

**MINUTES OF THE VLCT PROPERTY AND CASUALTY INTERMUNICIPAL FUND,
INC. BOARD OF DIRECTORS MEETING
VLCT OFFICE - MONTPELIER, VERMONT
AND VIA ZOOM
FRIDAY, JUNE 2, 2023**

Directors Present: Jackie Higgins, Aaron Frank, Bruce Urie, Dave Atherton (remote), Jared Cadwell, Rob Gaiotti (remote), Judy Frazier (remote), Kathleen Ramsay, Patrick Moreland (remote) and Bryan Young

Staff Present: Joe Damiata, Fred Satink, Seth Abbene, Jessica Hill, Jill George and Kelley Avery

Other Present: Jenny Wade (NLC), Kyra Milton (NLC), Caroline Murray (VLCT intern), Gavin Sicard (VLCT intern) and Marcus Aikin (Guy Carpenter - remote)

President Higgins called the meeting to order at 9:32 a.m.

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

Director Frank requested the April 25, 2023 meeting minutes be amended to reflect his suggestion that staff seek assistance not just from Strategic Asset Alliance but from other qualified consultants that may be more attuned to the nature of the proposal when reviewing candidates for the Municipal Reinvestment Pilot Program. Staff will update the minutes to reflect this change.

Upon motion (Ramsay/Frank), duly adopted, the board voted unanimously to approve the minutes of the April 25, 2023 special meeting as amended.

Joe Damiata provided a brief organizational update, which included the following information and reminders:

- Claims is currently undergoing an audit with Northshore as required to maintain our AGRiP Recognition status.
- The underwriting team is starting to wrap up the 2022 worker's compensation audits.
- Staff is in the inception phase with the new Origami system and has started building out the Statement of Work, which will include both policy and claims systems. To control costs, VLCT is no longer working with the outside project manager on this system implementation.
- The Municipal Access Portal (MAP) and new website have been fully rolled out to members.
- Kathleen Ramsay and Joe Damiata attended the NLC RISC Trustee Conference in Portland, OR in early May.
- The VLCT Golf Outing will be held June 28th at the Green Mountain National Golf Course in Killington. Proceeds will go towards an academic scholarship for a student pursuing a career in local government.
- Town Fair will be held September 26 and 27 at the DoubleTree in South Burlington with the annual meetings being held on the first day.

Jill George provided a brief update on claims through the first quarter of 2023. Claim frequency for the first quarter was average for workers' compensation and slightly below the first quarter average for property/casualty, while severity was elevated for both.

Upon motion (Ramsay/Young), duly adopted, the board voted unanimously to accept the Q1 claims report.

Seth Abbene reviewed the unaudited financials through Q1. Net position increased by 1.3% compared to year-end 2022. Revenues are up slightly due to higher contributions resulting from property value rate increases, and general and administrative expenses are up 21.6% compared to this time last year due to direct and indirect cost increases as well as safety grant and scholarship program commitments. Investment performance has improved thus far in 2023 with the combined portfolio yielding 2.82% for the quarter and 2.31% as of June 1st.

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

Fred Satink presented his County Sheriff PACIF Eligibility Report. Mr. Satink has been conducting this sheriff eligibility study for roughly 18 months and studied various factors including officer training, turnover, loss risks and other complexities. Due to a number of risks and unique operational elements, Mr. Satink is recommending PACIF maintain its member ineligibility status for sheriff's departments. The board agreed with this determination. Director Moreland inquired if other potential alternative memberships will be explored such as communications and school districts. It was explained that most of the current non-eligible classes presented high risks due to a range of factors and that PACIF coverage and rates were not necessarily appropriate for these classes. It was also noted that school districts already have their own coverage through the VT School Boards Insurance Trust.

Upon motion (Ramsay/Frank), duly adopted, the board voted unanimously to accept the County Sheriff PACIF Eligibility Report.

