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**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS MEETING
MINUTES OF REGULAR MEETING
DATE OF MEETING: DECEMBER 16, 2020
IN PERSON AND BY ELECTRONIC MEANS PURSUANT TO
GOVERNOR LEE’S EXECUTIVE ORDER 60**

The Board of Directors of Public Entity Partners (“PE Partners” or “PEP”) met at 9:00A.M. on December 16, 2020 in person and by electronic means pursuant to Governor Lee’s Executive Order 60 for the purpose of considering and transacting all business which may properly come before the Board.

Board members present: Chairman Curtis Hayes, Mr. Victor Lay, Mayor Lois Preece, Mr. Todd Smith, Commissioner Sam Tharpe, Dr. Christa Martin, Mayor John Holden

Board members present via Zoom: Vice Chair Randy Brundige

Board members absent: Mayor Mike Werner

PE Partners Staff present: Michael Fann, President/CEO; Halie Gallik, Board Secretary; Amanda Shrum, CFO; George Dalton, Vice President Risk Services; Celeste Taylor, Director of Human Resources; Anthony Ponessa, Director of IT; Callie Westerfield, Member Services Director

Also present: Anthony Haynes, Executive Director, TML; Wade Morrell, TMBF; Addison Russell, Farrar & Bates; Ross Smith, Farrar & Bates; Margaret Mahery, TML; Matt Russell, Farrar & Bates; Jim Morrison, Public Risk Services; Russ Farrar, Farrar & Bates; Mark Blackburn, LBMC; Jennifer Costello, LBMC

Call to Order.

I. APPROVAL OF MINUTES

Victor Lay made a motion to approve the minutes of the Board of Directors meeting from September 17, 2020, seconded by Commissioner Sam Tharpe. MOTION PASSED UNANIMOUSLY.

II. STRATEGIC PLAN ADOPTION

Michael Fann presented the summary from the Board Retreat in October. Included was the Vision Statement, Mission Statement, five values, and five priorities and strategic directives which were presented at the retreat and fine-tuned after the retreat.

Chairman Hayes complimented the retreat, the leadership team and strategic plan. He believes that we have the right team in place and now have the Strategic Plan in place.

Mayor Lois Preece made the motion to adopt the Strategic Plan as presented by President/CEO, Michael Fann, seconded by Todd Smith. Roll Call vote was taken. MOTION PASSED UNANIMOUSLY.

After the motion passed, Commissioner Tharpe took a moment to compliment PEP for identifying what they plan strategically and to where all the members are aware of where we are and where we are going. He enjoyed the workshop which was very inspiring. He wanted this in the minutes because it touched not only the employees, but also the board members.

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And now this Strategic Plan is going to touch every member of our organization. A thank you was extended for their leadership to Mayor Hayes and Michael Fann for their direction, to the Board for your presence, and to the employees for all the things that you all are doing to serve the State and cities in Tennessee.

III. HUMAN RESOURCES STATUS REPORT

Celeste Taylor began her presentation with a status report on the finalization of health insurance for employees for the 2021 calendar year. Response from staff has been tremendous.

Two receptionists and information admin positions have been backfilled. One was vacant due to an employee relocating, and the other was due to an employee being promoted within PEP.

We are currently accepting resumes for an East Tennessee Loss Control Consultant due to the retirement of one of our most respected and beloved employees, Judy Housley.

We are consistently using an interview panel to fill positions and it is working extremely well.

Celeste reported to the Board that it is her responsibility to keep her finger on the pulse on what is going on in the office. She is happy to report that it is the strongest and most positive she has experienced in the eight years she has been with the organization. The staff continues to be excited and encouraged about Public Entity Partners' bright future.

IV. RE-APPOINTMENT OF BOARD MEMBERS

Mayor Hayes announced that it is time to re-appoint Mayor Randy Brundige and Mr. Victor Lay to the Board of Directors. He has spoken with both and they do want to continue to serve.

Motion was made by John Holden to re-appoint Mayor Randy Brundige and Mr. Victor Lay to the Public Entity Partners Board of Directors, seconded by Dr. Christa Martin. Roll Call Vote was taken.

Commissioner Tharpe - Yes
Todd Smith - Yes
Mayor Preece - Yes
Dr. Martin - Yes
Victor Lay – Abstain
Mayor Holden - Yes
Vice Chair Brundige - Yes
Chairman Hayes - Yes

MOTION PASSED

Chairman Hayes expressed that it has been a difficult 12 -14 months, but he's glad that Mayor Brundige and Victor Lay will continue to be on the team.

