

**Audit and Finance Committee  
Minutes - Approved  
March 20, 2018  
Old Jail Conference Room**

Present: Mack Cook, Bud Shattuck, Olivia Hersey, Peter Salton, Rordan Hart, Laura Shawley (arrived at 3:35 p.m.), Steve Thayer, Ann Rider

Excused: Chuck Rankin

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey, Consultant; Jessica Hobart, Rick Snyder, Treasurer, Finance Department

**Call to Order**

Mr. Cook called the meeting to order at 3:31 p.m.

**Changes to the Agenda**

The resolution entitled "Resolution of the Audit and Finance Committee to Accept Final Audit Report Presented by BMI – Prescription Drug Claims" was added to the agenda.

**Approval of February 27, 2018 Minutes**

It was MOVED by Ms. Hersey, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present, to approve the minutes of February 27, 2018 as submitted. MINUTES APPROVED.

**Executive Director's Report**

DFS Communications

Mr. Barber reported there has been no communication with the Department since the last meeting; Mr. Snyder commented that the Jurat was finished today.

Other Committees

Mr. Barber reported the Joint Committee on Plan Structure and Design received a report from Mr. Locey on the actuarial values for Metal Level Plans. The Silver Plan is out of the required range; the Committee will be discussing options to bring it back into line at its next meeting. Although there have been no meetings of the Appeals Committee, Mr. Barber said there have been issues submitted and commented that once Excellus has become involved they have been resolved.

Mrs. Shawley arrived at this time.

Mr. Barber reminded members that the annual Retreat will be held on April 26<sup>th</sup> and will focus on utilization. He reported the March issue of Newsletter has been released and provided copies. Mr. Barber reported there was one qualified response to the Request for Proposals for a Wellness Consultant; the Review Committee has scheduled a meeting and will be meeting with the respondent as well. Mr. Barber reminded members that the Board of Directors meeting will be held at Tompkins Cortland Community College in the Sprole Conference Room.

Selection of Committee Vice Chair

It was MOVED by Ms. Hersey, seconded by Ms. Rider, and unanimously adopted by voice vote by members present, to appoint Laura Shawley as Vice Chair of the Audit and Finance Committee. MOTION CARRIED.

Invoices

It was MOVED by Mr. Salton, seconded by Ms. Rider, and unanimously adopted by voice vote by members present, to approve payment of the invoice dated February 28, 2018 to Armory Associates in the amount of \$8,150.00. MOTION CARRIED.

The following invoice was presented for information only:

TST BOCES – 2017-2018 Printing

**Financial Update**

Mr. Locey said financial information for 2018 is not yet available; however, he provided claims totals from January 2016 thru February 2018 showing what the Plan paid and what the member paid for both medical and drug based on information provided by Excellus and ProAct. On the medical side for the first two months of 2018 the Consortium is at \$4.3 million in total claim payments. Mr. Locey said collectively claims are 8% below budget on total claims but noted generally claims amounts for January and February tend to be lower because members are paying deductibles and out-of-pocket maximums have been reset leaving the member's cost-share higher during this period.

Mr. Locey said they continue to monitor the HCRA Surcharge which he estimates to represent 2.65% of the Consortium's total budget. Mr. Barber said as a result of the Committee's discussion, he and Mr. Cook met with Assemblywoman Lifton and shared information about this. He received a call from Senator Seward's office and was told it was very unlikely that anything could be done about this in the 2018 State budget; however, they felt there is merit in discussing this further and asked that meeting be scheduled after the State budget is adopted. Mr. Barber said he sent a communication to other Article 47s in the State with information about this and he received responses indicating others are interested as well. He will be communicating with them again to provide an update on where this stands.

2017 Year-end and Jurat Report

Mr. Snyder provided an update on the status of the 2017 year-end financial report and said information was forwarded to the auditors, Insero & Co. today. He commented that if the Consortium moves forward with the Investment Policy there will be additional reporting work on the Jurat that will need to be done. The Committee will need to approve the audit report at its next meeting.

