

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL  
Board of Trustees Meeting  
Hurst Conference Center -Meeting Rooms 1-3  
1601 Campus Drive, Hurst, TX 76054  
October 26, 2019**

**Trustees Present**

John Fullen, Chair  
Randy Criswell, Vice Chair  
Rickey Childers  
Andres Garza  
David Harris  
Robert Hauck  
Robert Herrera  
Carol Loughlin  
Bert Lumbreras  
Leo Montalvo  
Bennett Sandlin  
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

**Staff Present (cont.)**

Mike Raigosa  
Mike Rains  
Allan Romer  
Tim Salzman  
Tito Villegas  
Debbye Mangum

**Others Present**

Alejandro Meade, City Manager, Pharr  
Patricia Rigney, City Attorney, Pharr

Chair John Fullen called the meeting of the Texas Municipal League Intergovernmental Risk Pool to order at 8:00 a.m. on Saturday, October 26, 2019.

1. Roll call and excused absences (Tab 1)<sup>1</sup>

Jeff Thompson reported the absences of Byron Black, Mary Dennis, Mary Gauer, Larry Melton, and Michael Smith and the reasons they asked their absences be excused.

MOTION by Rickey Childers, seconded by Leo Montalvo, to excuse the absences of Byron Black, Mary Dennis, Mary Gauer, Larry Melton and Michael Smith. Motion carried with unanimous approval.

2. Consideration of minutes of July 19-20, 2019 Board meeting in San Antonio (Tab 2)

MOTION by David Harris, seconded by Jeffrey Snyder, to approve the July 19-20, 2019, Board of Trustees minutes in San Antonio. Motion carried with unanimous approval.

3. Public Comment on Agenda Items (Tab 3)

David Reagan explained HB 2840 amended the Texas Open Meetings Act to require governmental bodies to allow members of the public to address the body regarding an item on the open agenda either before or during the body's consideration of the item. Mr. Reagan explained there will be an item on the agenda for each future Board meeting to allow for public comment.

There were no members of the public desiring to address the Board.

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

Chair John Fullen took up the Executive Committee, Item 6.e., and there was no objection from Board members.

6e. Consideration of Pool Membership of the City of Pharr (Tab 27)

Jeff Thompson reported on the City of Pharr's continued membership in the Pool. At question is whether the City had met its membership obligations to the other Pool members, due to what appears to be false invoices submitted for repairs necessitated by an April 20, 2012, hailstorm. Though the lawsuit brought by the City against the Risk Pool has been settled, the ongoing question is whether the City is committed to the partnership represented by the Risk Pool.

Mr. Alejandro Meade, City Manager, and Ms. Patricia Rigney, City Attorney, were present and asked that the Board's consideration of this item be postponed to the January 2020 Board meeting in order for the City to work with the Pool's staff to address these concerns.

MOTION by John Fullen on behalf of the Executive Committee, seconded by Robert Herrera, to defer this item to the January 2020 Board meeting in order to give City of Pharr officials time to meet with the Pool's staff to address the Pool's concerns. Motion carried with unanimous approval.

4. Finance & Information Technology Committee

4a. Election of Committee Chair

Bert Lumbreras announced he was elected chair of the Finance & Information Technology Committee.

4b. Consideration of minutes of July 19, 2019 committee meeting (Tab 4)

The July 19, 2019 Finance and Information Technology Committee meeting minutes set forth under Tab 4 were approved at the Finance and Information Technology Committee meeting on October 25, 2019.

4c. Report on August 31, 2019 (11-month) Finance Statements and Presentation of Preliminary Year-End (September 30, 2019) Financial Statements (Tab 5)

Julie Nguyen presented the report for the August 31, 2019 (11-month) financial statements under Tab 5 and gave an overview of the September 30, 2019 financial results.

4d. Consideration of Workers' Compensation, Liability, Property, and Reinsurance Funds Ultimate Loss Selections (Tab 6)

Mike Raigosa presented the recommended Ultimate Loss Selections for the 2018-2019 fiscal year for the Workers' Compensation, Liability, Property, and Reinsurance Funds under Tab 6.

