

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL  
Finance and Information Technology Committee  
Hurst Conference Center, Meeting Rooms 1-3  
1601 Campus Drive, Hurst Texas 76054  
October 25, 2019**

**Committee Trustees Present**

Carol Loughlin, Chair  
Robert Herrera  
Leo Montalvo  
Bert Lumbreras  
Henry Wilson

**Staff Present**

Hank Domeracki  
Atul Poladia  
Tito Villegas  
Julie Nguyen  
Mike Raigosa  
Jeff Thompson  
Tim Salzman  
David Reagan

**Also Present**

None

**Other Trustees Present**

John (Buzz) Fullen  
Randy Criswell

**Committee Trustees Absent**

Mary Gauer

Carol Loughlin called to order the Finance and Information Technology Committee of the Texas Municipal League Intergovernmental Risk Pool at 3:00 p.m. on Friday, October 25, 2019.

**Election of Committee Chair**

MOTION by Robert Herrera, seconded by Carol Loughlin, to nominate Bert Lumbreras to Chair of the Finance and Information Technology Committee meeting. Motion carried with unanimous approval.

**Consideration of minutes of July 19, 2019 committee meeting (Tab 4)<sup>1</sup>**

MOTION by Robert Herrera, seconded by Carol Loughlin, to approve the minutes of the Finance and Information Technology Committee meeting of July 19, 2019, as set forth under Tab 4. Motion carried with unanimous approval.

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

Julie Nguyen presented the financial statements for the 11-month period ending on August 31, 2019 under Tab 5 and gave an overview of the Pool's preliminary financial results as of September 30, 2019.

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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.

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

Mike Raigosa presented the recommended Ultimate Loss Selections for the 2018-19 fiscal year.

MOTION by Carol Loughlin, seconded by Leo Montalvo, to recommend that the Board:

1. Set the Ultimate Loss Selection for the Workers' Compensation Fund at \$45.0 million for the 2018-19 accident year and increase prior accident years' selections by \$1.65 million and maintain the reserve redundancy balance of \$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 loss estimate 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.

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

Tito Villegas presented the results of the recent annual actuarial analysis and reviewed the recommendation to increase the ULAE reserve by \$500,000.

MOTION by Robert Herrera, seconded by Leo Montalvo, to recommend that the Board adopt the following as set forth under Tab 7. :

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.

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

Tito Villegas presented an overview of the Pool's investment results as of August 31, 2019 under Tab 8 and the year-end projected results as of September 30, 2018.

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

Tito Villegas reviewed the recommendation that no changes be made for the 2019-20 fiscal year to the Pool's Investment Policy and presented the recommended changes to the Approved Brokers List, as set forth under Tab 9.

MOTION by Robert Herrera, seconded by Carol Loughlin, to recommend that the Board approve the resolution adopting the Pool's investment policy with no recommended changes and authorizing the list of brokers presented in Appendix C of the investment policy. Motion carried with unanimous approval.

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

Tito Villegas presented the recommendation to extend the contract with Conning Asset Management Company by two years, ending February 28, 2022.

MOTION by Robert Herrera, seconded by Leo Montalvo, to recommend that the Board approve the two-year contract extension with Conning Asset Management Company at the same fee rate provided in the original contract. Motion carried with unanimous approval.

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

Jeff Thompson, Tito Villegas, and Mike Raigosa presented the proposed strategic objectives, timeline, and eligible asset ranges developed for Board consideration with regards to the expanded investment authority granted by the enactment of S.B. 2551. The Committee members agreed with the objectives and timeline and then discussed the recommendation on eligible asset ranges. To assist in determining the amount of death and lifetime income benefit reserves that should initially, and ultimately be established for investments under the new law the Committee requested that additional information on the various recommended eligible asset range amounts be provided at the January Board Planning Session.

MOTION by Carol Loughlin, seconded by Robert Herrera, to recommend the Board adopt the following as set forth under Tab 11:

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.

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. The auditing firm identified seven findings, of which all but one item was remediated before the conclusion of the review. The remaining item has a manual internal audit control in place until it can be remediated.

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

Tim Salzman updated the committee on the status of the Office of Project Management and Analytics initiatives set forth in the report under Tab 13, including the numerous Business Application & IT Roadmap projects that are underway and under review.

Information Technology report on status of hardware and software updates to the computer system (Tab 14)

Atul Poladia provided an update on the status of hardware and software installation projects.

Bert Lumbreras requested a motion to adjourn.

MOTION by Carol Loughlin, seconded by Leo Montalvo, to adjourn.

Motion carried with unanimous approval.

Bert Lumbreras adjourned the meeting at 5:10 p.m. on October 25, 2019.

Approved by the Finance and Information  
Technology Committee  
on January 24, 2020

  
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Tito Villegas  
Chief Financial Officer