

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: June 26, 2026
10:00 a.m.**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00 a.m. on June 26, 2026, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Holden, Vice-Chair Lay, Mayor Hartman, Mayor Stover, Jeannie Anderson, and Commissioner Tharpe.

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; George Dalton, Executive Vice President; Halie Gallik, Board Secretary/ Director of Underwriting; Celeste Taylor, Director of Administration & Human Resources; Elisha Hodge, Director of Legal & Member Services; Allen Dean, Director of IT; Jason Dodson, Assistant IT Manager; Janine Helton, Assistant Director of Underwriting; Chester Darden, Director of Loss Control; Carly Salah, Communications & Research Manager.

Also Present: Russ Farrar, Farrar, Bates, & Berexa; Anthony Haynes, TML; Brandon Miller, Arthur J. Gallagher; Casey Crane, Farrar, Bates, & Berexa.

Chairman Holden called the meeting to order, established quorum and recognized the service of Vice-Chair Lay and Commissioner Tharpe. Vice Chair Lay and Commissioner Tharpe both shared memories about their times serving on the Board of Directors.

Roll call was taken. All members were present except for Mayor McTizic, Mayor Gooch, and Blake Walley.

I. Consideration and Vote to Update Citizen Comment Policy

Michael Fann- The policy with the changes is under Tab 1. It’s really just two things they're asking you to change: the title of this policy from citizen comment policy to public comment policy in compliance with state statute, and then in the 5th paragraph is the second change where it mentions that the public comment period is limited to matters germane to the items on the agenda for the meeting and matters germane to the business of Public Entity Partners Board of Directors, so that just puts us in compliance with the state statute, Mr. Chairman.

Chairman Holden- OK, you’ve heard the recommendations. I will entertain a motion to approve this.

Motion made by Vice-Chair Lay to approve the updated policy seconded by Mayor Stover. **MOTION PASSED UNANIMOUSLY**

Public Comments – No one signed up to speak

II. Board Consideration & Vote for Minutes
a. February 27, 2026

Chairman Holden- I will entertain a motion to approve the board minutes from our February meeting.

Motion made by Mayor Hartman to approve the minutes of February 27, 2026, seconded by Jeannie Anderson. MOTION PASSED UNANIMOUSLY

III. Consideration & Acceptance of Financial Reports
a. Financial Statements – Third Quarter
b. Budget to Actual – Third Quarter
c. Investment Report – May 31, 2026

Amanda Shrum- Yes, good morning. We are going to begin on Tab 3 for the financials. We will refer to the Statement of Revenue, Expenses, and Changes in Net Position. As of March 31st, Net Earned Premium was reported at \$64.7 million - up \$5 million from last year and Total Revenues are reported at \$64.9 million. Total Loss and Loss Adjustment expense of \$50.5 million showed an increase of \$1.2 million from last year. Policy Acquisition Costs of \$7.5 million increased around \$353,000, while General and Administrative Expenses of \$8.9 million remained flat with last year's \$8.9 million. Total Expenses as of March 31st were \$66.9 million – an increase of \$1.6 million from this time last year. The Operating Loss was reported at \$2 million; however, after adding the investment-related income & rental income, we reported a Change in Net Position of \$11.7 million, leaving an Ending Net Position of \$138.9 million up from \$129.7 million at this time last year. This does take into account the \$8 million Dividend Declaration that was made in February. Any questions on the statement of revenue and expenses?

Flip over to the Statement of Net Position. Our Combined Cash and Market Values of Investments are up \$15.9 million, totaling \$290.2 million. Total Assets and Deferred Outflows increased \$25.4 million from last year, while Total Liabilities and Deferred Inflows increased \$16.2 million from this time last year. Are there any questions on the financials?

Chairman Holden- Item A: Financial Statements. I will entertain a motion to approve.

Motion made by Mayor Vice-Chair Lay to approve the Financial Statements, seconded by Commissioner Tharpe. MOTION PASSED UNANIMOUSLY

Amanda Shrum- The next page will be the General and Administrative Expenses budget to actual as of March 31st, and you will see that we are operating at \$1.5 million under budget as of March 31st. All departments are operating within their budget. Do you have any questions on that?

