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ASSOCIATION OF GOVERNMENTAL RISK POOLS

Minutes
Board of Directors Meeting
February 1 and 2, 2010
Imperial Boardroom, Caesars Palace
Las Vegas, NV

(Note. Consistent with Board Governance Policy 5.6, unanimous votes are recorded as “carried” or “failed. If there is a “split vote” it is recorded by noting the number of votes “for”, “against”, “abstained” or “absent” among those otherwise reflected as “present”; unless a roll call vote is taken, wherein the vote of each Board member is recorded the same as in a “split vote”).

President Mangels called the meeting to order at 8:45 a.m. on Monday, February 1, 2010.

Directors present were:

President Cheryle Mangels, Colorado School Districts Self Insurance Pool
Vice President Shawn Bubb, Montana Schools Group Insurance Authority
Donna Abersman, Alliance of Schools for Cooperative Insurance Programs (CA)
David Brooks, County Commissioners Association of Ohio
Steve James, Maryland Association of Boards of Education
Terry Norwood, Midwest Public Risk (MO)
Lester Nixon, North Carolina Association of County Commissioners
Michael Rhyner, Michigan Municipal Risk Management Authority
Jonathan Woods, Oklahoma Municipal Assurance Group

Also present was AGRiP CEO Harold Pumford

Approval of Agenda

Mr. Rhyner, seconded by Mr. James, moved to approve the Agenda as presented. The motion carried.

Consent Docket

Mr. Norwood, seconded by Mr. Rhyner, moved to approve the Consent Docket items as presented. The motion carried.

Consent items approved were:

- a. Approve Minutes of the October 18, 2009 meeting.
- b. Confirm election to the Board and declare David Brooks and Jonathan Woods elected to terms on the Board beginning January 1, 2010.
- c. Receive Financial Statements as of December 31, 2009.

Orientation for new Board members

Mr. Rhyner presented an orientation on PolicyGovernance™ for the benefit of all Board members and especially for new directors Brooks and Woods who are attending their first meeting.

CEO Organizational Report

Chief Executive Officer Pumford then presented his Organizational Report reviewing membership activity noting that there is a net gain of seven member pools in the year, for a total of 177 pool members, plus CAJPA. Individual Pool Associate members increased to 215 from 199 at the beginning of the year. He also noted the addition of two new Quality Education Initiative Patrons in the year.

Board Action Items

From 10:28 am until 4:58 pm, the Board conducted a wide-ranging discussion of strategic and operational issues, including a working lunch and breaks which are not specifically denoted in these minutes.

Discussions included a PPT presentation by Mr. Pumford as to a 1998 Pooling Association Needs Assessment survey, the process used to hire him as the first AGRiP employee and the charge/direction given to him by the Board when he was hired. In addition, he outlined what he believes are the major future challenges facing the organization, which were:

- Continued development of quality educational programs,
- Criteria for eligibility of member pools,
- Whether to expand the primary scope of service to pools outside of the U.S.A.;
- Role in impacting state and federal legislative/regulatory processes, and
- Responding to professional development needs of various pool disciplines (underwriting, claims, loss control, finance, etc, etc).

He also noted that while consideration of membership for the National League of Cities Risk Information Sharing Consortium (NLC-RISC) was on the agenda, no action was required, as he anticipates instead that a related excess risk pool, NLC Mutual Insurance Company (NLC-MIC), intends to join as a Regular member.

Among issues discussed by the board were criteria for service on the board, a review of the Bylaw provisions on Designated Representatives and criteria for membership among the various types of pool organizations and operating structures. However, there was no action to make any changes about eligibility to serve on the Board.

Model CEO Succession Plan.

The discussion also included various aspects of the proposed CEO succession plan as presented by the Model CEO Succession Planning Committee. Director James volunteered to look into psychological testing instruments that might be beneficial to use in the selection process.

In reviewing the draft Position Description and Vacancy announcement there was a consensus that experience in “the management of Public Entity pooling is highly desired” would be substituted for the proposed qualification of experience in “Association Management or Public Entity Pooling required”. There also was consensus to modify the “CEO Succession Planning Procedures” to extend the process to a minimum of 22 weeks rather than 19 weeks. These included use of an “HR service company” to filter initial applications and an increase in the number of potential candidates for telephone and in-person interviews. Chair Bubb recorded the detailed changes.

