

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
South Padre Island  
October 7, 2006

**Trustees Present**

Leo Montalvo, Chair  
Rickey Childers, Vice Chair  
Alex Bickley  
Richard Browning  
Wayne Collins  
Larry Dovalina  
Makia Epie  
Andres Garza  
Mary Gauer  
Don Henderson  
Robert Herrera  
Greg Ingham  
Frank Sturzl

**Staff Present**

Marvin Townsend  
Carol Loughlin  
David Reagan  
Mike Bratcher  
Scott Epperson  
Les Horne  
Matt Jordan  
David Longoria  
Mike Rains  
Allan Romer  
Bill Snyder  
Tito Villegas  
Debbie Mangum

**Also Present**

Juanita Finger, Victor O. Schinnerer  
Rick Pokorny, Northern Trust  
Penny Wyatt, Victor O. Schinnerer

Chair Leo Montalvo called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 7:30 a.m. on Saturday, October 7, 2006.

**Roll Call and Excused Absences (Tab 1)<sup>1</sup>**

Marvin Townsend noted the absences of Byron Black, Don Dodson, Harold Dominguez, Pat Norriss, and Henry Wilson and reported the reasons they were asking that their absences be excused.

MOTION by Alex Bickley, seconded by Don Henderson, to excuse the absences of Byron Black, Don Dodson, Harold Dominguez, Pat Norriss, and Henry Wilson. Motion carried with unanimous approval.

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

Report Regarding Board Trustee Election (Tab 2)

David Reagan reported on the 2006 Board of Trustee election for Places 11-14. The vote summary is as follows:

<u>Place 11</u>		<u>Place 12</u>	
America Gonzales	36	Harold Dominguez	344
Greg Ingham	452	Frank Estrada	130
Michael Wolfe	52		
Write In: James Stroman (Kemp City Administrator)	2	Write In: Judy Bell (Crandall City Manager)	2
<u>Place 13</u>		<u>Place 14</u>	
Byron Black	327	Pat Norriss	368
Lamar Gillian, Jr.	105	Peter Vargas	110
John Mitchiner	68		
Write In: Billy Teel (Kemp Mayor)	2	Write In: Todd Weber (Kemp Mayor Pro Tem)	2

MOTION by Alex Bickley, seconded by Rickey Childers, to accept the results of the 2006 Board of Trustee election as reported by David Reagan. Motion carried with unanimous approval.

Consideration of Minutes of July 22, 2006 Meeting in San Antonio (Tab 3)

MOTION by Larry Dovalina, seconded by Alex Bickley, to approve the minutes as presented under Tab 3. Motion carried with Makia Epie abstaining.

**FINANCE COMMITTEE**

Review of August 31, 2006 (11-month) Financial Statements (Tab 4)

Tito Villegas presented an overview of the financial statements for the eleven months ending August 31, 2006 under Tab 4.

Review of August 31, 2006 (11-month) Investment Report and Report by Northern Trust (Tab 5)

Tito Villegas presented the August 31, 2006 (11-month) Investment Report under Tab 5. Rick Pokorny of Northern Trust presented an analysis of the investment market, total rate of return and each investment manager's performance as of August 31, 2006 also under Tab 5.

### Annual Review of the Pool's Investment Policy and Broker Certification (Tab 6)

Tito Villegas presented the review of the Pool's Investment Policy and the proposed list of qualified brokers under Tab 6.

Tito Villegas reported that the Texas Public Funds Investment Act requires that the Board annually review its Investment Policy and its list of qualified brokers that are authorized to engage in the Pool's investment transactions. The staff recommended one change to the Pool's Investment Policy and some changes to the list of authorized brokers listed under Appendix C of the Investment Policy. The Pool previously required investment managers to maintain at least one percent of the investment portfolio in a no load money market mutual fund described in Section III of the Investment Policy. The staff recommended that the Pool and each investment manager maintain enough liquidity to meet the Pool's cash needs as provided in cash flow projections. The staff recommended the Board approve the resolution under Tab 6, amending the Pool's Investment Policy and approving the list of qualified brokers listed in Appendix C of the Investment Policy.

