

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting
Frisco, Texas
January 18, 2003

Trustees Present

Robert Herrera, Chair
Pat Norriss, Vice-Chair
Byron Black
Richard Browning
Rickey Childers
Wayne Collins
Don Dodson
Larry Dovalina
Makia Epie
Andres Garza
Mary Gauer
Don Henderson
Greg Ingham
Leo Montalvo
Frank Sturzl
Tim Vaughn

TML Staff Present

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

Also Present

Penny Haubold, AmGrip
Tony Koriath, LOTK
Olga Gilmore, LOTK
Bob Kamm, LOTK
Brenda Betts, Ernst & Young
Martha King, Ernst & Young
Jan Lommele, Deloitte & Touche
Tony Joseph, Guy Carpenter

The meeting of the Board of Trustees of the TML Intergovernmental Risk Pool was called to order at 8:05 a.m. on Saturday, January 18, 2003 by Chair Robert Herrera.

Motion Regarding the Status of Officers

Tony Koriath informed the Board that action taken at the last meeting regarding the status of officers was incorrect. The Board took action based on the report that Robert Herrera had terminated his position on the Board. In fact, this had not occurred and, due to his previous position as Vice-Chair, he became Chair of the Board as of October 1, 2002. Pat Norriss thus continues as Vice-Chair. Further action was suggested regarding Robert Herrera's absence at the October 19, 2002 meeting due to his wife's illness.

MOTION by Andres Garza, seconded by Don Henderson, to confirm that Bob Herrera, having served as Vice-Chair since July 28, 2001 and not being otherwise disqualified, became Chair on October 1, 2002 and remains Chair since the interruption of his service to a Pool member, which was assumed at the October Board meeting, did not actually occur and that Bob Herrera's absence from the October 19, 2002 Board meeting be excused because of his wife's illness. Motion carried with unanimous approval.

Roll Call and Excused Absences

Marvin Townsend noted the absence of Mike McGregor.

MOTION by Andres Garza, seconded by Leo Montalvo, to excuse the absence of Mike McGregor. Motion carried with unanimous approval.

Consideration of Alex Bickley's Request for a 60-day Leave of Absence

The Board considered Alex Bickley's request for a 60-day leave of absence found under Tab 1. Robert Herrera indicated that the Executive Committee discussed this matter and due to Mr. Bickley's tenure recommended his requested leave of absence be approved and be extended until the next board meeting.

MOTION by Pat Norriss, seconded by Leo Montalvo, approving the requested leave of absence of Alex Bickley for approximately 90 days until the next Board meeting. Motion carried with unanimous approval.

Bob Herrera welcomed new Board members Larry Dovalina, City Manager of Laredo, serving in Place 7 and Tim Vaughn, Mayor of White Oak, representing the Texas Municipal League Board of Directors.

Announcement by the Chair Confirming the Following Appointments by Vice-Chair Pat Norriss

Robert Herrera announced the confirmation of Mary Gauer to serve as the Board's ex-officio representative on the TML Board of Directors for 2002-03. Greg Ingham had previously agreed to serve as the Board's ex-officio representative on the TML Intergovernmental Employee Benefits Pool Board, however, due to other commitments, he is unable to fill that position. Andres Garza has agreed to serve in that position.

MOTION by Don Dodson, seconded by Greg Ingham, confirming the appointment of Andres Garza as the Board's ex-officio representative on the TML Intergovernmental Employee Benefits Pool Board. Motion carried with unanimous approval.

Consideration of Minutes of October 19, 2002 in Fort Worth

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

Consideration of Amendments to the Bylaws

David Reagan presented proposed Bylaw amendments under Tab 3. Additional amendments were proposed by Makia Epie. These changes will be considered and acted upon at the next meeting due to the 10 day notice requirement to consider Bylaw changes. It was recommended that all Bylaw changes be distributed to the members after the next Board meeting.

MOTION by Pat Norriss, seconded by Don Henderson to approve the Bylaw amendments timely proposed and discussed under Tab 3. Motion carried with unanimous approval.

Committee Appointments

Robert Herrera presented the following committee appointments:

Finance Committee

Wayne Collins
Larry Dovalina

Underwriting Committee

Tim Vaughn

The appointments were accepted by the respective individuals.

FINANCE COMMITTEE

Election of Committee Chair

Leo Montalvo reported that he had been elected Chair of the Finance Committee.

Actuary Comments Concerning FY 2002 reserve review

Jan Lommele with Deloitte & Touche, commented on the 2002 fiscal year reserve review. No action was necessary.

Presentation of the 2001-02 Audited Financial Statements and Auditor's report by Brenda Betts and Martha King of Ernst & Young L.L.P.

Hank Domeracki began by reviewing the financial statements as of September 30, 2002. Scott Epperson commented on the Pool's membership, Mike Bratcher reviewed large workers' compensation claims and Mike Rains reviewed large liability and property claims.

