

**TML RISK MANAGEMENT POOL  
BOARD OF DIRECTORS  
MINUTES OF REGULAR MEETING  
DATE OF MEETING: JUNE 9, 2018  
KNOXVILLE, TENNESSEE**

The Board of Directors of the TML Risk Management Pool (“The Pool”) met at 8:30 a.m. on June 9, 2018 in Room 200A of the Knoxville Convention Center in Knoxville, Tennessee in its regular meeting.

Board Members present included: Chairman Ken Wilber, Randy Brundige, Curtis Hayes, John Holden, Bo Perkinson, Tom Rowland, and Kay Senter.

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 Rowland to approve the minutes of the February 23, 2018 Board meeting; seconded by Senter. **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, 2018. DeMore stated that gross earned premium was \$54,067,466, which is \$799,967 or 1.50% more than last year. Reinsurance premiums ceded of \$7,391,070 was \$476,373 or 6.05% less than last year. Net earned premium was \$46,676,396, which is \$1,276,339 or 2.81% more than the prior year. Investment income totaled \$7,608,889, which was \$1,102,519 or 16.95% more than last year. Budgeted investment income is \$1,788,889 or 30.74% more than last year. Total revenues of \$54,446,003 were \$2,355,415 or 4.52% more than last year’s revenues.

In the expense category, DeMore stated that total loss and loss adjustment expenses incurred of \$40,385,456 were \$477,524 or 1.17% less than last year. Policy acquisition costs of \$4,587,120 were \$1,022,135 or 18.22% less than last year. Total General and Administrative Expenses of \$5,982,275 were 7.05% or \$394,187 more than last year. However, compared to this year’s budget, general and administrative expenses are \$796,859 or 11.75% less than projected. Total expenses were \$50,954,851 which is 2.12% or \$1,105,472 less than last year.

The Pool’s operating income at March 31, 2018 was \$3,491,152. Operating income combined with the change in unrealized investment losses of \$4,890,421 resulted in a decrease of \$1,399,269 in net position for the nine months ended March 31, 2018.

DeMore reviewed the Statement of Net Position as of March 31, 2018, which presented cash and cash equivalents of \$10,303,395 and investments of \$262,130,037. Premiums receivable were \$4,031,383. Accrued interest was \$2,553,219 and prepaid reinsurance was \$2,753,891. The majority of reinsurance recoverable on paid losses of \$2,911,168 represents mostly property reinsurance claims. Net fixed

assets were \$1,185,769, and total assets were \$286,288,867, which is 4.4 % more than last year.

Deferred outflows of resources of \$1,063,911 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 \$287,352,778 at March 31, 2018.

Liabilities included net reserves for losses of \$154,914,436, which is a 0.10% increase over the prior year. Unearned premiums were \$26,649,585; accounts payable and accrued expenses were \$1,649,822; and dividends payable were \$5,419,613. Total current liabilities were \$188,633,455.

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 \$189,972,304. When beginning net position of \$98,779,743 is combined with this period's decrease in net position of \$1,399,269 net position at March 31, 2018 was \$97,380,474.

Motion was made by Brundige to accept the financial reports as presented; seconded by Rowland. PASSED UNANIMOUSLY.

B. DeMore reviewed the internally-managed fixed income portfolio as of May 31, 2018 as classified by type and maturity. The Pool's portfolio consisted of 60 municipal bonds, 31 agency bonds and one Treasury bond and had an average coupon rate of 3.389% and an average yield of 3.299%. He stated that the average coupon rate for municipal bonds alone was 3.641%. DeMore noted that the portfolio had an average maturity life of 15.7 years and an average call life of 9.1 years. The portfolio book value was \$265,978,587 and had a market value of \$254,977,715, representing a net unrealized loss on investments totaling \$11,000,872 at May 31, 2018 which had changed to approximately \$13.4 million yesterday. Funds invested in LGIP totaled \$8,258,220 with a coupon rate of 1.72%.

DeMore noted that despite ongoing market fluctuations, the Pool had realized gains on the disposal of certain investments totaling \$1.3 million as of May 31, 2018, compared to \$38,000 at the same time last year.

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

### **3. CONSIDERATION OF FISCAL YEAR 2019 GENERAL AND ADMINISTRATIVE BUDGET**

DeMore presented management's recommendation to the Board for General and Administrative Expenses for fiscal year ending June 30, 2019. He stated that the total proposed budget of \$9,520,952 represents an increase of 5.33% or \$482,107 over last year's budget.

Salaries and Benefits represent an increase of 4.28% or \$259,240 and include the full-year cost of a new Property Conservation Consultant in Loss Control that was approved last year as well as a cost of living increase and increases for health insurance and retirement costs of Pool staff.

