

Greater Tompkins County Municipal Health Insurance Consortium
Audit and Finance Committee
January 23, 2018
Old Jail Conference Room

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|---|-----------|
| 1. Call to Order (3:30) | S. Thayer |
| 2. Changes to Agenda | |
| 3. Approve Minutes of December 19, 2017 Meeting (3:32) | |
| 4. Executive Director's Report (3:35) | D. Barber |
| a. DFS Communications | |
| b. Executive Committee Topics: Online Enrollment & Dependent Certification | |
| c. Invoices (BMI) | |
| 5. ProAct Claims Administration Audit (3:45) | |
| | BMI |
| 6. Financial Update (4:10) | S. Locey |
| a. 2017 Prescription Drug Rebate Report | |
| 7. Discussion: Committee Vision: Responsibility, Membership, and Leadership (4:25) | |
| 8. Introduction: Investment Policy (4:45) | |
| | D. Barber |
| 9. Next Agenda Items (Discuss the implications of receiving claims data from potential members) | |
| 10. Adjourn (5:00) | |

Next Meeting: February 27, 2018

**Audit and Finance Committee
December 19, 2017 – 3:30 p.m. - draft
Old Jail Conference Room**

Present: Steve Thayer, Chuck Rankin, Mack Cook, Rordan Hart, Peter Salton, Olivia Hersey, Laura Shawley (arrived at 3:33 p.m.)

Excused: Bud Shattuck

Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey (via conference call)

Call to Order

Mr. Thayer, Chair, called the meeting to order at 3:31 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of November 14, 2017

It was MOVED by Ms. Hersey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of November 14, 2017 as submitted. MINUTES APPROVED.

Report from the Executive Director

DFS Communications

Mr. Barber reported a conference call that took place with the Department of Financial Services which was an outcome of a recent meeting with Senator Seward. At the beginning of the call the Consortium was informed that DFS had approved the Consortium's application for a waiver of Aggregate Stop Loss with a request for additional information when the 2018 Jurat is filed. Mr. Barber provided members with a copy of a letter from the Department dated December 5, 2017 relating to this. Later in the meeting Mr. Locey said the annual budget process will include a review of whether the Consortium should continue to forego the purchasing of Aggregate Stop Loss.

Mrs. Shawley arrived at this time.

Mr. Barber reported seven outstanding issues were addressed during the call and the Consortium was advised that the Department would be working on them. He said the call was very constructive and he will follow-up with the Department in a couple of months if there has been no communication.

Prescription Drug Claims Audit

Mr. Barber distributed a copy of an updated timeline. The audit is on schedule and the Committee should see a report at its January meeting.

Other Committee Activity

Mr. Barber invited members to attend the January 4 meeting of the Joint Committee on Plan Structure and Design and said there will be presenters from Excellus, ProAct, and the local physician community to talk about the opioid crisis. They will speak about what benefit plans are doing and what may be possible to do.

The Website Committee has made contact with eGov and is moving forward with the new website. The Owning Your Own Health Committee has forwarded a proposal to the Executive Committee to develop and RFP to hire a consultant to work on wellness initiatives and who would be the person who would inform municipal partners of what wellness programs and opportunities exist.

The Appeals Committee met to discuss an appeal and awaits PPO and copay information from Mr. Locey; however, it is likely that the appeal will be granted based on information that has been received and reviewed. There was discussion of issues relating to the processing of bills from the Cayuga Physicians Network and the need for follow-up with CAP (Cayuga Area Plan/Preferred). A second appeal was received that he will share with Mr. Locey and develop a plan for moving forward.

Other Items

Mr. Barber provided members with a copy of the December Newsletter. He said he received a request from the Town of Owasco for a 1099 and asked for direction is this was the first request he has received for this. Mr. Locey said the Consortium has a TIN (Tax Identification Number) and there was no objection to providing a 1099 to the Town of Owasco.

Invoice Approval

It was MOVED by Mr. Salton, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve an invoice dated November 30, 2017 from Bonadio & Co., LLP per the Consortium's Invoice Payment Policy.

