MINUTES OF THE VLCT PROPERTY AND CASUALTY INTERMUNICIPAL FUND, INC. BOARD OF DIRECTORS MEETING
STOWE TOWN OFICE, STOWE, VT and VIA ZOOM
FRIDAY, OCTOBER 2, 2026

Directors present: Aaron Frank, Charles Safford, Bryan Young, Todd Odit (remote), Rob Gaiotti (remote), Jon Potter, Chris Taylor, Bruce Urie, Judy Frazier (remote) and Karen Barber (remote)

PACIF Staff present: Phil Woodward, Fred Satink, Michael Gilbar (remote), Meredith Dolan and Russell Young

VLCT Staff present: Seth Abbene, Phil Latvis, Kelley Avery and Kelly Knotek

Others present: Julia Rosen (Milliman), Ron Smith, Jake Sullivan and David Delano (RHR Smith) and various VLCT staff members (Heather Hood, Pam Blouin, Amanda Moshinke, Jessica Hill, Heather Lawe, Ione Minot, Julie McKenzie, Allison Buckley, Elena Esteban, Susan Senning, Abby Friedman, Lukas Pomerville, Katie Buckley and Garrett Baxter)

President Frank called the meeting to order at 9:05 a.m. and asked for introductions from board members, staff and guests.

President Frank asked for a motion to approve the agenda with amendments to add 7.a.a., PACIF Board Statement, 7.e.e. Approve Coverage and General Counsel Job Description and 7.f. PACIF Board Contingencies.

> **Upon motion (Urie/Odit), duly adopted, the board voted unanimously to approve the agenda as amended.**

President Frank requested a motion to approve the consent agenda.

> **Upon motion (Odit/Safford), duly adopted, the board voted unanimously to approve the consent agenda as presented.**

Russell Young, PACIF Corporate Counsel, Fred Satink, PACIF Executive Secretary, Ron Smith, consultant and Phil Woodward, PACIF Coverage and General Counsel reviewed a report for board which detailed an overview of the VLCT and PACIF relationships, histories, formation of each as independent organizations and the origins of the Administrative Support Service Agreement (ASA) and also summarized recent events leading up to VLCT and PACIF contract negotiations. The ASA addendum for 2026 allocated 76.5% of indirect costs to PACIF without sufficient details to justify these costs. As such, PACIF declined to sign the addendum and instead opted to approve quarterly statements for 2026 and also contracted with advisors and engaged corporate counsel to review costs and determine the fairness of the PACIF cost allocations. In addition, a Working Group composed of VLCT and PACIF board members was formed to meet regularly throughout the year to discuss possible revisions to the ASA, fee transparency and operational oversight. The PACIF Board also hired "non-conflicted staff" to support the PACIF Board during the course of these negotiations, as the VLCT staff reported to the VLCT management and VLCT Board.

An analysis of VLCT cost allocations, budgets, salaries, benefits and line-item expenses by RHR Smith, and PACIF advisors Fred Satink, former VLCT Deputy Director of Risk Management Services, and Michael Gilbar, former VLCT Chief Financial Officer, estimated an apparent margin of $1.2 million over cost which was being allocated to PACIF. This review also showed a nearly 6.38% annual growth rate since 2000 in costs allocated to PACIF, exceeding inflation by 2%, indicating potential excessive cost allocation to PACIF. RHR Smith recommended adopting a more formalized cost allocation plan to support cost transparency and the fee allocations to PACIF. RHR Smith also recommended more PACIF operational oversight of Risk Management Services administration and staff. Phil Woodward, PACIF Coverage and General Counsel, also explained PACIF's legal and fiduciary responsibilities regarding oversight with respect to PACIF's funds, surplus and reserves, member risk management services, claims, losses and administrative expenses or any returns to members with regard to excess surplus.

To date, PACIF's requests through its Working Group negotiations with VLCT for additional operational oversight of Risk Management Services and fee transparency with respect to cost allocations have not been accepted or approved by VLCT. As such, the VLCT and PACIF organizations have begun to explore amicably separating in addition to revising the reporting structure within VLCT. Presenters invited questions from the board.

