

**TML RISK MANAGEMENT POOL
BOARD OF DIRECTORS REGULAR MEETING
DATE OF MEETING: NOVEMBER 29, 2017
BRENTWOOD, TENNESSEE**

The Board of Directors of the TML Risk Management Pool (“The Pool”) met at 9:00 a.m. on November 29, 2017 at the Pool’s office in Brentwood, Tennessee in its regular meeting.

Board Members present included: Chair Ken Wilber, Vice-Chair Garry Welch, Randy Brundige, Curtis Hayes, Victor Lay, Bo Perkinson and Kay Senter.

The 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; Charles “Bones” Seivers, President, TML Bond Fund; Mark Blackburn, Principal with Lattimore, Black, Morgan and Cain, P.C.; and, Brad Thompson, Community Development Director with the City of Martin.

1. APPROVAL OF MINUTES

Chairman Wilber called for a vote to approve the minutes of the September 8, 2017 Board meeting. Motion was made by Hayes and seconded by Welch. Chairman Wilber called for any questions. None were made. **PASSED UNANIMOUSLY**

2. FY 2017 AUDIT REPORT

Chairman Wilber called upon Mark Blackburn with Lattimore, Black, Morgan & Cain, CPAs. Blackburn addressed the Board concerning the financial and compliance audit performed for the fiscal year ended June 30, 2017. The audited financial statements and the auditor’s required communication letter were provided to each Board member in advance of the Board meeting.

Blackburn noted that they issued an unqualified opinion on the financial statements similar to prior years and found no issues as part of the audit process. Blackburn referred to the auditor’s required communication letter and noted significant accounting estimates that are inherent in preparing the financial statements, including actuarial assumptions in the pension plan, estimates of reinsurance recoverable, the actuarial valuation of loss reserves, and the valuation of investments. The audit addressed all of these assumptions and found that they are reasonable in relation to the financial statements. He stated the audit revealed no misstatements or adjustments. He stated there were no difficulties encountered in the audit, and there were no disagreements with management. They are not aware of any independence issues that might impair the relationship between their firm and the Pool.

Blackburn said he would be glad to answer any questions about the audit report. Chairman Wilber asked Board members if there were any questions about the audited financial statements. Hayes commented that it is a good audit report. There were no questions.

After some discussion among board members, Chairman Wilber called for a motion to approve the audit report as presented. Motion was made by Hayes; seconded by Lay. **PASSED UNANIMOUSLY**

3. FINANCIAL REPORTS

A. Charles DeMore presented the financial statements for the three months ended September 30, 2017. In reviewing the Statements of Revenues, Expenses and Changes in Net Position, DeMore stated that gross earned premium of \$17,794,305 was 0.83% or \$146,053 more than this time last year. Reinsurance premiums ceded were \$2,467,216 which was 5.92% or \$155,266 less than last year. Net earned premium was \$15,327,089 was 2.01% or \$301,319 more than last year. Investment income totaled \$2,317,738, which is 2.91% or \$69,401 less than last year. DeMore noted that last year's investment income amount includes realized gains of \$188,000. Compared with budget projections, investment income is \$377,738 or 19.47% greater than anticipated for this period. Total revenues of \$17,724,082 were \$238,228 or 1.36% more than actual revenues for the prior year.

In the expense category, DeMore stated that total losses and loss adjustment expenses of \$8,643,030 was \$4,881,852 or 36.1% less than last year. Policy acquisition costs of \$2,173,459 were 19.25% or \$518,267 less than last year.

General and administrative expenses of \$2,145,321 were 9.90% or \$193,248 more than the prior year actual. However, when compared with the budget, general and administrative expenses were 5.06% or \$114,390 less than projected for this period. Total expenses were \$12,961,810, which was less than last year's actual expenses by \$5,206,872 or 28.66%. The change in net position before the change in fair value of investments was an increase of \$4,762,272, compared to a decrease of \$682,828 this time last year.

This period's change in fair value (unrealized gains and losses) of investments was \$500,603 in net unrealized gain compared with net unrealized loss of \$780,646 this time last year. The total change in net position for the three months ended September 30, 2017 was an increase of \$5,262,875.

In reviewing the Statements of Net Position as of September 30, 2017, DeMore commented that cash and cash equivalents totaled \$30,454,530, and investments totaled \$244,203,108. Premiums receivable at the end of the period were \$8,465,939. Accrued interest was \$2,279,293, and prepaid reinsurance and corporate insurance was \$7,062,445. Reinsurance recoverable totaled \$2,897,294, and net fixed assets totaled \$1,153,735. Assets totaled \$297,027,246 which was an increase of 1.0%.

