

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
South Padre Island, Texas  
January 17, 2004

**Trustees Present**

Robert Herrera, Chair  
Pat Norriss, Vice Chair  
Richard Browning  
Don Dodson  
Larry Dovalina  
Makia Epie  
Andres Garza  
Mary Gauer  
Don Henderson  
Greg Ingham  
Mike McGregor  
Leo Montalvo

**Staff Present**

Marvin Townsend  
Carol Loughlin  
Hank Domeracki  
Tito Villegas  
David Reagan  
Mike Rains  
Mike Bratcher  
Allan Romer  
Floyd Schock  
Bill Snyder  
Les Horne  
Scott Epperson  
David Longoria

**Also Present**

Penny Haubold, Schinnerer &  
Company  
Tony Koriath, LOTK  
Elaine Pruden, LOTK  
Bob Kamm, LOTK  
Martha King, Ernst & Young  
Brenda Betts, Ernst & Young  
Karen Kennard, TML  
Jan Lommele, Deloitte  
Consulting, LLP

Chair Robert Herrera called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 8:00 a.m. on Saturday, January 17, 2004.

**Roll Call and Excused Absences**

Marvin Townsend noted the absence of Byron Black, Rickey Childers, Wayne Collins, Frank Sturzl, and Tim Vaughn and reported regarding reasons for each absence.

MOTION by Richard Browning, seconded by Makia Epie, to excuse the absences of Byron Black, Rickey Childers, Wayne Collins, Frank Sturzl, and Tim Vaughn. Motion carried with unanimous approval.

Consideration of Minutes of September 27, 2003 meeting in Corpus Christi

MOTION by Mary Gauer, seconded by Makia Epie to approve the minutes shown under Tab 2. Motion carried with unanimous approval.

Nominating Committee Report regarding the vacancy in Place 15

The Board considered the vacancy in Place 15. Don Dodson, Chair of the Nominating Committee, reported that the committee recommended that Alex Bickley be again appointed to Place 15 on the Board of Trustees. Because of a pending legal matter, Mr. Bickley had resigned from the Board. Since the legal matter has now been satisfactorily resolved, Mr. Bickley is again available to serve on the Board.

MOTION by Don Dodson, seconded by Andres Garza to appoint Alex Bickley to Place 15 of the Board of Trustees. Motion carried with unanimous approval.

**FINANCE COMMITTEE**

Presentation of the Audited Financial Statements for the period of October 1, 2002 to September 30, 2003 by Ernst & Young

Brenda Betts and Martha King of Ernst & Young presented the Financial Audit for October 1, 2002 to September 30, 2003 under Tab 4. The auditors reported an unqualified audit.

Discussion of investment income and equity reporting complying with GASB 31 and without following GASB 31

Hank Domeracki presented how investment income and equity results differ with and without GASB 31 being applied as set forth in Tab 5.

Review of November 30, 2003 (2-month) Financial Statements and Investment Report

Tito Villegas presented a review of the November 30, 2003 (2-month) financial statements and Investment Report under Tab 6.

### Consideration of extending Bear Stearns Asset Management contract

Leo Montalvo presented a recommendation to extend Bear Stearns Asset Management contract for 2 years to February 28, 2006 under Tab 7.

MOTION by Leo Montalvo, seconded by Larry Dovalina, to extend Bear Stearns Asset Management contract for 2 years to February 28, 2006 under Tab 7. Motion carried with unanimous approval.

### Consideration of exercising the one-year extension option in the contract with Deloitte & Touche for actuarial services

Leo Montalvo presented a recommendation to exercise a one-year extension option in the contract with Deloitte Consulting, LLP (formerly Deloitte & Touche) for actuarial services and to provide revisions to the contract under Tab 8 as follows:

- 1) The Pool exercise its option to extend the Agreement for actuarial consulting services for the final one-year to cover the reserve review for the fiscal year ending September 30, 2003 and the rate review for the fiscal year beginning October 1, 2004 for \$66,900.
- 2) The Pool approve Amendment No. 2 to the July 8, 1999 Agreement for Actuarial Services with Deloitte Consulting, LLP as amended by the July 20, 2002 amendment, and contract for a mid-year reserve review for \$21,600.
- 3) The Pool change the date for calculating the CPI adjustment for the Dallas/Fort Worth area from December 31 to November 30.

MOTION by Larry Dovalina, seconded by Mary Gauer, to approve the recommended actuarial contract additions and revisions with Deloitte Consulting, LLP under Tab 8. Motion carried with unanimous approval.

### Report of the Ad Hoc Personnel Committee

Greg Ingham presented the Ad Hoc Personnel Committee report with the following recommendations:

- a) As part of the preparation of the 2004-05 Budget, the ninth step be added to pay grade 37 and a 10<sup>th</sup> step be added to pay grades 36 and 37 without any immediate impact on the salary of 3 incumbents in pay grades 36 and 37, and there be no other changes in the compensation plan.
- b) All Board members are encouraged to communicate with the Chair by the July Board meeting each year regarding performance of the Executive Director with such communication to be by letter, in person, or by the use of a form such as the form which is part of Tab 18.

