

**MINUTES OF THE VLCT PROPERTY AND CASUALTY INTERMUNICIPAL FUND,
INC. BOARD OF DIRECTORS MEETING
(held concurrently with the VLCT Employment Resource & Benefits Trust Board)
VLCT OFFICE – MONTPELIER, VERMONT and VIA ZOOM
FRIDAY JUNE 7, 2024**

Directors Present: Jackie Higgins, Aaron Frank, Dave Atherton, Kathleen Ramsay, Rob Gaiotti, Judy Frazier (remote), Erik Wells, Bryan Young, Charles Safford, Todd Odit (remote) and Kelly Murphy

Staff Present: Joe Damiata, Fred Satink, Ted Brady (remote), Julie McKenzie (remote), Emmanuel Ajanma, Seth Abbene, Kelly Knotek, Kelly Kindestin, Phil Woodward and Kelley Avery

President Higgins called the meeting to order at 9:30 a.m.

Upon motion (Frank/Atherton), duly adopted, the board voted unanimously to approve the meeting agenda.

Upon motion (Young/Atherton), duly adopted, the board voted unanimously to approve the minutes of the April 5, 2024 board meeting.

Joe Damiata provided an organizational update, including the following:

- Mr. Damiata recognized new Assistant General Counsel for PACIF, Julie McKenzie, who introduced herself to the board. Mr. Damiata also recognized new VLCT IT Director Emmanuel Ajanma, who also introduced himself to the board.
- P&C Claims has begun issuing prorated claim payments for member properties that were damaged in high hazard flood zones during the July 2023 flooding.
- Underwriting is continuing its work with the Origami policy system implementation and testing. Staff are also building a statement of work for the Origami claims system which should be finalized and executed by July 1..
- Staff are working to finalize the communication to PACIF members with dams that are in poor or unsatisfactory condition. A memo outlining the planned coverage changes will be sent to affected members.
- PACIF staff met with reps from FEMA in Williston and will be working closely with FEMA to provide them with information on members who have filed for assistance. In conjunction with outside FEMA consultants, VLCT staff will also be hosting a webinar on FEMA’s “obtain and maintain” insurance requirements to educate our members on this FEMA requirement.
- VLCT’s office footprint has been cut in half with the sublease to the Montpelier Post Office. We will remain in this smaller footprint until our lease expires in 2026.
- Mr. Damiata and board members Kathleen Ramsay, Dave Atherton and Kelly Murphy attended the NLC RISC Trustees Conference in Salt Lake City, Utah in May.

In Jill George’s absence, Fred Satink provided a brief summary of the Q1 claims report. Workers’ compensation claim frequency was modest higher than average for the quarter, but were lower than average in cost. Property and casualty claim frequency was average compared to the Q1 average, while average claims costs were slightly higher than average for the first quarter. Mr.

Satink noted some new data provided on the last page of this report showing WC claims frequency and cost distribution by age.

Upon motion (Ramsay/Frank), duly adopted, the board voted unanimously to accept the Q1 Claims Report.

Seth Abbene reviewed the unaudited financials through Q1. Net position increased by 3.3% compared to year-end 2023. Revenues are up slightly due to higher contributions resulting from property value rate increases, and general and administrative expenses are up 14.7% (but below budget) compared to this time last year due to direct and indirect cost increases as well as Origami system costs. Investment performance was positive thus far in 2024 with the combined portfolio yielding 0.77% for the quarter.

Upon motion (Atherton/Frank), duly adopted, the board voted unanimously to accept the Q1 Financial Report.

Fred Satink reviewed Guy Carpenter's annual stewardship report. The broker has provided invaluable service to PACIF through its connections within the industry and its work to get PACIF the best possible premiums and terms with our reinsurers. They also provide a range of services at a reduced or no cost including catastrophe modeling, capital modeling, retention analysis, and reinsurance contract language review. Mr. Satink also outlined the reinsurance marketing plan for the 2025 renewal and noted that the property and cyber markets appear to be stabilizing.