MOTION by Bert Lumbreras on behalf of the Finance & Information Technology Committee, seconded by Leo Montalvo, to:

1. Set the Ultimate Loss Selection for the Workers' Compensation Fund at \$45.0 million for the 2018-19 accident year, increase prior accident years' selections by \$1.65 million

and maintain reserve redundancy balance by \$8.0 million. Including fatality claims, amortization expense and other claim adjustments will result in total loss of \$52.1 million.

2. Set the Ultimate Loss Selection for the Liability Fund at \$42.8 million for the 2018-19 accident year and increase prior accident years' selections by \$2.0 million, for a total of \$44.8 million. After releasing the redundancy reserve balance of \$1.0 million held at September 30, 2018, the total loss for 2018-19 will be \$43.8 million.
3. Based on total property losses of \$55.7 million, establish incurred but not reported (IBNR) losses of \$2.4 million for current accident year occurrence and all non-occurrence claims in the Property Fund and \$4.0 million for prior accident years' property occurrence losses in the Reinsurance Fund. No IBNR is necessary for Hurricane Harvey after no development experienced in 2018-19.
4. Set the Ultimate Loss Selection for the Reinsurance Fund to maintain the IBNR balance at \$750,000 for workers' compensation and liability losses assumed by the Reinsurance Fund.

Motion carried with unanimous approval.

4e. Consideration of updating the Unallocated Loss Adjustment Expense (ULAE) Reserve (Tab 7)

Tito Villegas presented the report under Tab 7 for updating the unallocated loss adjustment expenses in the Stability Fund as required by generally accepted accounting standards.

MOTION by Bert Lumbreras on behalf of the Finance & Information Technology Committee, seconded by Robert Herrera, to:

1. Authorize the increase ULAE reserves for the Workers' Compensation Fund by \$500,000 and the Liability Fund by \$200,000 and decrease the ULAE reserve for the Property Fund by \$200,000, for a total increase of the ULAE reserve by \$500,000.
2. Authorize staff to make ULAE reserve adjustments that are below \$1 million as part of their routine financial year-end closeout process, provided changes below \$1 million are reported during the Reserve Review presentation.

Motion carried with unanimous approval.

4f. Report on August 31, 2019 (11-month) Investment Results and Presentation of September 30, 2019 investment results (Tab 8)

Tito Villegas presented the investment results under Tab 8 for the eleven-month period ending August 31, 2019 and gave the year-end projected investment results as of the September 30, 2019.

4g. Annual Review of the Pool's Investment Policy and Proposed Broker List, and consideration of adopting the Policy with amendments (Tab 9)

Tito Villegas presented the annual review of the Pool's Investment Policy and noted that the Pool is not recommending any changes to the Investment Policy for 2019-20. The Pool added three brokers and two brokers were deleted from the Approved Brokers List authorized to engage in investment transactions with the Pool.

MOTION by Bert Lumbreras on behalf of the Finance and Information Technology Committee, seconded by Rickey Childers, to adopt the resolution for the Pool's Investment Policy with no recommended changes and authorize the list of brokers as presented in Appendix C of the investment policy. Motion carried with unanimous approval.

4h. Consideration of extending Conning Asset Management Company contract for two years (Tab 10)

Tito Villegas presented the recommendation to extend the Conning Asset Management Company contract for an additional two-year term.

MOTION by Bert Lumbreras on behalf of the Finance & Information Technology Committee, seconded by Carol Loughlin, to extend the Conning Asset Management Company contract for an additional two-year term of February 29, 2020 through February 28, 2022, at the same fee rate provided in the original contract. Motion carried with unanimous approval.

Chair John Fullen called for a recess at 9:20 a.m.

Chair John Fullen reconvened the meeting at 9:30 a.m.

4i. Consideration of strategic objectives and methodology for determining eligible assets under SB 2551, and report on the efforts to address the Expanded Investment Authority provided under the new law (Tab 11)

The Texas Legislature passed SB 2551 giving the Pool additional flexibility related to investments for workers' compensation lifetime income benefits and death benefits. Jeff Thompson and Tito Villegas presented the proposed strategic objectives, timelines, and eligible asset ranges developed for Board consideration with regards to the expanded investment authority granted by the enactment of SB 2551. As part of the discussion on the expanded investment authority, Dan Smereck, the Pool's investment consultant, joined the discussion by teleconference and provided information on the investment results of various asset groups and the potential for additional investment income. It was recommended the objectives of expanded investment authority and the timeline for development and implementation of the expanded investment authority be approved. A recommendation on the methodology for funding death and lifetime income benefit payments, as well as a range of assets used to support those payments, will be further made at the January 2020 Planning Session and Board Meeting. In addition, other details operationalizing the authority granted by SB 2551 will be discussed at that time.

