

Minutes of January 19, 2002

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting
Austin, Texas
January 19, 2002

Trustees Present

Greg Ingham
Byron Black
Richard Browning
Rickey Childers
Wayne Collins
Don Dodson
Makia Epie
Andres Garza
Mary Gauer
Don Henderson
Mike McGregor
Leo Montalvo
Frank Sturzl

TML 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

Also Present

Penny Haubold, AmGrip
Tony Koriath, LOTK
Olga Gilmore, LOTK
Martha King, Ernst & Young
Carol Carlson, Ernst & Young
Doug Jones, Bear Stearns
Brad Higgins, Bear Stearns

The meeting of the Board of Trustees of the TML Intergovernmental Risk Pool was called to order at 8:00 a.m. on Saturday, January 19, 2002 by Chair Greg Ingham.

Roll call and excused absences

Marvin Townsend noted the absence of Alex Bickley, Robert Herrera, Pat Norriss, Larry Gilley and David Prewitt.

MOTION by Don Dodson, seconded by Mike McGregor, to excuse the absence of Alex Bickley, Robert Herrera, Pat Norriss, Larry Gilley and David Prewitt. Motion carried with unanimous approval.

Chair Greg Ingham welcomed Rickey Childers, City Manager of Longview, to his first Board meeting as the newly appointed member in Place 4.

Consideration of Minutes of October 13, 2001

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

FINANCE COMMITTEE

Consideration of the 2000-01 Audit by Ernst & Young

Hank Domeracki presented an overview of the audited financial statements and an explanation of the various funds.

Martha King, representing Ernst & Young, the Pool's outside auditor, presented the 2000-01 audit report under Tab 3 and separate cover.

MOTION by Don Dodson, seconded by Mike McGregor, to accept the 2000-01 audit presented by Ernst & Young under Tab 3 and separate cover. Motion carried with unanimous approval.

Consideration of Awarding an Investment Manager Contract

Leo Montalvo presented the Finance Committee's recommendation for awarding an investment manager contract under Tab 4. The recommendation was to enter into a two-year contract with two two-year extension options with Bear Stearns Asset Management, Inc. Additionally, in an effort to use an investment management firm that more closely complements the Pool's overall investment strategy and possibly enhance investment income, it was recommended that the Pool review Voyager Asset Management, Inc., along with the top two applicant investment management firms, John Hancock Advisers, Inc. and Pacific Income Advisers, at the next board meeting.

MOTION by Leo Montalvo, seconded by Don Dodson, authorizing the Pool to enter into a two-year contract with two two-year extension options with Bear Stearns Asset Management, Inc. Motion carried with unanimous approval.

MOTION by Leo Montalvo, seconded by Andres Garza, authorizing staff to review Voyager Asset Management, Inc. along with the top two investment management firms, John Hancock Advisers, Inc. and Pacific Income Advisers, and recommend the results at the April board meeting. Motion carried with unanimous approval.

Review of the November 30, 2001 (two-month) Financial Statements

Tito Villegas reviewed the "Financial Statements as of November 30, 2001" under Tab 5.

Review of the November 30, 2001 Investment Report

Tito Villegas reviewed the investment report as of November 30, 2001 under Tab 6.

Consideration of Continuing the S & P Rating Process

Marvin Townsend presented information regarding the Pool's continuation of the S & P Rating Process under Tab 7. Last January, the Pool received its first Standard & Poor's financial strength rating of "A" with a stable outlook. This rating communicates the Pool's financial strength to its members, prospective members and other interested parties. Since receiving the "A" rating, the Pool's membership has grown and Members' Equity has increased by \$10 million. If the Standard & Poor's rating is not renewed, S & P will review the Pool's current financial position to determine if the request for non-renewal coincides with a deterioration in the Pool's financial strength. It was recommended that the Pool undergo the annual review process with Standard & Poor's to renew the financial strength rating.

MOTION by Leo Montalvo, seconded by Mike McGregor, authorizing staff to undergo the annual review process with Standard & Poor's to renew the Pool's financial strength rating. Motion carried with unanimous approval.

In future years this item will be approved through budget review rather than brought to the Board as a separate action.

Management Information System Report

Hank Domeracki presented the "Management Information System Report" under Tab 8.