MOTION by Wayne Collins, seconded by Rickey Childers, to adopt the resolution under Tab 6 amending the Investment Policy and approving the list of qualified brokers. Motion carried with unanimous approval.

### Management Information Systems (Tab 7)

David Longoria presented the Management Information Systems report under Tab 7.

## **UNDERWRITING AND CLAIMS COMMITTEE**

### Workers' Compensation Reinsurance for 2006-07 (Tab 8)

Carol Loughlin presented the workers' compensation reinsurance structure for 2006-07 under Tab 8. It was recommended that the workers' compensation reinsurance with the National League of Cities Mutual Insurance Company (NLC-MIC) be renewed with a quota share participation of 5% of the \$20 million layer excess of the Pool's \$3 million retention with an increase in the rate of 10% from \$0.1036 to \$0.1140 per \$100 of payroll. The Workers' Compensation Fund will continue to retain the first \$3 million of each loss occurrence during 2006-07. The Workers' Compensation Fund contribution to the Reinsurance Fund will be based on NLC-MIC's rate of 0.1140 per \$100 of payroll reduced 20% to reflect the Pool's lower expenses. The Reinsurance Fund's participation will be 85% excess of the \$3 million up to \$23 million and 90% above \$23 million up to statutory limits. The Workers' Compensation Fund's participation will be 10% of statutory coverage in excess of \$3 million. There will be additional support from the Large Loss Fund as approved by the Board in July 2006.

MOTION by Mary Gauer, seconded by Larry Dovalina, to approve the Workers' Compensation Reinsurance structure for 2006-07 as set forth under Tab 8. Motion carried with unanimous approval.

Report of Meeting with Property Reinsurance Underwriters (Tab 9)

Carol Loughlin presented a report of the meeting in Chicago, Illinois on September 14, 2006 with the property reinsurance underwriters at the 2006 Annual Convention of the National Association of Professional Surplus Lines Offices, Ltd., set forth under Tab 9. Those attending the meeting were Marvin Townsend, Carol Loughlin, Debra Fox with Guy Carpenter, Andy Billange with Bell & Clements, Tony Joseph with Lloyd's America, and Penny Wyatt with VOSCO. The Pool presented materials and answered questions pertaining to the property reinsurance renewal for May 2007 which Guy Carpenter will begin marketing in January 2007.

Report Regarding Progress in Establishing the Program for Direct Contracting with Health Care Providers to Provide Workers' Compensation Medical Benefits and Transferring Medical Bill Review In-House (Tab 10)

Mike Bratcher presented the update set forth under Tab 10 on establishing the program for direct contracting with health care providers to provide workers' compensation medical benefits and transferring the medical bill review in-house. The Alliance board approved the staff being employees of the Alliance versus employees of one of the pools. One administrator position and one clerical position will be needed immediately and these positions have been posted and advertised. The Alliance has contracted with Pam Beachley to provide legal counsel for the Alliance. Specific contracts for treating physicians and referral physicians have been adopted by the Board with a fee schedule range for specific types of providers approved.

Staff has been working on contract details with Fiserv Corporation to obtain their software application needed to audit medical bills. Thirteen staff will be needed to perform the medical bill review. Workstations have been installed on the third floor of TML-IRP. The Legal Department is working on an interlocal agreement with the Texas Association of School Boards to perform preauthorization functions under the Workers' Compensation Act. Corvel Corporation will be given 90 days notice of the Pool's intention to terminate its contract once the Fiserv contract and Texas Association of School Boards interlocal agreement have been signed. The amended budget for transition to in-house medical bill review is itemized in Attachment A under Tab 10.

MOTION by Mary Gauer, seconded by Rickey Childers, to approve the amended budget for medical bill review under Tab 10. Motion carried with unanimous approval.

Significant Cases and Legal Developments (Tab 11)

David Reagan presented the report on significant cases and legal developments under Tab 11.

Liability Claims Report (Tab 12)

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

Workers’ Compensation Claims Report (Tab 13)

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

Underwriting Report (Tab 14)

Matt Jordan presented the “Underwriting Activity Report” under Tab 14.