Deferred outflows of resources of \$1,063,911 relate 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 \$298,091,157 at September 30, 2017.

Liabilities included net reserve for losses of \$142,839,008, which was 3.2% or \$4,766,526 less than the prior year amount. The reserve for unearned premiums was \$41,459,825; accounts payable and accrued expenses totaled \$1,494,490; and, dividends payable totaled \$1,916,368 consisting of approximately \$1.86 million of dividends declared for fiscal year 2018.

The Pool's net pension liability of \$1,338,849 will be actuarially adjusted at the end of this fiscal year. Total liabilities and deferred inflows of resources was \$189,048,540. When beginning net position of \$103,779,742 is combined with this period's increase in net position of \$5,262,875, net position at September 30, 2017 was \$109,042,617.

B. DeMore reviewed the internally-managed fixed income portfolio as of October 31, 2017 as classified by type and maturity. Cash equivalents at that time represented funds invested with the Tennessee Local Government Investment Pool totaling \$17,424,700 with an average return of 1.03%.

The Pool's portfolio included 68 municipal bonds and 21 government agency bonds and one Treasury bond. On October 31, 2017 the portfolio had a book value of \$259,064,058 and a market value of \$254,984,747, representing an unrealized loss of \$4,079,311. DeMore noted that while the overall portfolio had an average coupon of 3.50%, the average coupon rate for municipal bonds was 3.768%. He said the fair market value unrealized loss had changed to \$2.4 million as of November 28, 2017.

Chairman Wilber asked Board members if there were any questions about the financial reports, and there were none. Chairman Wilber called for a motion to approve these financial reports as presented. Motion was made by Hayes to accept the financial reports as presented; seconded by Brundige. **PASSED UNANIMOUSLY**

4. DATE OF NEXT MEETING

The date of the next meeting is suggested as Friday, February 23, 2018 at 10:00 a.m. the Pool's office in Brentwood, Tennessee.

5. OTHER BUSINESS

A. TN HealthWorks Update – Crawford provided a brief update of the status of the self-funded health insurance program provided by TN HealthWorks. She thanked Mayor Brundige and the City of Martin for being the first charter member of TN HealthWorks. She and Mayor Brundige acknowledged some glitches experienced in the launch which Mayor Brundige said he knew they would have some. He stated that other than some problems involving the third-party administrator, it had been fine. Having been self-insured for several years, he said the City expected some growing pains with the change and that the problems are being worked out. Crawford said that a quote can be provided to a city with 12-24 months of loss experience history. If a city's employee count is under 100, the insurance industry considers the city a "small group". If the city does not participate in the State of Tennessee employee health insurance program, such loss experience history is not available. If a city does participate, such data is possible to obtain. For this reason having available loss experience history is more important in providing a quote than having the city's employee count.

Crawford noted that in addition to health insurance, TN HealthWorks also offers dental, vision, and short-term and long-term disability coverage. She said prescription rebates are refunded directly to the member's reserve fund rather than to the health insurance carrier. She informed directors that TN HealthWorks is considering starting a small group pool effective July 1st in order to accumulate loss history for a year and then be able to move the member into the TN HealthWorks pool. A question was asked whether health insurance with TN HealthWorks had to be bid to which Crawford said no because TN HealthWorks is a governmental pool per Tennessee statute. Welch asked if a city could participate in the ancillary insurance without the health insurance to which Crawford replied yes. Senter asked if long-term care is offered to which Crawford said it is not currently part of the program but it can be obtained. Hayes commented that he appreciated Crawford's vision to help Tennessee cities and believes many cities will respond to this program.

B. Russ Farrar invited board members to attend a Christmas luncheon his firm was hosting today.

C. Office Building Update – Crawford told Board members plans are underway for final review by the City of Franklin Planning Department on December 14, 2017 after which we will be ready to begin interviewing contractors. Hayes asked if all Pool employees will be in the building to which Crawford said field personnel will still work from their homes and that PRS will remain where it is located.

7. ADJOURNMENT

Chairman Wilber asked for a motion to adjourn. A motion was made by Welch and seconded by Hayes. PASSED UNANIMOUSLY Meeting adjourned at 9:47 a.m.

Ken Wilber, Chairman

Charles DeMore, Secretary