V. AUDIT REPORT

(This item was moved from Item II. to allow for printing of additional materials from LBMC.)

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Mr. Mark Blackburn and Ms. Jennifer Costello presented the Client Service Communication Package and Annual Audit.

Ms. Costello shared the Client Services Communication was a required communication to management and the board as an extension of the audit. We were engaged to perform an audit of the 2020 Financial Statements of PE Partners. We did issue an unmodified opinion. That did include subjecting certain supplemental information and other information supplementing the financial statements to audit procedures. Management is responsible for the fair presentation and preparation of the financial statements, including the required supplemental information and other information, as well as maintaining internal controls within Public Entity Partners over that information. We did issue an unmodified opinion.

Qualitative Assessments and Corrected and Uncorrected Misstatements

With respect to accounting practices or accounting policies, there were no significant accounting policies adopted in FY 2020 and policies for PE Partners were not changed in 2020 in comparison to the prior year.

Regarding estimates, we are required to communicate any significant estimates that are used. The first one to note is depreciation of the premises, property, and equipment. The second is the actuarial assumptions related to TCRS pension plan, the third is estimates of reinsurance recoverable on paid losses. The next item is actuarial valuation of the reserves for the losses and loss adjustment expenses. And finally, the valuation of the investments, specifically the municipal bonds and the US government agency securities. Those are valued at the closing price reported on the active market for which those individual securities are traded. The money market funds are valued at net asset value of shares held by PEP at year end based on the quoted prices on the active market. Finally, PEP investment in the investment in Local Investment Pool is valued at amortized cost.

We did evaluate the key assumptions that go into those estimates. We did determine they were reasonable to the financial statements. There are no new financial statements this year or anything specific to call out to the board to note. There was no material misstatement to communicate. Anything that was adjusted was trivial in nature.

We did not encounter any difficulties in performing the audit, nor did we have any disagreements with management. We are not aware of management having consulting with any other independent accountants. We did obtain the representations from management related to the audit. That representation was made to us on November 20th. We did remain independent throughout the engagement through the date of our report. We had no other findings or issues to communicate.

There was no internal control related or compliance issues. Ms. Costello asked for questions.

Todd Smith made a motion to accept the Audit Report by LBMC, seconded by Dr. Christa Martin. Roll Call Vote was taken. MOTION PASSED UNANIMOUSLY.

VI. FINANCIAL REPORTS

Michael Fann let the board know that we have gone through a two-year process of going from one claims management system to another. This has been quite an experience and continues to be quite an experience. So, one of the things you will receive is a G&A budget to actual that Amanda Shrum will walk through with you as of September 30th. Since we

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launched this program on September 1st and transferred all our claims data from one system to the new system. And, obviously, writing checks for claims is our biggest expense; it's our biggest investment in what goes on with our cities. So that is going to be the extent of the financial report that is available today. We have identified all the issues with our claims management system and are working to correct those as they are imminent. The final September 30 financial reports that include all our claims data will be emailed within the next two to three weeks. In our February board meeting, you will get a report from our finance team on all these September 30 financials as well as the December 31 financials. Chairman Hayes and I have covered that in detail, but we wanted to express this fully in the minutes to explain why we are still waiting on some final reconciliation with our claims checks from September 1 to September 30th.

The investments report you receive will be through November 30th that Amanda will walk you through in just a moment. This has been a good process in the current year. Since July 1, Amanda, if it's not every day, it's almost every day that she, her team, or I am talking with our advisor constantly and she'll go into the detail of the successes we've had since July 1. He then turned it over to Amanda.

Amanda thanked Michael for explaining where we are currently with reconciling the claims.

As of 9/30 our combined gross premium is over budget by about \$464,000 (up 2.44%). Worker's Compensation we are up \$434,000 over what we budgeted, liability is up \$176,000, and property is a little bit behind at \$146,000 under budget.

The board was presented budget to actual by department. We are under budget on our expenses by \$464,000. This is due to a lot of our travel, conferences those type of expenses that we're not seeing. We also budgeted for an HR Department for a full year but didn't bring Celeste into this role until October.

Ms. Shrum then moved to investments. Investments are being watched very closely because we are in a volatile market currently. As of November 30th, we are in pretty good shape overall. We have a total of 110 Securities with a book value of \$268 million and a fair value of \$273 million. This leaves us with an unrealized gain of \$4.8 million. Our average coupon rate on our portfolio is sitting at 3.35% and our book yield is right around 3% which is what we use as a benchmark. As of November, our AAA Rated Securities have diminished quite a bit. We have had a lot of these higher yielding government agencies that have been called this year and we can't replace in those government agencies at the same yields, so we're having to look at more of the municipal AA Rated volume to get those yields and keep our yields up. As of the end of November we have about 9% of our portfolio as an Agency Bond, and we've still got 27% roughly in AAA.