MOTION by Bert Lumbreras on behalf of the Finance & Information Technology Committee, seconded by Robert Hauck, to:

1. Adopt the overall objectives and considerations, as set in the agenda item;
2. Adopt Timeline for the Development and Implementation of the Expanded Investment Authority Program;

Motion carried with unanimous approval.

4j. Report of internal review on new Business Applications (Tab 12)

Atul Poladia presented the results of business application post implementation review conducted by Holtzman Partners under Tab 12. The auditing firm identified seven findings, and all but one item was remediated. The remaining item has a manual internal audit control in place until it can be remediated.

4k. Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 13)

The Office of Project Management and Analytics report under Tab 13 was submitted for the Board's review without an oral presentation.

4l. Information Technology report on status of hardware and software updates in the computer systems (Tab 14)

The Information Technology report under Tab 14 was submitted for the Board's review without an oral presentation.

5. Underwriting and Claims Committee

5a. Election of a Committee Chair

Andres Garza announced he had been re-elected as chair of the Underwriting and Claims Committee.

5b. Consideration of minutes of July 19, 2019 committee meeting (Tab 15)

The July 19, 2019 Underwriting and Claims Committee meeting minutes set forth under Tab 15 were approved at the Underwriting and Claims Committee meeting on October 25, 2019.

5c. Consideration of Purchase of Workers' Compensation Reinsurance (Tab 16)

Bob Haynes presented the quotes that had been received by Guy Carpenter, LLC, the Pool's reinsurance broker, for workers' compensation reinsurance coverage of \$10 million excess of \$15 million as set out under Tab 16.

MOTION by Andres Garza on behalf of the Underwriting and Claims Committee, seconded by Leo Montalvo, to purchase workers' compensation reinsurance as follows:

1. Retention of \$15 million and a limit of \$10 million at 100% (i.e. the Pool would not quota share in a loss between \$15 million and \$25 million.
2. \$10 million maximum any one life.
3. One reinstatement at 100%.
4. Terrorism included, but excluding nuclear, biological, chemical and radiological risks.
5. Rate on line 3.30%, or \$330,000 if the layer is fully placed. (If the Pool retained 20% above the reinsurance, the external costs would be reduced by \$66,000, but full placement is recommended.)

Motion carried with unanimous approval.

5d. Significant Cases and Legal Developments impacting the Pool (Tab 17)

Bo Joseph presented significant cases and legal developments impacting the Pool under Tab 17.

5e. Liability and Property Claims Report on trends concerning liability claims and property claims (Tab 18)

The Liability and Property Claims Report under Tab 18 was submitted for the Board's review without an oral presentation.

5f. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 19)

The Workers' Compensation Claims Report under Tab 19 was submitted for the Board's review without an oral presentation.

5g. Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and policies placed on behalf of Pool Membership (Tab 20)

The Underwriting Report under Tab 20 was presented for the Board's review without an oral presentation.

5h. Loss Prevention Report on member surveys, training and property valuations conducted (Tab 21)

The Loss Prevention Report under Tab 21 was submitted for the Board's review without an oral presentation.

5i. Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 13)

See Item 4k. under the Finance and Information Technology Committee.

5j. Subrogation Report (Tab 22)

The Subrogation Report under Tab 22 was submitted for the Board's review without an oral presentation.

5k. Member Services Report including Membership Activity (Tab 23)

The Member Services Report under Tab 23 was submitted for the Board's review without an oral presentation.

Chair John Fullen called for a recess at 10:26 a.m.

Chair John Fullen reconvened the meeting at 10:39 a.m.

6. Executive Committee Report

6a. Consideration of Topics for January, 2020 Board Planning & Training Session (Tab 24)

Jeff Thompson presented the proposed agenda for the January 2020 Board Planning Session. Ron Cox of Ron Cox Consulting has been scheduled to facilitate the overall planning session and Dan Smereck will be in attendance to help the Pool with the investment possibilities with the new authority granted by SB 2551. Mr. Thompson asked the Board to contact Chair Fullen or himself if you have any particular items you would like to add to the agenda. Mr. Lumbreras requested a Board survey prior to the Planning Session.

