

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting
Four Seasons Resort Dallas at Las Colinas
Irving, Texas
October 10, 2009

Trustees Present

Rickey Childers, Chair
Mary Gauer, Vice Chair
Nora Chavez
Makia Epie
Andres Garza
Larry Gilley
Don Henderson
Greg Ingham
Larry Melton
Leo Montalvo
Pat Norriss
Paul Parker
Frank Sturzl
Henry Wilson
Ronald Crabtree

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

Gordon Field, VOSCO

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, October 10, 2009.

1. Roll Call and Excused Absences (Tab 1)¹

Marvin Townsend reported the absences of Byron Black, Kevin Caddell, and Robert Herrera, and the reasons they asked their absences be excused.

MOTION by Greg Ingham, seconded by Larry Gilley, to excuse the absences of Byron Black, Kevin Caddell, and Robert Herrera. Motion carried with unanimous approval.

The Chair recognized Ronald Crabtree, City Manager of Deer Park, as the new ex officio member from TML Intergovernmental Employee Benefits Pool Board of Trustees, replacing Maggie Burkett.

2. Consideration of Minutes of July 25, 2009 Board Meeting in San Antonio (Tab 2)

MOTION by Makia Epie, seconded by Mary Gauer, to approve the minutes from the Board meeting in San Antonio on Saturday, July 25, 2009, as written under Tab 2. 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.

3. Finance Committee

3a. Review of August 31, 2009 (11-month) Financial Statements (Tab 3)

Tito Villegas presented the 11-month Financial Statements for the period ending August 31, 2009, under Tab 3.

3b. Updated report regarding July contribution return and 2008-09 equity return forecast (Tab 4)

Tito Villegas presented the updated report under Tab 4 on the July 2009 liability and workers' compensation 10% contribution return and the impact on the 2008-09 equity return forecast. Chair Rickey Childers commended the Finance Committee, the Board of Trustees, and the TMLIRP staff for the way this return was handled promptly and efficiently.

3c. Review of August 31, 2009 (11-month) Investment Report (Tab 5)

Hank Domeracki presented an overview of the 11-month Investment Report for the period ending August 31, 2009, under Tab 5.

3d. Consideration of Termination of Pasadena's property coverage no later than April 30, 2010 (Executive Committee to report) (Tab 6)

Marvin Townsend presented the update on Hurricane Ike under Tab 13 and the recommendation under Tab 6 to cancel the City of Pasadena's property coverage no later than April 30, 2010. The Pool staff recommended cancellation of the Pasadena property coverage in 90 days, or as late as April 30, 2010, if Pasadena requests a cancellation extension. Frank Sturzl questioned whether the cancellation was because of the large Hurricane Ike claim and was assured that it was because of Pasadena's lack of cooperation, lack of communication, unreasonable demands, and failure to comply with the terms of the Interlocal Agreement signed by Pasadena.

MOTION by Larry Melton, seconded by Greg Ingham, to cancel the City of Pasadena's property coverage in 90 days or no later than April 30, 2010, if Pasadena requests an extension of the cancellation date. Motion carried with unanimous approval.

3e. Consideration of exercising option to extend Mesirow Financial Investment Management, Inc. contract for two years. (Tab 7)

Hank Domeracki presented the recommendation under Tab 7 to exercise the Pool's option to extend the investment service contract with Mesirow Financial Investment Management, Inc. for two years to December 2, 2011, at the same fee rate as provided in the original contract of 10 basis points on the total market value of the Pool's assets managed by Mesirow.

MOTION by Andres Garza, seconded by Leo Montalvo, to extend the investment service contract for two years to December 2, 2011, with Mesirow Financial Investment Management, Inc. at the same fee rate provided in the original contract. Motion carried with unanimous approval.

3f. Consideration of exercising option to extend Conning Asset Management Company contract for two years. (Tab 8)

Hank Domeracki presented the recommendation under Tab 8 to extend the investment service contract with Conning Asset Management Company for two years through February 28, 2012, at the same fee rate as provided in the original contract of 10 basis points on the total market value of the Pool's assets managed by Conning.

MOTION by Andres Garza, seconded by Greg Ingham, to extend the investment service contract with Conning Asset Management Company for two years to February 28, 2012, at the same fee rate provided in the original contract. Motion carried with unanimous approval.

3g. Annual Review of the Pool's Investment Policy (Tab 9)

Hank Domeracki reported that the Texas Public Funds Investment Act requires that the Board annually review its investment policy and adopt a list of qualified brokers to be used by the Pool's investment managers. It was recommended that the Board approve the resolution under Tab 9, amending the Pool's investment policy and adopting a list of qualified brokers, adding 10 new brokers and removing 5 from the previous list.

MOTION by Andres Garza, seconded by Mary Gauer, to adopt the resolution amending the Texas Municipal League Intergovernmental Risk Pool's Investment Policy and adopting a list of qualified brokers as set forth under Tab 9. Motion carried with unanimous approval.