The following invoices have been paid pursuant to the Policy and were presented for information only:

Tamara Beardsley – November 20, 2017	\$ 75.00
Judy Drake – November 14, 2017	\$ 22.40
Jennifer Jensen – November 18, 2017	\$ 450.00
TST BOCES – December 14, 2017	\$ 436.00
BMI Audit Services – December 12, 2017	\$ 13,050.00

Financial Update

Mr. Locey provided a financial update as of November 30, 2017 and reported the Consortium continues to do well. There is a net income of \$2.6 million compared to the budgeted deficit amount of \$1.4 million for the year. A significant portion of this is related to prescription drug rebates, Stop Loss recovery, and premium revenue related to additional members. Also, medical claims are 5% below budget and prescription drug claims are 8% below budget to date. The collective expense results are \$2.3 million more than budgeted and revenue \$1.7 million more than budgeted; this leaves almost \$4 million that can be used towards Stop Loss insurance and to offset future rate increases. Mr. Locey called attention to the paid claims percentage of 93.58% which means only 6.42% is being used to pay all other expenses.

Specific Stop Loss Insurance

Mr. Locey said three competitive quotes were received for Specific Stop Loss insurance, particularly at the lower deductible levels. Quotes were also received for higher levels as he and Mr. Barber felt that the deductible could easily be increased by \$50,000 to \$500,000 and

this would reduce the Consortium's expense by \$100,000 for any of the carriers. He reviewed the quotes received from each of the carriers and recommended the Catastrophic Claims Reserve be increased from \$1.3 million in 2017 to \$2 million for 2018 which would allow for the deductible to be increased without exposing the Consortium to any financial harm for any potential catastrophic claims.

Mr. Locey addressed the Captive cell protected cell proposal and a suggestion made that the Consortium consider moving to it mid-year and said he recommends whatever decision is made relative to Stop Loss that it be for all of 2018. He believes there are still unanswered questions and more information that needs to be gathered and recommends this continue to be explored for 2019. He spoke of an un-named individual who has been labeled as "lasered" due being a unique high claims risk and the deductible levels contained in each quote for this individual.

Mr. Barber addressed questions related to the protected cell and said if the Consortium were to express interest in joining it could not do so until the Department of Financial Services gives its approval. Mr. Locey responded to a question relating to deductible and reserve levels for other groups and said he had done research and couldn't find a statistical model that could be used. He has requested information from Excellus on large loss information on what they have experienced and said two of Locey and Cahill's groups experienced individuals with claims that exceeded \$2 million this year.

Following a lengthy discussion of the proposals submitted and the issues relating to the deductible levels, risk, and the captive it was MOVED by Mr. Cook, seconded by Mrs. Shawley, and unanimously adopted by voice vote by members present, to approve the following resolution:

**RESOLUTION OF THE AUDIT AND FINANCE COMMITTEE - AUTHORIZATION TO
PURCHASE STOP LOSS INSURANCE**

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

RESOLVED, That the Audit and Finance Committee directs the Board Chairperson to execute a contract with Highmark Life Insurance Company that contains these terms,

RESOLVED, further, That the Stop Loss contract will have a deductible of \$600,000,

RESOLVED, That the Audit and Finance Committee recommends that the Board of Directors increase the Catastrophic Claims Reserve from \$1,350,000 to \$2,000,000,

RESOLVED, further That the Plan Consultant is directed to provide the Administrative Clerk of the Consortium with a copy of said policy.

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Next Agenda Items

The primary item to be included on the January meeting agenda will be Stop Loss. The January agenda will include:

Investment Policy;
Committee membership;
New member application – claims data if available; and
2017 drug rebate report. Mr. Locey will follow-up on detailed quarterly rebate reports that ProAct should be submitting to the Consortium but has not done.

Adjournment

The meeting adjourned at 5:01 p.m.

To: Audit and Finance Committee
From: Don Barber, Executive Director
Date: January 16, 2018

Re: Online Enrollment

You will remember that we took a hard line with Excellus regarding online enrollment. During our discussions with Excellus we also discussed paper enrollment as well. The MOU regarding this topic is attached.

