

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: June 23rd, 2023
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on June 23rd, 2023, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Councilmember DaVena Hardison, Mayor Bobby King, 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, Executive Vice President; Celeste Taylor, Director of Human Resources; Callie Westerfield, Director of Member Services; Chester Darden, Director of Loss Control, Carly Salah, Communications & Research Manager, Allen Dean, IT Manager, Jason Dodson, Assistant Director of IT, Jim Morrison, Director of Claims.

Also Present: Russ Farrar, Farrar & Bates; Kristin Berexa, Farrar & Bates

Chairman Hayes called the meeting to order.

Roll call was taken. All members were present except Mayor Preece and Mayor Holden.

I. Approval of Board Minutes

Motion made by Todd Smith to approve the board minutes from the meeting of February 24th, 2023, seconded by Victor Lay. **PASSED UNANIMOUSLY.**

Chairman Hayes – I’m going to turn it over to Michael Fann for introductions.

Michael Fann – Thank you Mr. Chairman, just real quickly before we jump into the financial reports. As is happening most everywhere, the baby boomer retirements have started to hit us and we have had two retirements of thirty-year employees.... well, one and then one eminent next week. And then, as most of you know, Bill Magoon after twenty-two years of service here retired. So, we have been changing a little bit at the leadership team level and first, I want to introduce Carly Salah. Carly had joined us by the time we met in February but was not here that day. Carly is our Manager of Communications and Research and so, wanted to make sure everyone met her. And our dynamic duo over here of Allen Dean and Jason Dodson have moved up in IT and joined our leadership group. Allen as our Manager of IT Services and Jason as Assistant Manager. So, I just wanted to make sure that you all had got to know these fellas and folks and welcome them to this meeting.

Chairman Hayes – they may want to speak

Michael Fann – Well they could... Carly’s been barely able to talk all week.

Chester Darden – Communications says they don’t want to speak. (Room laughs)

Michael Fann – And I know we have a, not a newcomer necessarily but a brand-new attorney, Kristen Berexa has joined us today, right out of law school. In case you've not met her.

Yes, Lana is our new receptionist. Most of you met her as you came in. We've been promoting some people out of the reception area. So, that's always good when you can promote from within.

II. Financial Reports

a. Investment Report – May 31, 2023

Chairman Hayes – Thank you Mr. Fann. Item number two is our financial reports. Investment report. We'll start that with A. Shrum.

Amanda Shrum – If you will look under Tab 2, I think we got a few things maybe a little out of order in your book. So, if you will skip over a couple of pages, you're going to see the investment Portfolio Analysis. That's kind of what we'll use to look at as the recap for our investments.

Behind that, you will have a complete Investment Report if you want to review that, look at that, but I think that this Investment Analysis is more suited to see a quick snapshot of where we've been and where we are.

As of May 31st, we report an Unrealized Loss of \$58.1 Million. So that is up from our June 30th loss of \$46 Million, however, if you remember in December we reported \$68.5 Million unrealized loss. So we are moving in the right direction. As you see, it's kind of two steps forward, one step back. So, we're kind of hovering around that 55-60 Million loss right now. The financial data that's been coming in is dependent on whether you're looking at job losses or jobless claims versus housing market, it's very contradictory in some of those areas so...that's where we are as of May 31st. Our average coupon is 3.6%, the average yield is 4.4% and as of May, we project our yearly interest income to be around \$10.2 Million. Like I said, since December, we have had an overall improvement to our Market Values of about \$10.4 Million Dollars.

Does anybody have any questions over investments?

Chairman Hayes – Any questions for Ms. Shrum? I'll entertain a motion for the investment report.

Motion made by Mayor Brundige to approve the Investment Report, seconded by Todd Smith.
PASSED UNANIMOUSLY.

b. Financial Statements – Third Quarter

Amanda Shrum – So, if you will go back to the second page under tab two, you will see the Statement of Revenue Expenses and changes in Net Position. So, we're just going to touch on the key financial data such as revenue, operating income, and net position and we'll highlight any significant changes in any of those categories. You've got the statement of net position for your review and of course, we'll take any questions on that.

As of March 31, Net earned premium is reported at \$52.7 Million - up \$2.1 Million or 4.0% from last year. Total Revenues were reported at \$59.3 Million - up \$1.6 Million from last year. Our Total Expenses of \$55.0 Million increased approximately \$1.9 Million, but our biggest increase there is our Loss and Loss Adjustment, which is our claim expenses. Operating Income comes to \$4.3 Million as of March 31st, as compared to an Operating Income of \$4.6 Million at this time last year.

