

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
Austin, Texas  
September 17, 2005

**Trustees Present**

Leo Montalvo, Vice Chair  
Alex Bickley  
Byron Black  
Richard Browning  
Wayne Collins  
Don Dodson  
Harold Dominguez  
Larry Dovalina  
Makia Epie  
Andres Garza  
Mary Gauer  
Don Henderson  
Robert Herrera  
Greg Ingham  
Frank Sturzl

**Staff Present**

Marvin Townsend  
Carol Loughlin  
David Reagan  
Hank Domeracki  
Mike Bratcher  
Scott Epperson  
Les Horne  
David Longoria  
Mike Rains  
Allan Romer  
Floyd Schock  
Bill Snyder  
Tito Villegas  
Debbye Mangum  
Julie Nguyen

**Also Present**

Juanita Byers, Victor O. Schinnerer &  
Company  
Rick Pokorney, Northern Trust  
Penny Wyatt, Victor O. Schinnerer &  
Company

Vice Chair Leo Montalvo called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 7:31 a.m. on Saturday, September 17, 2005.

**Welcome to new Board member Harold Dominguez**

Leo Montalvo welcomed new Board member Mr. Harold Dominguez.

**Roll call and excused absences**

Marvin Townsend noted the absence of Chair Pat Norriss, Rickey Childers, and Tim Vaughn and reported the reasons Ms. Norriss, Mr. Childers and Mr. Vaughn were asking that their absences be excused.

MOTION by Robert Herrera, seconded by Byron Black, to excuse the absences of Pat Norriss, Rickey Childers, and Tim Vaughn. Motion carried with unanimous approval.

Consideration of minutes of July 23, 2005 meeting in San Antonio

MOTION by Andres Garza, seconded by Byron Black, to approve the minutes shown under Tab 2<sup>1</sup>. Motion carried with unanimous approval.

**FINANCE COMMITTEE**

Consideration of award for investment custodial bank and consultant services

Tito Villegas presented the Pool's request for proposals for investment custody and consultant services under Tab 3. Five proposals were considered for the term December 1, 2005 to November 30, 2008 with the option to renew for two successive one-year periods. Staff recommended that Northern Trust Corporation be awarded the contract based on their ability to perform the services at the most competitive price.

MOTION by Byron Black, seconded by Don Dodson, to approve the award of investment custody and consultant services to Northern Trust Corporation. Motion carried with unanimous approval.

Review of the Pool's investment policy and consideration of broker approvals for 2005-06

The staff recommended no changes to the Pool's investment policy under Tab 4 except for changes to the list of authorized brokers.

Tito Villegas 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. The Act also requires the Board to approve investment training to be attended by the Pool's staff who handle investments. Staff recommended that the Board approve the resolution under Tab 4, amending and authorizing the list of qualified brokers. It was further recommended that the Board permanently approve the investment training course provided by the Texas Municipal League as one of the authorized training sessions required under the Texas Public Funds Investment Act.

MOTION by Byron Black, seconded by Greg Ingham, to adopt the resolution under Tab 4 amending and authorizing the list of qualified brokers, and permanently approve the investment training course sponsored by the Texas Municipal League. 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.

### Review of July 31, 2005 (10-month) Financial Statements

Hank Domeracki presented a review of the July 31, 2005 (10-month) Financial Statements under Tab 5.

### Review of July 31, 2005 (10-month) Investment Report and report by Northern Trust

Tito Villegas presented the July 31, 2005 (10-month) Investment Report under Tab 6. Rick Pokorney of Northern Trust presented an analysis of the investment market, total rate of return and each investment manager's performance as of July 31, 2005 under Tab 6.

### Management Information Systems Report

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

## **UNDERWRITING AND CLAIMS COMMITTEE**

### Consideration of criteria for Property Equity distribution at the close of 2004-05

Carol Loughlin presented the recommendation for equity return distribution from the Property Fund at the close of 2004-05 under Tab 8. Through July 31, 2005, all the conditions of the equity return policy in the Property Fund, approved by the Board of Trustees at the January 2005 meeting, had been met. The staff recommended that the Pool distribute a return of equity in the Property Fund based on loss experience and longevity of Members with percentages of 2004-05 property contributions returned to each member based on actual financial results as of September 30, 2005 and updated loss ratios, including 2004-05. Equity returns would be distributed to Members four months after their property anniversary dates. The final equity return formula will be considered by the Board at the January 2006 meeting when the 2004-05 financial audit is received.

MOTION by Mary Gauer, seconded by Byron Black, to approve the conceptual framework for a property equity distribution at close of fund year 2004-2005 as outlined under Tab 8. Motion carried with unanimous approval.