UNDERWRITING AND CLAIMS COMMITTEE

Discussion Regarding Programs Providing Assistance to Obtain Cameras for Police Cars

Carol Loughlin provided highlights of a meeting held on December 14, 2001 regarding programs providing assistance to obtain cameras for police cars under Tab 9. Department of Public Safety Director Thomas A. Davis, Jr. sent out a letter on December 3, 2001 to all police agency heads announcing that \$18,500,000 would be available to purchase video and audio equipment and that applications had to be submitted by January 31, 2002. TML sent out a Legislative Alert to all TML law enforcement agencies urging the importance of applying for the grant money to purchase video and audio equipment. Additionally, Loss Prevention and Field Services staff have been provided copies of the Legislative Alert and will mention the need to apply by the deadline date to city officials during training sessions and member visits during January.

Significant Cases and Legal Developments

David Reagan presented "Significant Cases and Legal Developments" under Tab 10.

Liability Claims Report

Mike Rains presented the “Liability / Claims Report” under Tab 11.

Workers’ Compensation Claims Report

Mike Bratcher presented the “Workers’ Compensation Claims Report” under Tab 12.

Underwriting Report

Floyd Schock presented the Underwriting Report under Tab 13.

Loss Prevention Report

Les Horne presented the Loss Prevention Report under Tab 14.

Field Services Report

Scott Epperson presented the Field Services Report under Tab 15.

GENERAL COUNSEL’S REPORT

Tony Koriath reminded the board that this is a legislative election year and discussed possible election concerns. Also, upcoming is the Board trustee election for places 1, 2, 3, 4 and 5.

EXECUTIVE COMMITTEE REPORT

Consideration of Revisions in the Pool’s Personnel Policies

Allan Romer reviewed “Adoption of a Revised Personnel Policies Manual” under Tab 16. The Personnel Policies Manual was last revised in January 1997. Since that time, the Board has approved one revision that was distributed to employees as a supplemental change. The proposed Personnel Policies Manual incorporates all previously adopted changes, corrects grammatical errors, and eliminates duplication and sections that are no longer in effect. It also changes the name of the TML Group Benefits Risk Pool to the TML Intergovernmental Employee Benefits Pool. A discussion ensued regarding the proposed changes to Section 7.05 - Military Leave (enclosure 4) and this section was withdrawn for consideration pending further review.

MOTION by Byron Black, seconded by Don Dodson, to adopt the Personnel Policies Manual changes under Tab 16 withdrawing the portion amending “Section 7.05 - Military Leave” (enclosure 4). This section is withdrawn for further review and suggestions. Motion carried with unanimous approval.

Report Regarding Discussions with Texas Water Conservation Association Representatives

Marvin Townsend presented information regarding discussions with the Texas Water Conservation Association representatives under Tab 17. Last fall, various Pool staff became aware of reinsurance cost increases being faced by the Texas Water Conservation Association Risk Management Fund. After receiving several requests for proposals, it became clear that over the next year the Pool would possibly pick up a number of members from the TWCA program which would cause that program significant financial problems. The TMLIRP staff developed different approaches which might be beneficial to both programs and avoid situations where members might slip from one program to the other and then back again. Marvin Townsend sent a letter to Leroy Goodson, Ron Neighbors, and Bill Martin setting forth a beginning concept of a program that might be mutually beneficial. Mr. Neighbors responded and a meeting took place on December 5, 2001. The meeting was exploratory only.

Status of Highway 183 Related Activities

Bill Snyder presented the “Status of Highway 183 Related Activities” under Tab 18.

Litigation in which the Pool is a Party

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

Personnel Report

Allan Romer presented the “Personnel Report” under Tab 20.

MEETING SCHEDULE

Marvin Townsend discussed the “Schedule of Meetings” under Tab 21. A conflict has developed regarding the Board meeting scheduled for November 1-2, 2002. The National League of Cities Risk Information Sharing Consortium (NLC-RISC) sponsors an annual pool staff workshop which has been productive. This conference will be in Denver from October 30 to November 2. Several management staff usually attend this training opportunity to meet with staff of other league sponsored pools.

MOTION by Don Henderson, seconded by Mike McGregor, to move back the November 1, 2002 meeting to October 16-18, 2002 in conjunction with the TML Annual Conference in Fort Worth. Motion carried with unanimous approval.

Meeting adjourned at 10:35 a.m. with consent.