



Greater Tompkins County Municipal Health Insurance Consortium

125 East Court Street • Ithaca, New York 14850 • (607)274-5590
www.tompkinscountyny.gov/hconsortium • consortium@tompkins-co.org

"Individually and collectively we invest in realizing high quality, affordable, dependable health insurance."

Approved 6-28-2018

Board of Directors

March 22, 2018 – 6:00 p.m.

Tompkins Cortland Community College – Sprole Conference Room

Municipal Representatives: 27

Steve Thayer, City of Ithaca
John Fracchia, Town of Caroline
Mack Cook, City of Cortland
Alex Patterson, Town of Aurelius
Judy Drake, Town of Ithaca
Charmagne Rungay, Town of Lansing
Eric Snow, Town of Virgil
Michael Murphy, Village of Dryden
Peter Salton, Village of Cayuga Heights
Bud Shattuck, Village of Union Springs
Laura Shawley, Town of Danby
Kathrin Servoss, Town of Dryden
Don Scheffler, Town of Groton
Tom Adams, Town of Marathon

John Malenick, Town of Montezuma
Terrance Baxter, Town of Moravia
Christine Laughlin, Town of Newfield
Edward Wagner, Town of Owasco
Jim Doring, Town of Preble
Gary Mutchler, Town of Scipio
Tom Brown, Town of Truxton (arrived at 6:12 p.m.)
Rordan Hart, Village of Trumansburg
Nancy Zahler, Town of Ulysses
Kristen Case, Village of Homer (arrived at 6:07 p.m.)
Luann King, Town of Cincinnatus
Sarah Thomas, Tompkins County
Kevin Williams, Town of Homer

Labor Representatives: 3

Olivia Hersey, 1st Labor Representative and Joint Comm. on Plan Structure & Design
Chair; Jim Bower, 2nd Labor Representative
Zack Nelson, 3rd Labor Representative

Excused: 4

Nancy Niswender, Village of Groton
David Schenck, Town of Springport

Alvin Doty, Town of Willet
Ann Rider, Town of Enfield

Absent: 2

Doug Perine, 4th Labor Representative

Tim Farrell, 5th Labor Representative

Others in attendance:

Don Barber, Executive Director; Rick Snyder, Treasurer; Sharon Clark, TC3; Caty Dawson,
Michelle Courtney Berry, guest; Donna Dawson, Village of Horseheads Clerk-Treasurer

Call to Order

Ms. Drake, Chair, called the meeting to order at 6:01 p.m.

Approval of Minutes of November 16, 2017

It was MOVED by Ms. King, seconded by Mr. Fracchia, and unanimously adopted by voice vote by members present, to approve the minutes of November 16, 2017 as submitted.
MINUTES APPROVED.

Changes to the Agenda

There were no changes to the agenda.

Chair's Report

Ms. Drake welcomed Directors to the TC3 Sprole Conference Room and asked for feedback on the room as long-term meeting space. While some Directors appreciated the shorter travel distance from the Cayuga County area, Ms. Zahler noted the additional driving time for others and asked that consideration be given to rotating meeting locations.

Appointment to the Audit and Finance Committee

It was MOVED by Ms. Drake, seconded by Mr. Rankin, and unanimously adopted by voice vote by members present, to appoint Ann Rider to the Audit and Finance Committee for a term expiring December 31,2019. MOTION CARRIED.

Ms. Case arrived at this time.

Executive Committee Report

Ms. Drake, Chair, said due to timing an e-mail poll was taken of Directors and it received support to allow the Owning Your Own Health Committee to move forward with a Request for Proposals (RFP) for a Wellness Consultant and the purpose of the resolution that follows is to ratify that action.

RESOLUTION NO. 001-2018 - AUTHORIZATION TO ISSUE REQUEST FOR PROPOSALS FOR WELLNESS CONSULTANT

MOVED by Ms. Servoss, seconded by Ms. Zahler, and unanimously adopted by voice vote by members present.

Mr. Salton said he didn't have enough information to form an opinion on whether the hours stated in the RFP were too few or too many and asked if the Consortium would be bound by the number of hours in the RFP. Ms. Drake replied that the number of hours would be dependent on information received in responses to the RFP. Ms. Zahler asked if funding this was included in the 2018 budget. Ms. Drake said this is not included in the 2018 budget although there are sufficient funds available in the fund balance. She noted that this resolution only codifies the e-mail poll that was taken.

