

**TML RISK MANAGEMENT POOL
BOARD OF DIRECTORS
MINUTES OF REGULAR MEETING
DATE OF MEETING: JUNE 11, 2016
BRENTWOOD, TENNESSEE**

The Board of Directors of the TML Risk Management Pool (“The Pool”) met at 8:30 a.m. on June 11, 2016 in the Cliff Tops Room of the Courtyard Marriott in Gatlinburg, Tennessee in its regular meeting.

Board Members present included: Chairman Samuel Tharpe, Vice-Chair Ken Wilber, Ann Davis, Tommy Green, Curtis Hayes, Pete Peterson, Tom Rowland, Kay Senter and Garry Welch.

TML Pool staff present were: Dawn R. Crawford, President/CEO and Charles DeMore, Executive Vice President & CFO & Director of Human Resources.

Also present were Russ Farrar, General Counsel; Margaret Mahery, Executive Director, TML; and Charles “Bones” Seivers, President, TMBF.

1. APPROVAL OF MINUTES

Motion was made by Hayes to approve the minutes of the February 12, 2016 Board meeting; seconded by Rowland. **PASSED UNANIMOUSLY.**

2. FINANCIAL REPORTS

A. Charles DeMore presented the Statement of Revenues, Expenses and Changes in Net Position for the nine months ended March 31, 2016. DeMore stated that gross earned premium was \$52,637,888, which is \$1,758,176 or 3.46% more than this time last year. Reinsurance premiums ceded of \$8,228,632 was \$184,251 or 2.29% more than last year. Net earned premium was \$44,409,256, which is 3.67% more than the prior year. Investment income totaled \$8,410,426, which was \$1,814,246 or 27.50% more than last year and includes a one-time investment equity distribution of \$1,916,513 from NLC Mutual Insurance Company. Compared with this year’s budget projections, investment income is \$2,841,676 or 51.03% more. Total revenues of \$52,994,175 were \$3,373,614 or 6.80% more than last year’s actual revenues.

In the expense category, DeMore stated that total loss and loss adjustment expenses incurred of \$40,291,097 were \$814,085 or 2.06% more than last year. Policy acquisition costs of \$5,097,192 were \$415,006 or 8.86% more than last year. Total General and Administrative Expenses of \$5,177,192 were 5.82% or \$284,549 more than last year’s actual expenses. However, compared to this year’s budget, administrative expenses are \$761,180 or 12.82% less than projected. Total expenses were \$50,565,481 which is 3.09% or \$1,513,640 more than last year.

The Pool’s operating income at March 31, 2016 was \$2,428,694. DeMore noted that operating income combined with the change in unrealized gains on investments of \$7,946,299 for the current period resulted in an increase in net position of \$10,374,993 for the nine months ended March 31, 2016.

DeMore reviewed the Statement of Net Position as of March 31, 2016, which presented cash and cash equivalents of \$33,896,956 and investments of \$228,529,826. Premiums receivable were \$2,977,390.

Accrued interest was \$2,148,803 and prepaid reinsurance was \$2,854,104. The majority of reinsurance recoverable on paid losses of \$2,098,877 represents mostly property reinsurance claims. Net fixed assets were \$1,284,962, and total assets were \$274,296,080, which is 6.40% more than last year.

Deferred outflows of resources of \$486,778 related to the Pool's net pension liability will be actuarially adjusted at the end of this fiscal year. Total assets and deferred outflows of resources were \$274,782,858 at March 31, 2016.

Liabilities included net reserves for losses of \$144,899,603, which is a 4.20% increase over the prior year. Unearned premiums were \$25,680,203; accounts payable and accrued expenses were \$1,702,949; and dividends payable were \$4,291,335. Total current liabilities were \$176,574,090.