**Director's and Officer's and Errors and Omissions Insurance**

Mr. Cook said the Committee had a lengthy discussion on this topic at the last meeting and since that time has received correspondence from John Powers, the Consortium's legal counsel. Mr. Salton said Mr. Powers provided a good summary of the issues in his communication and said it is important to note that the Directors and Officers of the Consortium are municipal employees acting in their official capacity. He noted there are four main types of claims that could be brought forward but said it is important to understand that the Board is a mutually-cooperative decision-making process and doesn't believe there is a great financial risk for Directors. He referred to an incident that happened in the past involving an ethics matter that required a Director to obtain an attorney and said one thing he thinks should be considered is whether the Board would want to change the Municipal Cooperative Agreement to afford its Directors indemnification. Mr. Salton said he supports exploring whether the Consortium should afford its Directors and Officers protection from individual exposure relative to official

capacity and noted that current Director's and Officer's insurance policy does not cover the type of action that he referred to earlier that required a Director to obtain legal counsel.

Mr. Barber commented that Mr. Stoddard from Haylor, Freyer, and Coon is aware of Mr. Power's letter but he has not yet received a response from him. He said he also thinks there needs to be further discussion of indemnification of the Board of Directors. Mr. Locey recommended that if the Board wished to adopt a policy to indemnify the Board of Directors it should be done through an amendment of the Municipal Cooperative Agreement. He commented that in his 30 years of experience in working in this business he isn't aware of a time when a board member has been sued over a decision they made relative to operating a municipal cooperative.

A concern was expressed by Ms. Hersey that the communication from Mr. Powers does not reference labor directors. Other members shared in this concern and noted the uniqueness in the way labor Directors are appointed to the Board. Ms. Drake offered a suggestion to include language in the Municipal Cooperative Agreement. Mr. Locey said he would follow-up on this with Mr. Powers. Mr. Salton said he would like to look at whether the Director he referenced in the situation earlier would have been protected if the Board had an indemnification policy in place.

There was consensus that current policy limits will be maintained and the subject of indemnification of Directors will be included in the list of items to be reviewed during the next review of the Municipal Cooperative Agreement. Mr. Barber said he would take the lead in following-up with Mr. Powers.

### **Online Enrollment Process**

Mr. Barber said the Committee has discussed having an online enrollment policy and he has developed a draft policy based on input he received. Today he received information from Excellus on how Ms. Hobart can have access to the necessary information. He explained the process and said municipalities will be asked whether they would like the Consortium to do online enrollment for them. If they do not wish to they will be informed of their responsibilities going forward and if they would like the Consortium to do this for them they will need to provide group information, authorization for the Consortium to do this on their behalf, and submit the proper forms going forward. Mr. Barber expects this policy to eliminate the occurrence of enrollment issues that have been occurring.

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

MOVED by Ms. Ricer, seconded by Mr. Salton. Ms. Hobart said she thinks this policy will be helpful and save time as it will allow her to access information that she presently doesn't have access to. Mr. Barber said the issue of protecting information and being HIPPA compliant will be addressed through use of One Drive mailbox on the County's e-mail server. Ms. Drake said she thinks the Policy will be helpful and noted the responsibility to communicate the information will remain with the municipality.

A question was raised as to whether a threshold should be set on the number of enrollments a municipality can have the Consortium do before a fee is imposed. Mr. Cook suggested this could be included in the discussion of new member applications. Mr. Locey noted that if the policy is amended to address the size of the employer that the reference should

be on covered members and not employees as the County includes other entities such as TC3, the Public Library, and the Soil and Water Conservation District.

The resolution was 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**

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 OF THE AUDIT AND FINANCE COMMITTEE TO ACCEPT FINAL AUDIT REPORT PRESENTED BY BMI – PRESCRIPTION DRUG CLAIMS**

Mr. Barber spoke of two remaining items needing more communication and an adjudication process going forward. The first area for clarification relates to certain pharmacy

management edits or protocols which include, but may not be limited to, Step-Therapy (ST), Prior Authorization (PA), and Quantity Limits (QL). The second area identified was the use of the \$1,500 cost threshold for applying the Prior Authorization. While this edit is well within ProAct's, it is a new edit that the Consortium was unaware of. ProAct has stated the rationale behind the use of the \$1,500 threshold, which is within its authority and responsibility to establish, is to safeguard against medications dramatically rising in price. It allows ProAct to suggest lower cost alternatives where they exist.

Mr. Barber commented that ProAct has been very responsive to the Consortium and received positive comments from BMI in the audit report.

