

Vermont School Boards Insurance Trust (VSBIT)

Board of Director's Meeting Minutes

December 8, 2017

Present: Bob Giroux (until 3:15), Brenda Fleming, Stuart Wepler, Michael Clark, Laura Soares, Emily Long and Chris Roberts.

Additional Attendees: Chad Hewitt, CPA Sullivan & Powers (until 1:30) and Tim Vincent, Multi-Line Program Manager VSBIT

The meeting was called to order at 1:00 p.m., by Chair, Bob Giroux.

Meet with Chad Hewitt, CPA Sullivan & Powers regarding FY 17 Audit

Accept FY 17 Audit Report Chad Hewitt presented the FY 17 audit report to the Board and answered questions. The auditors provided a clean opinion and clean Management Letter following the FY 17 audit. The Board acknowledged Chris Roberts and her staff for outstanding work in this area. Emily Long made a motion, seconded by Brenda Fleming to accept the FY 17 audit report. Motion passed.

Reorganization

a. Election Board and Corporate Officers

Bob Giroux turned the meeting over to Laura Soares for election of officers. Bob Giroux asked to step down as chair to provide the opportunity to another member of the Board to serve in the position. The Board thanks Bob for his strong leadership in the chair position since 2012.

Brenda Fleming nominated Stuart Wepler to serve as chair, and Bob Giroux to serve as vice-chair. The motion was seconded by Emily Long. There were no other nominations and the motion passed.

Michael Clark nominated Brenda Fleming to serve as secretary of the corporation. The motion was seconded by Bob Giroux. There were no other nominations and the motion passed. Laura Soares handed the meeting over to Chair Stuart Wepler.

b. Affirm Organizational Mission/Vision

Bob Giroux made a motion, seconded by Brenda Fleming, to affirm the organizational Vision/Mission. The motion passed.

c. Review Legal Duties of Non-Profit Board – located in Dropbox

The Board reviewed the duties as outlined by the Vermont Attorney General.

d. Complete Conflict of Interest Statements

Members of the board completed conflict of interest statements.

e. Establish Nominating Committee

The chair proposed Bob Giroux, Brenda Fleming, and Laura Soares to form the nominating committee. Emily Long made a motion, seconded by Michael Clark, for these three people to comprise the committee. Motion passed.

f. Review Delegation of Authority

The Board reviewed the current delegation of authority and took no action, leaving the delegations in place as outlined.

g. Review Annual Work Plan and Meeting Schedule

The Board has set the framework for 2018 meeting agenda and scheduled meetings through February of 2018.

Public Comment: None

Annual Meeting Summary – discussion

Laura Soares and Stuart Weppeler summarized the meeting. There was strong attendance and member engagement. VSBIT will post two years of audits on the website going forward, as requested at the meeting. All audits are available upon request.

Approve Minutes of September 19, 2017 Board Meeting

Brenda Fleming made a motion, seconded by Emily Long, to approve the minutes of September 19, 2017. The minutes were approved as written.

Review and Accept 9-30-17 Financials

Chris Roberts reviewed quarterly financials and responded to questions. Bob Giroux made a motion, seconded by Michael Clark, to accept the financials as presented. Motion passed.

9-30-17 Dashboard

The Board reviewed the 9-30-17 Dashboard.

Review Benchmarks Investments, General Reserves and Budget – any changes needed?

A motion was made by Brenda Fleming, seconded by Michael Clark, to affirm the Dashboard Policy and the Investment, General Reserves and Budget Indicators as currently constituted. The motion passed.

Review and Set Unemployment Compensation Program Rating Structure for FY

Chris Roberts discussed the Unemployment Program and the strength of the reserves. Chris noted the Dashboard indicators are now both red in a positive direction, and the program should take active steps to reduce the reserves to within the green target range. Management recommends decreasing the FY 19 rate structure by 35%. This is estimated to utilize just over \$242 thousand from reserves, prior to market change. It is estimated it will take several years, even with this decrease, to bring the program into the green target area.