As of March 31st, we saw a decrease of \$5.4 Million to our June 30th, 2022, Net Position leaving an Ending Net Position of \$104 Million. If you remember in December, we had reported \$89.0 Million, so we are actually about \$15 million dollars up from where we were in December. Does anybody have any questions on any of the financials?

Chairman Hayes – Any questions for Ms. Shrum?

Victor Lay – The change with the reinsurance recoverables, is that what we paid out?

Amanda Shrum – That is what we expect to get back from reinsurers, which means, we’ve had more claims that go into that reinsurance layer.

Michael Fann – And that number is going to be a timing thing. In other words, we take the money, we’re waiting the money back from the reinsurers.

Victor Lay – So, we’ll get a credit back?

Amanda Shrum – Yes, yes. I was telling Michael on our work comp reinsurance we had not had a claim hit that reinsurance level I think since like 2014/2015 and the last three years we’ve had three claims hit that retention layer.

Chairman Hayes – Any other questions for Ms. Shrum? Any other questions?

Motion made by Victor Lay to approve the Financial Statements for Third Quarter, seconded by Sam Tharpe. PASSED UNANIMOUSLY.

c. Budget to Actual – Third Quarter

Amanda Shrum – I think it’s the very last page under Tab 2. This is just for our Budget to Actual by Department, as of March 31st, and we are \$1.2 Million Dollars under what we expected to have, what our budgets showed for that point and as you can see, all departments are operating within their budget.

Chairman Hayes – Great job for the department heads. Any questions for Ms. Shrum?

Motion made by Mayor King to approve Budget to Actual – Third Quarter, seconded by DaVena Hardison. PASSED UNANIMOUSLY.

III. General and Administrative Budget - FY 2024

Chairman Hayes – Item number three General and Administrative budget Fiscal Year 2024, Michael Fann, Amanda Shrum.

Michael Fann - I’ll kick it off and then let Amanda walk through a few of the high points. First of all, I want to really praise our team, you know, this has been an unusual year from a financial markets standpoint as Amanda just covered with us. It resulted in us bringing recommendations to this Board in February for a couple of fairly significant rate increases, as well as no dividend

declaration, and that's always a little hard pill to swallow. But I want to thank our team for coming together and putting together this budget because we were very cognizant of holding the line, even in the face of some fairly significant inflationary pressures and so forth, keeping our budget really where it needed to be and out of respect for our members and most specifically the taxpayers of Tennessee. So, I just want to praise our Leadership Team for the work that they did on this and especially Amanda and her team as they put all the numbers together. So, Amanda I'll let you jump in there.

Amanda Shrum – Ok, if you will look under the first category the salaries and benefits, you will see that we are proposing an overall increase in our Salaries and Benefits of 3.8% roughly. So, that's going to include a 3% Cost of Living for everyone, for all employees and we also have a few merit increases included in that.

If you will move down to the travel and conference-related expenses you will see an overall increase of 16.95%. A bit of this increase is additional monies for the Symposium. I think we've added about \$15,000, in order to put on that conference for our members and then we also have additional funds among departments for more face-to-face time, whether it's member visits, Loss Control visits, you know, we've got mileage, hotels included in that.

Under the Member Related expenses, you will see we are proposing an overall increase from last year of 3.93%. One item that we specifically wanted to highlight in this is the additional \$25,000 allocated for the Cyber Grants. We know that that's kind of a big concern for a lot of our members, and so, we really hope that that's going to be beneficial to several of our members to take advantage of that grant. There's not a whole lot, the Administrative Expenses, that's just our normal everyday operating expenses and we are very pleased that we are looking at an overall reduction to those expenses for the year. Less than 1%, but still, with increasing costs in just about everything, every service we've had a price increase this last year. So, we've been able to kind of, you know, look at some things there and have an overall reduction in that category.

Under the Professional expenses, you will see a 10.6% reduction. The biggest portion of that is that we had a capital adequacy study last year. That is a big expense for us, we only do that every 3-5 years, so that is not included in this budget this year. We do not expect to do that this year. So overall, with everything we are proposing an increase of 2.72% and as Michael said, we are very happy with that considering where we are with inflation.

If anyone has any questions on that, Michael or I will be happy to answer that.

Michael Fann – And back to your point on the Cyber Grant, this will be the second year Chester of the Cyber Grant? We started small last year with \$25,000. All of that money went out the door. We got a good response for that since especially being the first year and to be able to go up to fifty is pretty significant for our members, so we would appreciate that additional funding.