Mr. Satink then reviewed the one-year extension for Guy Carpenter's broker service agreement. The firm is asking for another 4% increase in costs, effective July 1st, which staff believe is more than fair due to the depth and quality of services they provide. Staff continue to be pleased with the firm's overall expertise and valuable service to the Trust.

Upon motion (Atherton/Frank), duly adopted, the board voted unanimously to approve the contract extension for one year from July 1, 2024 to June 30, 2025 and authorized Joe Damiata to sign it.

Joe Damiata reviewed the Milliman contract/engagement letter, which also requires board approval on an annual basis. Milliman is requesting only a 1.7% increase in their service fee, which staff believe is more than fair given the services provided and the quality of their work. Steve DiCenso from Milliman is the current board appointed actuary, and staff believe he has provided superior service and expertise on the various analyses he completes for the Trust.

Upon motion (Atherton/Gaiotti), duly adopted, the board voted unanimously to approve the Milliman contract/engagement letter, appointed Stephen DiCenso as the actuary for PACIF, and authorized the Board President to sign it.

Seth Abbene provided a summary of the staff's local investing recommendations along with proposed edits to the PACIF Trust Investment Policy. Of the eight respondents to the RFP, staff selected proposals from two finalists – the Vermont Community Loan Fund (VCLF) and the Vermont Housing Finance Agency (VHFA). Both proposals will support affordable housing projects in Vermont. VCLF's proposal is for an investment in the VCLF social investment term account. Management recommended a \$250K investment from each organization (VLCT, VERB and PACIF) for a one-year term at 3.5%, and VHFA's proposal is a \$1.5 million investment from

PACIF for an estimated 10-year term at a rate yet to be negotiated in the VHFA Community Housing Accelerator program. The VLCT Board already approved an investment of \$250K in VCLF at its meeting in April. The investment policies for both Trusts will need to be updated in order to allow for these local investment opportunities. Mr. Abbene noted the Trusts are both well situated financially to make these investments.

Ted Brady noted this is an opportunity for VLCT and PACIF to distinguish itself from other insurance companies by investing in Vermont and help address the affordable housing issues our members are facing. However, we are looking to the board for direction in terms of how to proceed. After some extensive discussion, a few board members expressed some concerns about the \$1.5 million proposal from VHFA while other members supported it. The concerns raised were around liquidity, the rate of return, and the length of the investment. There was general agreement and support regarding the VCLF proposal.

Upon motion (Atherton/Young), duly adopted, the board voted unanimously to authorize the CFO to make the \$250,000 investment in the Vermont Community Loan Fund as presented.

The board continued its discussion regarding the VHFA proposal, made some recommendations to staff and agreed to allow staff to continue its negotiations with VHFA, with the understanding that staff will return to the board at the next meeting with a revised proposal that includes improved terms, to the extent those can be negotiated.

Upon motion (Atherton/Young), duly adopted, the board voted unanimously to approve staff moving forward with negotiating with the Vermont Housing Finance Agency on a potential \$1.5 million investment and returning to the board at the next meeting for final approval.

Seth Abbene reviewed the updated Ten-Year Financial Analysis. This analysis provides a high-level overview of the fund's performance using various Insurance Regulatory Information System (IRIS) ratios, over a ten-year period (2014 to 2023), which is helpful for assessing trust financial performance trends over that period. Although there was a great deal of market volatility last year, the overall health of the fund remains strong.

Upon motion (Frank/Atherton), duly adopted, the board voted unanimously to accept the Ten-Year Financial Analysis.

Joe Damiata noted the board neglected to vote on approval of the updates to the PACIF Trust Investment Policy. The required revisions will allow for the new, local investment options through VCLF now and VHFA if/when final board approval is received.