Director Potter asked Russell Young to advise the board under Vermont law what its fiduciary duties are as board members in relationship to what other states are doing. Mr. Young explained that the board can make reasonable judgment regarding its institutional value fee and service contract determinations. One of the board's fiduciary duties is referred to as "duty of care" meaning the board should take "reasonably prudent" care in its duties regarding organizational relationships, fees, contractual payments and funds for which the board is responsible. In other states, the institutional fee is typically paid through some type of licensing arrangement that specifically spells out the value of the relationship between the two parties. Mr. Russell acknowledged that under the current PACIF and VLCT relationship, many members likely cannot distinguish between the two entities or describe the differences.

Director Potter also asked Fred Satink about the $97,000 mentioned in the report which was estimated as PACIF subsidies to Burlington, South Burlington and Goshen (non-PACIF members) and how that number was derived. Mr. Satink explained he used the total amount of the VLCT dues for the three VLCT non-PACIF members and noted that in overpaying VLCT by potentially $1.2 million PACIF is essentially paying for these dues and VLCT is artificially suppressing these member dues.

Director Barber spoke and noted that she is both a PACIF and VLCT board member and clarified she is asking questions in her capacity as a PACIF Board member and takes her fiduciary responsibility to PACIF seriously. Ms. Barber noted she has many concerns and believes the board should base its decisions on facts and sound analysis and not assumptions. She expressed her concern that the report seems to contain several inaccuracies, omissions and unsupported determinations. Ms. Barber in particular pointed out the VLCT staff time study and asked whether or not that information was used. Ms. Barber went on to note that if the board is publicly asserting that PACIF has been overcharged by or is somehow subsidizing VLCT that these are serious allegations which need to be supported by factual evidence and not assumptions. Ms. Barber questioned what information was actually used to justify the bulk of the assumptions made in the

report and if all factors were taken into account to arrive at these numbers and determinations as she feels the report lacks critical details.

President Frank thanked Director Barber for voicing her questions and concerns and asked Fred Satink and Ron Smith to respond regarding the basis for the information and findings. Mr. Satink responded and confirmed the VLCT staff time study was reviewed in the course of their study and the time study actually supported their allocation assertions. Based on the time study review of individual staff, a weighted value was derived for these staff for PACIF based on salaries and benefits data in addition to overhead costs. This exercise yielded the 60% cost allocation to staff for PACIF shown in the report. Ron Smith responded by noting that many of the questions Ms. Barber raised are the direct result of VLCT not having a cost allocation plan with specific logistics tied to it. Mr. Smith also confirmed the time study was reviewed but that the lack of detail in the report can be attributed to a lack of information from VLCT by not having a cost allocation plan for shared services. Fred Satink and Ron Smith both noted cost allocation detail was requested of VLCT but none was provided.

President Frank followed up by noting that when the PACIF Board looked at the addendum to the ASA last year it came to roughly $7 million out of total VLCT expenditures of $9 million. The PACIF Board has no full-time staff to analyze its budget or costs and finds it untenable that the board does not have its own staff to negotiate these costs. President Frank noted the organizational structure established years ago is no longer adequate and needs to change so the board is in a better position to make informed decisions, which is why this study was conducted. President Frank also noted he confirmed with the auditors from Johnson Lambert that they cannot even audit the relationship due to the current agreement structure since it is simply based on an annual fixed dollar amount on the addendum. Having no information to support these annual fixed dollar amounts creates a real challenge for the PACIF Board, which has led to their current efforts to look for a more transparent, accountable and affordable structure.

Director Barber pointed out the Joint Budget Committee comprised of PACIF, VLCT and VERB board members meets annually and approves the budget which includes the funding that comprises the ASA annual cost allocation for PACIF. President Frank responded by contending that PACIF allocation and funding for its members should no longer be considered in a Joint Committee setting but by negotiations with each individual member organization with dedicated staff to analyze and confirm the costs. The committee was formed years ago because PACIF and VERB wanted more involvement with the VLCT budget, but nothing really changed as a result of the committee's formation.

