000 to \$1,250,000 per occurrence, and from \$3,000,000 to \$4,000,000 total in excess of \$1,250,000, and identify that Board consideration shall occur when the loss is estimated to exceed \$1,250,000 and the cumulative amount in excess of \$1,250,000 is estimated to exceed \$4,000,000. (Tab 7)

Hank Domeracki presented proposed revisions to the Large Loss Fund Policy under Tab 7 which would increase the attachment point for property occurrences that are included in the calculation of aggregate losses from \$1,000,000 to \$1,250,000 per occurrence which could increase the loss in the Property Fund by as much as \$1,000,000 per year and reduce the loss in the Large Loss Fund by the same amount. It was also recommended that the aggregate retention in the Property Fund be raised from \$3,000,000 to \$4,000,000 for cumulative losses in excess of the \$1,250,000 per occurrence which might also increase the anticipated loss in the Property Fund by \$1,000,000 per year. Board approval would be necessary for each initial claim payment from the Large Loss Fund. Subsequent payments would be reported to the Board in a separate section of the monthly Financial Report.

MOTION by Byron Black, seconded by Greg Ingham, to approve the revisions to the Large Loss Fund Policy as stated under Tab 7. Motion carried with unanimous approval.

Report regarding Mission Insurance Company, requesting authority to sell 707 shares of Covanta Holding Corporation stock received in lieu of interest from the Receiver. (Tab 8)

Hank Domeracki advised the Board that 707 shares of common stock of Covanta Holding Corporation had been received from the conservatorship of Mission Insurance Company to offset some of the Pool's loss of interest income on the Pool's claim of \$168,775, which was paid in 2006.

The Pool is prohibited by both statute and Pool policy from investing in equity securities. The recommendation is to liquidate the stock while it is in a positive position and for the Board to approve the resolution, as set forth under Tab 8, authorizing the Chief Financial Officer to sell the Pool's 707 shares of Covanta Holding Corporation stock and to authorize the opening of an account at Northern Trust for the purpose of conducting the transaction.

MOTION by Byron Black, seconded by Nora Chavez, to approve the resolution, set forth under Tab 8, authorizing the Chief Financial Officer to sell the Pool's 707 shares of Covanta Holding Corporation stock and authorizing the opening of an account at

Northern Trust for the purpose of conducting the transaction. Motion passed with unanimous approval.

Information Technology Report on status of hardware and software updates to the computer system (Tab 9)

David Longoria presented the “Information Technology Report” on the status of hardware and software updates to the computer system under Tab 9.

UNDERWRITING AND CLAIMS COMMITTEE

Consideration of an equity return in the Property Fund for the year ending September 30, 2008 (Tab 10)

Carol Loughlin presented the options set forth under Tab 10 for an equity return in the Property Fund for the year ending September 30, 2008. All the conditions required to trigger an equity return under the Equity Return Policy have been met; however, the Pool experienced the largest loss in its history from Hurricane Ike with estimated damages of \$42 million, a large portion to be paid by reinsurance. Although equity in the Property Fund increased \$5.4 million in the 2007-08 Fund year, the Large Loss and Coastal Storm Funds incurred losses in 2007-08 due to Ike’s losses.

The following three options were presented:

1. Approve an equity distribution from the Property Fund as outlined in Exhibit II under Tab 10.
2. Cancel the 2007-08 property equity return with the understanding that it will be used to meet the cost of increased reinsurance premiums as of May 1, 2009.
3. Defer consideration of a property equity return to the April Board meeting when more information about reinsurance costs will be available.

MOTION by Paul Parker, seconded by Kevin Caddell, to defer consideration of a property equity return to the April Board meeting when more information about reinsurance costs will be available. Chair Rickey Childers asked for a show of hands. Those in favor were Kevin Caddell, Nora Chavez, Rickey Childers, Makia Epie, Mary Gauer, Don Henderson, Greg Ingham, and Paul Parker. Those opposed were Byron Black, Andres Garza, and Leo Montalvo.

Greg Ingham asked that the Members of the Pool be adequately informed of the reasoning behind deferring the equity return in the Property program until the April meeting. The Chair so noted.

