

# TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL

Board of Trustees Meeting  
Galveston, Texas  
April 24, 2004

## Trustees Present

Robert Herrera, Chair  
Pat Norriss, Vice Chair  
Alex Bickley  
Byron Black  
Richard Browning  
Rickey Childers  
Wayne Collins  
Don Dodson  
Larry Dovalina  
Makia Epie  
Andres Garza  
Mary Gauer  
Don Henderson  
Greg Ingham

## 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  
Bob Kamm, LOTK  
Pam Beachley, LOTK  
Elaine Pruden, LOTK  
Kevin Bingham, Deloitte  
Consulting, LLP  
Jan Lommele, Deloitte  
Consulting, LLP  
Rick Pokorny, Northern Trust  
Doug Jones, Bear Stearns Asset  
Management Group  
Steve Luetger, Columbia Manage-  
ment Group  
Jeff Given, John Hancock  
Advisors

Chair Robert Herrera called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 7:59 a.m. on Saturday, April 24, 2004.

## Roll Call and Excused Absences

Marvin Townsend noted the absence of Mike McGregor, Leo Montalvo, Frank Sturzl, and Tim Vaughn and reported the reasons each member was asking that his absence be excused.

MOTION by Richard Browning, seconded by Don Dodson, to excuse the absences of Mike McGregor, Leo Montalvo, Frank Sturzl, and Tim Vaughn. Motion carried with unanimous approval.

Consideration of Minutes of January 17, 2004 meeting at South Padre Island

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

Committee Appointments

The Chair announced that committee appointments by the Chair would be deferred until the next Board meeting.

Board Election Schedule

Marvin Townsend presented the Board Election Schedule under Tab 3.

**FINANCE COMMITTEE**

Review of the March 31, 2004 (6-month) Financial Statements

Hank Domeracki reviewed the March 31, 2004 (6-month) Financial Statements under Tab 4.

Discussion of Adequacies of Members' Equity compared to Equity Guidelines

Hank Domeracki presented the Adequacies of Members' Equity compared to Equity Guidelines under Tab 5.

Response to Auditor's Report on Internal Controls

Hank Domeracki presented the Response to Auditor's Report on Internal Controls under Tab 6 and recommended that the Pool implement Ernst & Young's recommendation that the title of Internal Auditor be changed to Internal Auditor/Financial Analyst to better reflect the duties of the position and the structure and duties of the position remain as they currently exist. This structure allows the Internal Auditor to work independently with the external auditor during the outside audit; enables the Internal Auditor to conduct internal audits of the Pool's operations; and employs the Internal Auditor's technical expertise and knowledge of the Pool in performing financial analyses.

MOTION by Rickey Childers, seconded by Wayne Collins, to change the title of Internal Auditor to Internal Auditor/Financial Analyst to better reflect the duties of this position and the structure and duties of the position remain as they currently exist. Motion carried with unanimous approval.

Update on contract amendments with Investment Managers concerning Pool notification and request to extend reporting requirement from 10 to 15 days

Hank Domeracki presented an update on contract amendments with investment managers concerning notification to the Pool of securities law violations by any investment manager or any formal investigations as set forth in Tab 7. It was recommended that the Board approve contract amendments with Bear Stearns Asset Management Inc., John Hancock Advisers, L.L.C., and Columbia Management Group, Inc.

MOTION by Larry Dovalina, seconded by Don Dodson, to approve contract amendments with Columbia Management Group, Inc., John Hancock Advisers, L.L.C. and Bear Stearns Asset Management, Inc. under Tab 7. Motion carried with unanimous approval.

MOTION by Greg Ingham, seconded by Don Dodson, to apply these contract amendments to all contractors dealing with financial issues for the Pool. Motion carried with unanimous approval.

Review of March 31, 2004 (6 month) Investment Report and report by Northern Trust

Tito Villegas discussed the March 31, 2004 (6-month) Investment Report and Rick Pokorny presented the Fund Strategy set forth in Tab 8.

Consideration of extending contract with Columbia Management Group (formerly Stein Roe & Farnham) for investment services

Hank Domeracki recommended the extension of the contract with Columbia Management Group (formerly Stein Roe & Farnham) for investment services by exercising the Pool's option to renew the contract for professional investment management services for two years ending May 31, 2006 as set forth in Tab 9.

MOTION by Larry Dovalina, seconded by Andres Garza, to approve the renewal of the contract for professional investment management services with Columbia Management Group for two years ending May 31, 2006. Motion carried with unanimous approval.

Consideration of extending contract with John Hancock Advisers, LLC for investment services

Hank Domeracki recommended extension of the contract with John Hancock Advisers, LLC for investment services by exercising the Pool's option to renew the contract for two years ending June 30, 2006 as set forth in Tab 10.

MOTION by Byron Black, seconded by Pat Norriss, to approve renewal of the contract for professional investment management services with John Hancock Advisers, LLC for two years ending June 30, 2006. Motion carried with unanimous approval.

#### Management Information Report

David Longoria presented the “Management Information Systems Report” under Tab 11.

### **UNDERWRITING AND CLAIMS COMMITTEE**

#### Consideration of proposed coverage revisions

David Reagan presented proposed changes in the Liability and Property Coverage Documents set forth in Tab 12.