Mr. Brown arrived at this time.

A voice vote on the resolution resulted as follows: Ayes – 30; Noes - 0; Excused – 4 (Doty, Niswender, Rider, and Schenck); Absent – 2 (Perine, Farrell). RESOLUTION ADOPTED.

WHEREAS, through an electronic poll conducted on January 2, 2018 a majority of Directors supported a recommendation of the Owning Your Own Health Committee to develop a Request for Proposals (RFP) for a Wellness Consultant, now therefore be it

RESOLVED, That the Board of Directors retroactively authorizes the development of a Request for Proposals for a Wellness Consultant to work approximately 40 hours per month to complete the following scope of work:

1. Plan, coordinate, direct and evaluate all Consortium wellness programs and operations to ensure the Consortium's vision of a culture of preventative health care are conducted efficiently and effectively and in accordance with the Board's direction.
2. Develop point of contact with each municipal partner and, at least semi-annually, make site visits and connection with subscribers.
3. Support municipal partners in developing wellness policy and implementing worksite wellness programs.
4. Conduct outreach to all subscribers regarding wellness information and program opportunities and facilitate enrollment.
5. Stay abreast of wellness initiatives locally, statewide and nationally. Share that information with municipal partners and recommend Consortium-wide wellness initiatives.
6. Seek opportunities to collaborate with other employers in our area and our TPA's on wellness programs.
7. Attend and support all meetings of the Owing Your Own Health Committee.
8. Provide Wellness content for Consortium website, newsletter, and other subscriber outreach material.

RESOLVED, further, That the developed Wellness Consultant RFP packet must be approved by a majority vote of the Audit and Finance Committee before it is released to the public,

RESOLVED, further, That the Consortium is not bound to award the RFP, but is seeking proposals for further discussion.

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Executive Committee Report (continued)

Ms. Drake said another topic discussed by the Executive Committee included composition of the Committee and members thought it would be important to invite Chairs of other Consortium committees to attend meetings. This will begin with the April 10 meeting.

Report from Executive Director

Mr. Barber responded to the suggestion to rotate meeting locations and said the issues the Board is dealing with involves parking and having a large enough room. He said there likely will be groups joining from Chemung County next year; therefore, rotating locations could be a consideration and welcomed additional suggestions. Video conferencing was suggested as an option to consider as it is permitted in the Municipal Cooperative Agreement.

DFS Communications

Mr. Barber said at last meeting there was discussion of Stop Loss and a captive layer the Consortium could move into. Since that time the Department of Financial Services communicated that it would allow the Consortium to move into that captive layer. The captive layer didn't move forward in 2018 but is working towards 2019. He and Mr. Salton will attend the first meeting of possible partners and will provide more information as it become available.

HCRA Tax

Mr. Barber reported on the HCRA (Health Care Reform Act) Tax which is a percentage of the claims and said he and Mr. Cook met with Assemblywoman Lifton and she said she would ask the Assembly's Insurance Committee to consider this. A conversation also took place with Senator Seward's office; they indicated it is a worthwhile topic and invited discussion for the 2019 State budget. Mr. Barber said this tax represents 2.65% of the Consortium's total paid claim expense.

Board of Directors
March 22, 2018

Annual Retreat

Mr. Barber said the Retreat will be held on this room on April 26th at 6 p.m. Healthy refreshments will be available at 5 p.m. along with an opportunity prior to the retreat for Directors to meet and speak with others. The focus of the retreat will be on utilization and high cost claims.

Mr. Barber reported the quarterly newsletter has been distributed and welcomed feedback. Ms. Drake noted it should be going out to retirees; any municipality wanting the Consortium to send to its retirees can provide information to the Administrative Clerk.

Mr. Snyder reported he received a communication from the Department of Financial Services that the 2016 DFS audit findings are complete and the report has been sent to the Consortium.

Financial Report

Mr. Locey said financial information for 2018 is not yet available. He provided a detailed report on claims and claims-related expenses from January 2016 thru February 2018. He referred to Mr. Barber's earlier comments about the HCRA surcharge and stated if the Consortium can get relief from this it equates to 2-2.25% in premium. Mr. Locey said he is working with Excellus to break down the information based on the type of plan. He reviewed expenses for the first two months of 2018 and stated claims are 8% below budget. He noted, however, that amounts paid by the Plan are typically lower during this period as members are paying deductibles, out-of-pocket maximums, etc. In response to a question about the ITS Access Fee, Mr. Locey said these expenses could also include students, members who are on vacation, and high costs cases that are getting care outside the area.