### Consideration of the purchase of \$1,000,000 of workers' compensation reinsurance from National League of Cities Mutual Insurance Company

Carol Loughlin presented the workers' compensation reinsurance recommendation for the 2005-06 fund year under Tab 9. The Workers' Compensation Fund will retain the first \$3 million of each loss occurrence during 2005-06 and 10% of all losses from

\$3,000,000 to statutory limits. The National League of Cities Mutual Insurance Company (NLC-MIC) and the Pool's Reinsurance Fund will provide 90% of statutory limits in excess of \$3 million. NLC-MIC will provide a quota-share participation of 5% of the \$20 million layer excess of \$3 million and the Reinsurance Fund will provide 85% excess of \$3 million up to \$23 million and 90% above \$23 million up to statutory limits. The Pool's Workers' Compensation Fund will provide the remaining 10% above \$3 million up to statutory limits.

MOTION by Mary Gauer, seconded by Andres Garza, to adopt the recommendations set forth under Tab 9 for workers' compensation reinsurance coverage. Motion carried with unanimous approval.

Consideration of commuting ten years of liability reinsurance and seven years of workers' compensation reinsurance with National League of Cities Mutual Insurance Company

Carol Loughlin presented the recommendation under Tab 10 to commute ten years of liability reinsurance contracts and seven years of workers' compensation reinsurance contracts with National League of Cities Mutual Insurance Company upon payment by NLC-MIC of \$360,000 subject to final adjustments based on updated information at the date of closing.

MOTION by Mary Gauer, seconded by Greg Ingham, to approve the recommendation under Tab 10 to commute certain liability and workers' compensation reinsurance contracts with National League of Cities Mutual Insurance Company. Motion carried with unanimous approval.

Status of major claims and related actions

David Reagan presented the status under Tab 11 of *Rodriguez et al. v. City of Harlingen*.

Significant cases and legal developments

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

Liability Claims Report

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

Workers' Compensation Claims Report

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

Underwriting Report

Floyd Schock presented the "Underwriting Activity Report" under Tab 15.

Loss Prevention Report

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

Field Services Report

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

General Counsel's Report

David Reagan presented the General Counsel's Report under Tab 18.

Discussion Regarding Legislative Liaison Activities

Frank Sturzl commented on the Legislative Liaison activities between TML and the Risk Pool.

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

Richard Browning reported on the TML Employee Benefits Pool, the increase in rates and the possible realignment of the staff. Overall total losses may not be as bad as anticipated three months ago. The transition of handling Texas Association of School Board (TASB) claims has gone well.

Mary Gauer reported on the annual conference of the Texas Municipal League in Grapevine on October 26-28, 2005.

## **EXECUTIVE COMMITTEE REPORT**

### Consideration of Employee Health Insurance for 2005-06

Allan Romer reported under Tab 20 on the rerate and benefits for Employee Health coverage for 2005-06 from the TML Intergovernmental Employee Benefits Pool (TML-IEBP). The staff recommended that the Board authorize the Executive Director to execute the rerate notice and benefit selection form with TML-IEBP for the 2005-06 fund year.

MOTION by Mary Gauer, seconded by Larry Dovalina, to approve the Employee Health coverage with TML Intergovernmental Employee Benefits Pool and authorize the Executive Director to execute the rerate notice and benefit selection form as recommended under Tab 20. Motion carried with unanimous approval.

### Consideration of Retiree Health Insurance for 2005-06

Allan Romer reported under Tab 21 new rates for health coverage for retirees beginning October 1, 2005. The staff recommended the Pool offer retirees the health coverage options set forth under Tab 21, which include the following: (1) continue to offer age 65 and over retirees the option to purchase the Medicare Supplement plan beginning January 1, 2006; (2) allow retirees under the age of 65 to select the Continuum of Care program that includes the High Plan and the \$4,000 prescription drug benefit; (3) offer under age 65 retirees the Active Employee Plan or adopted Continuum of Care program; and (4) offer all retirees the option to purchase Dental, Vision, and Optional Life Insurance. All costs for retiree health coverage continue to be the responsibility of the retiree.

MOTION by Byron Black, seconded by Larry Dovalina, to approve the options for retiree health coverage for 2005-2006 as listed under Tab 21. Motion carried with unanimous approval.

### Lawsuits in which the Risk Pool is a party

David Reagan presented “Lawsuits in which the Pool is a Party” under Tab 22.

### Personnel Report

Allan Romer presented the “Quarterly Personnel Report” under Tab 23.

Meeting Schedule and Board Continuing Education

Marvin Townsend reviewed the “Schedule of Meetings” and “Board Continuing Education” under Tab 24. Suggestions for the October 2007 meeting were Corpus Christi, El Paso, and the Flying L Ranch in Bandera.

Vice Chair Leo Montalvo adjourned the meeting at 10:05 a.m.