

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF SPECIAL CALLED MEETING
DATE OF MEETING: September 30, 2022
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:15am on September 30, 2022, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Mayor Bobby King, Dr. Christa Martin, Todd Smith, Commissioner Sam Tharpe, 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; Callie Westerfield, Director of Member Services; Anthony Ponessa, Director of IT; Chester Darden, Director of Loss Control, Janine Helton, Assistant Director of Underwriting.

Also Present: Russ Farrar, Farrar & Bates; Ross V. Smith, Farrar & Bates; Jim Morrison, Public Risk Services; Anthony Haynes, Tennessee Municipal League

Chairman Hayes called the meeting to order.

Chairman Hayes: I would like to first start by welcoming our new board member, TML president, Mayor Bobby King from Henderson. I’ve had the opportunity to serve on other boards with Bobby and I know he will be a great asset to PEP as he is to Tennessee Municipal League. Welcome aboard.

I. APPROVAL OF MINUTES

a. Board Meeting of June 17, 2022

Motion made by Victor Lay to approve the board meeting minutes of June 17, 2022, seconded by Dr. Christa Martin. **MOTION PASSED UNANIMOUSLY.**

II. FINANCIAL REPORTS

a. Financial Reports FYE 6/30/22

Amanda Shrum – If I can draw your attention to the Statement of Revenues, Expenses and Changes in Net Position. As of June 30th, PEP’s total revenues were down \$8.2 million from this time last year. Net earned premium was up 1.85%, however at \$70.2 million, we were down 10.4%, primarily because of our decreased investment income. Investment income fell \$9.6 million from last year. Approximately \$6 million of that was due to realized losses that we had spoken about late last year that we had taken to reposition ourselves.

If you move down to Total Losses and Loss Adjustment Expense, it was up 21.6% or \$8.2 million from this time last year. Most of that increase was seen in our liability line of coverage where we had an increase of claim payments of \$5.1 million from last year, which also increased claims reserves. Although our workers’ comp claim payments

increased \$1.7 million, we have continued to see favorable development in the work comp line as noted in our actuarial study. Therefore, our IBNR reserve estimates continue to decline in that line of coverage. Another factor in the increase in expense was a revision to the calculation in unallocated loss, and that was a suggestion made by our actuaries, which increased that line by \$1.5 million, which gets us to the \$8.2 million overall in our losses.

Our Total Policy Acquisition cost was up last year to \$6.9 million from \$6.5 million the previous year. That was mainly due to the increased agent commission payments, of course, as premiums go up, commissions go up and increases in our underwriting and technical services, which we saw primarily through the property appraisals.

Total G&A expenses increased \$800,00 from last year, but still came in well below budget by \$2.3 million.

This brings us our Operating Income to \$7.3 million for the year, however, with our change in fair value of investments, we report a decrease in net position of \$43.3 million. When we include the \$8 million dividend that we declared, that's going to bring our ending net position up to \$109.6 million, for a total decrease of \$51.3 million.

If you'll flip over to the Statement of Net Position. As of June 30th, total assets, and deferred outflows of \$271 million are down from \$323 million the year before, a decrease of \$52.3 million. Again, the biggest factor in that was the decrease in our investment values and we saw a decrease in cash of \$24.9 million. Which some of that was trying to reinvest in the investments due to the loss we took, we reinvested. And the fact that we prepaid reinsurance last year for the July through October.

Total liabilities decreased \$2.6 million from last year's \$159.6 million.

The biggest factor in that decline was our net reserve for losses. Our reserve for losses went down \$2.5 million as a result of our actuarial study. So, we had another take down this year. We continue to see significant downward movement in our work comp line of coverage. As we've been saying for several years, it's coming down and our rates are reflecting that.

Our ending net position comes to \$109.6 million and total liabilities, deferred inflows, and net position of \$271 million.

That's it for the Financial Report FYE 6/30/22. Does anybody have any questions?

Victor Lay – Not a question, but a comment. In watching the news this morning, them having a financial report, it was dire. Looking at the S&P and all the major trends it's bad. I was coming this morning, after watching that and said, Amanda's report is going to be really, really scary today.

Amanda Shrum – But we're not alone. It will recover. Investments are there when it goes back up, we, hopefully, will see some of those gains we've taken in previous years. There is other good news, aside from the bad news, we have made some strategic decisions to help us move forward.