3h. Consideration of Revisions in the Pool's Depreciation Expense Policies (Tab 10)

Hank Domeracki presented the recommendation under Tab 10 to revise the Pool's Depreciation Expense Policy. The following were recommended:

1. Amend the Pool's capitalization policy to increase the threshold for all depreciable assets from \$20,000 to \$30,000 beginning for assets purchased in the 2008-09 fiscal year. Assets purchased prior to 2008-09 will be depreciated as scheduled.
2. Increase the useful life and depreciation of the Texas Municipal Center building and building improvements from 20 years to 30 years. The remaining cost of the building and improvements will be depreciated over 15 years instead of 5 years.
3. When major building renovations are performed that extend the life of the Texas Municipal Center building, the cost of the renovations and any remaining balance not depreciated at the time will be depreciated over a new period based on the Pool's assessment of how long the renovations will extend the useful life of the building.

4. The recommendations would be effective as of the beginning of the 2008-09 fiscal year.

MOTION by Andres Garza, seconded by Nora Chavez, to adopt the recommendations set forth above, except for paragraph 3. Motion carried with unanimous approval.

3i. Consideration of Revisions to Purchasing Policies and Procedures (Tab 11)

Hank Domeracki presented the recommendations revising the purchasing policies and procedures. The revised policy was set forth with all recommended changes under Tab 11. It was recommended that the Pool's purchasing policy be amended to increase the amount from \$25,000 to \$50,000 for which competitive sealed bids or proposals for contracted goods are required. It was also recommended that "Purchasing Specialist" be changed throughout the policy to "Purchasing Agent" to reflect a January 2003 change in title for that position. A recommendation was made to increase the Chief Financial Officer's authority of purchase commodities, equipment, and services included in the budget from \$5,000 to \$7,500. A formal credit card policy, authorization to accept electronic receipt of formal solicitation proposals, and provisions concerning relations with vendors and other departments were recommended.

MOTION by Andres Garza, seconded by Larry Melton, to adopt the revised purchasing policies and procedures set forth under Tab 11 with the Chief Financial Officer's authority to purchase commodities, equipment, and services included in the budget being increased from \$5,000 to \$10,000, rather than the staff recommended \$7,500. Motion carried with unanimous approval.

3j. Information Technology Report on status of hardware and software updates to the computer system (Tab 12)

Hank Domeracki presented the "Information Technology Report" under Tab 12 on the status of hardware and software updates to the computer system.

4. Underwriting and Claims Committee

4a. Update on losses caused by Hurricane Ike (Tab 13)

This information was considered along with agenda item 3d.

4b. Consideration of Termination of Pasadena's property coverage no later than April 30, 2010 (Executive Committee to report) (Tab 6)

This agenda item was considered under identical agenda item 3d.

4c. 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

4d. Liability Claims Report on claims that have reserves exceeding \$150,000 (Tab 15)

Mike Rains presented the “Liability Claims Report” under Tab 15

4e. Consideration of Entering into a Contract with Progressive Medical Inc. for Pharmacy Benefit Management Services (Tab 16)

Mike Bratcher presented the recommendation under Tab 16 to enter into a contract with Progressive Medical, Inc. for pharmacy benefit management services which pay pharmacies for workers’ compensation prescriptions below the fee schedule adopted by the Texas Department of Insurance Division of Workers’ Compensation. Pharmacies benefit by getting payment quicker and no longer having to be involved in a billing and receivable operation. The Pool requested proposals on May 18, 2009, and received eight responses on June 10, 2009. The Pool staff narrowed the proposers to two companies, Progressive Medical, Inc. and Healthsystems. After face-to-face interviews on August 26, 2009, Progressive Medical, Inc. was selected as the best overall candidate to recommend to the Board. A three year contract, effective November 1, 2009, with a 60-day termination clause for any reason by either party was recommended.

MOTION by Don Henderson, seconded by Paul Parker, to enter into a three year contract with Progressive Medical, Inc. for pharmacy benefit management services effective November 1, 2009, with a 60-day termination clause for any reason and the following pricing arrangement: (1) retail brand average wholesale price minus 5% plus \$4.75 dispensing fee, (2) retail generic average wholesale price minus 20% plus \$4.75 dispensing fee, (3) home delivery brand average wholesale price minus 12% plus \$3.75 dispensing fee, and (4) home delivery generic average wholesale price minus 22% plus \$3.75 dispensing fee. Motion carried with unanimous approval.

4f. Workers’ Compensation Claims Report, including (1) new claims that have reserves exceeding \$150,000, (2) fatality claims, (3) presumption claims, (4) status of catastrophic losses, (5) the status of hospital fee guideline dispute, and (6) update on the Political Subdivision Workers’ Compensation Alliance (Tab 20)

Mike Bratcher presented the “Workers’ Compensation Claims Report” under Tab 17.

4g. Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 18)

Matt Jordan presented the “Underwriting Report” on underwriting results and loss ratios under Tab 18. He also noted that Gordon Field, Victor O. Schinnerer & Company, Inc. was there if the Board had any questions regarding the report on revenues received and contract activities.

4h. Loss Prevention Report on member surveys, training, and property valuation conducted (Tab 19)

Les Horne presented the “Loss Prevention Report” under Tab 19 on member surveys, training, and property valuations conducted.

