

**PUBLIC ENTITY PARTNERS  
BOARD OF DIRECTORS  
MINUTES OF REGULAR MEETING  
DATE OF MEETING: September 18, 2021**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 8:40am on September 18, 2021, at the Chattanooga Convention Center in Chattanooga, Tennessee.

**Board Members Present:** Chairman Curtis Hayes, Vice Chairman Randy Brundige, Dr. Christa Martin, Mayor Lois Preece, Todd Smith, and Commissioner Sam Tharpe.

**Board Members Not Present:** Mayor John Holden, Mayor Mike Werner and Victor Lay

**PE Partners Staff Present:** Michael Fann, President/CEO; Amanda Shrum, CFO; Halie Gallik, Board Secretary; George Dalton, Vice President of Risk Services; Celeste Taylor, Director of Human Resources; Embry Nichols, Vice President of Underwriting and Internal Services;

**Also Present:** Russ Farrar, Farrar & Bates; Ross V. Smith, Farrar & Bates;

**Call to Order Chairman Hayes**

**Roll Call – Mayor Holden, Mayor Werner, Victor Lay were unable to attend. Six of nine members present.**

**I. APPROVAL OF MINUTES**

**Motion to approve June 11, 2021 Meeting Minutes made by Dr. Martin, seconded by Mayor Preece. MOTION PASSED UNANIMOUSLY.**

**II. FINANCIAL REPORTS**

**Michael Fann explained the ongoing Origami conversion. We are now in the last element of the data conversion and appreciate our finance team and the work they are doing on this conversion. The conversion process for our claims data impacts the information that feeds into the financial report typically provided during board meetings. This has caused a delay in our normal reports to you, but we want to ensure that the conversion and data is complete and accurate.**

**A. Pro-Forma Statement of Revenues and Expenses for FY 2022**

**Amanda Shrum, CFO shared the Pro-Forma Statement of Revenues is in the board book which is where we see projecting for the current year we are in now. We are projecting our total revenues for \$72.8 million. Part of that is earned premium – this was projected by looking at actual earned premium for 6/30/2021 and applying the base rate changes.**

**At July 1, 2021, we did not lose any accounts and have not estimated any additional members or lines for the 2021/2022 year. Actual premium for 2021 was \$77.6 million**

**We are seeing decreasing yields in our investments. We are projecting investment income shows on a 2.9% return on securities and .1% return on LGIP funds.**

**For our expenses, the total loss & loss adjustment expense is projected at \$54 Million for 2021/2022. That includes our claims and reserves and claims administration expense. Claims administration expense includes our claims third party administrator, Public Risk Services, and any expenses that go along with their operations.**

**The Total Policy Acquisition Cost are projected at \$6.8 Million for 2021/2022. This includes lobbying expenses, workers' compensation audits, property appraisal expenses, rate study to be performed by outside actuaries, the TML Contribution, estimated member agent commission expenses, full package bonus payments to members & their respective agents, and the required Second Injury Fund fee.**

**The General and administrative expense of \$12 million is the expense proposed and approved by the Board at the June 2021 board meeting. As shown, this brings us to an expected operating Loss of \$27,000 for the year.**

#### **B. Investment Report for August 31, 2021**

**You have our full portfolio in front of you. As of 8/31/2021 – we have securities with a book value of \$274.4 million and a Market Value of \$279.5 million showing an unrealized gain of \$5.1 million.**

**As of yesterday, when we ran the market reports are at \$5-5.1 million still for the unrealized gains. For the two months ending 8/31, we have realized gains of \$1.3 million compared to \$3.7 million at this time last year. We use those gains to offset any losses in the market. If we see in the market where we need to sell a security to better position ourselves with a higher yield or a higher coupon or better credit rating, then we have those gains there to offset to get us in a better position.**

**The average coupon of the portfolio is 3.349% and an average yield of 3.188%. The AAA are making up roughly 20% of the portfolio. Most of our securities are in the AA or A range. That is where we are having to go to keep our yields around 3% which is what we shoot for.**

