

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting
San Antonio, Texas
July 21, 2007

Trustees Present

Leo Montalvo, Chair
Rickey Childers, Vice Chair
Alex Bickley
Byron Black
Richard Browning
Makia Epie
Andres Garza
Mary Gauer
Don Henderson
Robert Herrera
Greg Ingham
Pat Norriss
George Shackelford
Henry Wilson

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
Debbie Mangum

Also Present

Pam Beachley, Consultant
Juanita Finger, VOSCO
Bob Kamm, Consultant
Bennett Sandlin, TML
Penny Wyatt, VOSCO

Chair Leo Montalvo called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 7:34 a.m. on Saturday, July 21, 2007.

Roll Call and Excused Absences (Tab 1)¹

Marvin Townsend noted the absence of Don Dodson and reported the reason Mr. Dodson asked that his absence be excused. Frank Sturzl was also absent and was represented by Bennett Sandlin, General Counsel of TML.

MOTION by Rickey Childers, seconded by Andres Garza, to accept the absences of Don Dodson and Frank Sturzl. Motion carried with unanimous approval.

Consideration of Minutes of April 21, 2007 Meeting at Frisco (Tab 2)

MOTION by Rickey Childers, seconded by Greg Ingham, to approve the minutes from the April 21, 2007 Board meeting in Frisco 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.

Consideration of Report of the Nominating Committee regarding filling vacancies for the unexpired terms in Place 12 to October 1, 2012, Place 7 to October 1, 2010, and Place 3 to October 1, 2008 (Tab 3)

Greg Ingham, Nominating Committee Chair, presented the recommendation from the Nominating Committee that Larry Gilley, City Manager of Abilene, be appointed to fill the vacant position on the Board of Trustees in Place 12. Mr. Ingham stated that he had contacted Mr. Gilley and confirmed his willingness to serve.

MOTION by Greg Ingham, seconded by Robert Herrera, to appoint Larry Gilley to fill the vacancy on the Board in Place 12. Motion carried with unanimous approval.

Greg Ingham presented the Nominating Committee's recommendation that George Shackelford be appointed to fill the vacant position on the Board in Place 7. This Board position became vacant when George Shackelford, the elected holder of the position, was disqualified to serve as a Board member due to his termination of employment as City Manager of Texarkana. He has since been employed by the Texarkana Housing Authority and qualifies for appointment to the Board.

MOTION by Greg Ingham, seconded by Robert Herrera, to appoint George Shackelford to fill the vacancy on the Board in Place 7. Motion carried with unanimous approval. Mr. Shackelford joined the meeting at that time.

Leo Montalvo requested the Board consider clarifying the Bylaws on what constitutes a break in employment of an employee or in service as an official of a governing body that would disqualify a Board member to serve on the Board.

Mary Gauer requested the Board consider amending the Bylaws to include members from other committees on the Nominating Committee to have a better balance of Board members on the Nominating Committee.

Greg Ingham stated that in order to maintain a balance between appointed and elected officials on the Board, the Nominating Committee would like suggestions from the Board. For instance, at the moment, there is no elected official representing the Panhandle area. The Board will consider nominations for the vacant position in Place 3 at the next Board meeting in October.

FINANCE COMMITTEE

Review of May 31, 2007 (8-month) Financial Statements (Tab 4)

Tito Villegas presented an overview of the financial statements under Tab 4.

Review of May 31, 2007 (8-month) Investment Report (Tab 5)

Tito Villegas presented an overview of the eight-month investment report under Tab 5.

Don Henderson mentioned an article in the Wall Street Journal regarding Bear Sterns and its current trouble with a \$3.2 billion bail out of hedge funds. He asked that Bear Sterns provide a written statement on what impact this problem will have on the Pool and Bear Sterns' ability to manage the Pool's portfolio. Tito will request such a written statement. Tito informed the Board that the contract with Bear Sterns has a 30-day termination clause.

Consideration of the Proposed Budget for 2007-08 and the Salary Schedule for 2007-08 (separate documents)

Hank Domeracki presented the proposed budget for 2007-08 and the proposed salary schedule for 2007-08 under separate cover.

MOTION by Byron Black, seconded by Mary Gauer, to approve the proposed budget and salary schedule for 2007-08. Motion carried with unanimous approval.

Consideration of commuting workers' compensation reinsurance contracts with U. S. Fire Insurance Company for three years from October 1, 1983 to October 1, 1986 (Tab 6)

Hank Domeracki presented the proposal submitted on March 23, 2007 to Crum & Forster, the parent company of U. S. Fire Insurance Company, to commute the remaining open claims under the workers' compensation reinsurance contracts with U. S. Fire Insurance Company for the years from October 1, 1983 to October 1, 1986.