Victor Lay – Just noting the decrease in claims associated with some of these pieces because of the training and loss control that the organization has been doing. It's paying... We're paying dividends and it's paying dividends. Good job.

Michael Fann – We should get a motion to accept the Financial Reports FYE 6/30/22 as we will do these individually.

Chairman Hayes – We need a motion to accept the report.

Vice-Chairman Brundige made a motion to approve the Financial Statements FYE 6/30/22, seconded by Victor Lay. MOTION PASSED UNANIMOUSLY.

b. Year-End Budget Report FYE 6/30/22

Amanda Shrum – On the next page you will see the G&A Budget to Actual FYE 6/30/22. I'm not going to go over this by each line, we'll be able to see by department. Overall, we did come in under budget \$2.3 million. Some of that was an adjustment to some of our pension expenses due to the TCRS actuarial report. Overall, we're in good shape with the G&A. So, if anyone has any questions about that...

Chairman Hayes – Questions for Ms. Shrum? If not, I'll entertain a motion for the year-end budget report.

Motion made to approve the Year-End Budget Report FYE 6/30/22 by Todd Smith, seconded by Commissioner Tharpe. MOTION PASSED UNANIMOUSLY.

c. Investment Report – August 2022

Amanda Shrum – The August 31st investment report we've got in your books with a complete portfolio that we had as of that time. As of August 31st, our securities had a book value of \$291.4 million and a fair value of \$241.9 million leaving an unrealized loss of \$49.5 million. Unfortunately, that wasn't the worst of it because as of yesterday, we're looking at about \$63 million. We have had a rally the last couple of days. We're not sure if we've seen the worst of it, but as of August we were at \$49.5 million of unrealized loss. The average coupon of the portfolio was 3.64% with a current yield calculated at 4.28%. However, both of these rates did improve if you go back to look from the May report. In May, the coupon which reported at 3.4% and the yield at 3.29%. So, some of those adjustments that we made took some losses, but we did pick up yield in making some of those sells.

With the repositioning we did at the end of the year and the beginning of the current year, we've seen a significant increase in our annual income that we are getting from just coupon interest. If you go back to the May report, we reported that our estimated annual interest income from investments was at \$9.4 million; we are actually at \$10.4 million. We've been able to pick up about \$1 million annually of coupon interest. We take a \$5 million loss, with an extra \$1 million a year, about five years to recover that. We're not done, we just holding back right now. As things turn, we will try to increase that some. The good news in all the bad is an extra \$1 million a year to operate this place is not a bad thing.

Chairman Hayes – Not at all.

Amanda Shrum – If anyone has any questions about that...

Chairman Hayes – Any questions on the Investment Report? Hearing no questions, I'll entertain a motion.

Motion made to accept the Investment Report made by Todd Smith, seconded by Dr. Martin. MOTION PASSED UNANIMOUSLY.

d. Proforma Schedule of Revenues/Expenses FY 2022

Amanda Shrum – The last item we have is the Proforma Schedule of Revenues/Expenses for the current year for your review. I'm not going to go over each line, but if you have any questions, Michael and I can answer any questions. What we're estimating operationally about \$460,000 operating income. Which is about where we need to be. There's a lot of variables there from investment income, of course, the losses from everything, indicators that's where we're looking to be.

Chairman Hayes – Any questions from Ms. Amanda or Mr. Fann?

Michael Fann – If I might just add to the proforma, that \$460,000; we generally have the board examine our reserves and so forth at the February meeting. We have had a concerted effort over the last three years to tighten up our rates; give back surplus; and those sorts of things. We desire that to be pretty close to \$0. That's the way we want to run the organization. I really give Amanda and her team credit for making sure that the numbers are adding up and we're not negative if at all possible. Of course, the biggest chunk of that is going to be claims. That's what we work on all the time as a team to help our members keep their claims down. That number however it works out by the next year, largely dictates where we go with dividends. So, as we talked at the last board meeting, we're doing all three of our actuarial studies this fall. Amanda and her team, and George as well have been providing information. We will have all those reports for you by that February meeting. I just wanted to add to where that \$460,000 is designed to take us.

Chairman Hayes – Is there a motion to approve the Proforma Schedule of Revenues/Expenses FY 2022?