MOTION by Randy Criswell, seconded by Bert Lumbreras, to develop a survey prior to the Planning Session for input on specific items to be discussed at the Planning Session. Motion carried with unanimous approval.

6b. Consideration of Election of Collective Health Insurance Plans under TMLHBP (Tab 25)

Allan Romer presented the health insurance plans for 2020. There have been substantial changes in the plans offered by TML Health Benefits Pool. The five new plans offered by TML Health Benefits Pool included new rates, new deductibles, and new co-pays. Since the budget had already been approved prior to receiving the new plans from the TML Health Benefits Pool, the amount provided in the FY 2019-20 budget needed to be reallocated. The Pool provides funds to employees (Health Bucks) to use specifically for the health coverage, including vision and dental. Since specific amounts of those funds were allocated by the Board for specific purposes, such as dental and vision coverage, deductibles, or dependent coverage, those allocations need to be reallocated.

MOTION by Leo Montalvo, seconded by David Harris, to recommend:

1. Authorize staff to reallocate the adopted FY 2019-20 health insurance budget (Health Bucks) as indicated in Table 3 of the report under Tab 25.
2. Authorize staff to allocate future authorized budgeted health expenditures among the Health Bucks categories upon receipt of finalized rerates in future years.

Motion carried with unanimous approval.

6c. Consideration of employee's election to redirect the Pool's deferred compensation payment toward student loan debt (Tab 26)

Allan Romer presented the report under Tab 26 to allow Pool employees to use the Pool's payments to their 457 Deferred Compensation Account toward student loan debt. Student loan debt has developed into a national problem affecting not only employees, but employers. The financial health of each employee has the potential to affect job performance. The staff recommends the option to allow employees to voluntarily redirect the Pool's payment to the 457 deferred compensation account to student loan debt.

MOTION by John Fullen on behalf of the Executive Committee, seconded by Rickey Childers, to authorize staff to develop the implementation plan and permit employees to voluntarily redirect the Pool's payments to the 457 deferred compensation account to student loan debt. Motion carried with unanimous approval.

6d. Consideration of strategic objectives and methodology for determining eligible assets under SB 2551, and report on the efforts to address the Expanded Investment Authority provided under the new law (Tab 11) (Finance and IT to Report)

This item was discussed under Finance & Information Technology Committee, Item 4. i.

6e. Consideration of Pool Membership of the City of Pharr (Tab 27)

This item was discussed after Agenda Item 3.

6f. Human Resources Report identifying employment changes (Tab 28)

The Human Resources Report under Tab 28 was submitted for the Board's review without an oral presentation.

7. Comments by ex officio Members from and to TML and Employee Benefits Board

Henry Wilson, ex officio from TML Board of Directors, thanked the Board for choosing the City of Hurst as the location for this Board of Trustees meeting and hoped the Board will return. He reported the TML Annual Conference in San Antonio, October 8-11, 2019, had the highest attendance in the history of TML. He mentioned the Speaker of the House recorded remarks were made public regarding cities and the Speaker's attempt to defeat the reelection of 10 House Republicans. The Speaker has recently announced he will not run for reelection. In the recorded remarks, he reportedly said that if the cities thought this session was rough, wait until next year. Chair Dustin Burrows also made a statement that they were going to take away cities two-cent sales tax. Mr. Wilson stated if they take away the economic development tax, the Hurst conference center would go into receivership because state law requires a City must sell bonds in order to build such centers. The bonds are paid for with the economic development tax. He also mentioned the comments by the Speaker and Rep. Burrows about hating cities and all mayors in Texas are "dumbasses". Mr. Wilson said the people in Austin need to form partnerships with cities. Economic development starts at the local level. The State has received \$10 million in sales tax from economic development deals from the City of Hurst since 1992. It worries him that people in Austin have adversarial relationships with cities. The State and cities should be partners.