Chairman Holden- Alright so I will entertain a motion to approve that.

Motion made by Commissioner Tharpe to approve the Budget to Actual for the Third Quarter, seconded by Mayor Hartman. MOTION PASSED UNANIMOUSLY

Amanda Shrum- The next page over, you will see the investments portfolio analysis. Investments as of May 31st, you will see that we have unrealized losses of \$41.7 million, which have improved \$4.3

million since year-end of June 30th, 2025. The average coupon of the portfolio was 4.426%, and the average yield was a little over 5%. Based on our portfolio, we project our yearly interest income to be around \$13.3 million. Does anybody have any questions on investments?

Chairman Holden- I will entertain a motion to approve the investment report.

Motion made by Vice-Chair Lay to approve the Investment Report for May 31st, 2026, seconded by Jeannie Anderson. MOTION PASSED UNANIMOUSLY

IV. Consideration and Vote on General and Administrative Budget- FY 2027

Chairman Holden- Alright, thank you. Item number 4: Consideration and vote on general and administrative budget for year ending 2027.

Michael Fann- Yes, thank you, Mr. Chairman. Amanda will handle the heavy lifting on this, but one thing I want to do at this point is praise Amanda and her team; we were already into our budget process as we closed on the purchase and acquisition of Public Risk Services. Honestly, we had just a few weeks to make sure that our 26/27 budget accounted for a number of new employees, so the work that Amanda and her team did was spectacular. So, thank you, Amanda.

Amanda Shrum- This is for the fiscal year 2027 budget, so if you look under Tab 4, if you will look under the salaries and benefits section, you will see a 6% increase in these numbers. We are proposing a 5% cost of living adjustment for the employees this year. Also, under the benefits, we always, of course, budget for increases in health insurance, but we were also notified that our TCRS rate our contribution rate went up about 2% this year, which it's been pretty consistent for several years now, right around 16.2%. We are right around an 18.4% rate this coming year, so that caused a lot of the increase in the employee benefits that you see there.

If you go down to the travel-related expenses, you're going to see a reduction of about 9%. Just going through the budget, we've gone back in the past years and just tried to look at trying to be more intentional about our budgeting for travel. Years after COVID, the travel, the airfare, the lodging, we saw big increases in some of those costs. I think we may have had some travel being budgeted under conferences versus departments, so we've really tried to be intentional this year and really look at where those costs are being budgeted. We have been able to kind of reign that in a little bit. It was most of the reduction that you see. We are not cutting out face-to-face visits with our members; we are trying to see where we are now to what we actually needed for the budget. Under the member-related expenses, you will see a very small decrease. This is where we have our sponsorships of our member-related organizations and conferences; this also includes expenses for annual reports and any information that we provide to our membership, such as newsletters. We also have grants and scholarships we offer to our membership, as well as any of the legal hotline support that we provide in this category.

Under administrative expenses, you will see an increase of around 15%. The biggest area of the increase here is some of our data systems projects. We have several projects in the works, with that comes costs for system-related connections, protections, maintenance agreements, that type of stuff. We've also included an increase for supplies for building, because we do have more employees in this building now that we have purchased Public Risk Services, so we have taken that into consideration in that category. Under the professional expense you will see a decrease of around 1.5%. The biggest driver here is that we are not going to plan for the capital adequacy study this year. We've typically done them every three to five years. We've done them a little more frequently over the past couple of years. That is a pretty costly study to have done, but that is not in budget this year, which is why you see a decrease there. Overall, our total G&A expenses were looking at a little over a 5% increase overall. I will say that part of the claims expenses are in this budget, but in September we will do the Pro Forma. The claims budget has always been a part of the Pro Forma, it has not been included in G&A. To keep the consistency, we are keeping our claims budget in a separate area. You will see all of that laid out for you in September. Are there any questions on the budget for the upcoming year?

Commissioner Tharpe- How many employees did you take?

Celeste Taylor- Right around 67 right now.

Commissioner Tharpe- 67. OK.