Motion made to accept the Proforma Schedule of Revenues/Expenses FY 2022 by Dr. Martin, seconded by Vice Chairman Brundige. MOTION PASSED UNANIMOUSLY.

III. CenturyLink Communications, LLC dba Lumen Technologies Group Contract

Michael Fann- Thank you, Mr. Chairman. Under Tab 3, this is the contract that Anthony referred to earlier in the departmental reports. It is our upgrade to our network connectivity, both here in this building and at our claims office, Public Risk Services, Jim Morrison's shop. This is something that Anthony and his team have been working on for a while to improve our network and our internet connectivity. Moving both locations to one Gb of data and provide redundancy on those systems. Hopefully, you've had a chance to look at that contract it has been run past our general counsel, and he signed off on it and we ask you to approve this contract.

Motion made to approve the CenturyLink Communications, LLC dba Lumen Technologies Group contract made by Victor Lay, seconded by Todd Smith. MOTION PASSED UNANIMOUSLY.

IV. Review of Nominations & Appointment for Open Board of Directors Seat

Chairman Hayes – In your packet you will see those that have applied for this, and in your packet, you have the open nominations form and advertisement that went out. The Public Entity Partners Bylaws set forth the Board of Directors shall consist of “eight directors, each of whom shall be an elected official, city manager, or city administrator of a municipal government which is located in the State of Tennessee and has active insurance coverage with Public Entity Partners.”

The Bylaws also state that “the majority of the eight directors shall be elected officials, at least two of these eight directors shall hold the position of city manager or administrator, and at least one of these eight directors shall be a member of a racial minority. The Board of Directors shall strive to ensure that the directors are representative of cities of diverse sizes and locations across the three grand divisions of the State.”

Just a reminder that this board position is coming open due to the retirement of Dr. Christa Martin from the City of Columbia where she has served as vice mayor. Our general counsel looked over this and helped the team send everything out and these are your nominees. Again, Dr. Martin is middle Tennessee. Her and I represent middle Tennessee.

Michael Fann – As elected members, and then, of course, Victor as city administrator for middle Tennessee.

Dr. Christa Martin – Mr. Chairman, may I say something?

Chairman Hayes – Please.

Dr. Christa Martin – I looked at the memo that came out and the materials that were in it for the appointment on our calendar. First of all, I’m excited that we have this interest in this board and I think our people realize how important the work of this board is. I want to share that, in looking at the board, and looking at grand divisions and all of that I don’t when you’re going to ask for this Mr. Chairman, but I wanted to make a motion for consideration. The city councilmember from the City of Columbia, DaVena Hardison, who has been with the city two years. Very engaging in the city and certainly attending our state meetings. Very interested in what this board is doing and inquiring at many opportune times about our dividends, naturally, that come back to the city and what our costs are and everything. So, I think that she would be a person that I would like this board to consider for several reasons. From the division, and then from the size of the city, and from working with her.

Motion made to fill open board of directors seat wis DaVena Hardison, councilmember from the City of Columbia made by Dr. Christa Martin, seconded by Commissioner Tharpe. ROLL CALL VOTE WAS TAKEN. PASSED UNANIMOUSLY.

V. Strategic Plan / Key Performance Indicator (KPI) Update

Michael Fann – If I could start, Mr. Chairman, then George is going to fill in the development of our KPI's. On the strategic plan, I think we've mentioned a couple of times at our last meeting, and we also mentioned in an email or two, it is our desire since it has been a couple of years since we engaged and adopted, I guess it will be a couple of years come December, our strategic plan. Obviously, we are living it, we believe in the strategic plan, but since it's been a couple of years, George has been in conversation with Judy King, our strategic planning consultant, that most of you know. I think we've got a schedule that will work, it will be somewhat abbreviated from what we did two years ago because we are not coming up with one, we're tweaking if we need to. We have some dates on the calendar for her to come meet for a day and a half with the leadership team to go over everything. What we would propose to the board is that in advance of our December 2nd board meeting, we have a full day with her on December 1st. I know that's a little tough in that we would ask for your time for a full day, then another half day for the board meeting the next day. What we would like to do is have everyone come in on Wednesday afternoon/late afternoon and have a combined dinner with the board and the leadership team on Wednesday, then have a full day meeting on Thursday with Judy King in here to go over the strategic plan and tweak what we need to tweak; expand what we need to expand; and so forth. That would be our proposal as we look forward. We can think about that while George is giving the KPI report, but that is what we have worked out with Judy King if this board would like to do that.