Consideration of equity distribution based on financial results for 2007-08 and the allocation formula to be utilized and recommended schedule (Tab 11)

Carol Loughlin presented the recommendations for an equity return for the Liability and Workers' Compensation Funds, set forth under Tab 11. Both funds have met all the conditions of the Equity Return Policy to trigger an equity return. The recommendations are (1) approve the proposed method of calculating the Liability and Workers' Compensation returns, which considers both loss experience and longevity, (2) equity returns be distributed to Members that continue to be Members of the applicable Fund on the distribution date which is April 1, 2009, (3) the amount of each Member's return be calculated as a percentage of 2007-08 contributions as of September 30, 2008, for those coverages that are in effect on the distribution date, and (4) pass-through reinsurance placements not be included when calculating a Member's equity return.

MOTION by Don Henderson, seconded by Kevin Caddell, to approve an equity return for the Liability and Workers' Compensation Funds as set forth under Tab 11. Motion carried with unanimous approval.

Update on Hurricane Ike (Tab 12)

Carol Loughlin presented an update on Hurricane Ike losses with a breakdown by type of loss and how the losses will be paid by each Fund and outside reinsurance. Mike Rains also reported on Liability and Property claims from Hurricane Ike damages under Tab 12.

Liability Claims Report on claims that have reserves in excess of \$150,000 and consideration of settlement authority in excess of \$500,000 (Tab 13)

Mike Rains presented the "Liability/Property Claims Report" under Tab 13.

Significant Cases and Legal Developments Impacting the Pool (Tab 14)

David Reagan presented the report on "Significant Cases and Legal Developments impacting the Pool" under Tab 14.

Workers' Compensation Claims Report, including (1) new claims that have reserves exceeding \$150,000, (2) new fatality claims, (3) new presumption claims, (4) status of Employers Casualty receivership, (5) the status of hospital guideline dispute, and (6) update on the Political Subdivision Workers' Compensation Alliance (Tab 15)

Mike Bratcher presented "Workers' Compensation Claims Report" under Tab 15.

Underwriting Report on underwriting results and loss ratios (Tab 16)

Matt Jordan presented the “Underwriting Report” under Tab 16.

Quarterly Report from Contractor Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab17)

Mike McClanahan, Victor O. Schinnerer & Company, Inc., presented the quarterly report for Victor O. Schinnerer & Company, Inc., regarding revenues received and contract activities under Tab 17.

Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 18)

Les Horne presented the “Loss Prevention Report” on member surveys, training, and property valuations conducted under Tab 18.

Field Services Report on Pool membership growth (Tab 19)

Scott Epperson presented the “Field Services Report” on Pool membership growth under Tab 19.

General Counsel’s Report

- a. Legislative Update on activities relating to the Texas Legislature since the previous Board meeting (Tab 20)

David Reagan presented the legislative update under Tab 20.

- b. Comments by Pool legislative consultants, Pam Beachley and Bob Kamm, on proposed legislation affecting the Pool and its members.

Pam Beachley and Bob Kamm reported on legislation that could affect the Pool and its members during the current legislative session.

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

Andres Garza reported that the TML Employee Benefits Pool Board was meeting the following week and therefore he had nothing to report. Henry Wilson and Mary Gauer also had no additional comments.

EXECUTIVE COMMITTEE REPORT

Report regarding attorney selection process and the current list of attorneys approved for defense litigation (Tab 21)

David Reagan presented the Attorney Selection Policy and the current list of approved defense attorneys under Tab 21 for review by the Board.

No action was taken by the Board.

Status of 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 identifying employment changes and year end activity (Tab 23)

Allan Romer presented the “Quarterly Personnel Report” identifying employment changes and year end activity under Tab 23.

Meeting Schedule and Board Continuing Education (Tab 24)

Marvin Townsend reviewed the “Schedule of Meetings” and “Board Continuing Education” conferences under Tab 24 and requested suggestions for the January 2011 Board meeting. The City of Galveston was suggested for the January 2011 Board meeting.

Adjournment

MOTION to adjourn by Makia Epie, seconded by Byron Black, at 10:58 a.m. Motion carried with unanimous approval.