

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Board of Trustees Meeting
Hilton DFW Lakes Executive Conference Center
Delaney Meeting Room
1800 Highway 26E, Grapevine, TX 76051
January 25 & 26, 2019**

Trustees Present

John Fullen, Chair
Randy Criswell, Vice Chair
Byron Black
Rickey Childers
Mary Dennis
Andres Garza
Mary Gauer
David Harris
Robert Herrera
Carol Loughlin
Bert Lumbreras
Larry Melton
Leo Montalvo
Michael Smith
Jeffrey Snyder
Henry Wilson

Staff Present

Jeff Thompson
Bob Haynes
David Reagan
Hank Domeracki
Mike Bratcher
Lindsey Fields
Susie Green
Irvin Janak
Bo Joseph
Patti Ledesma
Paula Marr-Ludwig
Julie Nguyen
Atul Poladia
Mike Raigosa
Mike Rains
Allan Romer

Staff Present (con't)

Tim Salzman
Tito Villegas
Kim Williams
Debbye Mangum

Others Present

Pam Beachley, Legislative Consultant
Bob Kamm, Legislative Consultant
Carrie Rice, Johnson Lambert
Kristen Sharrow, Johnson Lambert

1. Roll call and excused absences (Tab 1)¹

Jeff Thompson reported the absences of Peter Vargas and Bennett Sandlin and the reasons they asked their absences be excused.

MOTION by Larry Melton, seconded by Mary Gauer, to excuse the absences of Peter Vargas and Bennett Sandlin. Motion carried with unanimous approval.

2. Consideration of minutes of October 26-27, 2018 Board meeting in Kemah (Tab 2)

Hank Domeracki suggested a correction to the October 27, 2018 Board meeting minutes by replacing the paragraph numbered 3 of agenda item 7 (d) with the following:

"Based on total property loss estimate of \$55.1 million, establish negative incurred but not reported (IBNR) losses of \$900,000 for non-occurrence claims in the Property Fund and \$6.3 million for property occurrence losses including Hurricane Harvey property losses in the Reinsurance Fund."

¹ All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustee Agenda packet.

Hank Domeracki also suggested a correction to the October 27, 2018 Board Meeting minutes by replacing the paragraph numbered 2 of agenda item 7 (f) with the following:

"Normalize the discount rates for the pre-2013 reserves to be in accordance with the current discount policy, by 1/3rd of the amount over three years."

MOTION by Robert Herrera, seconded by Leo Montalvo, to approve the October 27, 2018 Board of Trustees minutes in Kemah with the corrections as set forth above. Motion carried with unanimous approval.

3. Finance & Information Technology Committee

3a. Consideration of minutes of October 26, 2018 committee meeting (Tab 3)

The October 26, 2018 Finance and Information Technology Committee meeting minutes set forth under Tab 3 were approved as amended at the Finance and Information Technology Committee meeting on January 25, 2019.

3b. Staff presentation of year end results and presentation by Johnson Lambert & Company, LLP of Financial Audit for October 1, 2017 to September 30, 2018, and Staff Response (Tab 4)

Hank Domeracki and Julie Nguyen presented overview of the financial highlights and year-end results for October 1, 2017 to September 30, 2018 under Tab 4. Kristin Sharrow and Carolyn Rice with Johnson Lambert & Company, LLP presented the financial audit for year-end for October 1, 2017 to September 30, 2018

MOTION by Carol Loughlin on behalf of the Finance and Information Technology Committee, seconded by Larry Melton, to accept the financial audit for October 1, 2017 to September 30, 2018 by Johnson Lambert & Company LLP. Motion carried with unanimous approval.

3c. Review of November 30, 2018 (2-month) Financial Statements and presentation of December 31, 2018 Financial Statement (Tab 5)

Julie Nguyen presented the report for the November 30, 2018 (2-month) financial statements under Tab 5 and gave an overview of the December 31, 2018 financial results.

3d. Review of November 30, 2018 (2-month) Investment Report and presentation of December 31, 2018 Investment Report (Tab 6)

Tito Villegas presented the investment results under Tab 6 for the two-month period ending November 30, 2018 and gave an overview of the December 31, 2018 investment results.

3e. Consideration of Extending the Depository Agreement with Frost Bank for one year by exercising extension option (Tab 7)

Tito Villegas presented the recommendation of extending the depository agreement with Frost Bank for one year from June 1, 2019 to May 31, 2020. The Pool entered into a depository banking service for three years with two one-year options for extension of the contract. This recommendation is the second one-year extension, the final year of the five-year contract.

MOTION by Carol Loughlin on behalf of the Finance and Information Technology Committee, seconded by Rickey Childers, to exercise the option to extend the depository agreement with Frost Bank for one year from June 1, 2019 to May 31, 2020. Motion carried with unanimous approval.

3f. Report from Office of Project Management and Analytics, including status on Progress for Business Application & IT Road Map (Tab 8)

The Office of Project Management and Analytics report under Tab 8 was submitted for the Board's review without an oral presentation.