Mr. Locey said one of the regulations included in the Affordable Care Act is that entities have to provide statements to employees about health insurance coverage they have had for the year. In an insured environment this is done by the insurance company and in a self-insured environment most employers are doing it. He said most large employers have systems in place to do this but small employers do not. He said they're trying to come up with a solution for small employers for IRS 1094 and 1095 forms and noted the reporting requirements differ between small and large employers.

Mr. Locey also spoke of the Retiree Drug Subsidy and said the Law put into place a subsidy system for employers that have retiree prescription coverage to encourage them to continue to offer Medicare retirees prescription drug coverage. It requires an application to be filed each year along with an actuarial attestation showing that an employer's program in both benefit and contribution are equal to or better than the Medicare Part D coverage. He said Locey and Cahill charges approximately \$2500-\$3,000 per year per client for services to provide the required information and he would like to make this available to Consortium employers if it would be cost effective and there is interest.

These items will be taken to the Audit and Finance Committee for further discussion.

Financial Audit and Year-end Financial Filing

Mr. Snyder reported the year-end closing is on schedule and the Jurat is in the review process.

Report from the Joint Committee on Plan Structure and Design

Ms. Hersey, Chair, reported the Committee has met three times this year and has been working on filling committee vacancies and improving attendance at meetings; she noted the Committee reaffirmed its quorum requirements at the last meeting. Ms. Hersey encouraged Directors to watch the video from the January meeting on the opioid epidemic and said it was very informative. At the last meeting Mr. Locey did a presentation on actuarial values for the Metal Level Plans and work will continue over upcoming months on changes that need to be made to the Silver Metal Level Plan to bring it into line.

Report from the Audit and Finance Committee

Mr. Cook, Chair, said the Board directed the Committee to determine what to do with the Stop Loss insurance. He stated that in 2017 the deductible was \$450,000; in 2018 the deductible will be \$600,00 with an approximate cost of \$435,000. He explained that as the deductible goes up the risk also rises and in conjunction with the decision on the Stop Loss the Committee has recommended an increase in the Catastrophic Claims Reserve.

RESOLUTION NO. 002-2018 - INCREASING CATASTROPHIC CLAIMS RESERVE AMOUNT

MOVED by Mr. Cook, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present.

WHEREAS, the Consortium must select stop loss insurance, as required by Article 47 of New York State Insurance Law, and

WHEREAS, the Board of Directors has delegated responsibility for determining 2018 Stop Loss carriers to the Audit and Finance Committee, and

WHEREAS, the Audit and Finance Committee has considered to variations of Stop Loss insurance models and level of deductible, now therefore be it

WHEREAS, the Audit and Finance Committee directed the Board Chairperson to execute a contract with Highmark Life Insurance Company that set the 2018 deductible at \$600,000, and

WHEREAS, it is prudent fiscal responsibility to increase the Catastrophic Claims commensurate with the increased liability of more risk retention for claims, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors increases the Catastrophic Claims Reserve from \$1,350,000 to \$2,000,000.

RESOLUTION NO. 003-2018 - ADOPTION OF CONSORTIUM ONLINE ENROLLMENT POLICY

Mr. Barber said in response to concerns raised during 2018 contract discussions Excellus signed a Memorandum of Understanding (MOU) agreeing to report to the Consortium whenever someone was not added to the system. In order to get timely enrollment notification of unsuccessful enrollment, there is a need for all future enrollments to be done online. Large employers already do online enrollments and are familiar with the system, however, due to the infrequency of enrollments small employers may not be. The policy proposes that the Consortium, through the Treasurer's Office, assume this responsibility for entering enrollment

information into the Excellus system at no cost to the municipality. Upon adoption of the policy a letter will be sent to employers asking them to opt in or out of the service and will also provide specific information on their responsibilities.

Mr. Barber said to comply with HIPPA a One Drive mailbox is being set up for municipalities to secure the exchange of enrollment information between a municipality and the County.

MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present.