Director Safford provided some historical perspective regarding the budget committee noting he has served in the past on the VLCT Board and has also served on the VERB and PACIF boards for a number of years. Mr. Safford noted Director Odit originally requested the committee's formation years ago to get a closer look at and be more informed about the VLCT budget process annually and how it impacted the VERB Trust budget. Mr. Safford noted the Executive Director largely reports to the VLCT Board and not the PACIF or VERB Boards, but that all boards should be served equally and given full consideration. Mr. Safford went on to note that all boards should be allowed a full understanding of their finances so they can meet their fiduciary responsibilities and perform due diligence accordingly. Mr. Safford noted it should be telling that a former VLCT Chief Financial Officer and other former VLCT staff have noted something is off with the numbers thus warranting closer scrutiny. Mr. Safford stated he appreciates the probing questions and noted

the board is doing the best they can with the information they have and pointed out these questions simply validate the need for the board to have more detailed financial information moving forward. Mr. Safford expressed his appreciation to the League, the management team, the consultants and all of the boards in what has become a very difficult and challenging process.

Kelley Avery noted a number of VLCT staff had posed questions in the chat. President Frank responded that the board needed to conduct its business, as required before the public, and stated at the end of Other Business they may be able to make some time for non-board interaction. Director Safford also noted the board has limited time and appreciates everyone's interest but there may also be time at future meetings for these interactions. President Frank also noted there is an info@vtpacif.org email address to which staff could send comments or concerns.

Director Barber once again voiced her concerns and noted if the board is considering fundamentally restructuring a relationship with VLCT that has been successful for several years that it should be especially confident in the facts that are being presented to justify such a change. Ms. Barber also noted she believes the board should be extremely careful about inferring that League staff cannot be trusted with information they are providing because she believes VLCT staff have done an exceptional job. President Frank responded regarding the staff conflict noting that the PACIF board greatly appreciates the League staff and its services and is very satisfied with their work. President Frank stated this study and recent efforts are more about the PACIF Board and the VLCT leadership executive reporting relationship. Just as municipal boards have dedicated staff that report to them, the PACIF Board feels it also requires the same structure with dedicated staff reporting to them as well. This is not a judgment on VLCT staff but simply a different perspective on the legal approach to how the structure should work.

President Frank called for the next item on the agenda and Phil Latvis introduced Julia Rosen of Milliman to the board and staff.

Julia Rosen of Milliman joined remotely at 10:21 a.m. and presented the 2026 mid-year Reserve and Funding Analysis. Overall, Milliman has increased the central estimate to $51,750,803, which is an increase of $1,336,928 compared to the year end 2025 analysis. The increase in the central estimate was largely driven by some recent unfavorable claims activity in general liability, auto liability and employment practice liability over the last six months and further projected increases to losses due to overall increased exposures and claims frequency. President Frank thanked Ms. Rosen for her reporting. No action was required from the board on this report.

> **President Frank read a motion** that the board finds that premature general public knowledge of contract negotiations between PACIF and VLCT regarding the Administrative Services Agreement would clearly place PACIF at a substantial disadvantage, and further moved that the PACIF board go into executive session to discuss contractual negotiations between VLCT and PACIF, and additionally moved that the board go into executive session to discuss employment or appointment of PACIF officers, employees and attorneys, and also moved that the board finds the that premature general public knowledge of potential reinsurance contracts and related contractual negotiations would clearly place PACIF at a substantial disadvantage, and further moved that the board go into executive session to discuss the potential coverage document, contract provisions, potential reinsurance contracts, and related contract negotiations and information related to trade secret records, and additionally moved for Fred Satink, Phil

Latvis, Phil Woodward, Michael Gilbar, Seth Abbene, Kelly Knotek, Meredith Dolan and Russell Young to join the executive session. **The motion was approved by Charles Safford and seconded by Bruce Urie, and the board entered into executive session at 10:43 a.m.**

Russell Young recused himself from the rates and renewal discussion of the executive session then rejoined at 11:35 a.m. Director Barber attended the rates and renewal discussion of the executive session then left the meeting at 11:35 a.m.

At 12:33 p.m. the board returned to open meeting. Staff not in attendance for the executive session and Director Barber rejoined the meeting.