Upon motion (Ramsay/Atherton), duly adopted, the board voted unanimously to approve the revisions to the PACIF Investment Policy as presented.

Kelly Kindestin provided a review of the Property and Casualty 2023 Claims Audit conducted by Northshore/Davies. The results were received last year in July, but a review with the board was delayed due to last year's flooding event. The P & C Claims area received an overall Compliance Score of 96%, which is considered excellent. Only a couple of recommendations were provided and staff have already taken steps toward improvement in these areas.

In the absence of Workers' Compensation (WC) Claims Manager, Peggy Gates, Joe Damiata provided a review of the WC 2023 Claims Audit from Northshore/Davies. The WC Claims area received an overall compliance score of 93%, which is considered excellent. As with any audit, there were a few areas of improvement noted and staff and management have already taken steps to address these issues. The Board thanked the staff for their good work and congratulated them on their excellent audit results for both Claim Divisions.

Joe Damiata and Fred Satink reviewed the Enterprise Risk Management (ERM) chart and the process staff recently completed for the 2024 plan year. Mr. Damiata noted the methodology behind the process, which reviews potential financial risks to PACIF and catalogs and scores each risk according to its severity. Each year an internal team of VLCT staff reviews the list in detail and adds any potential new risks to the catalog and then carries over the highest scoring risks to an inventory where a plan is developed to mitigate each risk.

Mr. Damiata also reviewed updated copies of PACIF's Strategic Plan and the Business Plan and provided the board with an update on the progress to date in each category. Staff updated these plans in May, and copies were sent to members of the Strategic Planning Committee for their review. Julie McKenzie also assisted staff in reviewing these plans to ensure they were more inclusive with respect to Diversity, Equity and Inclusion. Mr. Damiata noted Director Frank's recommendation for redoing the SWOT Analysis, and staff will plan this into the annual board meeting calendar for next year.

Upon motion (Frank/Atherton), duly adopted, the board voted unanimously to approve the updated Strategic and Business Plans.

President Higgins appointed the Nominating Committee. Committee members are normally comprised of members whose terms are not expiring at the end of the year. President Higgins appointed Aaron Frank, Bruce Urie, Erik Wells and Charles Safford to the committee. The committee will meet remotely prior to Town Fair to review and recommend nominees for presentation to the membership at its annual meeting.

Joe Damiata noted there will be no need for the June 21st meeting, given the review of the Strategic Plan and Business Plan at this meeting, so staff requests approval from the board to cancel this meeting. The next meeting will be the annual meeting of the membership that is taking place October 1st as part of VLCT's Town Fair.

Upon motion (Atherton/Ramsay) duly adopted, the board voted unanimously to cancel the June 21st meeting.

President Higgins presented a motion to enter into Executive Session to discuss PACIF and VERB's potential consolidation with PACIF general counsel.

Motion is hereby made (Higgins), pursuant to 1 V.S.A 313(a)(1)(F) to find that premature general public knowledge concerning confidential attorney/client communications made for the purpose of providing professional legal services regarding potential changes to PACIF and VERB's corporate structure, and potential amendment to their respective Articles of Incorporation and Bylaws, would place PACIF and VERB at substantial disadvantage.

Motion was made to enter into a joint Executive Session (seconded, Safford), pursuant to 1 V.S.A 313(a)(1)(F) for the purposes of engaging in attorney/client communications regarding potential changes to VERB and PACIF's corporate structure, and potential amendment to their respective Articles of Incorporation and Bylaws, and that we invite staff in attendance and PACIF general counsel to the session.

The board entered into Executive Session at 11:58 a.m.

Upon motion (Ramsay/Safford), duly adopted, the board voted unanimously to leave Executive Session at 12:21 p.m.

Upon motion (Frank/Atherton), duly adopted, the board voted unanimously to adjourn the meeting (12:22 p.m.).

There was no other business.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Fred Satink".

Fred Satink,
Assistant Secretary