

**PUBLIC ENTITY PARTNERS  
(FORMERLY TML RISK MANAGEMENT POOL)  
BOARD OF DIRECTORS  
MINUTES OF REGULAR MEETING  
DATE OF MEETING: NOVEMBER 14, 2018  
BRENTWOOD, TENNESSEE**

The Board of Directors of Public Entity Partners (“PE Partners”), formerly the TML Risk Management Pool, met at 10:06 a.m. on November 14, 2018 at PE Partners’ office in Brentwood, Tennessee.

Board members present included: Chairman Ken Wilber, Randy Brundige, Curtis Hayes, Victor Lay, Todd Smith and Sam Tharpe. John Holden participated via telephone conference call.

PE Partners’ staff present included: Dawn R. Crawford, President/CEO and Charles DeMore, Executive Vice President & CFO & Director of Human Resources.

Also present were Russ Farrar, General Counsel; Charles “Bones” Seivers, President, TMBF and Margaret Mahery, Executive Director, TML; Mark Blackburn, Principal, LBMC; and Jennifer Costello, Senior Audit Manager, LBMC.

Chairman Wilber called the meeting to order.

**1. APPROVAL OF MINUTES**

Chairman Wilber called for a vote to approve the minutes of the September 21 and 26, 2018 Board meetings. Motion was made by Tharpe and seconded by Brundige. Chairman Wilber called for any questions. None were made. **PASSED UNANIMOUSLY**

**2. FY 2018 FINANCIAL AND COMPLIANCE AUDIT REPORT**

DeMore introduced Mark Blackburn and Jennifer Costello with Lattimore, Black, Morgan & Cain, CPAs and noted that a copy of the audited financial statements and the auditor’s required communication letter were provided to each Board member in advance of the Board meeting. Costello addressed the Board concerning the financial and compliance audit performed for the fiscal year ended June 30, 2018.

Costello noted that they issued an unmodified opinion on the financial statements and found no issues as part of the audit process. She referred to the auditor’s required communication letter and reviewed significant accounting estimates that are inherent in preparing the financial statements, including actuarial assumptions in the pension plan, estimates of reinsurance recoverable on paid losses, the actuarial valuation of loss reserves, and the valuation of investments. The audit addressed all of these assumptions and found that they are reasonable in relation to the financial statements. She stated there were no misstatements or audit adjustments identified for fiscal year 2018. She stated there were no difficulties encountered in the audit, and there were no disagreements with management. They are not aware of any independence issues that might impair the relationship between their firm and Public Entity Partners. Costello also noted that there were no instances of noncompliance in internal control identified for fiscal year 2018 in the process of performing compliance procedures.

Costello asked if there any questions about the audit report. Hayes said the report sounded good. Chairman Wilber asked if there was a motion to approve the audit report. Motion was made by Hayes; seconded by Lay. Chairman Wilber asked Board members if there were any questions about the

audited financial statements. There were no questions. Chairman Wilber called for a vote. **PASSED UNANIMOUSLY**

### **3. FINANCIAL REPORTS**

**A.** DeMore presented the financial statements for the three months ended September 30, 2018. In reviewing the Statements of Revenues, Expenses and Changes in Net Position, DeMore stated that gross earned premium of \$18,094,409 was 1.69% or \$300,105 more than this time last year. Reinsurance premiums ceded were \$2,401,431 which was 2.67% or \$65,784 less than last year. Net earned premium was \$15,692,979 was 2.39% or \$365,889 more than last year. Investment income totaled \$2,236,204, which is 3.52% or \$81,534 less than last year. DeMore noted that last year's investment income amount includes realized gains of \$188,000. Compared with budget projections, investment income is \$296,204 or 15.27% greater than projected for this period. Total revenues of \$17,994,123 were \$270,041 or 1.52% more than last year's actual revenues.

In the expense category, DeMore stated that total losses and loss adjustment expenses of \$13,103,604 was \$4,460,574 or 51.61% more than last year. Policy acquisition costs of \$2,813,039 were 29.43% or \$639,581 more than last year.

General and administrative expenses of \$2,066,434 were 3.68% or \$78,887 less than the prior year actual. However, when compared with the budget, general and administrative expenses were 8.55% or \$193,277 less than projected for this period. Total expenses were \$17,983,078, which was more than last year's actual expenses by \$5,021,268 or 38.74%. The change in net position before the change in fair value of investments was an increase of \$11,045, compared to a decrease of \$4,751,227 this time last year.

