

**MINUTES OF THE VLCT PROPERTY AND CASUALTY INTERMUNICIPAL FUND,  
INC. BOARD OF DIRECTORS MEETING  
FRIDAY, FEBRUARY 19, 2016  
VLCT OFFICES, MONTPELIER, VERMONT**

Directors Present: Pat Scheidel, Walker James, Joshua Powers, Mel Adams, Pete Johnson, John Lawe, Brendan Whittaker, Neal Fox, Aaron Frank, Stu Hurd, Carl Rogers and Jackie Higgins

Staff Present: Ken Canning, David Sichel, Jeremiah Breer and Maura Carroll

Others Present: Zach Murtha (Milliman)

The meeting was called to order at 10:00 a.m.

**Upon motion (Powers/James) duly adopted, the Board voted unanimously to approve the agenda as presented.**

**Upon motion (Powers/Frank) duly adopted, the Board voted to approve the minutes from the December 4, 2015 meeting as presented. (Hurd abstained)**

Ken Canning provided an organizational update.

- Staffing updates;
  - Mike Ortega, Claim Representative, has left VLCT employment
  - Nathan Melendy has been hired as a Claim Representative
  - Jill George been promoted Risk Management Services Business Analyst
  - As a result of Jill George's promotion there is a vacancy in the VLCT Information Technology Department.
- One board member will be attending the NLC Trustees Conference in May. Ken Canning and David Sichel will be doing a presentation on the workers' compensation system at the conference. Also Jim Baker from the International Association of Police Chiefs (IACP) will be giving a presentation on 21<sup>st</sup> Century Policing. Mr. Baker had worked for many years in the Vermont law enforcement community at the state and local level including service as police chief for the City of Rutland. The conference might also include a presentation on the City of Rutland's Project Vision that addresses drug addiction and abuse related challenges.
- There will be a conference about 21<sup>st</sup> Century Policing in Vermont on June 10. The target audience includes municipal officials such as selectboard members and town managers.
- Ken Canning updated the board on loss control activities including the new Fit Responder program for ambulance and rescue squad injury prevention. This is a train the trainers program. Injury Health Management Solutions has been hired to perform job function analyses for development of best practice job descriptions. Joe Damiata and Heidi Joyce have been visiting members to encourage their participation in the WorkStrong program.
- The 2015 financial audit is under way.

David Sichel requested that members fill out the annual conflict of interest disclosure forms.

Jeremiah Breer, Deputy CFO presented unaudited financial results for the 2015 year. Net Position has dropped from \$26.8 million to \$17.7 million, largely as a result of the reserve strengthening that took place with the move to a new actuary.

Ken Canning provided a year end progress update for the board:

- There was 100% member retention for the 2016 renewal. PACIF has had 100% member retention for five consecutive years.
- PACIF now has 337 members including two new members; the Town of Putney and the Irasburg Fire District #1
- All 2016 coverage documents have been sent to members.
- PACIF continues to market to non-members.
- Mr. Canning reviewed an article about workers' compensation medical care. The model discussed is similar to our BDOHI program.

John Lawe presented the report of the Joint Investment Committee. The committee reviewed 2015 investment results with financial advisor Strategic Assets Alliance and our fixed income manager Standish.

The committee also discussed staff's report on the Bank Custodial Services RFP. Jeremiah Breer reviewed the RFP process and the recommendation to hire US Bank to provide bank custodial services.

**Upon motion (Lawe/Adams) duly adopted, the Board voted unanimously to hire US Bank to provide bank custodial services subject to reaching a satisfactory contract agreement and to authorize the Director of Risk Management Services to sign the contract.**

The Joint Finance Committee also discussed how the upcoming reduction in Net Assets would impact the amount of risk assets allowed under the Investment Policy. The current policy allows risk assets in an amount up to 50% of Net Assets. Risk Assets include PACIF's ownership equity in NLC Mutual Insurance Company. With NLC MIC included risk assets will total 62% of Net Position. If NLC MIC is not included, then risk assets would be less than the 50% of Net Position threshold. PACIF will still be compliant with state regulations so the issue is one of the board adopted Investment Policy. There was a consensus of the Board to have staff report back with recommendations to address this issue at a future meeting.

Jeremiah Breer introduced Zack Murtha from Milliman who presented the actuarial "Analysis of Loss and Loss Adjustment Expense Reserves as of December 31, 2015". The results were consistent with the June 30, 2015 study conducted by Milliman. The results of this study will be a significant strengthening of reserves compared to the 2014 actuarial study completed by the previous actuary.

**Upon motion (Rogers/Hurd) duly adopted, the Board voted unanimously to accept the Analysis of Loss and Loss Adjustment Expense Reserves as of December 31, 2015.**

The Board discussed options for setting the safety margin for losses.

**Upon motion (Hurd/Frank) duly adopted, the Board voted unanimously to set the safety margin at the 95% confidence level.**

Ken Canning presented the property loss exposure analysis that was prepared by PACIF's broker JLT Towers. This analysis models catastrophic losses from hurricane, convective storm, winter storm and earthquake. The results of this analysis indicate that our property reinsurance limits are adequate for the risks.

David Sichel provided a legislative report. He reviewed potential legislation relating to independent contractors and workers' and unemployment compensation insurance. He also reviewed a proposed study on Opioids and workers' compensation.

Under other business Brendan Whittaker asked for a report on the Best Docs program at a future meeting.

**Upon motion (Powers/Fox) duly adopted, the Board adjourned at 12:12 pm.**

Respectfully submitted,

David Sichel  
Assistant Secretary