Martha King and Brenda Betts of Ernst & Young presented information regarding the audit report under Tab 4 and a separate handout entitled "Audit Results". Don Henderson requested the staff report back at the next meeting on the cost of bonding employees, who have access to cash, securities and other valuable assets, with an independent carrier as well as comments or suggestion as to the Pool's vacation policy.

MOTION by Leo Montalvo, seconded by Mary Gauer, to accept the audit report as presented under Tab 4. Motion carried with unanimous approval.

Financial Statements as of November 30, 2002

Hank Domeracki presented a review of the "Financial Statements as of November 30, 2002" under Tab 5.

Investment Report

Tito Villegas presented the "Investment Report" under Tab 6. Don Henderson shared his concerns regarding money managers who were recently assessed fines for wrongdoing. It was determined that this matter should be taken into consideration when going out for bid for investment managers.

Discussion of Adequacies of Members' Equity Compared to Equity Guidelines

Hank Domeracki led a discussion on the adequacy of members' equity compared to equity guidelines under Tab 7. Based on the Pool's guidelines, on a combined basis, the level of Members' Equity is "More than Adequate".

Authorization to Receive Proposals for Auditing Services

Leo Montalvo informed the Board that the Finance Committee is proposing that the staff issue Request for Proposals for auditing services for 2002-03, 2003-04, 2004-05 with the option to extend for two additional years (Tab 8). The Pool's current auditing firm is Ernst & Young, L.L.P. who has performed the audits for five years. This year they changed partners for the audit ending September 30, 2002.

MOTION by Leo Montalvo, seconded by Greg Ingham, authorizing the staff to issue Request for Proposals for auditing services for 2002-03, 2003-04, 2004-05 with the option to extend for two additional years. Motion carried with unanimous approval.

Management Information System Report

David Longoria presented the “Management Information System Report” under Tab 9.

UNDERWRITING AND CLAIMS COMMITTEE

Election of Committee Chair

Makia Epie reported that he had been elected Chair of the Underwriting and Claims Committee.

Reinsurance Discussion Tony Joseph with Guy Carpenter, Penny Haubold with AmGrip

Tony Joseph with Guy Carpenter led a discussion concerning reinsurance.

Discussion of Federal Terrorism Risk Insurance Act

Carol Loughlin reviewed the highlights of the Federal Terrorism Risk Insurance Act under Tab 10. The purpose of The Act is to help assure that insurance will be available for property, liability, and workers’ compensation losses caused by foreign terrorism by shifting part of the risk of those losses from one insurer to all insurers and the federal government. The Act allows for a three-year transitional period, which began on the day that President Bush signed the bill and ends on December 31, 2005, for private insurance markets to stabilize to again be able to insure the foreign terrorism exposure.

Significant Cases and Legal Developments

David Reagan presented “Significant Cases and Legal Developments” under Tab 11.

Liability Claims Report

Mike Rains presented the “Liability / Claims Report” under Tab 12.

Workers’ Compensation Claims Report

Mike Bratcher presented the “Workers’ Compensation Claims Report” under Tab 13.

Underwriting Report

Floyd Schock presented the “Underwriting Report” under Tab 14.

Loss Prevention Report

Les Horne presented the “Loss Prevention Report” under Tab 15.

Field Services Report

Scott Epperson presented the “Field Services Report” under Tab 16.

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

Tim Vaughn indicated that he was looking forward to serving on the Board as the TML Board representative.

GENERAL COUNSEL’S REPORT

Tony Koriath informed the Board that the legislative process was underway and that he and Bob Kamm would be monitoring very closely all bills introduced.

Mr. Koriath discussed his meeting with the Texas Association of Business regarding the chiropractic care issue. Examples of Pool claimants using chiropractic care was presented under Tab 17. The Texas Association of Business is upset at alleged abuse of the system by chiropractors. This issue will be closely monitored.

EXECUTIVE COMMITTEE REPORT

Consideration of Adding Updated Transfer Credits to the Pool’s TMRS Program

MOTION by Don Dodson, seconded by Rickey Childers, to table this item until the July, 2003 Board meeting. Motion carried with unanimous approval.

Litigation in Which the Pool is a Participant

David Reagan presented “Litigation in Which the Pool is a Participant” under Tab 19.

Highway 183 Update

Bill Snyder presented a “Highway 183 Update” under Tab 20.

Personnel Report

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

MEETING SCHEDULE

Marvin Townsend reviewed the “Schedule of Meetings” under Tab 22 and reported that the Executive Committee is suggesting that the January 2004 meeting be held in South Padre Island, the April 2004 meeting in League City, and the September 2004 meeting in the Dallas-Fort Worth area.

MOTION by Don Henderson, seconded by Don Dodson, to revise the meeting schedule so that the January 2004 meeting will be held in South Padre Island, the April 2004 meeting in League City, and the September 2004 meeting in the Dallas-Fort Worth area.

Meeting adjourned at 11:30 a.m. with consent.