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PACIF Board of Directors Meeting Minutes 2020 10-09

**VLCT Property and Casualty Intermunicipal Fund (PACIF), Inc.
Board of Directors Meeting|
Friday, October 9, 2020
Virtual Meeting Via GoToMeeting**

Minutes

Directors Present: Carl Rogers, Joshua Powers, Dave Atherton, Aaron Frank, Stuart Hurd, Jared Cadwell, Patrick Moreland, Bruce Urie, Erik Wells and Rob Gaiotti

Staff Present: Joe Damiata, Fred Satink, Jeremiah Breer, Jill George, Pam Blouin and Kelley Avery

President Rogers called the meeting to order at 10:02 a.m.

Upon motion (Hurd/Powers) duly adopted, the board voted unanimously to approve the agenda as presented.

Upon motion (Moreland/Powers) duly adopted, the board voted unanimously to approve the minutes of the September 25, 2020 meeting.

Joe Damiata provided an organizational update including upcoming staffing changes at VLCT and an overview of last week's Virtual Town Fair. Despite the challenges holding in a remote format, overall Town Fair was well attended and feedback was positive. Initially there was concern that the PACIF Annual Meeting may not have had a quorum, but after consulting with the Trust's legal counsel, a quorum was confirmed based on attendance. An independent claims audit was recently completed, and the board will see the results and recommendations of this audit in the November meeting packet. Fred Satink recently renegotiated a 25% discount on KnowBe4 cyber security training through the end of the year. PACIF renewal applications went out in September and two members have notified staff of their intent to go out to bid. Staff is providing 2021 quotes for three former members.

Jill George briefly reviewed the second quarter PACIF claims report. Overall claims frequency and severity were down significantly on all lines of coverage due to pandemic related restrictions and decreased member activity. Although there were 23 COVID-19 related exposure claims, only one resulted in any associated costs. There were no exceptional losses in property/liability or general liability, and the most common worker's comp related claims were due to heavy lifting.

Upon motion (Hurd/Atherton) duly adopted, the board voted unanimously to accept the second quarter claims report.

Mr. Damiata discussed the recent passage of S.119 in the legislature regarding use of force in policing. There was very little consideration for comments or expertise from the public safety community, and VLCT staff had concerns with how quickly it made its way through the legislature. VLCT Advocacy sent a letter to the governor with our concerns, but the bill recently went into law without the Governor's signature. We are hopeful that more work can be done on this issue in the next legislative session.

Jeremiah Breer reported on the Joint Investment Committee meeting held September 4th. Dan Smereck of Strategic Asset Alliance (SAA) and Jason Bilodeau and Amanda Abdella of Mellon were in attendance. Overall investment returns for the first half of the year were 4.64% net of fees. The portfolio performed well through the second quarter considering market conditions. Dan Smereck recommended no changes to the current asset allocation strategy. However, changes were recommended to the Investment Policy which included revising the fixed income benchmark from 100% Barclay's Gov't/Credit to 80% Barclay's Govt/Credit and 20% MBS. The average duration of the new custom benchmark aligns more closely with the average duration of PACIF's liabilities, and the asset allocation of the benchmark better reflects the Fund's investment strategy. Also, a table was added that establishes investment allocation ranges to provide flexibility, and Mellon's name was updated in the policy. The committee also discussed the investment manager RFP process in which only one other organization aside from SAA submitted a bid. The other firm quoted a fee almost \$13,000 per year higher than SAA, so staff recommended terminating the RFP process and continuing with SAA. Staff requests the board approve the recommended changes to the investment policy.

Upon motion (Urie/Hurd), duly adopted, the board voted unanimously to approve the Joint Investment Committee report and approve and adopt the revised PACIF Board Investment Policy as presented.