WHEREAS, non-online subscriber enrollment has many opportunities for things to slip through the cracks and can result in delays due to the length of time between when a subscriber submits their enrollment change and when it is in the "system", and

WHEREAS, the Consortium's vision statement includes: "The Consortium administers operations by collaborating with claims administrators, providers, and employee representatives in an effort to manage its costs, efficiencies, and success," and

WHEREAS, adopting a policy whereby all enrollment changes being submitted online complies with the Vision Statement and works in concert with the Excellus software system to optimize delivery of service, and

WHEREAS, Excellus has committed to process timelines for online enrollment, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Board of Directors adopts the "Online Enrollment Policy" ensure all enrollment changes as soon as practicable will be done "online".

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ONLINE ENROLLMENT POLICY

FOR

GREATER TOMPKINS COUNTY MUNICIPAL INSURANCE CONSORTIUM

Article I

Purpose and Objectives

A. Purpose

The Greater Tompkins Municipal Health Insurance Consortium adopts the Online Enrollment Policy to ensure that hence forth all new enrollment, additions, deletions, and changes will be done online.

B. Objectives

The Consortium adopts this policy for two reasons:

1. It is important to our subscribers and their employer that each knows that enrollment changes are in the Excellus software system. Only the online process allows this notification to happen in a timely manner.

2. It is important that the municipal partners have a record of enrollment changes: for accurate invoicing by the Consortium and for communication between the municipal benefit managers/clerks and the subscribers in their group(s).

Article II

Consortium Staffing

The Consortium recognizes that many of our partners would not have the occasion to use the online system on a frequent enough basis to feel comfortable accepting this mandated policy of only making online enrollment changes. Therefore, the Consortium will provide staff to conduct online enrollment for those municipal partners wishing that service with no fee.

Article III

Municipality Responsibility

- A. To be clear, the Consortium is strictly providing a data entry function, NOT a human resource function. Municipal partners remain the direct contact with the subscriber. Therefore, the municipal partner is responsible for gathering all required information on the Excellus enrollment change form "SF FAP", ensuring its accuracy and completeness, and ensuring both the subscriber and the municipality have signed the Excellus enrollment change form "SF FAP". This **SF FAP form** is the information to be communicated to the Consortium and will be entered online.
- B. For all new family plan enrollments, the municipal employer is responsible for verifying the eligibility of dependents via the **Consortium's Dependent Certification Process**. Then signing and sending the **Dependent Eligibility Verification Form** to Consortium Enrollment along with form SF FAP.
- C. Municipal partners are free to conduct their own online enrollment. Process expectations are outlined in the **Excellus 2017 Memorandum of Understanding** (MOU). These same employers are also responsible for dependent verification of any newly added dependents to the plan.
- D. For any municipal partners using the Consortium's online enrollment data entry service, communicate the completed SF FAP form and the Dependent Verification Form to the Consortium through the Consortium's online web portal or fax: 607-274-5505.
If electronic submission is not possible, you may use mail but recognize an additional time lag built into this process.

US Mail: Greater Tompkins County Municipal Health Insurance Consortium
Attn: Enrollment
125 East Court Street
Ithaca, New York 14850

- E. These applications will be handled with HIPAA compliance through the Consortium online enrollment portal. Paper records (fax and US Mail) will be digitized and retained for a period no less than required by the NYS Records and Retention Schedule.

Article IV

Confirming Municipal Online Enrollment Process

All municipal partners must state in writing their **intention to make enrollments online**. Should a municipal partner wish the Consortium to provide their online data enrollment, the municipality will need to sign a **Release** so that Excellus can provide the Consortium with access to their account for online enrollment purposes.

Article V

Confirmation

Board of Directors
March 22, 2018

Once the enrollment application is received by the Consortium, the enrollment data will be submitted online within three (3) business days. Confirmation of enrollment will be sent back by the Consortium within 3 days of observing the change in the Excellus enrollment software.

Article VI
Contact

All questions and information should be communicated to Consortium Enrollment. Phone (607) 274-5403, Fax (607)274-5505.

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RESOLUTION NO. 004-2018 - ADOPTION OF GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM INVESTMENT POLICY

Mr. Cook said this has been under consideration by the Audit and Finance Committee for approximately four years. Up until now there wasn't a need; however, interest rates are rising and the Consortium's fund balance is also rising. The policy mirrors State law and contains the same restrictions municipalities are under and all investments have to be collateralized. Mr. Cook said a Request for Proposals (RFP) will be issued for the management services. Mr. Snyder spoke in support of the Policy and for issuing an RFP.

