

**TML RISK MANAGEMENT POOL
BOARD OF DIRECTORS MEETING
DATE OF MEETING: JUNE 6, 2015
NASHVILLE, TENNESSEE**

The Board of Directors of the TML Risk Management Pool (“The Pool”) met at 8:30 a.m. on June 6, 2015 in the Ryman One, Level 3 Room of the Renaissance Hotel in Nashville, Tennessee in conjunction with the Tennessee Municipal League annual conference location.

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

TML Pool staff present were: Dawn R. Crawford, President/CEO and Charles DeMore, Executive Vice President & Chief Financial Officer.

Also present were Russ Farrar, General Counsel; Margaret Mahery, Executive Director, TML; Charles “Bones” Seivers, President, TML Bond Fund; and, Steve Gingrich, Vice President, Benecon, Inc.

1. APPROVAL OF MINUTES

Motion was made by Rowland to approve the minutes of the February 13, 2015 Board meeting; seconded by Hayes. **PASSED UNANIMOUSLY**

2. PRESENTATION OF HEALTH INSURANCE CONSORTIUM

Crawford introduced Steven Gingrich with Benecon, Inc. who presented an in-depth overview to Board members about self-insured health insurance consortiums that his company has helped to create for other state risk pools and which have been operating for about 20 years. After much ensuing discussion, all Board members requested Benecon, Inc. to provide quotations of their representative cities in order to compare health insurance coverage options and potential cost savings. Gingrich agreed to work with Crawford in gathering necessary information from Board members’ cities in order to perform the requested quotations.

3. APPOINTMENT/RE-APPOINTMENT OF BOARD MEMBERS

Chairman Tharpe stated that since Holt is concluding her term as a Board member, the Board needs to fill this upcoming vacancy effective July 1st. He stated that Garry Welch, City Manager of Savannah, TN had been suggested. Green made a motion to nominate Garry Welch to the Pool’s Board of directors; seconded by Peterson. **PASSED UNANIMOUSLY**

Chairman Tharpe also stated that Board member Kay Senter needs to be considered for re-appointment for the first year of her third term. Rowland made a motion to re-appoint Senter to the Pool’s Board of directors as presented; seconded by Davis. **PASSED UNANIMOUSLY**

Chairman Tharpe informed Board members that in the event Pool Board member Hayes is elected as President of the Tennessee Municipal League (TML) for fiscal year 2015-2016, the Pool’s Board of

Directors needs to indicate a Pool Board member whose term will coincide with the new TML President's ex-officio term of office on the Pool's Board. He stated that Pool Board member Davis had been suggested. Green made a motion to designate Davis to fill the Pool Board position to coincide with Hayes' one-year term as TML President and ex-officio member of the Pool's Board of Directors; seconded by Holt. **PASSED UNANIMOUSLY**

At 9:57 a.m., the Board of Directors temporarily adjourned to Executive Session to discuss Pool proprietary matters with the Pool's General Counsel, during which guests left the room. At 10:03 a.m. the Board adjourned from Executive Session and resumed its regular meeting to continue with the scheduled points of business as follows.

4. FINANCIAL REPORTS

A. Charles DeMore presented the financial statements for the nine months ended March 31, 2015. In reviewing the Statement of Revenues and Expenses and Changes in Net Position, DeMore stated that gross earned premium of \$50,879,712 was 6.20% or \$2,971,257 more than this time last year. Reinsurance premiums ceded were \$8,044,381 which was 10.09% or \$737,444 more than last year. . Net earned premium was \$42,835,331, which was 5.50% or \$2,233,813 more than last year. Investment income totaled \$6,596,180, which is 6.90% or \$425,857 more than actual last year. Compared with budget projections, investment income is \$1,139,930 or 20.89% greater than anticipated for this period. Total revenues of \$49,620,561 were \$2,654,606 or 5.65% more than actual revenues for the prior year.

In the expense category, DeMore stated that total losses and loss adjustment expense incurred of \$39,477,012 was 8.10% or \$2,956,502 more than last year. Policy acquisition costs of \$4,682,186 were 0.64% or \$29,698 more than last year. General and administrative expenses of \$4,892,642 were 15.01% or \$864,164 less than the prior year actual. When compared with the budget, however, general and administrative expenses were 9.11% or \$490,329 less than projected for this period. Total expenses were \$49,051,841, which was more than last year's actual expenses by \$2,122,037 or 4.52%. Change in net position before change in fair value of investments totaled \$568,721, which is \$532,570 more than actual for this time last year.

This period's change in fair value (unrealized gains and losses) of investments totaled \$7,664,608 in net unrealized gains. The total change in net position for the nine months ended March 31, 2015 was an increase of \$8,233,328.