Brenda Fleming made a motion, seconded by Bob Giroux, to approve the recommendation. Motion passed.

Multi-Line Excess Net Assets/Net Position Policy Review and Amendment

a. Is the organization in compliance with the policy?

The Board affirmed policy compliance, as evidenced by the annual assessment of net position, recommendations within the scope of the policy, and an updated 2017 Benchmark Study.

b. Review and possible adoption of recommended Policy changes

Laura Soares reviewed the recommended policy changes

1. Using the term Net Positon to align with financials and audits
2. Adding additional sections for ease of reading
3. Clarifying the Financial Strength ratio is contributions net of reinsurance. (Reinsurance contributions from members are used to purchase reinsurance which is then a credit risk, not a pricing risk. The benchmark study and the targets net out reinsurance premium and VSBIT should do so as well per WTW actuaries. Chris Roberts provided the 9-30-17 Dashboard both ways for this meeting. The financial strength of the Multi-Line Program is stronger with reinsurance contributions removed.)
4. Clarifying the calculation of determining the amount of excess net position is to consistently subtract the second largest of the four benchmarks from the actual net

position. The qualifying levels approach led to inconsistencies over years in this calculation. Management worked with WTW actuaries to clarify the language.

A motion was made by Brenda Fleming, seconded by Bob Giroux, to approve the revisions to Policy as presented. The motion passed.

c. Update Benchmarks Report and Overview

Tim Vincent reviewed the updated 2017 Benchmark Study with the Board and responded to questions. Tim spoke to the challenge of finding peer pools that have BCAR ratings. Two of the benchmarks utilize the BCARS score, and AM Best will be revising the BCAR calculations in the upcoming year. Management will work with the WTW actuaries to review the current array of Benchmarks prior to another update.

d. Act on Multi-Line Program Excess Net Assets/Net Position Recommendation

Tim provided the FY 17 analysis, which determined the Multi-Line Program has excess net position of 2.1 million. The recommendation of management is to retain the funds within the Program to allow for support for loss control initiatives and the potential to change the reinsurance level in the upcoming years. A motion was made by Michael Clark, seconded by Bob Giroux, to adopt the recommendation. The motion passed.

Update on 2017 Strategic Objectives

Laura Soares reviewed the strategic objectives update with the Board.

Update on 1982-1998 WC Program

Chris Roberts informed the Board the final open claim is settling. Settlement should be final early in 2018. Once final, the risk to the program is reopening of a claim and IBNR, both of which becomes increasingly unlikely as time goes by.

Discuss Engagement of Investment Advisor

VSBIT last engaged an investment advisor in May of 2011. Management recommends engaging Strategic Asset Alliance to review I-90-1 Investment restrictions, the current Investment Policy, allocations, funds and vehicles. After review, SAA will meet with the Board to discuss findings and any recommendations. The cost for this scope of services is \$10,000 plus travel expenses. SAA is recommended by AGRIP, familiar with pools across the country, and work with VLCT. A motion was made by Emily Long, seconded by Brenda Fleming, to engage SAA as outlined. The motion passed.

Program Updates

- a. DFR Examination** – The exam is completed and management has been provided a draft report. The exam is clean with no findings. A draft letter with three recommendations was also provided by DFR, and was shared with Board. Once final, VSBIT has 30 days to respond to DFR on the recommendations.
 - 1. The first is regarding information technology and conducting a penetration test. VSBIT is looking at the risk and cost, as well as other potential alternatives to address the concern raised.
 - 2. VSBIT will formalize its reinsurance strategy
 - 3. VSBIT will formalize its ML reserves setting strategy and facilitate the Board meeting with the actuaries on an annual basis to discuss.

- b. Act 46 Collaborative** – There are now two cohort groups working with DMG to support effective systems.

- c. VEHI** – The transition to the 2018 health plans is proceeding on schedule. The FY 19 health and dental rates are under review with DFR.

Adjournment

There being no further business, the meeting adjourned at 3:30 p.m.

Respectfully submitted by: Laura Soares