MOVED by Mr. Cook, seconded by Mr. Baxter, and unanimously adopted by voice vote by members present.

WHEREAS, Section E(9) of the Municipal Cooperation Agreement of the Greater Tompkins County Municipal Health Insurance Consortium ("GTCMHIC" or "Consortium"), provides that the Board of Directors of the Consortium shall "establish administrative guidelines for the efficient operation of the Plan"; and

WHEREAS, Section J(5) of the Municipal Cooperation Agreement provides that the "Chief Fiscal Officer may invest moneys not required for immediate expenditure in the types of investments specified in the General Municipal Law for temporary investments or as otherwise expressly permitted by the Superintendent"; and

WHEREAS, Section 4706(b) of the New York State Insurance Law provides that the Consortium's "reserve funds and surplus account" may be invested "in obligations specified in the general municipal law or education law (as applicable) for investment of moneys in reserve funds or as otherwise expressly permitted by the superintendent"; and

WHEREAS, the Consortium desires to adopt a formal "Investment Policy" whose primary objectives in priority order, are: (1) to conform with all applicable federal, state and other legal requirements; (2) to adequately safeguard principal; (3) to provide sufficient liquidity to meet all operating requirements of the Consortium; and (4) to obtain a reasonable rate of return, now therefore be it

RESOLVED, that the Audit and Finance Committee hereby recommends that Board of Directors:

1. Adopts the *Investment Policy for the Greater Tompkins County Municipal Health Insurance Consortium* (the "Investment Policy") attached hereto as Exhibit "A"; and
2. Delegates to the Consortium's Chief Financial Officer the authority to: (i) administer the Consortium's investment program (the "Investment Program") pursuant to the terms and conditions of the Investment Policy; and (ii) to develop, recommend, and

oversee such written procedures as are necessary for the operation of the Investment Program in compliance with the Investment Policy and all applicable federal and state laws; such written procedures becoming effective only upon approval by the Board.

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EXHIBIT "A"

INVESTMENT POLICY

FOR

GREATER TOMPKINS COUNTY MUNICIPAL INSURANCE CONSORTIUM

Article I

Purpose and Objectives

A. The purpose of this Investment Policy (the "**Policy**") is to set forth the parameters within which the funds of the Greater Tompkins County Municipal Health Insurance Consortium (the "**Consortium**") are to be managed. In methods, procedures, and practices, the Policy formalizes the framework for the Consortium's investment activities that must be exercised to ensure effective and judicious management of its funds.

B. This Policy applies to all moneys and other financial resources of the Consortium with regard to depositing and investing its assets, and the Policy shall represent the investment constraints of all invested assets.

C. The primary objectives for implementation of the Policy, in priority order, are: (1) to conform with all applicable federal, state and other legal requirements; (2) to adequately safeguard principal; (3) to provide sufficient liquidity to meet all operating requirements of the Consortium; and (4) to obtain a reasonable rate of return.

Article II

Delegation of Authority

A. Pursuant to Section J(5) of the Municipal Cooperation Agreement of the Consortium,¹ the Board of Directors of the Consortium (the "**Board**") may delegate certain responsibilities set forth herein to the Chief Fiscal Officer of the Consortium (the "**CFO**").

B. As set forth in Article II, Section (A) above, the Board hereby delegates to the CFO, the authority to administer the Consortium's investment program (the "**Investment Program**"), and to establish written procedures for the operation of the Investment Program consistent with this Policy, and all applicable federal and state laws². However, any such written procedures shall become effective only upon approval by the Board.

Article III

Standards of Care

A. Prudence.

¹ See Section J(5) of the 2014 Amendment to the Municipal Cooperation Agreement.

² See Section 10 and 11 of the New York State (the "**State**") General Municipal Law, and Section 4706(b) of the State Insurance Law.

1. Each person responsible for managing and investing the Consortium's financial assets shall act in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances. When making investment and management decisions, the primary objectives for implementation of the Policy set forth in Article I, Section (C) above shall be considered.

