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PACIF Board of Directors Meeting Minutes 2021 03-26

**VLCT Property and Casualty Intermunicipal Fund (PACIF), Inc.
Board of Directors Meeting
Friday, March 26, 2021
Virtual Meeting Via GoToMeeting**

Minutes

Directors Present: Carl Rogers, Jackie Higgins, Neal Fox, Aaron Frank, Stuart Hurd, Jared Cadwell, Jerry Storey, Bruce Urie, Patrick Moreland, Erik Wells, Bryan Young and Rob Gaiotti

Staff Present: Joe Damiata, Maura Carroll, Fred Satink, Jeremiah Breer, Kelly Kindestin, Peggy Gates, Trevor Whipple and Kelley Avery

Others Present: Carolyn Rice and Jillian Mulcahy (Johnson Lambert)

President Rogers called the meeting to order at 10:01 a.m.

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

Upon motion (Fox/Higgins) duly adopted, the board voted unanimously to approve the minutes of the February 12, 2021 meeting.

President Rogers announced his decision to appoint new board member Bryan Young to the Joint Investment Committee. There was no objection from the board.

Carolyn Rice and Jillian Mulcahy of Johnson Lambert reviewed the results of the 2020 PACIF Financial Audit. They issued a clean audit, and no material weaknesses were identified. Audited financials show that net position increased by 39.2%, primarily due to favorable loss development in prior year losses and solid investment returns.

Upon motion (Cadwell/Storey), duly adopted, the board voted to accept the 2020 PACIF Financial Audit.

Jeremiah Breer reviewed a corrected table from the 2020 Year-End Actuarial Report. Chief Financial Officer, Michael Gilbar, recently discovered the error and staff asked Milliman to revise the table. Staff

also asked Milliman to complete other quality checks on the document and were provided assurances that it was accurate. Mr. Breer noted the error did not impact the financials, the budget, or the actuarial results. Staff is asking for the board's approval on the corrected report so that the revised report can be filed with the Department of Financial Regulation.

Upon motion (Fox/Hurd) duly adopted, the board voted unanimously to accept the revised Actuarial Analysis of Loss and Loss Adjustment Expense Reserves as of 12/31/20 with the revision as presented.

Mr. Breer also reported on the recent meeting of the Joint Investment Committee (JIC) held on March 12, 2020, where Dan Smereck from Strategic Asset Alliance (SAA) and Jason Bilodeau and Amanda Abdella from Insight (formerly Mellon) presented. PACIF's consolidated investment portfolio slightly outperformed the benchmark for 2020 with a 9.06% return, net of fees. Their economic outlook for 2021 was also very positive given the passing of the recent federal stimulus, vaccination rollouts and the gradual nationwide re-opening of the economy. Dan Smereck conducted a training on Environmental, Social and Governance (ESG) investing and also discussed the possibility of adding a leveraged floating rate fund to the portfolio, which the committee will discuss in greater detail at the September meeting. In addition, Mr. Breer reviewed excess cash investment options for each Trust for 2021.

President Rogers invited one of the PACIF board members serving on the JIC to consider acting as a reporting representative to the board for these meetings to take notes and report back in place of staff. Former director John Lawe used to serve in this capacity prior to his retirement.

Joe Damiata provided a brief organizational update to the board including the following:

- A new Senior Underwriter, Kelly Knotek, has been hired and started on March 22nd.
- Staff is moving forward with having Willis Towers Watson serve as an actuarial consultant to review the reasonableness of Milliman's actuarial assumptions with regard to reserves.
- Staff is moving forward with Travelers BoilerRe on a sensor technology pilot project to include up to twelve PACIF members.
- Loss Control visits are still being conducted remotely.
- Underwriting has started conducting workers' compensation audits remotely and currently have nearly 25% completed.
- Staff is conducting negotiations with Redhand Advisors for IT consulting services and expects to have a contract in place by the end of May.
- Staff has begun conducting monthly Virtual Trust Matter trainings with members, which have been well attended.