**Chairman Hayes called for questions.**

**Vice-Chair Mayor Brundidge made a motion to accept the financial reports. Seconded by Commission Sam Tharpe. MOTION PASSED UNANIMOUSLY.**

### III. STRATEGIC PLAN UPDATE

Michael Fann shared that George will give a status update on training, but we continue to engage Judy King, the consultant that assisted us with our strategic planning retreat last October. Under Tab 3 you have an article sharing that PE Partners has been named to the list of Best Places to Work in Business Insurance Magazine. This came directly out of our strategic plan. One of the things we committed to do was number one survey our membership, which we reported on in June, then to also do an internal survey of our staff. When we looked at the tools that were being made available by Business Insurance through this survey it gave us a great tool for internal data. This is the first time we have engaged this type of nomination process. The Communications & Research Department worked with Business Insurance to facilitate the survey. We are very excited about it, and we hope you are too. What we are most excited about is that the data we receive from the nomination process feeds into our strategic plan. Not only has the leadership team responded to our strategic plan, but really our entire staff has.

George Dalton, Vice President of Risk Services, shared that many of the items we are working on have produced positive results. The strategic plan lays out where we are and where we are going. We have intentionally made strides both internally and externally. I want to share with you where we've been before I share with you where we are going. We started out about 13 months ago with strategic planning to give us a plan of where we are going as an organization. We are going forward with this plan and working that plan. Secondly, each of you were engaged on our vision, mission, and values. Not only did we work on that, and you passed it as a board, we shared it with our employees and our members. Thirdly, we developed and implemented Key Performance Indicators (KPIs) both for the organization and departmentally. Some departments engaged their employees to develop the KPIs. That is positive to get ownership and buy in. The KPIs help us evaluate our effectiveness and efficiency from an operational standpoint to meet our departmental and organizational goals.

The fourth area we've worked on, as a leadership team, we engaged Judy King in terms of professional development. She helped us facilitate improved workplace professionalism and enhanced team dynamics and team alignment, all things we need to better serve our members, our employees, and one another as a team. We are also working to push that training out to our organization. Our people are where the rubber meets the road, and we want to push the professional development training opportunity to our whole team.

Some of the areas that will be covered include optimal versus suboptimal performance, your responsibilities to your team, organization, and members, managing yourself in terms of professionalism, ethics, and effective communication and listening, as well as conflict resolution. These are things that we believe will help us be more effective as an organization. This is scheduled to take place next month in October as a two-day training.

We will continue to share more information internally with all employees on how important our vision, mission, and values are. We also plan to have a KPI update at the next board meeting.

One last item is to highlight how the decisions you make as a board have a significant impact on our members. Dalton shared a letter from Greg Cocker with the Law Enforcement Innovation Center about the impact the recent use of force, de-escalation training positively impacted an officer's response during a critical interaction.

Michael Fann shared that we have several team members are at the Elected Officials Academy right now doing a risk management section of that program. The programs that you folks make available do have an impact.

Commissioner Sam Tharpe congratulated PE Partners for being named to the list for Best Places to Work in Insurance. As an educator, I am very impressed to know what you are doing, and I'd also like to commend the board for the direction we've provided. I appreciate Michael and the staff for listening to what the board has said and following through on that. I'd also like to congratulate you on the Symposium. It was fantastic. I'm very impressed on the attendance and the training is superb and I heard a lot of good information from that. And to me that is what we should be doing as an organization. It is about what PEP is doing to help others.

Chairman Hayes echoed what Commissioner Tharpe said. It is always good to have a positive work environment and I am happy that we have that.

Director Dr. Christa Martin shared that when we do a strategic plan, and you have an award of recognition like this it is a testimony to the work that is being done. No one can downplay the reality of this because it says that you are doing what the strategic plan says you will. It also brings to the front the high-level metrics you have for accountability. Surveying the customers and the staff shows engagement. I'm excited today to continue to work with this board. It's not just about insurance. It is about people.