This period's change in fair value (unrealized gains and losses) of investments was \$5,340,764 in net unrealized losses compared with net unrealized gains of \$500,602 this time last year. The total change in net position for the three months ended September 30, 2018 was a decrease of \$5,329,719.

In reviewing the Statements of Net Position as of September 30, 2018, DeMore commented that cash and cash equivalents totaled \$14,915,306, and investments totaled \$259,572,364. Premiums receivable at the end of the period were \$7,698,852. Accrued interest was \$2,591,962, and prepaid reinsurance and corporate insurance was \$7,195,662. Reinsurance recoverable totaled \$1,981,731, and net fixed assets totaled \$3,153,661. Assets totaled \$297,579,906 which was an increase of 0.2%.

Deferred outflows of resources of \$1,082,780 relate to the PE Partners' net pension liability will be actuarially adjusted at the end of this fiscal year. Total assets and deferred outflows of resources were \$298,662,686 at September 30, 2018.

Liabilities included net reserve for losses of \$139,405,249, which was 2.4% or \$3,433,759 less than the prior year. The reserve for unearned premiums was \$42,043,389; accounts payable and accrued expenses totaled \$1,187,363; and, dividends payable totaled \$1,997,124 consisting of approximately \$1.95 million of dividends declared for fiscal year 2019.

PE Partners' net pension liability of \$1,194,542 will be actuarially adjusted at the end of this fiscal year. Total liabilities and deferred inflows of resources was \$185,827,667. When beginning net position of \$118,158,998 is combined with this period's decrease in net position of \$5,329,719, net position at September 30, 2018 was \$112,829,279.

**B.** DeMore reviewed the internally-managed fixed income portfolio as of October 31, 2018 as classified by type and maturity. Cash equivalents at that time represented funds invested with the Tennessee Local Government Investment Pool totaling \$13,083,592 with an average return of 2.10%.

The portfolio included 61 municipal bonds and 34 government agency bonds and one Treasury bond. On October 31, 2018 the portfolio had a book value of \$259,064,058 and a market value of \$254,984,748, representing an unrealized loss of \$4,079,310. DeMore noted that while the overall portfolio had an average coupon of 3.499%, the average coupon rate for municipal bonds was 3.768%. He said the fair market value unrealized loss had changed to \$20 million as of November 13, 2018.

Chairman Wilber asked Board members if there were any questions about the financial reports, and there were none. Chairman Wilber called for a motion to approve these financial reports as presented. Motion was made by Hayes to accept the financial reports as presented; seconded by Brundige. **PASSED UNANIMOUSLY**

#### **4. DATE OF NEXT BOARD OF DIRECTORS' MEETING**

The date of the next meeting was suggested as Friday, February 22, 2019 at 10:00 a.m. Public Entity Partners' office in Brentwood, Tennessee.

#### **5. APPOINTMENT / REAPPOINTMENT OF BOARD MEMBERS**

Chairman Wilber stated that at the last Board of Directors meeting motion approval had been made for Shane McFarland, Mayor of Murfreesboro to be nominated as a director on Public Entity Partners' Board of Directors, subject to TML Board of Directors' approval. Chairman Wilber said Mayor McFarland has since withdrawn his name from consideration due to his current obligations.

As a result, there are now two appointments to make for directors to the Public Entity Partners' Board of Directors: one from East Tennessee; and, the other from Middle Tennessee. Chairman Wilber presented two names that had been suggested to him for the Board's consideration:

- Lois Preece, Mayor of Niota - for East Tennessee
- Lonnie Norman, Mayor of Manchester – for Middle Tennessee

Hayes made a motion to accept these names; seconded by Brundige. Chairman Wilber asked if there were any comments or questions. There were none. **PASSED UNANIMOUSLY**

Chairman Wilber announced the need to elect a new Chair and Vice-Chair and then opened the floor to entertain motions for nomination for the Chair position first. Lay nominated Brundige as Chairman and said he had another nomination for Vice-Chair to which Chairman Wilber said the Chair position would be considered first. Chairman Wilber asked if there were any other nominations for Chair. Tharpe nominated Hayes as Chairman. Chairman Wilber asked if there was a motion to cease nominations. Motion was made by Smith to cease nominations; seconded by Lay. **PASSED UNANIMOUSLY**

Chairman Wilber asked DeMore to do a verbal roll call of votes, but Tharpe then asked Chairman Wilber if whoever did not get elected as Chair in this vote could be the Vice-Chair. Chairman Wilber noted that Lay had already stated he had a nomination for the Vice-Chair position to which Lay stated he was going to nominate Hayes as Vice-Chair. Lay stated he is fine however it goes.