Chairman Hayes – Any questions Ms. Shrum or Mr. Fann?

Motion made by Mayor Brundige to approve the G & A Budget – FY 2024, seconded by Todd Smith. PASSED UNANIMOUSLY

- IV. Contracts
 - a. Business & Legal Resources (BLR)

Michael Fann – Yes, this is our annual June presentation of our contracts. We have two specific ones that we’re asking for your analysis and hopefully approval for us to sign and then, has been our practice for the past few years we’ve got a listing of all of our key contracts and agreements that pretty much we kind of called them maintenance of the Pool operations, but the first one under Tab 4 is BLR, Business and Legal Resources. These are two online resources that we provide all of our members. So I think after the title page there, I think the next ten pages is the entire contract for BLR for the licenses that we provide our members for EHS Hero, our Health and Safety online resource and then our HR Hero, online resource for obviously employment practices and other HR issues. So, this is a new three-year contract, we are wrapping up our initial contract with them as you can see on the first page, the contract value over the three years is a little over \$181,000, and so, we would ask approval for us to engage them again beginning July 1.

Victor Lay – Is the \$180,000 per year or is a total for the three years?

Michael Fann – Total for the three years. It’s a little over sixty per year. It’s licenses for all 500 of our members.

Victor Lay – Are we paying the 180 or just 60 per year?

Michael Fann - It’s billed annually.

Motion made by Victor Lay to approve the Business & Legal Resources, seconded by Sam Tharpe. PASSED UNANIMOUSLY

b. Research Technical Services (RTS)

Michael Fann – The RTS Contract is a replacement contract for our workers’ comp audit services that we engage every year. So, we’re switching vendors. Halie and her team evaluated the available vendors that do workers comp audits in Tennessee and made the recommendation that we switch to RTS. It does not bind us necessarily, but we’re asking for approval with a contract value estimated at about \$115,000 dollars as RTS will do the audits of our workman’s comp accounts through the pool, so we would ask for your approval there. And I guess this is the next nine pages, is that contract.

Todd Smith – A question. When you say workers’ comp audit, are they auditing workers comp claims?

Michael Fann - No, payroll, basically it’s your workers comp premiums for the year. Halie, you may want to explain it better than I would, but basically, it looks when you renew a worker’s comp with us, we use the numbers at the time, but then if you add people, subtract people through the year, then there’s an adjustment made, either additional premium due or refund due at the end of the year. Is that a halfway decent way of explaining it Halie?

Halie Galik - Yes, payroll when you renew at the end of the policy period each account is audited and we use actual payroll. The cost of the audit is dependent upon the number of hours it takes to complete the audit some of them are done virtually, some of them are done in person. This vendor has great recommendations from other pools. Specifically, other pools that we have a relationship with across the country. Customer service is obviously important to make sure that we are doing a good job with that and that the integrity of the data that we get back is where it should be. This vendor came highly recommended. We conducted interviews and evaluated templates to make sure that it was going to fit the needs of our members.

Chairman Hayes – Any other questions?

**Motion made by Bobby King to approve the Research Technical Services, seconded by Todd Smith.
PASSED UNANIMOUSLY**

c. Key Contracts / Agreements

Michael Fann – The last three pages under Tab 4 is the Annual List, it does include Items 1 & 2 are the two contracts that you just approved. But beginning with item three these are again, what we kind of loosely term our maintenance contracts to keep us in business and keep providing the services that we provide. So, I'm just going to walk through those very quickly and then obviously when we get through, I would be happy to answer any questions.

Item 3 - is our Origami Claims Management System that we've been engaged with for a number of years now, contract amount \$408,700 dollars. We also have some additional dollars built in for other projects that we would like to get done through that system. So, the total requested for board approval, not to exceed \$495,000 dollars if we do all of those projects or are able to get to all of those projects that are listed. So, Origami is first. I'll pause if there's any questions about that one. That one is obviously a big issue for us to make sure that we're maintaining a good claims management system for our internal use and our members use.

The next item, four, Flexential is our infrastructure for our servers the contract amount is \$108,420 asking for board approval for some additional room if we need additional support hours and so forth, up to \$130,000 dollars.

Item 5 - LBMC Technology we use LBMC for a number of things here, but this is for our technology piece in terms of firewall support and system enhancements – contract amount of \$55,000 with asking for board approval, again as it relates to support hours and other enhancements not to exceed \$75,000 authority.