The Pool's net pension liability of \$694,918 will be actuarially adjusted at the end of this fiscal year, as will the deferred inflows of resources of \$488,726 related to the net pension liability. Total liabilities and deferred inflows of resources was \$177,757,734. When beginning net position of \$86,650,131 is combined with this period's change in net position of \$10,374,993, net position at March 31, 2016 was \$97,025,124.

Motion was made by Peterson to accept the financial reports as presented; seconded by Rowland.

Welch asked whether the Pool sells insurance products to entities that are not municipalities to which Crawford replied that the Pool has about 185 members that are not municipalities. Welch asked if these types of members are included in the gross calculation of TML sponsorship fee to which Crawford replied yes such members are paying sponsorship to TML through the Pool's program as part of the calculated formula that was adopted. Peterson asked if such members ever questioned that to which Crawford replied that an agent or two have made comments about their money going to something they did not get anything out of.

Peterson asked DeMore why dividends for next year were booked in the current fiscal year. DeMore explained that accounting pronouncements dictate that a dividend becomes a legal liability of an organization when it is declared by formal vote of its board of directors.

Rowland asked if the Pool has utilities as members. Crawford stated that the Pool has utilities, housing authorities, utility districts, and HRAs. She said that the Pool has about 185 such members of an estimated 500 total members.

With a motion already made and seconded to accept the financial reports as presented, Chairman Tharpe called for a vote. PASSED UNANIMOUSLY.

B. DeMore reviewed the internally-managed fixed income portfolio as of May 31, 2016 as classified by type and maturity. The Pool's portfolio was comprised of 55 municipal bonds and 22 agency bonds with an average coupon rate of 3.845% and an average yield of 3.695%. He stated that the average coupon rate for municipal bonds alone was 4.16%. The portfolio book value was \$221,710,203 and had a market value of \$223,957,027, representing a net unrealized gain on investments totaling \$2,246,824 at May 31, 2016. DeMore noted that the portfolio had an average maturity life of 16.3 years and an average call life of 8.8 years. Funds invested in LGIP totaled \$31,200,428 with a coupon rate of 0.31%.

Motion was made by Rowland to accept the investment report as presented; seconded by Davis. PASSED UNANIMOUSLY.

3. CONSIDERATION OF BUDGET FOR FISCAL YEAR 2016-2017

DeMore presented management's recommendation to the Board for General and Administrative Expenses for the fiscal year 2016-217. He stated that the total proposed budget of \$8,295,109 is \$388,779 or 4.92% more than last year's budget. He reviewed the major budget categories as follows: Salaries and Benefits - 1.10% or \$62,029 increase; Travel-Related Expenses - 3.07% or \$9,890 increase; Member-Related Expenses – 20.18% or \$89,600; Administrative Expenses – 12.16% or \$104,810 increase; and, Professional Expenses – 18.48% or \$122,450.

Salaries and Benefits represent an increase for Salaries of 3.24% or \$129,447 and include an Assistant Controller position. Benefits represent a 4.15% or \$67,418 decrease due to a reduction in the TCRS rate.

Travel-Related expenses include an increase for Conferences, Conventions & Seminars of 11.24% or \$14,140 for additional Pool-sponsored educational events for members. Travel Expenses decreased by \$4,250 or 2.94% due to management and operational efficiencies. DeMore mentioned that the Pool is in the process of implementing an online travel and expense management service with Concur, Inc. that will allow the Pool to manage and control travel costs for hotels and airfare costs. Rowland asked whether Concur is a website just for this purpose. DeMore replied yes that Concur, Inc. is about 20 years old with major customers and has developed a sophisticated software platform of services but that the Pool will only pay for the services it selects. Farrar commented that he and Crawford and DeMore have worked together with respect to contract reviews to obtain the most advantageous position for the Pool. Crawford mentioned that the Kentucky League of Cities and Florida League of Cities also use Concur's online travel and expense services and that, as a Board, the Pool can begin using this service for Board member travel as well.