Farrar clarified that currently the Board had a motion for Chairman on the floor and that that was all they could vote on at this time but that a separate motion could be made afterwards for the Vice-Chair position. Smith asked if it were fair to ask whether either of the nominees had a preference which Chairman Wilber said yes, since it was open to discussion.

Hayes stated he and Brundige are friends so this is a difficult position. Brundige stated that he would

be fine either way it goes. Hayes said he hated to put the Board of Directors in a unique situation and said he would like for Brundige and him to work it out. Brundige said he was going to vote for Hayes. Hayes asked Brundige if he would like to be the Vice-Chair or the Chair to which Brundige told Hayes that if he (Hayes) wanted to be Chair, then he (Brundige) would be fine with it. Hayes said he was not sure how long his term was. Farrar asked if the Chair position was voted annually to which Crawford replied that the bylaws state the Chairman retains the position for the duration of his/her term on the Board of Directors. She said Hayes has this year and four more years left in his term as a director and Brundige is one year behind Hayes.

Hayes commented that normally the Vice-Chairman moves into the Chairman position but this situation is unique since the Vice-Chair position is currently vacant. He said whoever is the Vice-Chair this year would become the Chair next year.

Farrar said that the motion could be withdrawn and amended to specify the names of the individuals to be the Chair and Vice-Chair with the understanding that in a year the Vice-Chair would become Chair. Crawford commented that in this case it would be potentially four years for Hayes instead of one year. Farrar asked to clarify that the Chair position does not change very often to which Crawford said yes.

Hayes told Brundige that he would take the Chair position if Brundige would take the Vice-Chair position to which Brundige agreed. At this point Lay withdrew his motion to nominate Brundige for Chairman so that the Board could vote by acclamation.

Farrar said there now needed to be a motion to nominate Hayes as Chairman and Brundige as Vice-Chairman. Chairman Wilber said that Tharpe also needed to withdraw his position before proceeding. Tharpe withdrew his motion to nominate Hayes for Chairman

Chairman Wilber asked for a motion to nominate Hayes as Chairman and Brundige as Vice-Chairman. Motion made by Holden and seconded by Lay. Chairman Wilber asked if there were any questions. Hayes said he wanted to clarify whether the motion was for the Vice-Chair to automatically become Chair. Farrar stated he would advise to leave it alone due to the four-year time period so that a new Vice-Chair would be elected at the time a new Chair is elected.

Chairman Wilber asked if everyone understood the motion and then asked for a vote. **PASSED UNANIMOUSLY**

## **6. OTHER BUSINESS**

**A. Farrar Comments -** Farrar invited board members to attend a Christmas luncheon his firm was hosting at 11:00 a.m. on December 19, 2018. He also provided a brief update about open records concerns in light of the new Governor and his administration.

**B. 403(b) Plan Name Change –** DeMore stated that the name of the organization’s 403(b) tax-deferred annuity plan needs to be approved by a formal resolution in order to change it from Tennessee Municipal League Risk Management Pool Tax-Deferred Annuity Plan to read as Public Entity Partners Tax-Deferred Annuity Plan. Motion was made by Lay; seconded by Brundige. Chairman Wilber asked if there were any questions and then asked for a vote. **PASSED UNANIMOUSLY**

**C. Building Update –** Crawford provided a brief update about the construction progress of the new office building.

**D. Chairman Wilber thanked the Board for letting him be part of the Board for many years and for their contribution and support. Crawford presented Chairman Wilber with a plaque of appreciation for his service to Public Entity Partners since 2008.**

**7. ADJOURNMENT**

**Chairman Wilber asked for a motion to adjourn. A motion was made by Tharpe and seconded by Hayes. PASSED UNANIMOUSLY Meeting adjourned at 10:51 a.m.**

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**Curtis Hayes, Chairman**

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**Charles DeMore, Secretary**