Item 6 - is our annual reinsurance. We are extremely pleased that we have already bound for 7/1 our workers' comp reinsurance and our liability reinsurance, both with Safety National Casualty Corporation out of St. Louis, which we've got a long many years of relationship with them and we've already bound that with equal numbers of dollars that we paid last year, which is unheard of right now, and then I'll get to property next. That's not true about property, we're not really sure what increases we're going to have on 10/1. Amanda and Halie have looked at that and we work with our broker, but we're asking initially for \$15,500,000 of authority on that and we're hopeful that we're going to be able to renew our property coverage for that. But we're hearing in the market, probably a minimum of 15% increase this year to as much as 30-35% with some pools. So, there was a little bit of indigestion there, but Amanda and Halie have done a great job of doing some good estimates for us there. So that's our annual reinsurance coverage, again it renews October 1.

Item 7 - Our contract with Jim and Public Risk Services for the fiscal year '24 contract amount is just short of \$5.7 million and there is on the top of the next page, under Public Risk Services there is a mistake. The contract calls for an annual increase of 2.9%, we also as a result of our internal recommendation of a COLA of 3%, we provided an additional 3% to Public Risk Services. So instead of that saying an additional 5.9%, it should be an additional 3% for COLA for a total of 5.9%. Does that make sense? I hope I explained that correctly. It says 5.9, that should be 3% for a total of 5.9%.

Item 8 – our sponsorship fee with the Tennessee Municipal League, or the contribution there, fiscal year 2024 amount of 1.2.

Item 9 - is United Healthcare, our group medical. These are the numbers that Celeste runs for us. Estimated premium of a little over \$570,000 with an estimated HSA contribution of \$175,000.

Item 10 - is our annual relationship with Huber & Lamb Appraisals estimated at \$640,000 for the coming year.

Item 11 – Our general counsel for fiscal year 2024 amount \$386,000.

Item 12 - is our lobbying work that Russ and team do at \$256,000 and both of those include a 3% increase over the previous year.

Item 13 - is our relationship with MTAS, in the law enforcement police management consultants that we have been funding for over 25 years. There are two positions with MTAS that we fund, we've estimated that fiscal year '24 amount to be roughly \$239,000.

Item 14 - Our online law enforcement training program through Savant Learning and Virtual Academy Learning Systems estimated fiscal year '24 amount of \$145,000 and this is the supplement that we provide make available to all 245 of the police agencies that we ensure across the state. And I think if I remember Chester, we're right at about 200 that we're providing that supplement for right now.

Item 15 - The Corporate Image, our media and communication services, branding assistance and a number of other things. TCI out of Bristol estimated amount \$90,000 for the year.

Item 16 - Here's LBMC again for audit services and that has already been approved, I think we've already gotten word back from the Comptroller's office that that contract has been approved again for this year. Contract amount roughly \$75,000 dollars to conduct the audit.

Item 17 - Actuarial services as Amanda mentioned earlier we're just doing two, so we're doing our annual reserve study and our additional rate study that we do every 2-3 years, expected amount of that contract \$62,000.

Item 18 - Employee group life accident and disability insurance through Mutual of Omaha estimated \$50,000.

Item 19 - Our agreement with Franklin Marriott Cool Springs where our annual Symposium estimated at \$70,000 dollars.

Item 20 - And then we've got a couple of IT contracts, four thousand dollars a month for Ahead Incorporated and Level 3 Communications in Lumen, contract amount \$55,000 dollars for our fiber services. And then, the last two, our Loss Control Contract with Judy Housley, another of our recently retired folks over the last three years, asking to reauthorize that and our online training platform Local Government Risk Academy through Praetorian of \$55,000 dollars.

So that gives you an idea of those contracts and agreements that are ongoing and what we term maintenance of the organization and Mr. Chairman, we would just ask acceptance and approval of those things.

Chairman Hayes – Any discussion, questions? Yes, ma'am, Miss DaVena.

DaVena Hardison – For example, the LBMC technology....

Chairman Hayes – What number is that Miss DaVena?

DaVena Hardison – On four and five.

Michael Fann – Four and Five? Ok

DaVena Hardison – If we were to exceed those, would we just come back to the board for approval?

Michael Fann – If we were to exceed the amounts we've asked for, right. We would need to do that.

Chairman Hayes – Alright, thank you. Any other questions? Discussion?