The proposal states that U. S. Fire will pay the Pool approximately \$2,442,221 (less any payments received from U. S. Fire Insurance Company after March 23, 2007) and will be relieved of future obligations under the Pool's and the City of San Antonio's reinsurance contracts. Ms. Sara Stas, representing U. S. Fire, had indicated by letter dated May 17, 2007 and subsequent e-mails, that she would recommend the commutation and indemnification agreement to U. S. Fire's Board. Since the printing of the Board packet, Ms. Stas has confirmed that U. S. Fire has accepted the proposal of commutation of these claims.

Since the Pool has managed all aspects of U. S. Fire Insurance reinsurance contracts for San Antonio's cash flow program, a proposal was sent to Sheryl Sculley, City Manager of San Antonio, with several options in regard to the commutation. The Pool will continue to handle the San Antonio workers' compensation claims unless San Antonio elects to receive its portion of the commutation of \$441,802 and accepts all liability for remaining 1983-1986 workers' compensation claims

MOTION by Byron Black, seconded by Don Henderson, to approve the proposed commutation in principle, approve the proposed commutation and indemnification contract, and authorize all actions necessary to carry out the commutation as set forth under Tab 6. Motion carried with unanimous approval.

Management Information Systems Report (Tab 7)

David Longoria presented the “Management Information Systems Report” under Tab 7.

(Robert Herrera left the Board meeting at approximately 8:45 a.m. to attend to storm-related problems in the City of Hondo and surrounding areas.)

UNDERWRITING AND CLAIMS COMMITTEE

Final Report regarding Property Reinsurance Acquisition for May 1, 2007 to April 30, 2008 (Tab 8)

Carol Loughlin presented the final report regarding property reinsurance renewal terms in response to the Board authority granted at the April meeting to allow the staff and Guy Carpenter to negotiate property reinsurance for May 1, 2007 to April 30, 2008 under Tab 8. The Pool successfully obtained 10% rate reductions for all layers except the \$25 million excess of \$25 million, which was renewed at expiring rates. The Pool negotiated with NLC Mutual Insurance Company for participation in the \$7 million excess of \$3 million layer for a quota share of 5% following the rates of the Pool’s reinsurers. The participants are shown under Tab 8, Exhibit 1.

Consideration of contracts with NLC Mutual Insurance Company for quota sharing participation in Liability and Workers’ Compensation Reinsurance (Tab 9)

Carol Loughlin presented the recommendation for renewal of the quota share participation by NLC Mutual Insurance Company of 22.5% of the \$2 million layer excess of the Pool’s \$3 million retention in liability reinsurance with the same terms, conditions and pricing as the coverage expiring October 1, 2007. This will be a reduction because NLC Mutual will follow the Pool’s rate in the first \$300,000 layer which will be a reduction of 10% for general liability and Errors & Omissions, and an increase of 3% for automobile liability.

MOTION by Mary Gauer, seconded by Byron Black, to renew coverage for liability reinsurance with NLC Mutual Insurance Company, effective October 1, 2007, for 22.5% of the \$2 million layer excess of the Pool’s \$3 million retention as set forth under Tab 9. Motion carried with unanimous approval.

Carol Loughlin presented the recommendation for the renewal of the Workers’ Compensation reinsurance program with NLC-MIC for the year beginning October 1, 2007 at the same as expiring rates for 5% quota share participation of the \$20 million layer excess of the Pool’s \$3 million retention.

MOTION by Mary Gauer, seconded by Byron Black, to renew the workers’ compensation reinsurance program with NLC Mutual Insurance Company effective October 1, 2007, for 5% of the \$20 million layer excess of the Pool’s \$3 million retention as set forth under Tab 9. Motion carried with unanimous approval.

Consideration of extending the contract with Victor O. Schinnerer & Company, Inc. from August 1, 2007 to July 31, 2008 (Tab 10)

Carol Loughlin presented the recommendation to extend the annual contract with Victor O. Schinnerer & Company, Inc. for underwriting services, property reinsurance placement, and related computer support for the final year of the four-year contract, August 1, 2007 through July 31, 2008, for a fee of \$450,000.

MOTION by Mary Gauer, seconded by Andres Garza, to extend the contract with Victor O. Schinnerer & Company, Inc. for the final year of the four-year contract from August 1, 2007 through July 31, 2008 at a fee of \$450,000 as shown under Tab 10. Motion carried with unanimous approval.

Update on the Political Subdivision Workers' Compensation Alliance (Tab 11)

Mike Bratcher presented the update on the Political Subdivision Workers' Compensation Alliance under Tab 15.