The reason for this memo is to share my thoughts to improve the enrollment process for those Consortium partners that don't use online enrolling. These partners choose this path because the volume of changes is very infrequent. These same Consortium partners also have had a broker intercede in the enrollment process so their benefit managers have little prior experience. This has been especially true the past few years for our new partners. As you can imagine from the subscribers perspective, in spite of very honest benefit manager efforts to comply, there is extended time to get the process completed including going back to get "ALL" of the information needed on the enrollment form and then waiting for confirmation that data entry by Excellus we accepted by the software.

I suggest for your thinking that it may be in the best interest Consortium to establish a policy whereby all enrollment applications are submitted online. To accomplish this, should the municipal partner request that support, the Consortium would need to supply the support staff for the online submissions,.

One of our benefit managers, Judy Drake, is willing to take on this responsibility. She is currently working with Town of Ithaca administration to develop a contract proposal similar to the one we have with Tompkins County for financial services.

I look forward to discussing this service improvement concept and possible solution on Tuesday.

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Greater Tompkins County Municipal Health Consortium Investment Policy

I. Introduction

This Investment Policy Statement ("Policy") defines the parameters within which the funds of the Greater Tompkins County Municipal Health Consortium ("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.

II. Scope

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

III. Investment Objectives

The primary objectives, in priority order, of investment activities shall be:

- To conform with all applicable federal, State and other legal requirements;
- To adequately safeguard principal;
- To provide sufficient liquidity to meet all operating requirements;
- To obtain a reasonable rate of return

III. DELEGATION OF AUTHORITY

According to Section E2(h) of the Municipal Cooperative Agreement: *designate the banks or trust companies in which joint funds, including reserve funds, are to be deposited and which shall be located in this state, duly chartered under federal law or the laws of this state and insured by the Federal Deposit Insurance Corporation, or any successor thereto.*

And Section J5: *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 Insurance Law Article Section 4706(b) *The moneys in the plan's reserve funds and surplus account shall be deposited in one or more banks or trust companies designated by the governing board in accordance with the municipal cooperation agreement in, one or more separate segregated accounts, subject to investment obligation 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. Any such bank or trust company shall be located in this state and shall be duly chartered pursuant to federal law or the laws of this state. Any interest earned or capital gain realized on the moneys deposited or invested shall accrue to and become part of the plan's reserve funds or surplus account, as applicable.*

Therefore the governing board's responsibility for administration of the investment program is delegated to the *Chief Fiscal Officer* who shall establish written procedures for the operation of the investment program consistent with these investment policies. Such procedures shall include

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internal controls to 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 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.

IV. Standards of Care

1. Prudence

When investing or reinvesting assets, the Consortium, and any firm or person acting in a fiduciary investment advisory role on its behalf, shall use the Prudent Person standard.

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

2. 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 Board of Trustees 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 investment portfolio. Officers, members, and employees involved in the investment process 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.

V. Investment Institutions

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. The chief fiscal officer, having custody of money, shall evaluate the financial position and maintain a listing of proposed depositaries, trading partners, and custodians. Recent Reports of Condition and Income (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.

VI. Qualifications of Broker/Dealers

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The Consortium shall maintain a list of approved security broker/dealers selected by conducting a process of due diligence. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

If the Consortium employs an external investment advisor: that investment advisor shall maintain its own list of approved and qualified broker/dealers, subject to the same process of due diligence described above.

If the Consortium does not employ an external investment advisor: the following five (5) requirements shall be followed when engaging in all securities transactions with broker/dealers.

All broker/dealers who desire to become approved for investment transactions must supply the following:

1. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
2. Proof of FINRA certification
3. Proof of State Registration
4. Evidence of adequate insurance coverage
5. Certification of having read and understood and agreeing to comply with the Consortium's investment policy

VI. Competitive Transactions

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

1. The Investment Officer or investment advisor shall seek to obtain at least three (3) competitive bids or offers on all purchases and sales of investments.
2. If the Consortium is offered a security for which there is no readily available competitive offering on the same specific issue (such as for direct issues), then the Investment Officer shall document quotations for comparable or alternative securities.