Member-Related expenses include an increase of \$31,600 or 68.70% for External Training and Sponsorships to benefit members through such venues as online risk management and loss control training and partnership workshops. Safety Grant Program proposed amount of \$440,000 represents an increase of \$57,000 or 14.88% for general safety grants - \$200,000; driver safety grants - \$100,000; and, property conservation grants - \$125,000 and member scholarships to risk management conferences - \$15,000. Crawford commented that because the Pool budgeted almost \$60,000 for property conservation grants for the current year but received \$150,000 in grant applications, the Safety Grant Program line item has been increased. Peterson made a motion to increase the Safety Grants line item to a total of \$500,000 due to the benefits members derive from this program. Motion was seconded by Rowland. Chairman Tharpe called for a vote to approve the motion. PASSED UNANIMOUSLY.

Administrative Expenses include Data Systems with an increase of \$87,000 or 69.7% for expanded technology projects as part of the Pool's ongoing technology plan.

Professional Expenses include Auditing, Accounting and Actuarial Services with an increase of \$45,000 or 33.33% to implement new services of third-party vendors to process employee payroll, travel and expenses, and accounts payable. Consultants and Professional Services include an increase of \$77,450 or 14.68% for public relations services, legal services and human resource consulting services.

After questions and discussion by Board members, Chairman Tharpe asked for a motion to approve the General and Administrative Expenses budget for FY 2016-2017 as amended. A motion was made by Hayes and seconded by Peterson. PASSED UNANIMOUSLY.

4. APPOINTMENT / REAPPOINTMENT OF BOARD MEMBERS

Chairman Tharpe presented the following current Board Members for reappointment to another term of office:

- Curtis Hayes – for Term 2, Year 1
- Ken Wilber – for Term 3, Year 1

Chairman Tharpe then called for nominations for new appointments. Green stated that because the Pool's Board of Directors was going to lose three great Board members who have completed their term of office, he recommended the following three individuals to succeed them:

1. John Holden, Mayor of Dyersburg - to serve a three-year term
2. Jay Johnson, City Manager of Shelbyville - to serve a three-year term
3. Ann Davis, Mayor of Athens - to serve a three-year term
4. Dale Kelley, Mayor of Huntingdon - to serve a one-year term

Rowland seconded the motions. Chairman Tharpe called for a vote. **PASSED UNANIMOUSLY.**

5. DATE OF NEXT MEETING

The suggested date of the next Board meeting will be Friday, September 9, 2016 at 10:00 a.m. at the Pool's office in Brentwood, Tennessee.

6. OTHER BUSINESS

A. Hayes asked Crawford if she was aware of any other vendors similar to Benecon, Inc. which provide self-insured health insurance consortiums for local governments. Crawford said she has been in recent conversations with Arthur J. Gallagher Benefits Group who work with Jefferson Health in Ohio and provide health insurance consortiums. Several Board members expressed interest in getting more information.

B. Crawford recognized and thanked retiring Board members for their many years of service to the Pool and its membership and presented each of them with a commemorative plaque –

- Pete Peterson, City Manager of Johnson City, TN – 9 years (2007-2016)
- Tom Rowland, Mayor of Cleveland, TN – 12 years (2004-2016)
- Samuel Tharpe, Commissioner of Paris, TN – 16 years (1997-2003 and 2006-2016)

C. Chairman Tharpe called for nominations for a new Pool Chairman and Vice-Chairman. Green nominated Ken Wilber as Chairman. Motion seconded by Davis. Chairman Tharpe called for a vote. **PASSED UNANIMOUSLY.**

Peterson nominated Garry Welch as Vice-Chairman. Motioned seconded by Davis. Chairman Tharpe called for a vote. **PASSED UNANIMOUSLY.**

Chairman Tharpe asked if there was a motion to adjourn. Motion was made by Senter and seconded by Green. Chairman Tharpe called for a vote. PASSED UNANIMOUSLY

The Pool Board of Directors adjourned to Executive Session at 9:34 a.m.

Ken Wilber, Chairman

Charles DeMore, Secretary