Loss Prevention Report (Tab 15)

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

Field Services Report (Tab 16)

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

General Counsel’s Report (Tab 17)

David Reagan presented the General Counsel’s report under Tab 17.

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

Frank Sturzl reported that all 500 free tickets for the Thursday morning TML-IRP and TML-IEBP breakfast at the upcoming 2006 TML Annual Meeting have been distributed. Mr. Sturzl also reported that TML sent out questionnaires to the gubernatorial candidates asking them their positions on five key municipal issues. The responses will be published in the Texas Town & Country. The Texas Task Force on Appraisal Reform has been appointed by Governor Perry. Every member of the committee is in favor of a reduction in appraisal caps. A bill was introduced in the third special session that would give cities the option to reduce appraisal caps, not make it mandatory to do so. The Texas Association of Business, Texas Association of Realtors, and the Association of Electric Companies of Texas came out against the bill when TML remained neutral on the issue. He doesn’t

believe that there will be a two-thirds majority to pass the appraisal caps, so the tax reducing effort will probably look at revenue caps. TML's greatest challenge is to see that nothing passes that will undo the ability of cities to take care of themselves, particularly in the area of unfunded mandates.

Richard Browning reported that the TML Intergovernmental Employee Benefits Pool (TML-IEBP) Board met two weeks ago. The transition between TML-IEBP and UnitedHealthcare is going smoothly. Seventeen employees have been changed to the UnitedHealthcare payroll under the new alliance. All claims that came in before October 1, 2006 will be paid by TML-IEBP and after October 1, 2006 by UnitedHealthcare. TML-IEBP will have approximately \$6 million to \$7 million in members' equity at the end of the fiscal year. He reported that because of trouble encountered by the Section 125 flexible benefits contractor, that operation was brought back in-house and TML-IEBP will provide funds so no employee will lose money. The maximum exposure for TML-IEBP is probably less than \$50,000. There were very few increases in rates for the 2006-07 fund year.

Andres Garza reported that the question of a joint meeting of the two boards had been brought up at the TML-IEBP Board meeting. Both Pools have indicated that the breakfast meeting at the TML Annual Conference would be adequate.

## **EXECUTIVE COMMITTEE REPORT**

### Consideration of New Rates and Benefits under the Interlocal Agreement with TML Intergovernmental Employee Benefits Pool (Tab 18)

Allan Romer presented the report for consideration of new rates and benefits for medical, dental, vision, long-term disability, and life coverage for the Pool's employees for 2006-07 as set forth under Tab 18.

It was recommended that the Board authorize the Executive Director to execute the rerate notice and benefit selection form with the TML Intergovernmental Employee Benefits Pool for the 2006-07 fund year.

MOTION by Robert Herrera, seconded by Andres Garza, to authorize the Executive Director to execute the rerate notice and benefit selection form set forth under Tab 18 with the TML Intergovernmental Employee Benefits Pool. Motion carried with unanimous approval.

### Consideration of New Retiree Rates and Benefits under the Interlocal Agreement with TML Intergovernmental Employee Benefits Pool (Tab 19)

Allan Romer presented the new retiree rates and benefits under the Interlocal Agreement with TML Intergovernmental Employee Benefits Pool for 2006-07 fund as set forth under Tab 19.

It was recommended that the Board authorize the Executive Director to execute the retiree rerate notice and benefit selection form with the TML Intergovernmental Employee Benefits Pool for the 2006-07 fund year.

MOTION by Andres Garza, seconded by Greg Ingham, to authorize the Executive Director to execute the retiree rerate notice and benefit selection form set forth under Tab 19 with the TML Intergovernmental Employee Benefits Pool. Motion carried with unanimous approval.

Lawsuits in which the Risk Pool is a Party (Tab 20)

David Reagan presented “Lawsuits in which the Pool is a Participant” under Tab 20.

Personnel Report (Tab 21)

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

Meeting Schedule (Tab 22)

Marvin Townsend reviewed the “Schedule of Meetings” and “Board Continuing Education” under Tab 22. He requested suggestions for locations for the July and October 2008 Board meetings.

Adjournment

Meeting adjourned at 10:30 a.m. with consent.