Fred Satink reviewed Guy Carpenter's annual stewardship report. The broker has provided invaluable service to PACIF through its knowledge of the different lines of coverage and its work to get PACIF the best possible rates through our reinsurers. They also provide a range of services including catastrophe modeling, capital modeling, retention analysis, pricing comparison analysis (against peers), marketing of reinsurance, reinsurance contract language review, and several others. Mr. Satink also outlined the reinsurance marketing plan for the 2024 renewal and noted that property reinsurance prices are expected to increase substantially.

Mr. Satink then reviewed the one-year extension on Guy Carpenter's broker service agreement. The firm is asking for a 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 reminded the board that PACIF's agreement is currently on a flat-fee basis, which provides a much better value than commission-based compensation.

Upon motion (Cadwell/Ramsay), duly adopted, the board voted unanimously to approve the Guy Carpenter one-year contract extension from July 1, 2023 to June 30, 2024 and authorized Joe Damiata to sign it.

Joe Damiata reviewed the Milliman engagement letter, which also requires board approval on an annual basis. Milliman is requesting a 5% increase in their service fee, which staff believes is a fair increase given the services provided. Steve DiCenso from Milliman is the current board appointed actuary, and staff believes he has provided superior service and expertise on the various analyses he completes for the Trust.

Upon motion (Cadwell/Young), duly adopted, the board voted unanimously to approve the Milliman annual engagement letter, appointing Stephen DiCenso as the actuary for PACIF, and authorized the Board President to sign it.

Joe Damiata noted a revised Target Net Position Policy draft was emailed to board members this week along with a chart representing a capital modeling analysis completed by Guy Carpenter. Mr. Damiata introduced Marcus Aikin, an actuary from Guy Carpenter, who reviewed the results of this analysis with the board. Mr. Aikin explained how he utilized the 2022 audited financial statements, investments and underwriting data to develop an estimate of the value of a 1 in 200-year financial adverse result. The chart illustrated the estimate of the 1 in 200-year event and compared that to the proposal of using 3 times net position as the low end of the range and five times net position as the high end of range. He opined that establishing a net position target range of three to five times the 1 in 200-year loss estimate on the low end was reasonable for a pool of our size and composition. He also opined that holding eight to ten times the 1 in 200-year loss estimate on the high end was standard for pools like PACIF, but staff and the board felt that number was too high and settled on five times for the high end.

Mr. Damiata then reviewed the revised draft of the Target Net Position Policy. In addition to adding the language above regarding the target net position range, the policy adds a new section on “Risk Appetite” which outlines the board’s modest risk appetite in regard to its fiduciary responsibility, along with revisions to other sections and removal of references to BCAR and replacing it with Capital Modeling Analysis.

Upon motion (Cadwell/Ramsay), duly adopted, the board voted unanimously to approve the revised Target Net Position Policy as presented.

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 (2013 to 2022), 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. There were a few metrics that were noted as being on trend watch and they will be monitored.

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

Joe Damiata and Fred Satink reviewed the Enterprise Risk Management (ERM) chart and the process staff recently completed for the 2023 plan year. Mr. Damiata noted the methodology behind the process, which reviews 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. It was also noted that staff consulted with Johnson Lambert to review the process and obtained some additional suggestions which will be incorporated into next

year's work. Director Ramsay asked staff if they could summarize the process in bullet points so they can have it handy as notes. Mr. Damiata agreed.

Mr. Damiata and Mr. Satink 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. The plans were last updated by the Strategic Planning Committee and approved by the full board in 2022.

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 Dave Atherton, Judy Frazier, Rob Gaiotti and Patrick Moreland to serve on the committee and appointed Judy Frazier as the committee chair. 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 23rd 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 would be the annual meeting of the membership that is taking place September 26th as part of VLCT's Town Fair.

Upon motion (Ramsay/Cadwell) duly adopted, the board voted unanimously to cancel the June 23rd meeting.

There was no other business.

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

Respectfully submitted,



Fred Satink,
Assistant Secretary