In reviewing the Statement of Net Position as of March 31, 2015 DeMore commented that cash and cash equivalents totaled \$25,936,940, and investments totaled \$219,908,484. Premiums receivable at the end of the period were \$3,667,154. Accrued interest was \$2,378,683 and prepaid reinsurance was \$2,710,683. Reinsurance recoverable totaled \$943,991, and net fixed assets totaled \$1,545,199. Total assets were \$257,707,118 at March 31, 2015.

Liabilities included net reserve for losses of \$139,000,258, which was 7.20% or \$9,312,653 more than the prior year amount. The reserve for unearned premiums was \$24,576,034; accounts payable and accrued expenses totaled \$1,740,984; and, dividends payable totaled \$2,868,767 (including \$2.5 million declared for the 2015/2016 policy year). Total liabilities of \$168,186,043 represent a 7.10% increase over the prior year. The beginning fund balance of \$81,287,747 combined with the change in net position of \$8,233,328 resulted in an ending fund balance of \$89,521,075 at March 31, 2015.

A motion was made by Hayes to accept the Financial Report as presented; seconded by Rowland.

PASSED UNANIMOUSLY

B. DeMore reviewed the internally-managed investment portfolio as of April 30, 2015 as classified by type and maturity of securities. Cash equivalents at that time represented funds invested with the Tennessee Local Government Investment Pool totaling \$20,619,659 with an average return of 0.09%.

The Pool's portfolio included 58 fixed income securities consisting of government and agency bonds, more specifically 51 municipal bonds and the remainder agency bonds. On April 30, 2015, the portfolio had a book value of \$220,717,494 and a market value of \$219,297,724. DeMore noted that while the overall portfolio has an average coupon of 3.888%, the municipal securities alone have an average coupon rate of 4.35% and the lower coupon rates of the agency securities reduce the overall portfolio average. DeMore also noted that unrealized investment losses of \$1.4 million as of April 30, 2015 had reversed from a gain position of \$1.4 million at the end of March 2015.

A motion was made by Wilber to accept the Investment Report as presented; seconded by Hayes. PASSED UNANIMOUSLY

5. FY 2015-2016 PROPOSED BUDGET OF GENERAL AND ADMINISTRATIVE EXPENSES

DeMore presented the proposed budget of general and administrative expenses for fiscal year 2015/2016 to the Board. The overall budget of \$7,889,805 represents a proposed increase of 9.93% or \$712,509 over the current year budget.

He reviewed in detail the major budget categories, beginning with the Salaries and Benefits Expense which represents the majority of the proposed increase. The Salary Expense increase of \$741,945 or 15.16% results from newly-created positions for an assistant controller and an underwriting clerk in addition to filling an existing member services representative position effective July 1st.

He also noted that the Pool intends to dissolve its current fleet of 12 vehicles effective July 1st and to gift the used vehicles to interested employees, subject to them paying the required income taxes. Since most of the affected employees' positions require regular travel, the Pool will pay them a monthly fixed automobile allowance in lieu of providing company-owned vehicles. Such automobile allowance is also included in the Salaries budget category but is offset by related automobile fuel, maintenance, insurance and depreciation cost savings presented in other budget categories.

Total Travel-Related Expenses are decreased 7.14% or \$24,775, resulting from \$70,800 decrease due to savings in automobile expenses by disposing of the Pool's fleet of vehicles; an increase of \$34,375 for member services representatives travel costs to members' locations; and, an increase of \$14,650 in conferences, conventions and seminars for more educational events for members.

Member-Related Expenses are increased 9.35% or \$33,000. DeMore noted that the expenses include \$9,500 for continued online web-based member training and a \$25,000 increase to implement a loss control safety program for property, similar to the existing safety grant program.

Administrative Expenses reflect an overall decrease of 6.42% or \$59,160 due primarily to reductions in depreciation expense (\$86,000) and automobile insurance (\$13,000) for dissolved Pool fleet of vehicles and increases in data systems for expanded technology projects (\$20,000) and bank processing fees (\$10,000).

Professional Expenses are increased by 3.25% or \$21,500 due to increased legal and legal defense costs

and public relations firm fees.

After several questions and discussion by Board members, Chairman Tharpe asked if there were any other questions. Chairman Tharpe then called for a motion to approve the general and administrative budget for fiscal year 2015/2016. A motion was made by Rowland and seconded by Holt. PASSED UNANIMOUSLY

6. DATE OF NEXT MEETING

The date of the next meeting will be Friday, September 11, 2015 at 10:00 a.m. at the Pool's office in Brentwood, Tennessee.

7. OTHER BUSINESS

Crawford recognized and thanked retiring Board member Regina Holt for her years of service on the Pool's Board of Directors and presented her with a commemorative plaque.

Chairman Tharpe asked for a motion to adjourn. A motion was made by Green and seconded by Peterson. PASSED UNANIMOUSLY

Meeting adjourned at 10:24 a.m.

Samuel Tharpe, Chairman

Charles DeMore, Secretary