Motion made by Todd Smith to approve the Key Contracts and Agreements, seconded by Sam Tharpe. PASSED UNANIMOUSLY

V. Board Member Appointment

Chairman Hayes – Tab number five.... board member appointment. I'll turn it over to Michael Fann.

Michael Fann – Thank you Mr. Chairman. Just a quick review, as you know roughly a year and a half ago we engaged a review of our bylaws. We made a number of changes, one of those was to require an open nominations period, when we had board appointments, obviously, we went through one in the Fall when Ms. Hardison was able to join us. This one was a little different in that both of our open positions included incumbents who were eligible for reappointment, so we opened the nomination process online and in person, I made the announcement at TCMA on April 14th. So, there was roughly a 60-day open nominations period from April 14th through June 12th. We did receive a number of calls and inquires but ultimately did not receive any nominations from our membership and so the only two names before the board are our incumbents, Victor Lay of Nolensville, and Sam Tharpe of Paris, so, just want to kind of go through that, we did like I said a 60-day period and did not receive any nominations other than those two.

Chairman Hayes – Alright, so we've heard the nominations. We need to make a motion to accept the nominations.

Victor Lay – I think it would be appropriate for me to abstain.

Chairman Hayes – Counsel, do they need to abstain?

Russ Farrar – I think it would be the best idea. That way there's no conflict of interest.

Chairman Hayes – I just want to say, it is absolutely...I think we've got a great team here. I'm glad to see that Victor and Sam are still going to be a part of the team. I think you guys do a great job and represent us well. I understand why there is no competition against you because you're certainly a hard act to follow. There's motion and second, go ahead.

Randy Brundige – We got enough of a quorum vote on it without the....

Michael Fann – Yeah, with two abstentions there would still be five.

Randy Brundige – Alright, I just wanted to.... if not, we'd do it one at a time.

Motion made by Todd Smith to approve the Board Member Appointments, seconded by Randy Brundige. Motion PASSED with Chairman Hayes, Vice Chair Brundige, Todd Smith, Mayor King, Council Member Hardison voting AYE. Victor Lay and Commissioner Tharpe abstained.

Chairman Hayes – Motion passed. Congratulations gentlemen for being reappointed to the PEP Board. I certainly want to recognize today, this meeting is the last meeting for Mr. Bobby King, which is President of the Tennessee Municipal League and I just want to say on behalf of the PEP Board that we've certainly enjoyed you being on the PEP Board the last twelve months and you have made us better and stronger, so thank you for all you have done.

Mayor Bobby King – And a lot of wisdom. I appreciate it.

Chairman Hayes – Absolutely.

Mayor Bobby King – I guess you may get to Mayor Williams.

Chairman Hayes – There you go. Well, job well done mayor.

Michael Fann – Yes, thank you mayor.

Chairman Hayes – Absolutely. Next, we will have...birthdays?

Michael Fann – Just you know, as is our practice, we'll have a little birthday cake after our meeting but, we certainly want to, since our last meeting we want to wish a little belated birthday to Miss DaVena Hardison for her birthday in March, and we've got three birthdays coming up in July – Chairman Hayes, Todd Smith, and Sam Tharpe will have July birthdays. We may have to have a little celebration maybe at the TML conference for those three but, happy birthday to all four of you.

VI. Date of Next Meeting

Chairman Hayes - Alright, our next meeting is suggested for September the 29th in Franklin. An all those contracts that I get to work with some of those, but certainly the general counsel over the years Russ and Krista and Ross, they've all done an outstanding job of navigating some of the things we have been through so keep up the good work, appreciate the service that you give to Public Entity Partners, look forward to working with you. Suggested meeting is September the 29th. Just a reminder, Michael we do not have anything at the Tennessee Municipal League Conference?

Michael Fann – We will not. We will not. And I know Jackie is working with Sylvia and the folks downtown for those of you who have requested help on registration and lodging and so forth. Stay in touch with Jackie on that and she will be communicating with you.

Chairman Hayes – Yeah, if you're not signed up, go ahead and get signed up because I'm sure the rooms will be going fast. Where's it at? Renaissance?

Michael Fann – Renaissance. And of course, our Symposium after that.

Victor Lay – If you didn't see the message from Sylvia last week that if you haven't already reserved a room, they are sold out.

Chairman Hayes – Okay, folks. This is at the end of the meeting, I'll entertain a motion to adjourn.

Victor Lay made a motion to adjourn, seconded by Randy Brundige. PASSED UNANIMOUSLY

William Curtis Hayes, Chairman

Halie Gallik, Secretary