MOTION by Greg Ingham, seconded by Pat Norriss, to approve the two recommendations by the Ad Hoc Personnel Committee. Motion carried with unanimous approval.

Consideration of adding aggregate loss protection to the purposes of the Large Loss Fund

Leo Montalvo and Hank Domeracki presented a recommendation under Tab 9 to expand the purposes of the Large Loss Fund by adding the following:

- a) If the Workers' Compensation, Liability, Property or Reinsurance Fund incurs losses in excess of \$1,000,000 per occurrence which excess is in the aggregate more than \$4,000,000 in any one year, the Large Loss Fund will be responsible for such cumulative losses in excess of \$4,000,000 up to a total of \$5,000,000 as to any one fund.
- b) Such protection would be limited to the amount of money available in the Large Loss Fund and be subject to specific action by the Board approving use of the Large Loss Fund for the particular payment.
- c) In the Workers' Compensation Fund, the layer would be composed of any payment in excess of \$1,000,000 up to \$2,000,000.
- d) In the Liability Fund, the losses involved would be primarily supplementary payments such as attorney fees, pre- and post-judgment interest, and court costs related to the first \$1,000,000 of incurred loss.
- e) In the Property Fund, the losses involved would be payments between \$1,000,000 and \$3,000,000.

It was further proposed that, after the Large Loss Fund and the applicable operating fund or the Reinsurance Fund have each paid \$5,000,000 toward any one loss, the Large Loss Fund match the operating or Reinsurance Fund for any additional loss for the same occurrence on a matching or one-to-one basis.

MOTION by Leo Montalvo, seconded by Larry Dovalina, to approve the expanded purposes of the Large Loss Fund under Tab 9. Motion carried with unanimous approval.

Consideration to require notification by all contractors, including investment managers, of disciplinary action

Don Henderson proposed that before a contract of an investment manager is extended, TMLIRP should be notified if a manager is under investigation, fined or has been indicted or removed.

MOTION by Don Henderson, seconded by Andres Garza, to require that, if an Investment Manager is under investigation, fined, indicted or removed from his office, the Investment Manager must notify the Board of that action. Motion carried with unanimous approval.

MOTION by Leo Montalvo, seconded by Don Henderson, that notification by the Investment Manager to the Pool must be made within 10 days of that disciplinary action. Motion carried with unanimous approval.

MOTION by Andres Garza, seconded by Larry Dovalina, to extend this notification requirement to all contractors, including auditors and actuaries. Motion carried with unanimous approval.

#### Management Information Report

David Longoria presented the “Management Information Systems Report” under Tab 10.

### **UNDERWRITING AND CLAIMS COMMITTEE**

#### Status of Major Claims and Related Action

David Reagan presented that status of 2 major claims and related actions under Tab 11:

- 1) Rodriguez et al. v. City of Harlingen
- 2) Teague & Burkett v. Town of Flower Mound

#### Significant Cases & Legal Developments

David Reagan presented a report on “Significant Cases and Legal Developments” under Tab 12.

#### Liability Claims Report

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

#### Workers’ Compensation Claims Report

Mike Bratcher presented “Workers’ Compensation Claims Report” under Tab 14.

### Underwriting Report

Floyd Schock presented the “Underwriting Activity Report” under Tab 15.

### Loss Prevention Report

Les Horne presented the “Loss Prevention Board Report” under Tab 16.

### Field Services Report

Scott Epperson presented the “Field Services Report” under Tab 17.

## **GENERAL COUNSEL’S REPORT**

Tony Koriath and Bob Kamm presented an update of legislative matters of importance to the Pool.

### Comments by Ex-officio members from and to TML and Employee Benefits Boards

Richard Browning reported the Health Insurance Pool is doing well and that investments have increased in value.

Mary Gauer commented that TML’s Board would continue to focus on school finance.

## **EXECUTIVE COMMITTEE REPORT**

### Litigation in which the Pool is a Participant

David Reagan presented “Lawsuits in which the Pool is a Party” under Tab 19.

### U.S. Highway 183 Update

Bill Snyder presented the “U.S. Highway 183 Update” under Tab 20.

### Personnel Report

Allan Romer presented the “Quarterly Personnel Report” under Tab 21.

## **MEETING SCHEDULE**

Marvin Townsend reviewed the “Schedule of Meetings” under Tab 22.

MOTION by Makia Epie, seconded by Leo Montalvo, to change the September 17 – 18, 2004 meeting from the Frisco Westin to Los Colinas Four Seasons. The motion passed with unanimous approval.

MOTION by Don Henderson, seconded by Mary Gauer, to schedule the September 16 – 17, 2005 meeting in Austin. The motion passed with one no vote.

MOTION by Mary Gauer, seconded by Makia Epie, to adjourn the meeting. Motion carried with unanimous approval.

Meeting adjourned at 10:57 a.m. with consent.