As of November, we have realized \$3.8 million in gains from July 1st. From February the 10-year market that we've dropped 60-70 basis points and our portfolio has only dropped around 24%.

Motion made by Victor Lay to approve the budget report and investment report, seconded by Todd Smith. Roll Call Vote was taken. PASSED UNANIMOUSLY.

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VII. OTHER BUSINESS

- a. Russ Farrar with Farrar & Bates asked some of his team members to stand. He then spoke to the room. As most everyone here knows we have been lobbying for Public Entity Partners 12-15 years now. I felt it was time for the Board to meet those responsible for making them as successful as they have been in those efforts. He then introduced the team that works both day and night during the legislative session. The only one not present with them is former Lieutenant Governor Ron Ramsey; however, he was with Michael Fann on Monday in Chattanooga to meet with the Chairman of Senate Finance. These are the people that have been and will be the backbone along with Mr. Ramsey of everything we've been able to accomplish and be successful for PEP for all these years. I know you can't see their faces with the face masks, but I think it'll be safe for them to take them off for a minute when I introduce them. Addison Russell – background working with Senate State and Local Government Committee and Dept of Commerce and Insurance as their legislative liaison; Matt Russell – worked in Senate Transportation and worked in running some campaigns. Very seasoned as a lobbyist; Ross Smith – you know Ross as assistant attorney for PEP, but he also lobbies for us as well. I wanted you to meet our team and the people that make me look good and have been able to protect PEP from anything that's been coming at us from the hill both from the legislative branch and executive branch.

Chairman Hayes express to Russ thanks for a job well done on behalf of Public Entity Partners.

- b. Chairman Hayes shared that we next have an award to announce. Michael Fann thanked the Chairman for the floor.

As we talked during Strategic Planning Retreat, we are engaged with several national organizations. One of them is the Public Risk Management Association. I have served in years past on that board of directors and we have had a number of our staff members present sessions, webinars and so forth. We provide scholarships to attend conferences, and their continuing education programs call the PRIMA Institute. George Dalton and I presented a virtual session of this year's PRIMA Institute.

I just wanted to talk a little bit about PRIMA and the fact that this past June, along with everything else that got cancelled, the national PRIMA conference was going to be in Nashville. We were very disappointed about this and other things that got cancelled or postponed. However, I wanted to acknowledge the hard work our entire staff does each year for our Risk and Insurance Symposium that we typically conduct live every August.

We submitted the 2019 Symposium to PRIMA, and I must acknowledge not just the contribution of our entire leadership team to that Symposium, but especially our facilitator, and your Secretary, Halie Gallik. I wanted to acknowledge Halie and our entire Leadership Team as we received Honorable Mention for the Achievement Award for Risk Pools nationally for a product or program for our Symposium last August.

- c. We are also engaged with the University of Tennessee's Public Policy Graduate Program to teach classes. Both Halie and Michael have been acknowledged by the faculty with the Fellow in Professional Practice.

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- d. Chairman Hayes announced that Ms. Margaret Mahery will be retiring at the end of the calendar year. She has been a part of the team for many, many, years. On behalf of Public Entity Partners, I want to thank you for doing a great job as TML Executive Director and a partner with The Pool and PE Partners for all these years. On behalf of PE Partners, we have got Ms. Mahery a gift certificate to her favorite furniture store in Athens, Tennessee.

VIII. DATE OF NEXT MEETING

The date of the next meeting was suggested as Friday, February 19, 2021 at 9:00am

With the next three tentatively being set for the following:

- June 11, 2021
- September 17, 2021
- December 15, 2021

Dr. Christa Martin acknowledged the fact that Michael Fann and Callie Westerfield came down to Columbia, Tennessee to bring them the 40 Year Plaque and check. That night they had Mr. Barrett Jones there that helped start PEP. She wanted to acknowledge PEP and how they celebrate history and get out of the office and help our members wherever they are.

Mayor Holden thanked everyone for encouraging him to get more involved. The strategic retreat really got him excited about the organization and to get more involved. It's the first time he's been in the building and he's excited to be involved.

Commissioner Sam Tharpe made a motion to adjourn, seconded by Mayor Preece. MOTION PASSED UNANIMOUSLY.

William Curtis Hayes, Jr. Chairman

Halie Gallik, Secretary