Bennett Sandlin said he has been asked if he had an idea of who would be the next Speaker of the House. Dennis Bonnen will probably remain speaker until the next session or special session. He believes the next speaker will be someone who is city friendly. The blowback from the remarks about mayors and cities has caused house representatives that were unfriendly to cities to say the relationship had to be repaired. In reference to the next Speaker, the first question is, "will it be a Republican speaker?" He believes there is about 50/50 chance that the House will go Democratic. In that case, a Democratic speaker would most certainly be appointed. If it doesn't go that way, the two leading candidates on the Republican side are Four Price from Amarillo and Tan Parker from Flower Mound, both of whom are moderates, and considered friendly to municipal interests. He speculated Dustin Burrows, Chair of the House Ways & Means Committee, will either resign his Chairmanship because of the scandal or be back benched. He stated he believed the House Ways & Means Committee would be much friendlier to cities next session. In reference to the 3.5% tax cap, Mr. Sandlin believes the House will



eventually go Democratic. Because of HR issues like collective bargaining, that cap may eventually be raised because of additional monies that will have to be spent on the HR issues. He stated, if the State goes Democratic, a new set of problems will present themselves. Issues like revisions to the tort claims act and the establishment of new liabilities will be brought forward and will work against the Pool.

Andres Garza, ex officio to TML Health Benefits Pool, stated that Pool is really concentrated on re-organization. They are looking at what the future holds at the federal level for health coverage. Whatever happens at the federal level will have a significant impact on the TML Health Benefits Pool.

#### 8. General Counsel's Report on Legislative Activities (Tab 29)

David Reagan presented the General Counsel's report under Tab 29. Mr. Reagan announced Mr. Robert Kamm, one of the Pool's legislative consultants, is retiring as of December 31, 2019. The Pool is talking to Davis Kaufman consultants about expanding their lobbying efforts for the Pool.

Chair John Fullen announced it was now 11:18 a.m., and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 9a., 9b., 9c., and 9d. under Texas Government Code section 551.071.

#### 9. Executive Session

##### 9a. 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.

##### 9b. 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.

##### 9c. Consider settlement of *Carmen Trevino, et al v. Roland Trujillo, Jr.*, Cause No. 1:16-cv-262, In the U.S. District Court for the Southern District of Texas, Brownsville Division

This item was discussed in Executive Session.

##### 9d. 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 12:04 p.m. and took up Agenda Item 9.c. for action by the Board of Trustees.

9c. Consider settlement of *Carmen Trevino, et al v. Roland Trujillo, Jr.*; Cause No. 1:16-cv-262; In the U.S. District Court for the Southern District of Texas, Brownsville Division

David Reagan presented the recommendation the Board accept the Plaintiff's demand of \$800,000 to settle the above-referenced lawsuit.

MOTION by Andres Garza, seconded by Robert Hauck, to accept the settlement of \$800,000 for *Carmen Trevino, et al v. Roland Trujillo, Jr.* Motion carried with unanimous approval.

10. Meeting Schedule and Board Continuing Education (Tab 30)

Chair Fullen reminded the Board members of the upcoming Board continuing education opportunities as set forth under Tab 30. Board members interested in attending any of the conferences are to contact Jeff Thompson or Patti Ledesma.

10a. Select a location for the October 22-23, 2021 Meeting

The Executive Committee discussed a location for the October 22-23, 2021 Board of Trustees meeting and recommended the City of Rockwall, if available.

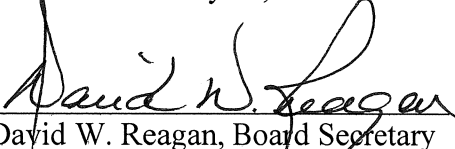
MOTION by Rickey Childers, seconded by David Harris, to hold the October 22-23, 2021 Board of Trustees meeting at Rockwall, Texas. Motion carried with unanimous approval.

Chair John Fullen announced the next Board meeting will be held at the Hyatt Regency Lost Pines Resort in Bastrop, Texas on January 24 and 25, 2020 with the annual planning session beginning at approximately 8:30 a.m. on Friday, January 24, 2020.

11. Adjournment

MOTION by Rickey Childers, seconded by Andres Garza, to adjourn the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees meeting at 12:07 p.m. Motion carried with unanimous approval.

Approved by the Board of Trustees on  
January 25, 2020

  
David W. Reagan, Board Secretary