VII. SECURING DEPOSITS AND INVESTMENTS

All deposits and investments at a bank or trust company, including all demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, "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 law, shall be secured by:

1. A pledge of "eligible securities" with an aggregate "market value" (as provided by the GML Section 10) that is at least equal to the aggregate amount of deposits by the officers. See Schedule A of this policy for a listing of "eligible securities." And/or
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 deposits from all such officers within the State at the bank or trust company. And/or

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3. An “eligible surety bond” payable to the government for an amount at least equal to 100 percent of the aggregate amount of deposits and the agreed-upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The governing board shall approve the terms and conditions of the surety bond. And/or
4. An “eligible letter of credit,” payable to the Consortium as security for the payment of 140 percent of the aggregate amount of 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 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 of the three highest rating categories by at least one 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 nationally recognized statistical rating organization, as security for the payment of 100 percent of the aggregate amount of deposits and the agreed-upon interest, if any

VII. Safekeeping and Custody

All investment securities purchased for or held as collateral on deposits or investments shall be held by a bank, trust company, or third-party custodial agent (who may not otherwise be counterparty to the investment transaction) subject to security and custodial agreements. All securities shall be held in the name of the Consortium.

The security agreement shall provide that eligible securities are being pledged to secure such deposits together with agreed-upon interest, if any, and any costs or expenses arising out of the collection of such 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 to exercise its rights against the pledged securities.

The custodial agreement shall provide that pledged will be held by the custodial bank, trust company, or third-party custodial agent for, the Consortium will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall describe a system of internal controls. The 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; also describe how the custodian shall confirm the receipt, substitution or release of the collateral and it shall provide for the frequency of revaluation of collateral by the custodial bank or trust company and for the substitution of collateral when a change in the rating of a security causes ineligibility. The security and custodial agreements shall also include all

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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 governing board deems necessary.

VIII. Suitable and Authorized Investments

GML Section 11 Investment Types (See Appendix B for GML Section 11 wording)

The following investments are permitted by this Policy:

- A. **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").
- B. **Municipals** – Obligations issued or guaranteed by any of the following:
 - a. Obligations of the State of New York;
 - b. With the approval of the State Comptroller, obligations issued pursuant to Local Finance Law Section 24.00 or 25.00 (i.e., Tax Anticipation Notes and Revenue Anticipation Notes) by any municipality, school district or district corporation in the State of New York other than the Consortium; and
- C. **Time Deposits and Certificates of Deposit (CD)** - Special time deposit accounts or Certificates of Deposit in a bank or trust company located and authorized to do business in New York State CDs must be placed with a "banking institution" as defined in NY State Banking Law Section 9-r.

IX. Investment Parameters

1. Diversification

It is the policy of the Consortium to diversify its investments. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, assets shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the Investment Officer for all funds. 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

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2. Subsequent Credit Downgrades

In the event of a downgrade of a security below the minimum credit standards, the Consortium's Investment Officer shall promptly notify the Board and recommend a course of action. If the Consortium has retained a professional investment advisor, in the event of a downgrade below the minimum credit standards, the investment advisor shall promptly notify the Investment Officer and recommend a course of action.

X. Performance Standards/ Evaluation

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. Prior to any reporting period, a performance benchmark or benchmarks will be established by the Consortium. 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.

XI. Reporting/Disclosure

The Investment Officer shall prepare or have prepared an investment report each month, including a summary that provides an analysis of current investments. This management summary will be prepared in a manner that will allow the Consortium to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will 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
4. Average portfolio credit quality

XII. Policy Considerations & Exceptions

This Policy shall be reviewed on an annual basis. Any changes must be approved by the Investment Officer before presentation to the Board for its review and approval.

XIII. Investment Policy Adoption

This policy is adopted by the Consortium this ____ day of _____, 2018.

Schedule A

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

“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.

Appendix B

§ 11. 3. a. Investments pursuant to this section may also be made in the following:

(1) obligations of the United States of America or in obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America or in obligations of the state of New York, or with the approval of the state comptroller in obligations issued pursuant to section 24.00 or 25.00 of the local finance law by any municipality, school district or district corporation other than the municipality, school district or district corporation investing such moneys pursuant to this paragraph.