Maura Carroll provided a brief overview on activity regarding the American Rescue Plan Act. This federal legislation will award \$76 million to Vermont cities and towns. In addition, \$650,000 has been awarded to VLCT by the Senate Appropriations Committee to assist VLCT members in properly utilizing these funds. As a result, VLCT will likely hire individuals for two or more years to serve in this capacity. Ms. Carroll also reported on the activities of the newly formed Equity Committee. The committee is comprised of several local officials, and they are scheduled to meet again in April. Ms. Carroll also noted VLCT has received application from several, well qualified individuals in response to the ad for the CFO position currently held by Mike Gilbar as his planned retirement date is in July. Interviews will begin next month.

Directors Cadwell and Storey expressed their appreciation for Ms. Carroll's service to VLCT and wished her well on her retirement.

Mr. Breer reviewed the reasons for various budget variances reflected in the 2020 audited financials. Some noteworthy mentions were reductions in travel, training, and meetings due to COVID-19. He also noted that inhouse counsel generated revenue, since counsel is billing back for services rendered which exceeded costs for his salary and benefits. Overall variances resulted in expenses that were \$206,000 below budgeted costs, for a 3.5% savings.

Claims managers Kelly Kindestin and Peggy Gates updated the board on select claims and COVID-19 claim activity.

Mr. Damiata noted staff recently conducted a re-assessment of the 2021 VLCT budget and found funding was adequate to account for a 2% salary increase for staff effective in April. This was approved by the VLCT Board and resulted in a budget adjustment now reflected in a revised VLCT Administrative Support Services Agreement Addendum with PACIF. Staff is asking for the board to approve the revised addendum at this time, and the revised budget will be brought before the board at its May meeting for approval.

Upon motion (Storey/Higgins), duly adopted, the board voted unanimously to approve the Revised 2021 VLCT Support Services Agreement Addendum.

Mr. Damiata and Trevor Whipple briefly reviewed current legislation which could potentially impact PACIF. In addition to bills reviewed at the February meeting, new legislation includes:

- S.42 – This bill proposes to form an Emergency Services Provider Wellness Commission. It passed in the Senate and is now up for discussion in the House. If passed, VLCT would have a seat on this newly formed commission, which would benefit PACIF and the membership.
- H.145 – This bill is regarding standards for police use of force. It has already passed in the House and is now being discussed in the Senate. The bill includes language which now allows the use of prohibited restraint in a lethal force situation and has improved from its original language.
- H.298 – This bill proposes administrative penalties for excessive use of force and would not allow officers to be paid when placed on administrative leave while under investigation for these circumstances. There has been no movement on this bill to date.
- H.319 – This bill proposes immunity from liability for licensed individuals providing emergency services. Staff is in support of this bill.
- H.356 - This bill proposes to change workers' compensation benefit calculations for temporary partial and temporary total disability and adds new work search requirements language. If passed, the bill could result in increased workers' compensation coverage costs and increased staff time due to the increased complexity of benefit calculations. Staff will likely oppose this bill if it is taken up in the committee.
- H.R. 1280 – This federal bill, known as the George Floyd Justice in Policing Act, recently passed in the House and is now being discussed in the US Senate. The bill proposes to abolish qualified immunity as a defense for law enforcement. If passed, this law would likely cause increased litigation and a host of other concerns.

In other business, President Rogers thanked Maura Carroll for her years of service to VLCT and her support of PACIF. The board echoed these sentiments.

Upon motion (Moreland/Cadwell), duly adopted, the board voted unanimously to adjourn the meeting (11:46 a.m.).

Respectfully submitted,
Fred Satink,
Assistant Secretary

Board or Committee:

PACIF Board of Directors

Board/Committee Meeting Date:

Friday, March 26, 2021

Resource Category:

- Minutes
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