2. In making decisions regarding management and investment of the Consortium's financial assets, the following non-exclusive factors shall be considered, if relevant:

- i. general economic conditions;
- ii. the possible effect of inflation or deflation;
- iii. the role that each investment or course of action plays within the overall investment portfolio of the Consortium;
- iv. the expected total return from income and the appreciation of its investments;
- v. other resources of the Consortium;
- vi. the needs of the Consortium and the specific funds to make distributions and to preserve capital; and
- vii. an asset's special relationship or special value, if any, to the purposes of the Consortium.

B. Ethics and Conflicts of Interest. Officers, members, and employees of the Consortium involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the Investment Program, or that could impair their ability to make impartial investment decisions. Officers, members, and employees involved in the investment process shall disclose to the Consortium's Executive Director and the Board any material financial interests they have in financial institutions that conduct business with the Consortium, and shall further disclose any personal financial/investment positions that could be related to the performance of the Consortium's investment portfolio. Officers, members, and employees involved in the Investment Program shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the Consortium; and shall be bound by the Consortium's Code of Ethics Policy.

Article IV Suitable and Authorized Investments

A. The following investments are permitted by the Policy:

1. U.S. Treasury & Government Guaranteed. Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the Full Faith and Credit of the United States of America must be pledged to any such direct obligation or guarantee ("**Direct Obligations**").

2. Municipals. Obligations issued or guaranteed by any of the following:

- i. Obligations of the State; or
- ii. With the approval of the State Comptroller, obligations issued pursuant to Section 24.00 or 25.00 of the State Local Finance Law (i.e. Tax Anticipation Notes and Revenue Anticipation Notes), by any municipality, school district or district corporation in the State, other than the Consortium.

3. Time Deposits. Special time deposit accounts, or non-negotiable certificates of deposit ("CD") in a State "banking institution"³ or federally chartered banks, savings and loans or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with State Law.

Article V
Investment Parameters

A. Diversification. Investments of funds of the Consortium shall be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or specific sector. The diversification strategy shall be reviewed as frequently as circumstances require, but at least annually.

The following diversification parameters have been established:

Sector Type	Sector Max (%)	Issuer Max (%)	Ratings Requirement ¹	Max Maturity
US Treasury and Government Guaranteed	100%	N/A	N/A	10 Years ²
Municipals	30%	5%	Top Three Ratings Categories	10 Years
Time Deposits and Certificates of Deposit	50%	FDIC Limit	N/A, so long as FDIC-guaranteed	5 Years
¹ By a Nationally Recognized Statistical Ratings Organization ("NRSRO") ² Government guaranteed mortgage backed securities shall have a maximum weighted average life of 10 years				

B. Subsequent Credit Downgrades. In the event of a downgrade of a security below the minimum credit standards for a new investment of that security, the CFO shall evaluate the downgrade on a case-by-case basis, and promptly notify the Board and recommend a course of action. If the CFO and/or the Board has retained a professional investment advisor, the investment advisor shall promptly notify the CFO of any downgrade below the minimum credit standards and recommend a course of action.

Article VI
Investment Institutions

A. All financial institutions and dealers with which the Consortium transacts business shall be creditworthy, and have an appropriate level of experience, capitalization, size and other factors that make the financial institution or the dealer capable and qualified to transact business with the Consortium.

B. The CFO shall evaluate the financial position of all financial institutions and dealers with which the Consortium transacts business, and maintain a listing of proposed depositories, trading partners, and custodians. Recent Reports of Condition and Income (i.e. call reports) shall be obtained for proposed banks, and security dealers that are not affiliated with a bank, shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as "primary dealers."

³ As such term is defined in Section 9-r of the State Banking Law.

Article VII
Qualifications of Broker-Dealers

A. The Consortium shall maintain a list of approved security broker-dealers selected by a process of due diligence, which process shall require all broker-dealer candidates to supply the following:

1. Audited financial statements demonstrating compliance with State and federal capital adequacy guidelines;
2. Proof of certification from the Financial Industry Regulatory Authority;
3. Proof of State Registration required by the State General Municipal Law;
4. Evidence of adequate insurance coverage; and
5. Certification and acknowledgement of having read, understood and agreeing to comply with this Policy.

B. Approved security broker-dealers may include primary dealers or regional dealers registered with the Securities Exchange Commission ("**SEC**") that comply with SEC net capital standards under Section 15c3-1 of the Securities Exchange act of 1934 (the "**Exchange Act**").