In addition, moneys in any reserve fund established pursuant to section six-c, six-d, six-e, six-f, six-g, six-h, six-j, six-k, six-l, six-m or six-n of this article may be invested in obligations of the municipality, school district, fire district or district corporation which has established the reserve fund, or in the case of a capital reserve fund established for a town or county improvement district, obligations of the town or county issued for the purposes of such district.

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b. All investments made pursuant to this subdivision shall be subject to the following conditions:

(1) Such obligations shall be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Obligations that are purchased pursuant to a repurchase agreement shall be deemed to be payable or redeemable for purposes of this paragraph on the date on which the purchased obligations are scheduled to be repurchased by the seller thereof. Any obligation that provides for the adjustment of its interest rate on set dates shall be deemed to be payable or redeemable for purposes of this paragraph on the date on which the principal amount can be recovered through demand by the holder thereof.

(2) Such obligations, unless registered or inscribed in the name of the local government, shall be purchased through, delivered to and held in the custody of a bank or trust company or, with respect to the city of New York, a reputable dealer in such obligations as shall be designated by the state comptroller, in this state. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company or dealer in obligations only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the local government by the bank or trust company. All obligations held in the custody of a bank or trust company pursuant to this paragraph shall be held by such bank or trust company pursuant to a written custodial agreement as set forth in paragraph a of subdivision three of section ten of this article.

* NB Effective until July 1, 2008

* 3. Investments pursuant to this section may also be made in obligations of the United States of America or in obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America or in obligations of the state of New York,. In addition, moneys in any reserve fund established pursuant to section six-c, six-d, six-e, six-f, six-g, six-h, six-j, six-k, six-l, six-m or six-n of this article may be invested in obligations of the municipality, school district, fire district or district corporation which has established the reserve fund, or in the case of a capital reserve fund established for a town or county improvement district, obligations

Dear Audit and Finance Committee,

Upon recommendation of the special committee on Governance Structure, the Consortium's Executive Committee has asked each standing committee to review their charge and committee membership. The result of this review is to consider these statements and recent committee actions and provide any recommended changes to the Board.

The Executive Committee is also planning to suggest to the Board that the chairs of the Standing Committee's be invited to their quarterly planning session. Next planning meeting is April 10th.

This is the text from the three Board resolutions establishing the Audit, Finance, and Audit & Finance Committee and below that is current committee membership.

Audit Committee

RESOLVED, the Board of Directors hereby establishes an "Audit Committee" to review financial reports and filings, audit policies and procedures to be sure they are in compliance with Article 47 and the Certificate of Authority, review medical claims audit reports, establish a list of all reports due to the Board and regulators and the process and time line to insure accurate and timely reporting, and

RESOLVED, further, That the Treasurer, Chief Financial Officer, are standing members of the Audit Committee,

Finance Committee

RESOLVED, the Board of Directors hereby establishes an "Finance Committee" to recommend a budget, recommend premium rates, review Jurat reports, recommend reinsurance and retention policies, and a reserving and payback plan for capitalization policies,

Audit and Finance Committee merger

WHEREAS, each committee has held monthly meetings and has completed several tasks, including but not limited to:

- became familiar with the New York State Department of Financial Services Audit;*
- reviewed the external audit function;*
- developed the Wrongful Conduct (Whistleblower) Policy, Code of Ethics and Conflict of Interest Policy, Privacy Policy, Procurement Policy and Request for Proposal Guidelines;*
- developed and issued a Request for Proposals for Medical and Prescription Claims Auditing Services; • provided oversight of the transition to Quick Books;*
- reviewed and recommended a Medicare supplement, • reviewed a Stop Loss retention strategy,*
- reviewed financial reports and filings, audit policies and procedures to be sure they are in compliance with Article 47 and the Certificate of Authority;*
- reviewed quarterly and annual financial filings (JURAT reports); and*
- recommended the final accounting a payout of the initial payout by municipalities , and*

Committee Members

Steve Thayer, Chair (Chief Financial Officer)

Mack Cook, Vice Chair (municipal participants)

Rordan Hart (municipal participants)

Peter Salton (municipal participants)

Chuck Rankin (municipal participants)

Laura Shawley (municipal participants)

Olivia Hersey (labor representatives)

Bud Shattuck (municipal participants)

Vacancy