4i. Field Services Report on Pool membership growth (Tab 20)

Marvin Townsend reported on the Texas Political Subdivision Pool in the Field Services Report under Tab 20. Scott Epperson presented the remaining “Field Services Report” on Pool membership growth.

5. General Counsel’s Report

5a. Legislative Update on activities relating to the Texas Legislature since the previous Board meeting (Tab 21)

David Reagan presented the General Counsel’s Report under Tab 21 regarding legislative activity since the previous Board meeting.

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

Henry Wilson, ex officio member for the TML Board, said he appreciated the breakfast. He had no updates concerning the activities of the TML Board.

Ronald Crabtree, ex officio member for TML Employee Benefits Board, said he was looking forward to working with the Board and appreciated the opportunity to do so.

7. Executive Committee Report

7a. Consideration of Termination of Pasadena’s property coverage no later than April 30, 2010 (Executive Committee to report) (Tab 6)

This agenda item was considered under identical agenda item 3d.

7b. Consideration of a sublease with the Texas Municipal League and authorization to purchase filing equipment (Tab 22)

Marvin Townsend presented the recommendation under Tab 22 to sublease approximately 1,260 square feet of space in the Texas Municipal Center currently leased by the Texas Municipal League from the TML Intergovernmental Employee Benefits Pool, renovate the space, relocate equipment, and purchase high density space-saver filing system.

MOTION by Larry Melton, seconded by Makia Epie, to authorize the Executive Director to enter into a sublease with the Texas Municipal League for 1,260 square feet of space in the Texas Municipal Center, to renovate the space to accommodate the Pool's storage needs, to provide the Texas Municipal League an equipment relocation expense up to \$5,000, and to purchase of a high density space-saver filing system.

Makia Epie asked that the Pool look into ways to reduce the amount of paper produced. Nora Chavez suggested a study on the cost effectiveness of storing documents electronically on a going forward basis. She suggested that consideration be given to supplying the Board of Trustees with laptops. Andres Garza also suggested going forward with a study to see what technology is available for electronic storage of documents and if that would be the way for the Pool to go. Mr. Epie also asked the Board to consider the possibility of the Pool supplying laptops for the Board members for Board meetings. The Chair asked the Pool staff to bring a recommendation to the next Board meeting in Corpus Christi.

Motion carried with unanimous approval.

7c. Announcement of appointments of Board members to be ex officio members of the TML Board of Directors and the TML Intergovernmental Employee Benefits Board of Trustees (Chairman Childers)

Chair Rickey Childers announced that, since Mary Gauer and Andres Garza had both agreed to continue as ex officio members of the TML Board of Directors and the TML Intergovernmental Employee Benefits Pool Board of Trustees, Mary Gauer was appointed to serve as ex officio member to the TML Board of Directors for the next year and Andres Garza was appointed to serve as ex officio member to the TML Intergovernmental Employee Benefits Pool Board of Trustees for the next year.

7d. Status of Lawsuits in which the Pool is a Party (Tab 23)

David Reagan presented the report under Tab 23 on "Lawsuits in which the Pool is a Party".

7e. Updated Interlocal Agreement with TML Employee Benefits Pool (Tab 24)

Marvin Townsend presented the recommendation under Tab 24 to approve an updated Interlocal Agreement with the TML Intergovernmental Employee Benefits Pool effective October 1, 2009. The major change to the agreement is language that allows political subdivisions of states other than Texas to be members of the Employee Benefits Pool.

MOTION by Andres Garza, seconded by Leo Montalvo, to approve execution of the Interlocal Agreement set forth under Tab 24 with the TML Intergovernmental Employee Benefits Pool effective October 1, 2009. Motion carried with unanimous approval.

7f. Personnel Report identifying employment changes (Tab 25)

Allan Romer presented the “Quarterly Personnel Report” under Tab 25 identifying employment changes.

7g. Resolution of Appreciation to the Texas Municipal League for supporting the TML Intergovernmental Risk Pool during the 2009 Session of the Legislature (Tab 26)

Marvin Townsend presented the Resolution under Tab 26 expressing gratitude and appreciation to the Texas Municipal League for its support of the Texas Municipal League Intergovernmental Risk Pool during the 2009 Legislative session.

MOTION by Larry Melton, seconded by Paul Parker, to adopt the Resolution of Appreciation set forth under Tab 26 to the Texas Municipal League for supporting the Texas Municipal League Intergovernmental Risk Pool during the 2009 Regular Session of the Texas Legislature. Motion carried with unanimous approval.

8. Meeting Schedule and Board Continuing Education (Tab 27)

Marvin Townsend reviewed the “Schedule of Meetings” and “Board Continuing Education” under Tab 27. For the fall 2011 Board meeting, Marvin Townsend pointed out two suggested dates of September 24-25, 2011 or October 29-30, 2011. The two places suggested for the 2011 fall meeting were the Fort Worth/Dallas area or Port Aransas. Mr. Townsend asked that the Board look at their schedules and let him know which date and place was the most suitable.

9. Adjournment

Motion to adjourn at 10:16 a.m. by Pat Norriss, seconded by Makia Epie. Motion carried with unanimous approval.