Mr. Pumford said that should he decide to retire at the end of July 2011, he thought it might be appropriate to bring his successor on board by May 1 so that person could be responsible for planning the Governance and Leadership Conference for October of that year. The board then worked on a CEO Succession Planning Budget with a template prepared by Mr. Bubb. While no decision was made to require a successor to continue an office in Prague, the board included in the budget calculations cost of a one-year employment guarantee with quarterly 5% compensation bonuses for the three existing employees (Bodine, Sedlacek and Tackett) from the official hiring date of the successor CEO.

Ms. Mangels recessed the meeting at 4:58 pm; and reconvened it at 8:40 am on Tuesday, February 2. However, she became ill and called upon Vice President Bubb to preside until she was able to return around 4 pm that afternoon.

Membership Criteria

Mr. Pumford reviewed for the board a number of complexities that he experiences in determining appropriate membership categories for some pool arrangements and organizational structures. These include excess pools created by pools; captives and Risk Retention Groups and pools sponsored and staffed by associations of public entities. He noted that for practical purposes AGRiP has always allowed associations to become a “Pool-Regular Member” on behalf of their affiliated pools, although these technically is not consistent with the board-adopted criteria. He noted a related issue as to whether all affiliated pools should be required to join. He said the practice has been to extend member benefits only to those pools whose assets are in the dues calculation for the “member”.

After an extended discussion, Mr. James, seconded by Mr. Nixon, moved to amend the criteria to “Pool-Regular Membership” to include “*or those associations which sponsor such IRP’s*”. The motion carried.

In addition, Mr. Bubb, seconded by Mr. Woods moved to appoint a board committee to further review membership categories and eligibility for service on the Board, with such committee to report at a suitable time and to be dissolved upon presentation of their report. The motion carried. Mr. Bubb appointed Mr. Woods as chair and Mr. Rhyner and Ms. Abersman as the three members for the committee.

CEO Monitoring Process

In discussing the current CEO monitoring process a number of board members expressed a concern that the current annual requirement to report on all Executive Limitations and

Ends policies may be an over burdensome process on the CEO and an unnecessary commitment of Board time.

Mr. Bubb, seconded by Mr. Norwood, moved to instruct the CEO for the next year to include with each subsequent CEO Monitoring Report, consideration by the board of the required frequency for each monitoring report along with a review of the provisions of each Executive Limitations policy. The motion carried.

Annual Review of Governance and Board/Staff Relationship Policies

The board next reviewed each of the Governance Process and Board/Staff Relationship Policies.

Ms. Abersman, seconded by Mr. James moved to add a new item to GP—5 Presidents' Role, to read as follows:

“9. To monitor the form of the CEO Succession evaluation instrument”.

The motion carried.

CEO Monitoring Reports

The board next took up the evaluation of the CEO, pursuant to BSR-4 Monitoring Method and Frequency, as to Monitoring Reports filed for:

1. Executive Limitations Policy 12 – *Educational Programming*, and
2. End 4 – *Member Satisfaction*

The board reviewed each of the written Monitoring Reports.

Mr. James, seconded by Mr. Rhyner, moved that the CEO has achieved Substantial Compliance for Executive Limitation Policy 12. The motion carried.

Ms. Abersman, seconded by Mr. Rhyner, moved that the CEO has achieved Exemplary Performance regarding End 4.

Revised CEO Employment Agreement

In concert with the CEO succession planning the committee proposed a new employment agreement for Mr. Pumford, to serve also as the model for an agreement with his successor. The board reviewed the draft agreement proposed by the committee and proposed changes submitted by Mr. Pumford

Mr. James, seconded by Ms. Abersman, moved to adopt the agreement as proposed by the committee with the addition of changes suggested by Mr. Pumford, exception as to an additional severance or “severance notice” benefits. The motion carried.

Honorary Lifetime Associate Membership

Mr. Pumford presented a letter from Lynn McNamara nominating Noel Klein, recently retired Executive Director of the CityCounty Insurance Services pool of Oregon for Honorary Lifetime Associate Membership. The committee reviewed the letter.

Mr. Nixon, seconded by Mr. James moved to extend Honorary Lifetime Associate Membership to Noel Klein.

2011 Board Retreat

It was the consensus of the Board to conduct a two-day retreat in late January 2011 at Marco Island, FL.

Board Monitoring

The Board next monitored its process and performance for the meeting under standards reflected in the GP and B/SR Policies, especially as to comparison of actual board activity and discipline. (GP-2, 8 and GP-8, 4.a.). The consensus was the board activity and discipline was consistent with these standards.

The President adjourned the meeting at 5:28 p.m.

Harold Pumford, CEO