

Vermont School Boards Insurance Trust (VSBIT)
Board of Director's Teleconference Meeting Minutes

March 13, 2023

Present: Michael Clark, Bob Giroux, Brenda Fleming, and Steve Hier

Staff: Jonathan Steiner, VSBIT President, Chris Roberts, Manager of Finance, Ken Canning, Multi-Line Program Manager

Guests: none

The meeting was called to order at 3:33 p.m.

Review and Adoption of Agenda

The agenda was adjusted to add item 12: review President's Evaluation.

Public Comment: None

Approve Minutes of December 22, 2022

Brenda Fleming made a motion, seconded by Steve Hier, to approve the minutes of December 22, 2022. The minutes were approved as written.

Review of Policies and Plans

a. Multi-Line Net Assets Policy

b. Reinsurance Strategy Policy

c. Annual Review Reserves Policy

Policies a.-c. were reviewed by the board with no changes. A motion by Steve Hier, seconded by Brenda Fleming to recognize the policy review was approved.

d. Investment Policy/Compliance Memo

A motion by Steve Hier, seconded by Bob Giroux, to approve review of the Investment Policy and accept the compliance memo was approved.

Scott Brown, who could not be present, submitted a list of questions. Chris Roberts addressed 3 of them here regarding investment mix and review of the investment policy by an independent consultant. Questions and responses are at the end of the minutes.

e. Disaster Recovery Program

A motion by Brenda Fleming, seconded by Bob Giroux to accept review of the Disaster Recovery Plan was approved.

f. Multi-Line Strategic Business Plan

Ken Canning discussed the 3 phases of the Multi-Line strategic business plan and pointed out highlights for the upcoming year and beyond including the rollout of the Origami member portal. A motion by Brenda Fleming, seconded by Steve Hier to accept the Multi-Line Strategic Business plan was approved.

g. VSBIT Business Plan

Jonathan Steiner discussed the 2023 VSBIT Business Plan and thanked the management team for helping to pull together all of the information and for their forethought in developing the plan. He discussed several key components and new programs scheduled for 2023. A motion by Brenda Fleming, seconded by Steve Hier, to approve the VSBIT Business Plan was approved.

Engage Audit Firm

Chris Roberts and Jonathan Steiner explained that our long-term audit firm had undergone staffing changes which left them unable to perform our annual audits for VSBIT and VEHI. After researching potential firms and speaking with similar pools, VSBIT reached out to Johnson and Lambert, a national firm with a Vermont office that specializes in insurance and risk pools and focuses on auditing. After interviewing the lead auditor, we received a proposal to complete the audit work and recommended Johnson and Lambert. A motion by Steve Hier, seconded by Brenda Fleming to accept the audit proposal was approved.

Set Unemployment Rates

Chris Roberts discussed the program and its return to normalcy. She recommended no change in rate structure. A motion by Steve Hier, seconded by Brenda Fleming, to accept the Unemployment Rates as presented was approved.

Rates are as follows:

Class 1 .06%

Class 2 .16%

Class 3 .32%

Class 4 .52%

Class 5 .76%

Class 6 1.17%

High Risk

These rates are applied to the first \$8000 in wages per employee.

Discussion of Interstate School Districts

Jonathan Steiner discussed that Norwich School District and the Rivendell School District as both have approached VSBIT about joining. Pietro Lynn is researching eligibility and VSBIT has engaged an attorney in NH as well regarding Rivendell. Steiner explained that Norwich is a stand-alone district wholly in Vermont and that they should be eligible as long as VSBIT and the board did not require the entire SU be a member. Rivendell is more complicated as it crosses into NH which would trigger NH insurance regulation of some kind. Steiner asked for guidance and if he should continue to research options for Rivendell. The board affirmed his continued research to determine eligibility and solutions.

Review Quarterly Financials and Dashboard as of 12-31-22.

Chris Roberts summarized and reviewed the 12-31-22 financials and Dashboard, responding to questions. She noted that VSBIT is operating on the positive side as investments improve. She also noted that while some budget lines are running higher, others are below so that the overall budget is running on track.

Conceptual Budget Discussion

Jonathan Steiner discussed 4 items of note he is recommending for the FY24 budget: support of a VSA training program that aligns with loss prevention, support of VSBA adding a lobbyist, replacing computers for VSBIT, and implementing the new pay and classification study along with a COLA for staff. Board members expressed support for the recommendations and appreciation of the staff. These items will be included in the budget.

Multi-Line Update

Ken Canning updated the Board on the Multi-Line program and provided a written report.

President's Update

Jonathan Steiner updated the Board on his activities and provided a written report.

President's Evaluation

Bob Giroux made a motion, seconded by Brenda Fleming, to enter Executive Session to discuss the performance of an employee at 5:15 p.m. which was approved.

At 5:22 p.m. the Board exited Executive Session and Bob Giroux made a motion, seconded by Brenda Fleming, to support the President's Evaluation which was approved.

Adjournment

There being no further business, a motion to adjourn was made by Bob Giroux , seconded by Brenda Fleming and the meeting adjourned at 5:23 p.m.

Respectfully submitted by: Jonathan Steiner

Next Meeting: TBD

Scott Brown Questions for March Board Meeting.

- Page 17 – In light of the Fed’s recent rate hikes and potential for more in the future, does maintaining 25% equities/75% bonds make financial sense?

DFR allows for the greater of 25% of total program assets or 100% of program net assets to be invested in equities. While DFR allows for the greater of the two, VSBIT has elected to take the approach of the lessor of the two. When Strategic Asset Alliance reviewed our policy, we found that the majority of risk pools use the 25% equity/75% bond mix. Based on this we continued our practice. We believe that less volatility exists with bond funds compared to equity funds and it is important for operating net position to remain stable for DFR, reinsurers and the VSBIT membership.

- Other classifications (General and Unemployment) are closer to 50/50% - why the difference?

These percentages are in regards to reserve funds which can carry more risk as they are long term investments so can easily weather downward market trends. These funds do not fall within the DFR statute as they are general reserve and unemployment, only Multi-Line is DFR regulated. Strategic Asset Alliance confirmed this was a prudent mix.

- Page 19 – When is the next engagement with an outside consultant?

We have a meeting with Strategic Asset Alliance this Friday and plan to include in the FY24 budget. We recommend a two-stage process with SAA first reviewing our policy and benchmarking the investment mix. The second step is to have Vanguard review our actual fund mix once the SAA review is in place. Currently we have 13 funds for reserves and 4 funds for ML operating.

Page 46 of 93 or Page 8 of Strategic overview states that DFR is in process of conducting the five-year review of VEHI and VSBIT. Is there a specific area of focus for the audit? Was there a significant finding five years ago? If so, how was it addressed?

There were no significant findings. All findings were addressed. The focus is on solvency and compliance.

- Per Page 73, Combined ratio is RED but based on the definition, isn't this a good thing? Perhaps Chris explained this at the last meeting, and I have forgotten.

The current combined ratio for FY22 is only 67% and for FY23 77% which would be green. However, this ratio is based on 5 years actual plus projected year (FY18-FY23) and this ratio is 124% due to our high claim's years driven by COVID layoffs, therefore the indicator is red.

- Page 32 – Slip resistant footwear program – how many pairs of slip resistant footwear were purchased? Is that more or less than what we had expected? Hoped?

The program is new and being rolled out in April.