Chairman Hayes – I think this sounds good. Any discussion about this?

George Dalton – By the way, Celeste Taylor was also involved in this process, and I appreciate Celeste's guidance and support on this.

Our last meeting, we did a year-end update on our KPI's as an organization. We just concluded the first quarter for our KPI's. We will do an update, organizationally, at the next board meeting.

As you are aware, our departments had departmental KPI's which they started on July 1 collecting information on. But prior to that, several of our departments decided that they wanted to review their KPI's, some decided that they wanted to modify those KPI's so that's what we done so that we can better reflect and measure the things that are important to the services that we provide our members out there and how well we are doing and to guide our actions and our decision making so that we can meet the needs of our members out there. So, again, at the next board meeting we will do a KPI update.

As Michael said, in respect to our strategic plan, we have reengaged Judy King to guide our organization to the next level of our strategic plan. It consists of two workshops. One with our leadership team on November 7th and 8th and then concluding with a second workshop with our board to address our strategic plan.

Just to give you an update on what we hope to cover:

- 1. We are going to revisit our mission, vision, and values. Review them and either affirm or modify them, if necessary.**
- 2. We are also going to do a SWOT (strengths, weaknesses, opportunities, and threats) Analysis to take an honest look at the current state of our organization and the environment that we are working in. And try to identify anything that may impact**

- us, whether positive or negative. Whether it's competition, legislation, economic conditions... we want to look at all that and develop a plan to address those issues.
3. Then we are going to establish broad priorities for the next three to five years. Where we are, where we want to go and what those priorities are.
 4. We are going to set goals for our organization to guide our actions. Things we hope to accomplish in the next year to two years.
 5. Then after that, we will develop an action plan, which basically looks at what we want to accomplish and by whom in terms of within our organization.

Similar to last year, we're going to take that information and present it to our board at that second workshop where, hopefully, everyone here will be involved. And I wish Dr. Martin was involved but she's moving on and we appreciate your leadership and guidance. But the purpose of the board strategic retreat will be to allow you to review the proposed strategic plan, guide our priorities ultimately, we hope to receive approval on the updated strategic plan.

As Michael spoke a little earlier, it will be abbreviated a little bit this year because we already have something in place, and we've been down this road before. Along the same lines, we hope to spend that whole day on the 1st reviewing what the leadership team has proposed. Judy King will be a part of that. Then that will be before your actual board meeting the next day. We may even have a dinner, I think, on one of those nights.

Again, that's the lay of the land of what our proposed plan will be and, ultimately, we have to make a final decision on that which Michael shared with you and the Chair shared with you earlier.

At this point, Michael, I'll turn it back over to you.

Michael Fann – Thank you, George, for riding herd on that. Mr. Chairman, if it's amenable to the board we would like to confirm with Judy King the trainings and the meetings with her in respect to our strategic plan.

Chairman Hayes – I don't think we need a motion, but I do want to hear some thoughts. Anybody have any issues, any feedback? Are everybody's calendars up for it? I know that's...

Michael Fann – That's Thursday, December 1st, and, if available, dinner the night before, then we have our board meeting on Friday morning the 2nd.

Commissioner Tharpe – I do have a board meeting that night. It's the first Thursday. Sure do. Which it's no problem. I guess I just won't be here until the board meeting.

Chairman Hayes – This is short notice, but you'll be able to make it the next day?

Commissioner Tharpe – Yes. I'll probably come in that night like I have before.

Chairman Hayes – In the event, which we never know how December is going to be. It could be 75 degrees and sunny, or it could snow.

Michael Fann – The backup plan if this doesn't work would be to meet in advance of our February board meeting. We do have a backup plan if push comes to shove, but we'll try to get it confirmed with Judy.

VI. Appointment of Chairman and Vice Chairman (Effective December 2022)

Dr. Martin – For the board, and Michael, I thoroughly enjoyed working with Curtis Hayes and the Mayor of the Year, Mr. Brundige. I'd like to put a motion on the floor that we could consider re-appointment or election of them in one motion to their said positions as Chair and Vice Chair.