3g. Information Technology report on status of hardware and software updates to the computer systems (Tab 9)

The Information Technology report under Tab 9 was submitted for the Board's review without an oral presentation.

3h. Human Resources Report identifying employment changes (Tab 10)

The Human Resources Report under Tab 10 was submitted for the Board's review without an oral presentation.

4. Underwriting and Claims Committee

4a. Consideration of minutes of October 26, 2018 committee meeting (Tab 11)

The October 26, 2018 Underwriting and Claims Committee meeting minutes set forth under Tab 11 were approved at the Underwriting and Claims Committee meeting on January 25, 2019.

4b. Consideration of an Interlocal Agreement with the Texas Association of School Boards Risk Management Fund for Workers' Compensation Preauthorization and Concurrent Review Services (Tab 12)

Mike Bratcher presented the recommendation to renew the Interlocal Agreement with the Texas Association of School Boards (TASB) for preauthorization services and concurrent review services for a three year term with the same fees as in the expiring contract except for an increase of \$5 from \$80 to \$85 per preauthorization for the period from February 1, 2019 to January 31, 2022.

MOTION by Andres Garza on behalf of the Underwriting and Claims Committee, seconded by Leo Montalvo, to renew the Interlocal Agreement with the Texas Association of School Boards (TASB) for preauthorization and concurrent review services for a three year period from February 1, 2019 to January 31, 2022, with the same fees as in the expiring contract except for a \$5 increase per preauthorization from \$80 to \$85. Motion carried with unanimous approval.

4c. Member Services Report including Annual Review of Membership Activity (Tab 13)

Tamara Chafin presented the member services report including the annual review of membership activity under Tab 13.

4d. Significant Cases and Legal Developments impacting the Pool (Tab 14)

Bo Joseph presented significant cases and legal developments impacting the Pool under Tab 14.

4e. Liability and Property Claims Report on claims trends concerning liability claims and property claims, and Report on Hurricane Harvey (Tab 15)

Mike Rains presented the report on liability and property claim trends and an update on Hurricane Harvey claims under Tab 15.

4f. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 16)

The Workers' Compensation Claims Report under Tab 16 was submitted for the Board's review without an oral presentation.

4g. Report from Office of Project Management and Analytics, including status on Progress for Business Application & IT Road Map (Tab 8)

See Item 3f. under the Finance and Information Technology Committee.

4h. 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 17)

The Underwriting Report under Tab 17 was presented for the Board's review without an oral presentation.

4i. Loss Prevention Report on member surveys, training and property valuations conducted (Tab 18)

The Loss Prevention Report under Tab 18 was submitted for the Board's review without an oral presentation.

4j. Subrogation Performance Report (Tab 19)

The Subrogation Performance Report under Tab 19 was submitted for the Board's review without an oral presentation.

Chair John Fullen called for a recess at 9:17 a.m.

Chair John Fullen reconvened the meeting at 9:32 a.m.

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

Michael Smith, ex officio from TML Multi-State Intergovernmental Employee Benefits Pool, reported that the Pool met in San Antonio. The Pool decided to change its name to the TML Health Benefits Pool with new logo and branding. Mr. Smith also reported the Pool is making policy changes starting next year to simplify policies and will also be making changes in underwriting loss ratios from a 12-month period to a 24-month period, and pulling out large claims for \$250,000 or more, so it won't negatively impact rates down the road. The Pool is also going to increase education and training.

Henry Wilson reported that the Legislature reconvened in Austin this month. Twelve house members went from Republican to Democrat, and two Senators in his area went from Republican to Democrat. The Lt. Governor got 51% of the vote and the Governor got a little more than that. There was a shake-up in the attitude towards cities, as there is not as much talk about how bad cities are, which is a big change from two years ago. The Governor's 2.5% property tax cap is still on the table, but it remains to be seen how much traction it might receive. Nearly every legislator is now calling for school finance reform. Mayor Wilson stated he believes people are starting to understand that the property tax problem is not because of cities or counties, but due to the ways the state has funded K-12 education.

Mary Gauer, ex officio to TML Board of Directors, asked that at the next annual TML Conference there be more information provided to attendees on the value of the partnership the Pool represents.

Andres Garza, ex officio to the TML Multi-State Intergovernmental Employee Benefits Pool, reported the Employee Benefits Pool discussed members' equity and whether the Benefit Pool's members' equity was adequate.

6. General Counsel's Report on Legislative Activities (Tab 20)

David Reagan presented the General Counsel's report under Tab 20 and introduced Bob Kamm and Pam Beachley, legislative consultants, who reported on legislative activities since the beginning of the legislative session. Mr. Reagan reported to the Board that the other two legislative consultants could not be at the Board meeting due to a previous commitment.