C. The Consortium is authorized to employ an external investment advisor that shall maintain its own list of approved and qualified security broker-dealers, subject to the same process of due diligence set forth in Article VII, Section (A) above.

Article VIII
Competitive Transactions

A. To ensure that transactions meet best execution requirements, the Consortium has established the following procedures:

1. The CFO or the investment advisor, to the extent applicable, shall seek to obtain at least three (3) competitive bids or offers on any necessary contract related to the purchase and sale of investments; and
2. The CFO or the investment advisor, to the extent applicable, shall document any competitive bids, offers, or quotations received in reliance on this Article.

B. If the Consortium hires an external investment advisor as permitted by Article VII, Section C of this Policy, the advisor must retain documentation demonstrating compliance with this Article, to the extent it is applicable, and provide such documentation to the Consortium upon request.

Article IX
Securing Deposits and Investments

A. All deposits and investments at a bank or trust company, including all demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, the "**Deposits**") made by officers of the Consortium that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, including pursuant to a Deposit Placement Program in accordance with applicable law, shall be secured by:

1. A pledge of "**eligible securities**"⁴ with an aggregate market value that is at least equal to the aggregate amount of the Deposits;

⁴ As defined in Section 10(1)(f) of the State General Municipal Law, and as further set forth in Schedule "A" attached hereto and made a part hereof.

2. A pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the aggregate amount of the Deposits;
3. An “**eligible surety bond**”⁵ payable to the government for an amount at least equal to one hundred percent (100%) of the aggregate amount of the Deposits and the agreed-upon interest, if any, executed by an insurance company authorized to do business in the State, whose claims-paying ability is rated in the highest rating category by at least two (2) nationally recognized statistical rating organizations;
4. An “**eligible letter of credit**,”⁶ payable to the Consortium as security for the payment of one hundred forty percent (140%) of the aggregate amount of the Deposits and the agreed-upon interest, if any. An “eligible letter of credit” shall be an irrevocable letter of credit issued in favor of the Consortium for a term not to exceed ninety (90) days, by a qualified bank (other than the bank where the secured money is deposited). A qualified bank is either one whose commercial paper and other unsecured short-term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company’s commercial paper and other unsecured short-term debt obligations) are rated in one (1) of the three (3) highest rating categories by at least one (1) nationally recognized statistical rating organization, or one that is in compliance with applicable federal minimum risk-based capital requirements; and/or
5. An irrevocable letter of credit issued in favor of the Consortium by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one (1) nationally recognized statistical rating organization, as security for the payment of one hundred percent (100%) of the aggregate amount of the Deposits, and the agreed-upon interest, if any.

Article X **Safekeeping and Custody**

A. **Third-Party Safekeeping.** All investment securities purchased for or held as collateral on deposits or investments shall be held by an independent third-party safekeeping institution, such as a bank, trust company, or third-party custodial agent who may not otherwise be a counter-party to an investment transaction, selected by the Consortium (the “**Independent Safekeeping Institution**”), and subject to security and custodial agreements as follows:

1. Consistent with Section 10(3)(a) of the State General Municipal Law, the security agreement shall provide that eligible securities are being pledged to secure the Deposits together with agreed-upon interest, if any, and any costs or expenses arising out of the collection of the Deposits upon a default. It shall also provide the conditions under which the securities held may be sold, presented for payment, substituted or released and the events of default which will enable the local government⁷ to exercise its rights against the pledged securities. Such agreement shall include all provisions deemed necessary and sufficient to secure in a satisfactory manner the local government’s interest in the collateral.

2. The custodial agreement shall provide that the pledged securities will be held by the Independent Safekeeping Institution as agent of, and custodian for, a local government, and will be kept separate and apart from the general assets of the Independent Safekeeping Institution, and it shall also provide for the manner in which the Independent Safekeeping Institution shall confirm the receipt, substitution or release of the collateral. Such agreement shall further provide for the frequency of revaluation of collateral by the Independent Safekeeping Institution, and the substitution of collateral when a change in the rating of a security causes ineligibility pursuant to the State General Municipal Law.⁸

⁵ See State General Municipal Law Section 11(1)(g).

⁶ See State General Municipal Law Section 11(1)(h).

⁷ As such term is defined in Section 10(1)(a) of the State General Municipal Law.