Milliman presented the Mid-Year 2020 Actuarial Reserve and Funding Analysis to the board at its September 25 meeting. Due to continued favorable loss development, Milliman's reserve figure dropped significantly, and they recommended an overall gross-net rate decrease of 9.4%, at the 60% safety margin which is the same safety margin as last year. After staff completed rate smoothing, the proposed rates represent an overall gross-net reduction of 9.0% for 2021, which includes a 10.9% reduction in workers' compensation and a 7.1% reduction in property/casualty. The fund is in a strong financial position to allow for this reduction and for the Trust to assume some additional risk. Staff is requesting the board accept the report of the actuary.

Upon motion (Hurd/Moreland), duly adopted, the board voted unanimously to accept the Actuary's June 30, 2020 Loss Reserve and Funding Reports and Contribution Credit Analysis.

Fred Satink briefly reviewed the individual category rate changes for 2021. The only worker's compensation rate increase was for the Library category, which is due losses from this group. Noteworthy rate decreases include those for the Highway, Solid Waste and Firefighter categories. Most noteworthy property/casualty rate decreases include those for auto liability, Employment Practice Liability and sewer backup liability. The few minor rate increases for property and liability include those for auto physical damage, and liability for firefighters, rescue and dam downstream liability. Both Mr. Satink and Mr. Damiata outlined their desire to get rates to a sustainable level where decreases or increases are small, with the overall goal of overall rate stability.

Upon motion (Frank/Powers), duly adopted, the board voted unanimously to approve the rates for 2021

as proposed.

Based on the review of reinsurance changes at the September 25 meeting and the board's approval for staff to bind coverage, Mr. Satink proceeded and bound coverage with Guy Carpenter as authorized. The only outstanding coverage is the excess property, as they are wanting updated loss data as of the end of October, before binding coverage. No further action from the board is required regarding the reinsurance.

Pam Blouin reviewed the proposed coverage changes for 2021 at the September 25 meeting. Mr. Satink thanked Ms. Blouin for her work over the years presenting and summarizing coverage changes for the Board. Since the last board meeting, the only changes to the draft coverage documents previously presented came from John Riley, coverage counsel. He recommended several changes to the Cyber Liability and Breach Response Coverage document. After these were made, they were reviewed and approved by Beazley, our reinsurer. The updated document was emailed to the Board on October 8th. Staff seeks approval of all the coverage documents for 2021 as presented.

Upon motion (Hurd/Powers), duly adopted, the board voted unanimously to approve the proposed changes to all the Coverage Documents for 2021.

Fred Satink reviewed the minor changes to the VLCT PACIF Board Underwriting Policy to allow the use of the Preferred Tier when quoting prospective members who have exceptional loss history. Language was also added to establish that using the Standard Tier is the normal practice for new business. Additional changes included adding both law enforcement and human resources risk assessments to Loss Control credit/debit metrics. Staff is asking for board approval of these policy changes.

Upon motion (Hurd/Powers), duly adopted, the board voted unanimously to approve the proposed changes to the Underwriting Policy.

Joe Damiata briefly reviewed the staff's contribution credit recommendation for 2021. Staff is once again recommending giving back \$1.5 million to PACIF members in the coming year. Staff is also requesting an additional \$200,000 be allocated from net position for the PACIF grant program.

Upon motion (Urie/Powers), duly adopted, the board voted unanimously to approve a distribution of \$1.5 million to members in 2021 in the form of contribution credits and to allocate an additional \$200,000 to fund the PACIF Grant Program.

In other business, Joe Damiata noted the next meeting will be on November 13 when the auditors will present to the board and the board will also undergo training. Patrick Moreland welcomed new board member Rob Gaoitti. Board members also thanked staff for their hard work on the welcome rate reduction to members for 2021.

The meeting was adjourned at 11:01 a.m.

Respectfully submitted,
Fred Satink
Assistant Secretary

Board or Committee:
PACIF Board of Directors

Board Meeting Date:

Friday, October 09, 2020

Resource Category:

- Minutes
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