Significant Cases and Legal Developments (Tab 12)

David Reagan presented the report on "Significant Cases and Legal Developments" under Tab 12.

Liability Claims Report (Tab 13)

Mike Rains presented the "Liability/Property Claims Report" under Tab 13

Workers' Compensation Claims Report (Tab 14)

Mike Bratcher presented "Workers' Compensation Claims Report" under Tab 14.

Underwriting Report (Tab 15)

Matt Jordan presented the "Underwriting Activity Report" under Tab 15.

Loss Prevention Report (Tab 16)

Les Horne presented the "Loss Prevention Board Report" under Tab 16.

Field Services Report (Tab 17)

Scott Epperson presented the "Field Services Report" under Tab 17.

General Counsel's Report (Tabs 18)

David Reagan, Pam Beachley and Bob Kamm presented the Legislative Update under Tab 18.

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

Henry Wilson, ex-officio member from the TML Board of Directors, stated that the appraisal and revenue caps fared well in the legislative session. Appraisal caps may be dead, but the revenue caps may resurrect themselves in the next session. Bennett Sandlin, General Counsel for TML, commented on the legislative session and is hoping that there will be no special session called. He stated that the sovereign immunity and collective bargaining issues might come back in the next session.

Richard Browning, ex-officio member from the TML Intergovernmental Employee Benefits Pool (TMLIEBP) Board, stated that the TMLIEBP Board met in June and most members did not receive increased rates for 2007-08. The transition to United Health Care is approximately 90% complete and the turnaround time for payment of claims has significantly improved. The TMLIEBP Board committed \$5 million over the next two years for Susan Smith's health care initiative and disease management program, which includes hardware, software, and extra personnel in the hope of cutting health care costs in the future.

Mary Gauer, the Pool's ex-officio member on the TML Board of Directors, said to be careful what you wish for when you ask TML to accomplish legislation for you. Animal control officers asking for training of all people who handle the animals impounded by the city resulted in not being able to do simple things like feed your animals without someone who has been specifically trained. So when you ask TML to do something, they do exactly what you ask and you have to live with the consequences. She also reminded Board members of the upcoming TML Conference to be held November 6-9, 2007 at the Dallas Convention Center.

Andres Garza, the Pool's ex officio member on the TMLIEBP Board, added that the TMLIEBP staff was working hard to keep rates down and provide better health care for cities.

EXECUTIVE COMMITTEE REPORT

Consideration to amending the Pool's contract with the Texas Municipal League to increase the amount of TML money to be invested by the Pool (Tab 19)

Leo Montalvo presented the recommendation to amend the Pool's contract with TML to remove the maximum limit of \$4,000,000 of TML's funds that may be invested with the Pool's funds under the terms and conditions of the Pool's investment policy and the Pool's investment management services contracts with third-party investment managers.

MOTION by Andres Garza, seconded by Greg Ingham, to authorize the Executive Director to execute an amendment to the TML Administrative Services contract to remove

the maximum limit TML can invest with the Pool as set forth under Tab 19. Motion carried with unanimous approval.

Consideration of contract renewals for legislative assistance and advice with Pam Beachley and Bob Kamm (Tab 20)

Leo Montalvo presented the recommendation under Tab 20 to renew the legislative consulting agreements with Bob Kamm and Pam Beachley at the existing monthly fee of \$6,000 for each consultant for a two-year term beginning August 1, 2007 and ending July 31, 2009.

MOTION by Rickey Childers, seconded by Pat Norriss, to renew such agreements with Bob Kamm and Pam Beachley as set forth under Tab 20. Motion carried with unanimous approval.

Lawsuits in which the Risk Pool is a Participant (Tab 21)

Leo Montalvo announced the lawsuit listed under Tab 21 had been settled after the Board packet was printed.

Personnel Report (Tab 22)

Allan Romer presented the “Quarterly Personnel Report” under Tab 22.

Meeting Schedule and Board Continuing Education (Tab 23)

Marvin Townsend noted the Board meeting schedule and stated that the remainder of the 2009 schedule should be discussed at the October meeting. He also noted the continuing education opportunities for the Board members.

Makia Epie mentioned that a new Hyatt Hotel was under construction in Cedar Hill and would be open and available for a Board meeting for the 2009 schedule.

FINANCE COMMITTEE (An additional budget matter under Agenda Item 4.(c))

Byron Black stated that the Board should clarify under the 2007-08 fiscal year budget that the cost of living increase applies to the Executive Director’s salary.

MOTION by Makia Epie, seconded by Rickey Childers, to approve a 3.7% cost of living increase to the salary for the Executive Director. Motion carried with unanimous approval.

Adjournment

Chair adjourned the meeting at 10:23 a.m.