Travel-Related Expenses represent an increase of 8.22% or \$29,962 and include \$35,000 more for the Pool's Risk and Insurance Symposium, primarily for increases in food costs and speakers' fees. This year the Pool is anticipating attendance to exceed 200. Travel includes the full-year cost of travel for the new position approved last year.

**Member-Related Expenses** represent an overall increase of 18.72% or \$146,496. A major part of this increase is \$83,346 for the Pool's contribution to the University of Tennessee's MTAS Law Enforcement Management Program for the cost of a second law enforcement consultant to be employed by MTAS. The Pool's participation in this program for the past several years has allowed the membership access to a highly respected law enforcement consultant. With the Pool's contribution increasing to \$191,912, the Pool will obtain certain written assurances and stipulations from MTAS about the additional candidate to be hired and the Pool's participation in annual law enforcement strategy meetings. The increase in Member-Related Expenses also includes an additional \$40,000 for the Pool's Safety Grant program to be applied as \$25,000 for Safety Partner grants and \$15,000 for Property Conservation grants. DeMore noted that the Pool will be modifying its overall Safety Grant program to allow unused and lapsed grant awards to be re-awarded on a more timely basis to members on a waiting list. Member-Related Expenses also include an additional \$13,650 to purchase 4,000 more on-line loss control training licenses for member employees to view on-line classes. The Pool has learned that certain law enforcement courses currently offered on-line have been approved for acceptance in law enforcement certification so we expect more law enforcement personnel to use these on-line services.

**Administrative Expenses** represent an increase of 1.47% or \$16,950, consisting primarily of an additional \$10,000 in Office and Equipment Supplies to replace the Pool's two leased copy machines and \$5,000 for extra printing costs. Postage includes an increase of \$4,000 for additional mail-outs to members.

**Professional Expenses** include Auditing, Accounting and Actuarial Services as well as Consultants and Professional Services and represent an overall increase of 4.34% or \$29,459 which includes \$50,000 for a capital adequacy review the Board has authorized to be performed by independent actuaries every five years.

DeMore informed Board members that, like last year, the proposed budget includes funding to pay certain costs of operating the health insurance consortium, TN HealthWorks, such as \$75,000 estimated for directors and officers insurance and \$25,000 for estimated audit fees. TN HealthWorks will not be generating any income of its own, but the Pool will eventually receive a sponsorship fee from the consortium to provide for and to offset these types of expenses. Crawford commented that, again like last year, she will be spending a significant amount of time visiting Pool members together with Arthur J. Gallagher Benefits in marketing and promoting TN HealthWorks' self-insured insurance program to ensure the Pool's reputation and interests are honored as TN HealthWorks' sponsor.

DeMore told Board members that this proposed General and Administrative budget does not include the cost of the new office building construction or furnishings because such costs will be presented as a separate capital budget after the construction documents are approved by the City of Franklin and construction contracts have been finalized.

A motion was made by Rowland to approve the General and Administrative Expenses budget for FY 2018-2019 as presented. The motion was seconded by Brundige. **PASSED UNANIMOUSLY.**

#### **4. APPOINTMENT OF BOARD MEMBERS**

Chairman Wilbur suggested Sam Tharpe, Commissioner of the City of Paris in West Tennessee as director to replace Garry Welch, City Manager of Savannah who retired earlier in the year and Todd Smith, City Administrator of the Town of Greeneville, to replace Kay Senter from East Tennessee who has completed her final term on the Pool' Board.

Rowland made a motion to accept these two appointments as presented; seconded by Hayes. **PASSED UNANIMOUSLY.**

#### **5. DATE OF NEXT MEETING**

Some Board members had a conflict with the suggested date of the next Board meeting on Friday, September 7, 2018 at 10:00 a.m. at the Pool's office in Brentwood, Tennessee. For this reason, Crawford will poll Board members soon to determine another mutually-acceptable date to meet and will communicate the date to Board members.

#### **6. OTHER BUSINESS**

A. Crawford provided an update about the new office building. She said the Pool closed on the land purchase in April and thanked the Board for their support in authorizing this purchase. Architects will be completing the drawings of the building's shell structure and submitting the plans to the City of Franklin and to the general contractor in order to develop a cost estimate of the building shell. If all the required approvals are completed as anticipated, Crawford hopes to have a ground-breaking ceremony in July or August and told Board members they are invited to attend.

B. Crawford recognized and thanked Kay Senter for her 10 years of service to and support of the Pool and its membership and presented Senter with a plaque of appreciation.

#### **7. ADJOURNMENT**

Chairman Wilbur asked if there was any more business to conduct. Since there was none, he announced adjournment of the Board's regular meeting at 9:16 a.m. and called the Board into Executive Session thereafter.

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**Kenneth Wilber, Chairman**

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**Charles DeMore, Secretary**