Board Secretary/Treasurer, Erik Wells made a motion for approval on the following statement, which he read into the record:

October 2, 2026 Statement of the PACIF Board of Directors

The Board would like to make a statement for the record about our discussions with the Vermont League of Cities and Towns, or VLCT.

The Property and Casualty Intermunicipal Fund, PACIF, is an independent, member-owned nonprofit. It was created under Vermont law so that cities, towns and other local governments can pool their insurance risk. We provide property, casualty and workers' compensation coverage to 360 Vermont members. We are governed by this independent Board, made up of municipal officials from communities large and small. On behalf of our members, we oversee $126 million in assets.

The Fund is strong. Coverage, claims and member service continue without interruption. Next, we want to be clear about what PACIF is not. PACIF is not part of VLCT. VLCT is a separate nonprofit that serves Vermont municipalities through advocacy, training and other services. Many of our members are also VLCT members, and many people reasonably assume the two organizations are one. They are not. Since 1986, VLCT has been contracted to provide administrative services to PACIF, and the staff who deliver PACIF's insurance services are VLCT employees. It is that contract, and only that contract, that is being negotiated.

We value our partnership with VLCT. But as the costs to administer coverage rose, the Board asked VLCT for a clearer accounting of what PACIF's payments cover. The answers we received did not meet the standard of transparency our members expect or deserve. The Board then commissioned an independent accounting analysis. It found that PACIF has been paying VLCT approximately $1.2 million more each year than the cost of the administrative services PACIF receives. Because PACIF's members are a subset of VLCT's membership, this means that they have been carrying costs that benefit VLCT's broader operations. It is like a town charging only its water ratepayers for services that belong in the general fund.

The second issue is governance. Like any municipal board, we must be able to select and oversee the people who run the Fund, day to day, including our CEO, attorney and

finance director. Today, all of them are VLCT employees. That arrangement made sense forty years ago. The Fund has grown, and the relationship needs to evolve with it. These are fiduciary responsibilities, and we take them seriously. For ten months, we have negotiated in good faith toward an agreement that aligns what PACIF pays with what PACIF receives and gives this Board appropriate oversight of the Fund's operations. We have not reached an agreement yet.

We hope these discussions lead to a constructive partnership for many years to come. Whatever the outcome, our commitment to our members does not change: uninterrupted coverage, high-quality service, and a Fund that remains strong. Thank you.

The motion was seconded by Bruce Urie. All approved, with the exception of Director Barber who voted against noting she disagreed the referenced reports show the facts alleged in the statement. The motion carried.

President Frank requested a motion on the 2027 PACIF Renewal approval, discussed during executive session.

Charles Safford moved that the RMS Director be authorized to bind reinsurance for the 2027 coverage period based upon what is in the best financial and long-term interest of the Fund. **The motion was seconded by Bruce Urie. All approved, with the exception of Director Barber who abstained. The motion carried.**

President Frank requested a motion to approve the 2027 Contribution Credits.

Charles Safford moved that the board approve a distribution of $1.5 million plus an additional one-time distribution of $750,000 for a total of $2.25 million to members for the 2027 renewal in the form of contribution credits and allocate an additional $200,000 to fund the PACIF Grant Program. **The motion was seconded by Bruce Urie. All approved and the motion carried.**

President Frank requested a motion to approve the PACIF Credit Card Board Authorization.

Director Chris Taylor made a motion for approval on the following PACIF Board Authorization, which he read into the record:

VLCT Property and Casualty Intermunicipal Fund, Inc. (VLCT PACIF)
Authorization to Obtain and Issue a Fund Credit Card

WHEREAS, the Board of Directors of the VLCT Property and Casualty Intermunicipal Fund, Inc. (the "Fund" or "VLCT PACIF") has determined that obtaining a credit card in the Fund's name will support the efficient conduct of authorized Fund business; and

WHEREAS, the Board wishes to authorize designated officers to secure such a credit card and to request cards for specified Fund officials;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes the VLCT PACIF Treasurer or Assistant Treasurer, acting on behalf of the Fund, to apply for, obtain, establish, and maintain one or more credit card accounts in the name of VLCT PACIF and to execute and deliver any applications, agreements,

certifications, or other documents reasonably required by the issuing financial institution.