Victor Lay – Are you all comfortable in that; do you want to remain... I don't want to put somebody there that doesn't want to be there, but I'm comfortable with ya'll being there.

Chairman Hayes – I'm fine with it and I'll say, and I've said this all throughout the year, that as a board member, as chairman, I feel that as these committee reports came out, it makes me feel part of the team. It's not really a job. We've been through a lot. This board has been through a whole lot. We've navigated through it with the help of counsel. With the strategic planning, it has really brought us together and brought a team atmosphere. I'm delighted to be part of the team and I am honored for the motion. Thank you. I will continue to serve if you would like me to.

Victor Lay – Randy, you're good.

Mayor Brundige – Yes.

Motion made to reappoint Mayor Hayes to Chairman and Mayor Brundige to Vice Chairman, by Dr. Christa Martin, seconded by Commissioner Tharpe. ROLL CALL VOTE WAS TAKEN. PASSED UNANIMOUSLY.

VII. a. Honoring Dr. Martin

Chairman Hayes – Item VI. a., which you don't have on your agenda. We have got someone, obviously, that is leaving us. That is Dr. Christa Martin. At this time, I would... There's a lot of things that I could say, all good, but she has been a major, major asset to Public Entity Partners. I think that Anthony Hayes could say the same thing as us.

Anthony Haynes – Absolutely.

Chairman Hayes – Major team player, obviously, very educated, very loyal, very dedicated to the task at hand. I think most of you know the commercial that said, "When E.F. Hutton talks, people listen." Well, when Dr. Martin talks, people listen. That is what you want in leadership. I hate that she is leaving us. I remember calling her about three years ago and saying, "Dr. Martin would you be interested?" She said, "Curtis Hayes, what are you getting me into?" And we went through it. And she does like crab legs from Hot Leggs too.

The employees here, along with the board, staff, and members of Public Entity Partners, out of appreciation, if you would come up, please...

Chairman Hayes – The plaque says: “With our greatest appreciation, presented to Dr. Christa Martin, City of Columbia for your unwavering support and unrelenting guidance helping lead our path to success. We extend to you our deepest appreciation. From the board, staff, and members.”

(Room applauds Dr. Martin with a standing ovation)

Dr. Martin – Thank you. You didn’t have to do it, but you did, so I say thank you.

Chairman Hayes – Well deserved, Dr. Martin and we do wish you the very best, you and your husband in retirement.

Dr. Martin – Thank you all. I just enjoyed working with this board and this organization. I cannot believe the opportunity presented itself. I’m from that big old farm out there off Bear Creek Pike near I-65. Our daddy said, “If you’ve got to work, work; if you’re not going to work, stay at home.” So, this is what I found myself doing as work.

Chairman Hayes – Also, I just want to... We have another distinguished, I guess I can say guest. He’s been a board member here for a bit of time. I want to recognize the TML Mayor of the Year, Randy Brundige, Martin, Tennessee. (Room applauds) I can say this, the League certainly got it right, Anthony, job well done. Congratulations, again.

Vice Chair Brundige – Thank you, appreciate it.

VIII. Date of Next Meeting (Suggested: Friday, December 2, 2022)

Chairman Hayes – I believe that Mr. Fann informed us of December 2nd meeting and will be getting us more paperwork before then...

Michael Fann – Absolutely.

Chairman Hayes - ...on coming down the night before, whatever the dates may be. If old man winter shows up, we’ve got a backup too. And all the virtual meetings have stopped. There are no more virtual meetings. Is that right, counsel?

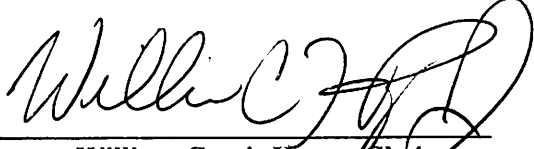
Russ Farrar – Right.

Chairman Hayes – That is our next meeting. We do have some more presentations right after we adjourn.

Michael Fann – Right.

Chairman Hayes – I need a motion to adjourn.

**Motion made to adjourn by Todd Smith, seconded by Dr. Christa Martin. PASSED
UNANIMOUSLY.**



William Curtis Hayes, Chairman



Halie Gallik, Secretary