⁸ See Section 10(3)(a) of the State General Municipal Law.

3. The security and custodial agreements shall also include all other provisions necessary to provide the Consortium with a perfected security interest in the eligible securities and to otherwise secure the local government's interest in the collateral, and may contain other provisions that the Board deems necessary.

B. Internal Controls. The CFO shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be designed to prevent the loss of funds arising from fraud, employee error, and misrepresentation by third-parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Consortium. The system of internal controls shall further provide a satisfactory level of accountability based upon records incorporating the description and amounts of investments, the fund(s) for which they are held, the place(s) where such funds are kept, and other relevant information, including dates of sale or other dispositions and amounts realized. In addition, the internal control procedures shall describe the responsibilities and levels of authority for key individuals involved in the Investment Program.

Article XI **Performance Standards/Evaluation**

A. Assets will be managed in accordance with the parameters specified within this Policy. Performance should be compared to a relevant benchmark or benchmark(s), at regular intervals, but at least on a quarterly basis.

B. Prior to any reporting period, a performance benchmark or benchmarks will be established by the Board. The benchmark(s) shall be reflective of the actual securities being managed and risks undertaken; and the benchmark(s) shall have a similar weighted average maturity and credit profile as the portfolio.

Article XII **Reporting/Disclosure**

A. The CFO shall prepare or have prepared an investment report each quarter, including a summary that provides an analysis of current investments (the "**Investment Report**"). The Investment Report shall be prepared in a manner that will allow the Board to ascertain whether investment activities during the reporting period have conformed to the Policy.

- B. The Investment Report shall include, at a minimum, the following:
1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate;
 2. Average maturity and duration of investments;
 3. Maturity distribution; and
 4. Average portfolio credit quality.

Article XIII **Review of Policy**

The Board shall review the Policy at least annually, within one hundred twenty (120) days of the end of the fiscal year, to reflect developments affecting the Consortium's finances and activities, and to ensure its consistency with the primary objectives set forth in Article I, Section (C) herein.

Article XIV **Policy Adoption**

This Policy is adopted by the Board this 22nd day of March, 2018.

SCHEDULE “A”

Schedule of Eligible Securities for Collateralizing Deposits and Investments in Excess of FDIC Coverage ⁹

“Eligible Securities” for Collateral	For purposes of determining aggregate “market value,” eligible securities shall be valued at these percentages of “market value”:
(i) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government- sponsored corporation.	100%
(ii) Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.	100%
(iii) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.	100%
(iv) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of this State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.	100%
(v) Obligations of counties, cities and other governmental entities of another state having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.	100% if rated in the highest category; 90% for 2nd highest; 80% for 3rd highest.

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Audit and Finance Committee Report (continued)

Mr. Cook said as the Consortium continues to be successful and grows the Audit and Finance Committee will be looking at the Consortium potentially being approached by an employer to join that has a large-enough number of employees that it could change the risk profile. The Committee will also be looking at the Retire Drug Subsidy to see if the benefit could be made more readily available to smaller municipalities.

Ms. Drake announced at its last meeting Mr. Cook was elected to Chair the Audit and Finance Committee and Laura Shawley was elected Vice Chair.

Mr. Barber reported the Prescription Drug Audit that was performed by BMI is complete and has been accepted by the Audit and Finance Committee. The auditors did not find anything of significance and said ProAct was doing a great job.

Report from the Owning Your Own Health Committee

Mr. Barber reported on behalf of Ted Schiele, Committee Chair, who was unable to attend, and stated there was one response received to the Request for Proposals for a Wellness Consultant. The applicant appears to exceed all minimum requirements for the position and in many instances brings much more pertinent experience and expertise. The Committee is very pleased at having this level of talent and experience to consider. Mr. Barber said the applicant,

⁹ See State General Municipal Law Subsections (10)(1)(f)(i)-(iv) and (vii).

Board of Directors
March 22, 2018

Michelle Berry, was in attendance and noted she spent a lot of time understanding the Consortium and its mission and vision. The Review Committee will meet next week and will be interviewing her at that time.

Website Committee

Mr. Barber reported the Committee came up with a homepage design and general structure that has been sent to the Consultant who is constructing the site. Once complete, the site will be released for to Directors and others for feedback.

New Business

There was no new business.

Adjournment

The meeting adjourned at 7:25 p.m.