BE IT FURTHER RESOLVED, that cards under such account may be issued to the following Fund officials solely for authorized Fund business:

- Fred Satink, VLCT PACIF Executive Secretary;
- Phil Latvis, VLCT PACIF Assistant Treasurer; and
- Phil Woodward, VLCT PACIF General Counsel.

BE IT FURTHER RESOLVED, that each cardholder shall use the card only for legitimate and authorized Fund expenses and shall comply with all applicable VLCT PACIF policies, procedures, spending limits, documentation requirements, and internal controls, as amended from time to time.

BE IT FURTHER RESOLVED, that the Treasurer or Assistant Treasurer is authorized to establish account and card limits, designate administrators, receive statements and notices, make administrative changes, suspend or cancel cards, and take any other action reasonably necessary to administer the account in the Fund's best interests.

BE IT FURTHER RESOLVED, that this authorization shall remain in effect until modified or revoked by the Board of Directors, and that any financial institution or card issuer may rely on a certified copy of this authorization until it receives written notice of such modification or revocation.

The motion was seconded by Bruce Urie. All approved with the exception of Director Barber who objected. The motion carried.

Phil Latvis reviewed the draft 2027 preliminary budget which includes an overall increase of roughly 6% due to increases in reinsurance costs, general and administrative expenses, underwriting staffing with the anticipated Deputy Director position for 2027 and safety and health promotion programs. Phil noted these costs are very preliminary as negotiations with VLCT are still underway, so finalized numbers will not be available until that is completed and a final budget will be presented in December. Director Barber asked if the budget could show distinctions between ongoing costs, transition costs, one-time costs, new costs and ongoing expenses moving forward to understand any consequences of dividing staff. Mr. Latvis responded since negotiations are still underway, this preliminary budget still assumed continuation of VLCT as the staff provider for PACIF, and any staffing changes cannot be incorporated until negotiations have completed.

President Frank noted that PACIF Coverage and General Counsel, Phil Woodward, has transitioned to become a PACIF employee and asked for a motion to approve the new job description for his position.

Upon motion (Potter/Safford), duly adopted, the board voted unanimously, in support of its August 7, 2026 motion to employ Phil Woodward as its Coverage and General Counsel, to approve and adopt the job description for the PACIF Coverage and General Counsel position dated October 2, 2026, recognizing that Mr. Woodward continues to provide the same services to PACIF as he did prior to October 1, 2026.

President Frank requested a motion on PACIF Contingencies.

Director Bryan Young made a motion for approval of PACIF Contingencies, as follows:

The PACIF Board moves to:

1. **Acknowledge that the VLCT Board of Directors placed a motion to terminate the Administrative Services Agreement with PACIF effective February 1, 2027 on its October 1, 2026 Board meeting agenda, without warning PACIF, despite ongoing negotiations;**
2. **Acknowledge that VLCT has contracted with a considerable number of third-party service providers that predominantly serve PACIF-related needs, in the name of VLCT;**
3. **Exercise prudence in the face of uncertainty and establish contingencies, including arranging for services directly with third-party contractors currently contracted with VLCT, so as to provide for a smooth transition of risk management services should VLCT terminate its Agreement with PACIF, and so that PACIF has appropriate control and management authority over its property, assets and destiny moving forward; and**
4. **Implement this motion expeditiously by; a) waiving limits on purchasing, staffing, compensation, or any other purchasing requirements to allow PACIF to expeditiously continue operations without any service provider and/or with reduced service providers; and b) authorizing non-conflicted and other staff to enter into contracts with PACIF directly and to make non-competitive purchases as necessary, subject to the condition that the approval of two of the three Board Officers shall be required for contracts for services reasonably expected to exceed $250,000 in value or which have terms, inclusive of renewal items, that are reasonably expected to exceed one year.**

The motion was seconded by Charles Safford. All approved with the exception of Director Barber who objected. The motion carried.

President Frank requested a motion for the Expense Approval and Payments.