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

WHEREAS, the Consortium has determined there is value in conducting periodic medical and prescription drug claims adjudication process, and

WHEREAS, the Consortium's has developed a pattern of conducting these claims audits on alternate years for medical one year and then pharmaceutical claims the next, and

WHEREAS, Board of Directors Resolution No. 007-2017 authorized a contract with BMI Audit Services to perform an audit to ensure prescription drug claims paid by ProAct are in accordance with benefit plan documents, Federal and State Laws, Rules, and Regulations, and industry standard practices for years 2015 and 2016, and

WHEREAS, BMI has completed the prescription drug claims audit and presented the final report to the Audit and Finance Committee, now therefore be it

RESOLVED, That the Audit and Finance Committee accepts the final audit report presented by BMI on 2015-2016 prescription drug Claims.

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

MOVED by Ms. Rider, seconded by Mr. Shattuck. An amendment suggested by Mr. Snyder to amend: "A. The CFO shall prepare or have prepared an investment report each month" with "A. The CFO shall prepare or have prepared an investment report each quarter" was accepted as friendly. It was agreed that if the policy is approved by the Board of Directors the Request for Proposals will be presented to the Committee at its next meeting for discussion that will include concerns about the management fees. The resolution was 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,<sup>1</sup> 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 laws<sup>2</sup>. However, any such written procedures shall become effective only upon approval by the Board.

**Article III**  
**Standards of Care**

A. Prudence.

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

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

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



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"<sup>3</sup> 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 <sup>1</sup>	Max Maturity
US Treasury and Government Guaranteed	100%	N/A	N/A	10 Years <sup>2</sup>

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

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
<sup>1</sup> By a Nationally Recognized Statistical Ratings Organization ("NRSRO")				
<sup>2</sup> 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."

## 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**"<sup>4</sup> with an aggregate market value that is at least equal to the aggregate amount of the Deposits;

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**"<sup>5</sup> 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**,"<sup>6</sup> 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

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<sup>4</sup> 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.

<sup>5</sup> See State General Municipal Law Section 11(1)(g).

<sup>6</sup> See State General Municipal Law Section 11(1)(h).

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 government<sup>7</sup> 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.<sup>8</sup>

4. 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

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

<sup>8</sup> See Section 10(3)(a) of the State General Municipal Law.

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 \_\_\_\_ day of \_\_\_\_\_, 2018.

## SCHEDULE “A”

### Schedule of Eligible Securities for Collateralizing Deposits and Investments in Excess of FDIC Coverage <sup>9</sup>

<b>“Eligible Securities” for Collateral</b>	<b>For purposes of determining aggregate “market value,” eligible securities shall be valued at these percentages of “market value”:</b>
(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.

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

### **New Member Applications**

Mr. Cook said there is a probability that at some point the Consortium will be presented with an application for a large group to join the Consortium that could impact its risk profile. He thinks the Consortium needs to prepare for measuring that risk and establish what requirements and controls should be in place on the admission of a new member. Mr. Locey said the biggest things the Consortium should look for are anomalies in risk such as whether they are purchasing care under a different cost structure or within a different region that has different costs, and are they or are they not providing coverage to a different demographic. He said the Consortium cannot have a rate based on each municipality but can do regional rating based on geographic location.

Mr. Locey said he could prepare a questionnaire and a list of things that should be vetted to see if there should be any risk adjustment prior to accepting a new group. He noted that if a different rate is applied it would have to be applied to all of the groups within that area. Mr. Cook asked if there is a threshold that Mr. Locey would recommend that would trigger the requirement for additional information; he suggested an employer with a range of 5-10% of the Consortium’s current covered lives.

Mr. Locey was asked to draft a policy statement for the Committee to discuss that would include the components to be measured and any requirements or procedures the Consortium should have in place.

**Committee Vision: Responsibility, Membership and Leadership**

Mr. Barber said this item came out of the Executive Committee asking committees to review their charge and to review membership to make sure it is in-line with the charge. He said at the Board of Directors meeting Ms. Drake will announce that all of the Chairs of committees will be invited to attend the Executive Committee meetings. Mr. Cook commented that this Committee is functioning well and has the membership and staffing with the proper skill sets to handle its charge.

**Next Agenda Items**

The following items will be included on the next agenda:

A recap of the concerns expressed earlier in the meeting relating to labor representatives on the Board and indemnification of Directors;  
Approval of External Audit Report;  
Investment Policy Request for Proposals; and  
New member applications.

**Adjournment**

The meeting adjourned at 5:09 p.m.