7. Executive Committee Report

7a. Consideration of entering into an Interlocal Cooperation Agreement with the Political Subdivision Workers' Compensation Alliance (Alliance) to provide administrative services and amending the Pool's budget accordingly (Tab 21)

Phil English presented the recommendation for entering into an Interlocal Cooperation Agreement with the Political Subdivision Workers' Compensation Alliance to provide administrative services. The Alliance is made up of five risk pools, the Texas Municipal League Intergovernmental Risk Pool, Texas Association of School Boards Risk Management Fund, Texas Association of Counties Risk Management Fund, Texas Water Conservation Association Risk Management Fund, and the Texas Council Risk Management Fund to provide medical providers for workers' compensation claims. Under the Interlocal Cooperation Agreement, TMLIRP will provide the day-to-day operations and management of the Alliance.

MOTION by Byron Black, seconded by Andres Garza, to authorize the Executive Director to execute an Interlocal Cooperation Agreement with the Political Subdivision Workers' Compensation Alliance to provide administrative and operational services for the Alliance as outlined under Tab 21 for the annual fee of \$790,000, with an annual expense escalation, a termination clause, and a five-year initial term. Amend the Pool's 2018-2019 budget to accommodate the receipt of the Administrative and Management Service fee, additional personnel and office expenses, and the reduction in the Political Subdivision Workers' Compensation Alliance expense as provided for in Tab 21, and recognize the Alliance staff's date of hire with the Alliance as the date of hire with TMLIRP for the purpose of determining vacation/personal leave accrual and health insurance benefits. Motion carried with unanimous approval.

7b. Provide comments on the Board of Trustees Planning Session held on January 25, 2019, in which the Board considered goals and objectives for the operation of the Texas Municipal League Intergovernmental Risk Pool, which included: consideration of financial statements and results; consideration of Board governance and Board travel and ethics policies; consideration of actuarial aspects and capital modeling efficiencies; consideration of progress on initiatives related to the property line of business; review status of technology projects; and consideration of policy addressing members with an adverse loss history or acting in a manner contrary to the Pool's Partnership principles.

Chair John Fullen asked for feedback on the Planning Session. Mary Dennis asked if the Pool goes out for proposals for the audit firms. Hank Domeracki responded that they could go out for proposals at any time. The Pool normally has a three-year contract with two one-year extensions. The Pool requires that the auditing firm change the partner-in-charge at least every seven years. The audit firm the Pool uses had three partners-in-charge in the past thirteen years.

Carol Loughlin suggested it might be worthwhile to amend the routine government schedule on page 43 in the Planning Session workbook to include a review of investments, loss reserves, and underwriting processes.

Andres Garza commended the staff and Ron Cox for the help in going through the planning session process.

Chair John Fullen announced it was now 10:25 a.m., and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 8a., 8b., and 8c., under Texas Government Code section 551.071.

8. Executive Session

8a. Workers' Compensation Claims Report including (1) fatality claims, (2) selected large exposure claims, (3) presumption claims and (4) new claims that have reserves exceeding \$150,000

This item was discussed in Executive Session.

8b. Liability and Property Claims Report on claims that have indemnity reserves exceeding \$300,000, expense reserves in excess of \$250,000

This item was discussed in Executive Session.

8c. Status of lawsuits in which the Pool is a Party

This item was discussed in Executive Session.

Chair John Fullen reconvened the open session of the Board of Trustees at 10:56 a.m. There were no actions to be taken on the items discussed in Executive Session.

9. Meeting Schedule and Board Continuing Education (Tab 22)

Chair Fullen and Jeff Thompson reminded the Board members of the upcoming Board continuing education opportunities at the AGRiP Governance and Leadership Conference in St. Louis, Missouri in March 2019, the NLC-RISC Trustees Conference in May 2019 in Fort Lauderdale, Florida, and the PRIMA Annual Conference in June 2019 in Orlando, Florida. Board members interested in attending any of the conferences are to contact Patti Ledesma.

9a. Select a location for the January 28-29, 2021 Meeting

The Executive Committee discussed a location for the January 29-30, 2021 Board of Trustees meeting and recommended Southlake.

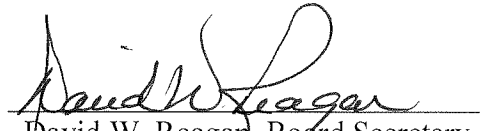
MOTION by Larry Melton, seconded by Randy Criswell, to hold the January 29-30, 2021 Board of Trustees meeting at Southlake, Texas. Motion carried with unanimous approval.

Chair John Fullen announced that the next Board meeting will be held in Tyler, Texas at the Holiday Inn on April 26-27, 2019.

10. Adjournment

MOTION by Mary Dennis, seconded by Andres Garza, to adjourn the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees meeting at 11:01 a.m. Motion carried with unanimous approval.

Approved by the Board of Trustees on
April 27, 2019


David W. Reagan, Board Secretary

All meetings of the Texas Municipal League Intergovernmental Risk Pool are open to the public. However, the Pool reserves the right to recess into Executive Session on any matter set forth on this agenda which qualifies for a closed meeting under Texas Government Code Anno. Sections 551.071 to 551.076.