Board member Bryan Young made a motion for approval on the following PACIF Resolution on Expense Approval and Payment Process, which read as follows:

RESOLUTION
PACIF EXPENSE APPROVAL & PAYMENT PROCESS

Whereas VLCT Property and Casualty Intermunicipal Fund, Inc (PACIF) does not currently have an administrator that is a separate entity from our contracted service provider, and

Whereas the PACIF Board of Directors is charged with looking after the owner and insured members of PACIF, and

Whereas the relationship of the Vermont League of Cities and Towns (VLCT) to PACIF was initially that of an administrator, and

Whereas VLCT previously contracted for the majority of insurance services on PACIF's behalf, as would be expected of an administrator, and

Whereas, over time, VLCT took on the contracted services directly and became both PACIF's administrator and the service provider, and

Whereas the key function of an administrator is to look after PACIF's responsibilities on behalf of the Board who is looking after them on behalf of the members, and

Whereas the key function of a contracted service provider is to implement functions on behalf of the Board and administrator, if any, and

Whereas PACIF is transitioning to a proper fiduciary relationship where the administrator and the service provider are not the same entity, and

Whereas PACIF has retained staff to assist the Board in moving towards this more appropriate relationship, and

Whereas PACIF desires to procure third-party goods, supplies, services, and equipment directly in the name of PACIF through contracts approved and signed by PACIF, rather than through our contracted service provider, who is also our administrator, and

Now, therefore be it resolved, the PACIF Board of Directors move to direct that goods, supplies, services, vehicles, and equipment be procured directly in the name of PACIF with contracts signed by PACIF officers, which may include the PACIF Assistant Treasurer, Phil Latvis, the PACIF Executive Secretary, Fred Satink, or the PACIF General Council, Phil Woodward, and

Further resolved, expenses for any of these goods, supplies, services, vehicles, and equipment shall come from the PACIF approved budget, and

Further resolved, expenses for any of these goods, supplies, services, vehicles, and equipment shall be paid from a bank account solely in PACIF's name, and

Further resolved, goods, supplies and services, shall be permitted to be paid by credit cards in the name of PACIF's service provider, until December 31, 2026, so long as the charges on any such credit cards are paid from a bank account solely in PACIF's name, and

Further resolved, that any two of the three PACIF Board leadership may approve contracts, contracts expenses, and invoices, with any necessary prior review of complex agreements by the Board, and

Further resolved, the PACIF Board, through this resolution, directs its service provide provider, VLCT, to pay any approved invoices through this process.

The motion was seconded by Bruce Urie. All approved with the exception of Director Barber who voted no. The motion carried.

Under Information Items, Bryan Young, Joint Investment Committee Chair, briefly reviewed the Joint Investment Committee report. The committee met with representatives from Strategic Asset Alliance and Insight on September 18th and reviewed the portfolios. The major outcome of this meeting was a recommendation from the advisors to reduce the duration of assets in the PACIF portfolio to better control risk under varying scenarios. The committee agreed with these recommendations and is therefore presenting them to the board for its approval. If the board agrees, this requires another revision to the PACIF Investment Policy to update the benchmark, and a copy of this revised policy with the benchmark adjustment has been provided to the board for review.

Upon motion (Safford/Urie), duly adopted, the board voted unanimously to approve the revised PACIF Investment Policy, as presented, with the change to the portfolio duration benchmark.

There were no questions from the board on any of the other information items.

President Frank closed the meeting by stating he appreciates that there are many staff involved with both VLCT and PACIF. The board and the communities greatly appreciate the services staff provide and acknowledged these services take dedicated, honorable, hard-working staff who are highly valued. As PACIF is presently involved in negotiations with VLCT, the staff employer, PACIF cannot answer direct questions from staff. Staff is welcome to reach out to any employee that has transitioned to direct employment with PACIF or to Phil Latvis with any questions. PACIF will also be providing additional public information beyond the statement that was read at today's meeting regarding the PACIF perspective on negotiations. PACIF is still in these negotiations with VLCT and hopes to come to a successful end.

Upon motion (Urie/Potter), duly adopted, the board voted unanimously to adjourn the meeting (12:56 p.m.).

Respectfully submitted,

Kelley Avery
Assistant Secretary
Link to meeting recording here