MOTION by Don Henderson, seconded by Larry Dovalina, to approve changes in the Liability and Property Coverage Documents as set forth in Tab 12. Motion passed with unanimous approval.

#### Consideration of workers’ compensation rates for 2004-2005

Carol Loughlin presented the proposed workers’ compensation rates for 2004-2005 under Tab 13 including the following recommendations:

1. Adjust the workers’ compensation discount formula to be  $(100\% - \text{Loss Ratio})/3 = \text{Fund Discount}$  and cap the maximum discount at 30 percent.
2. Increase the rates by 5 percent for the fourteen classifications identified as inadequate.
3. Increase the rates for all payroll classifications by 4.5 percent. Thus, the total increase for the fourteen classifications would be 9.5 percent.

It is estimated that these changes will produce an increase in contributions of approximately 2.5 to 3.0 percent when combined with the impact of 2004-05 experience modifiers, which are expected to be approximately 5 percent lower than current modifiers. An increase of this amount is in line with the 2.6 percent rate increase indicated by Deloitte Consulting LLP. The estimated increase is the overall, weighted average change for the Pool’s entire membership. Individual members will experience changes falling within a range of roughly –50 percent to +165 percent depending on their unique loss experience and distribution of payroll, before considering the impact of cost of living adjustments, adding or deleting positions, or other factors that might affect the payrolls of individual members.

MOTION by Don Henderson, seconded by Pat Norriss, to approve changes to the workers' compensation pricing structure for 2004-2005 as set forth in Tab 13. Motion passed with unanimous approval.

#### Consideration of liability and property rates for 2004-2005

Carol Loughlin presented the proposed Liability and Property Rates for 2004-2005 under Tab 14 including the following recommendations:

Liability Rate Recommendation – It was recommended that no liability rate increases were necessary at this time.

MOTION by Don Henderson, seconded by Mary Gauer, approving continuation of the current liability rates. Motion passed with unanimous approval.

Property Rate Recommendation – it was recommended that property rates remain at their current levels for 2004-2005.

MOTION by Don Henderson, seconded by Mary Gauer, approving property rates remaining at their current levels for 2004-2005.

#### Liability Reinsurance Recommendation and Status of Other Reinsurance Negotiations

Carol Loughlin and Penny Haubold presented the Liability Reinsurance Recommendation and Status of Other Reinsurance Negotiations report set forth in Tab 15, including the following recommendation:

- 1) The Pool accept General Reinsurance Corporation's renewal terms for the layers above \$2 million and retain the first \$2 million of coverage in the Liability Fund.
- 2) Staff and the Pool's reinsurance broker work with the National League of Cities Mutual Insurance Company to finalize NLC-MIC's rates and participation in the layers above the first \$2 million for the July Board Meeting.

MOTION by Makia Epie, seconded by Mary Gauer, to approve General Reinsurance Corporation's renewal terms for the layers above \$2 million and retain the first \$2 million of coverage in the Liability Fund. Motion passed with unanimous approval.

Preliminary work has begun on other reinsurance arrangements for the year beginning October 1, 2004. Completed arrangements will be presented to the Board at the July meeting with any remaining arrangements presented at the September meeting.

Review of workers' compensation and liability claims management audits

Marvin Townsend presented the Review of Workers' Compensation and Liability Claims Management Audits set forth in Tab16.

Status of Major Claims and Related Action

David Reagan presented the status of two major claims under Tab 17:

- 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 18.

Liability Claims Report

Mike Rains presented the "Liability/Property Claims Report" under Tab 19.

Workers' Compensation Claims Report

Mike Bratcher presented "Workers' Compensation Claims Report" under Tab 20.

Underwriting Report

Floyd Schock presented the "Underwriting Activity Report" under Tab 21.

Loss Prevention Report

Les Horne presented the "Loss Prevention Board Report" under Tab 22.

Field Services Report

Scott Epperson presented the "Field Services Report" under Tab 23.

**GENERAL COUNSEL'S REPORT**

Pam Beachley presented an updated report regarding issues and actions of sunset review of the Workers' Compensation Commission during the 2004-2005 biennium.

Bob Kamm presented a progress report regarding research issues and actions related to SB1414, which attempted to create a presumption that cancer and respiratory illness of firefighters would be presumed to have been caused by firefighting.

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

Richard Browning reported the Health Insurance Pool would not have a rate increase.

Mary Gauer commented that TML would continue to focus on school finance and its potential impact on other local governments.

**EXECUTIVE COMMITTEE REPORT**

Litigation in which the Pool is a Participant

David Reagan presented “Lawsuits in which the Pool is a Party” under Tab 24.

U.S. Highway 183 Update

Bill Snyder presented the “U.S. Highway 183 Update” under Tab 25.

Personnel Report

Allan Romer presented the “Quarterly Personnel Report” under Tab 26.

**MEETING SCHEDULE**

Marvin Townsend reviewed the “Schedule of Meetings” under Tab 27.

MOTION by Don Henderson, seconded by Don Dodson, to adjourn the meeting.  
Motion carried with unanimous approval.

Meeting adjourned at 10:59 a.m.