#### **IV. HUMAN RESOURCES REPORT**

Celeste Taylor, Director of Human Resources shared we currently have 35 full-time employees, and we are actively seeking to fill two positions. When recruiting for positions, we encourage internal employees to apply along with external candidates. It's a benefit and a testament to PE Partners' training and development programs – when we already have the right people with the right skills to do the job.

Since my last report, we hired one employee for the IT Department. David Fielder is filling the role of Information Technology Project Analyst. He previously worked with the Town of Smyrna as their IT Technician.

The IT Department is still in need of a Claims System Administrator. The successful candidates should have a strong programming background and the position has been difficult to fill. Due to COVID-19 – HR departments everywhere are having a harder time filling positions and IT is at the top of that list.

The promotion of Chester Darden to Assistant Director of Loss Control left an opening for the Middle Tennessee Casualty Consultant. Bob Lynch interviewed along with other internal and external candidates and was selected to fill the middle Tennessee position. This left the Middle Tennessee Property Consultant position vacant. Interviews were held last week for the Property Consultant and candidates were chosen for second interviews.

The advantages of allowing internal recruitment encourages our talented employees to stay with PE Partners and we benefit from having a greater understanding of the candidates' abilities and it potentially shortens the training period for the position.

Our first internship concluded at the end of August. If you recall, we had three scholars from MTSU work with us for approximately 11 weeks. They were exposed to every department with the majority of their time spent in Underwriting. The experience was a success by all accounts. We were, as an organization, invigorated by their desire to learn and we are looking forward to having conversations as a group to determine what we can do better for the next group.

#### V. Other Business

Michael Fann shared that written departmental reports are in your board books under tab 5. Generally, we do oral reports in September, but this has been postponed until February because the entire leadership team is not present at the TML Conference. Oral and written reports will be provided during the February Board of Directors meeting.

If you have any questions, we are happy to answer those as you look through this information.

Director Todd Smith wanted to give a testimony to one item in particular for the online Local Government Risk Academy training, we just started doing that as the Town of Greeneville. I took a couple courses this week. It really hit home when our HR director came up to me and we were talking through why we were encouraging our employees to take courses. It really hit home when our HR Director came up to me and we were talking through questions we get about 'why are we doing this training?'

When we apply for federal or state grants there is usually a box that asks if we do annual drug free workplace training. And to her and our organization, it's a character issue. We don't want to just check boxes; we want to get employees trained. The Local Government Risk Academy is an easy and official way to get employees trained and you can check that box with full confidence that we are doing the right thing.

Michael Fann shared that our Local Government Risk Academy program had almost 11,000 online courses taken by Tennessee municipal employees this year.

Commissioner Sam Tharpe asked how many members we had presently that are working with PEP that are cities.

Michael Fann shared we have around 310 cities and another 186 or so agencies such as development districts or HRAs. We are just short of 500 entities.

Commissioner Tharpe asked what percentage of cities does that represent.

Michael Fann responded that it is approximately 90% excluding the "big 6" that are largely self-insured.

Commissioner Tharpe responded that should be respected.

VI. Date of Next Meeting

Chairman Hayes shared the suggested date of next meeting is December 15, 2021.

Michael Fann shared that for planning purposes, we also would like to reserve February 18<sup>th</sup>, June 17<sup>th</sup>, September 23<sup>rd</sup>, 2022, as a tentative schedule for Board meetings.

Additional items for your calendar of events include the TnPRIMA conference in early November in Cool Springs, and the NLC-RISC Trustees Conference in May in Pittsburgh. We've also provided the dates for next August for our Symposium. We know we had five or six of you that were able to attend this year and we will be back at the Marriot.

Motion to adjourn made by Todd Smith seconded by Louis Preece. MOTION PASSED UNANIMOUSLY.



William Curtis Hayes, Jr. Chairman



Halie Gallik, Secretary