

City of Copperas Cove Information Item No. 4

February 16, 2010

Texas Municipal League Equity Return

Contact – Wanda Bunting, Director of Financial Services, 547-4221

wbunting@ci.copperas-cove.tx.us

SUBJECT: Texas Municipal League Equity Return.

1. BACKGROUND/HISTORY

The City's Workers' Compensation, Liability and Property Insurance provider is Texas Municipal League (TML) Intergovernmental Risk Pool.

The TML Pool Board of Trustees had adopted Equity Return Policies for the Workers' Compensation, Liability, and Property Funds. The policies state that when the following conditions are met at the end of a given year, the Pool will return one-half of equity gained that year in the Workers' Compensation and Property Funds and 75% of the equity gained in the Liability Fund.

- Members that participated in the individual Fund for at least one complete year as of September 30, 2009,
- Members that have a loss ratio for that Fund that is less than 100% since joining the Fund or for the last 5 or 10 years,
- Members that continued to be a Member of that Fund on January 25, 2010.

2. FINDINGS/CURRENT ACTIVITY

Because of positive financial results, the Pool has returned equity from the Workers' Compensation, Liability and/or Property funds in 13 of the past 16 years. The City has received a total of \$235,215 in equity returns since 2003-04 fiscal year from TML Intergovernmental Risk Pool for Liability, Property and Workers' Compensation funds. City staff's successful efforts in helping control property, liability, and workers' compensation losses created the equity return.

3. FINANCIAL IMPACT

The equity return for fiscal year 2008-09 totals \$56,974 of which \$11,071 was received for Liability, \$15,352 for Property and \$30,551 for Workers' Compensation.

4. ACTION OPTIONS/RECOMMENDATION

None.



January 29, 2010

Mr. Andrea Marie Gardner
City Manager
City of Copperas Cove
507 South Main Street
Copperas Cove, TX 76522

RE: 2008-09 Equity Return - Workers' Compensation, Liability and Property Funds

Dear Mr. Gardner:

The City of Copperas Cove is eligible to receive a portion of equity distributions from the Workers' Compensation, Liability and/or Property Funds, approved by the Pool's Board of Trustees. The attached *Announcement* explains the conditions and eligibility criteria for the equity return. This action is in keeping with the Pool's long-standing policy of returning equity to Members when financial results are favorable.

Your loss ratio and length of membership in the Workers' Compensation, Liability and/or Property Funds qualify you for a total equity return of \$56,974. Your equity return check was mailed to the addressee above. The City of Copperas Cove has received \$235,215 in equity returns since 2003-2004 as shown in the following table.

CITY OF COPPERAS COVE
EQUITY RETURNS

Fiscal Year	W/C	Liability	Property	Total
2003-04		\$13,857		\$13,857
2004-05		\$15,001	\$14,502	\$29,503
2005-06		\$37,249	\$11,129	\$48,378
2006-07	\$15,283	\$28,164	\$1,954	\$45,401
2007-08	\$18,975	\$22,127		\$41,102
2008-09	\$30,551	\$11,071	\$15,352	\$56,974
Total	\$64,809	\$127,469	\$42,937	\$235,215

Because of positive financial results, the Pool has returned equity from the Workers' Compensation, Liability and/or Property funds in thirteen of the past sixteen years.

In addition to approving this equity return, the Board approved a 10% Property Fund rate reduction at the January 2010 Board meeting. This rate reduction will save members \$3.2 million in the current fiscal year and will also be applied to 2010-11 Property Fund rates. More information about this rate reduction will be coming in the next few weeks.

Thank you for your successful efforts in controlling losses. Remember that the Pool's Loss Prevention staff is available to provide training and assistance in all aspects of loss prevention.

On behalf of the Board of Trustees, thank you for your continued participation in the Pool. Please contact your Field Services Representative at 1-800-537-6655 if you have any questions.

Sincerely,

R. Marvin Townsend
Executive Director

cc: Ms. Wanda Bunting, Finance Director

WORKERS' COMPENSATION, LIABILITY & PROPERTY EQUITY RETURNS

At the end of 2008-09, the Workers' Compensation, Liability and Property Funds satisfied the Board adopted criteria for equity returns. One half of the equity gained in the Workers' Compensation and Property Funds, and 75% of the equity gained in the Liability Fund will be returned to the Pool's Members. Returns of \$8.3 million from the Workers' Compensation Fund, \$3.7 million from the Liability Fund and \$4.1 million from the Property Fund will be distributed to qualifying Members.

The combined Equity Return of \$16.1 million will be distributed to Members that

1. participated in the individual Fund for at least one complete year as of September 30, 2009,
2. have a loss ratio for that Fund that is less than 100% since joining the Fund or for the last 5 or 10 years, and
3. continued to be a Member of that Fund on January 25, 2010.

The Pool is aware of declining revenues for many of its Members, and therefore is distributing the Equity Return immediately after approval at the Pool's January 2010 Board of Trustees' meeting.

The amount of each Member's Equity Return will be a percentage of 2008-09 contributions determined by two variable components, loss ratio and longevity.

Loss Ratio Component

Loss ratios are a result of dividing losses incurred by contributions paid. Loss ratios are calculated for 5 years, 10 years and all years, and the most favorable result for the Member is used to determine the loss ratio component. The loss ratio component of the Equity Return will be a percentage of 2008-09 contributions determined as indicated in the Loss Ratio Component chart on the next page.

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LOSS RATIO COMPONENT CHART

Member's Most Favorable Loss Ratio	Return as a Percentage of Member's Estimated 2008-09 Contribution		
	Workers' Compensation*	Liability	Property
Less than 25% over 5 or 10-year period	12.5%	7.5%	11.0%
25% to less than 50% over 5 or 10-year period	10.5%	5.5%	9.0%
50% to less than 75% over 5 or 10-year period	8.5%	5.0%	7.0%
75% to less than 100% over 5 or 10-year period	6.5%	4.0%	5.0%
Less than 100% over life of membership	1.0%	1.0%	0.5%

* The percentage credit for Workers' Compensation will be applied to the 2008-09 estimated contribution, which does not reflect adjustments based on the payroll audit after the end of the year.

Qualifying members that have participated in a fund for at least one year, but less than three years, will receive one-half of the credit indicated above.

Longevity Component

The Equity Return calculation also recognizes the length of time a Member has participated in the individual Fund. The equity return percentages shown in the preceding chart will be increased based on continuous membership in the applicable Fund as of September 30, 2009, as indicated in the chart below.

LONGEVITY COMPONENT CHART

Member's Longevity	Longevity Factor as a Percentage of Member's Estimated 2008-09 Contribution		
	Workers' Compensation	Liability	Property
1 to 2 years	0%	0%	0%
3 to 4 years	1.0%	1.0%	0.5%
5 to 9 years	2.0%	2.0%	1.5%
10 or more years	4.0%	4.0%	3.5%

The Pool's long history of returning Members' Equity is a direct result of the Members' efforts to reduce losses, and reflects the value of continued membership in the Pool. The Pool's staff of professional Loss Prevention Representatives is available to assist Members in their loss prevention efforts.

Questions? Call 1-800-537-6655

If you have questions about your equity return, ask for the Underwriting or Field Services Department. For loss prevention assistance, please contact the Loss Prevention Department.