Michael Fann- And that's up roughly from our 41 prior to the acquisition.

Chairman Holden- Alright, any other questions? Alright, you've heard the report. I will entertain a motion to approve the 2027 budget.

Motion made by Mayor Hartman to approve the Budget for 2027, seconded by Mayor Stover.
MOTION PASSED UNANIMOUSLY

Chairman Holden- Any questions? Item number 5. Contracts

V. Consideration and Vote of Key Contracts

- a. Key Contracts/ Agreements
- b. LBMC Technologies- Meraki
- c. LBMC Technologies- Datto Backup
- d. RTS
- e. BLR

Michael Fann- Yes, Mr. Chairman, this is the process we go through every June as part of our upcoming budgeted year. You've got under Item A - a three-page listing; I'm not going through all those as I have done in the past. Most of these are renewals. I will mention just a couple: Item number

1, the BLR online program, roughly \$80,000. This is the resource for safety and for Human Resources that we provide to all our members, as well as a few consultants from MTAS sign on to our program as well. This is a renewal for that contract. RTS- Research Technical Services is the program managed by Halie and her Underwriting team for workers' comp audit services, again estimated at \$172,000, and then our online claims management system, Origami Risk; we're looking at a little over half a million dollars annually on that program. Obviously, there are a total of 24 different contracts mentioned in this, what I call our maintenance list; the ones that we have to have to keep operating, then we have a handful of others in this tab as well. If there are any questions on any of these, I'd be happy to either try to answer them or feed them to the experts who deal with these contracts every day. If there are any questions regarding our maintenance contracts. Amanda has already mentioned the group medical going up. Our sponsorship contribution to the municipal league is going to a formula beginning this year, estimating that the 26 and the 27 contribution will be 1.2 million; property appraisal services $\frac{3}{4}$ of a million so you see the things that we fund to basically keep operating so if there any questions I would be happy to try to answer.

Chairman Holden- Any questions? So, can we take this all as one thing?

Michael Fann- I think we can actually.

Chairman Holden- OK, any questions about any of these. I'll entertain a motion to approve this information in Section 5 of our agenda.

Motion made by Commissioner Tharpe to approve the Key Contracts under Section 5, seconded by Mayor Stover. MOTION PASSED UNANIMOUSLY

VI. Consideration and Vote on Board Member Appointment

Michael Fann- Yes, Mr. Chairman, as you know a couple years ago, we changed our process for board member appointment and so we went through as our bylaws call for a 30- day open nominations process to fill the seats that will be vacated by Victor and Sam. We had a number of inquiries, a number of very good folks consider this. We had three that completely qualified for what our bylaws call for in board members you will see those under Tab 6. First is Tony Massey city manager, City of Columbia. Columbia is a long-time member. Tony actually worked here 30 something years ago for a short period of time. We also have Mayor Ronnie Neill of Somerville. Ronnie is a long-time elected official in Somerville. He also was a long-time employee of the Municipal Technical Advisory Service and has a lot years of service. And then Mayor Fitterer of Spring Hill, also a long-time elected official. All three of these are extremely qualified to fill board seats.

Michael Fann described the PE Partners by-laws for selecting individuals to fill vacant board seats.

Motion made by Commissioner Tharpe to elect Mayor Ronnie Niell of Somerville and City Manager Tony Massey of Columbia to the PEP board as directors and pending the confirmation vote of the

**assembly of insured organization at our meeting on August 27th, Seconded by Vice-Chair Victor Lay.
MOTION PASSED UNANIMOUSLY**

VII. Consideration and Vote to Establish Cyber Program with CFC

Chairman Holden- Item number 7: Consideration and Vote to Establish Cyber Program with CFC.

Halie Gallik- I shared during the February board meeting that we intended to come back to the board with a separate cyber program through a specialized cyber carrier. Today, we are recommending the discontinuation of the PE Partners Privacy and Network Liability Endorsement with the optional cyber extension. The cyber extension is the piece of our coverage to protect against social engineering ransomware and provides for data restoration expenses in the event that they are necessary. Very few of our members qualify for this coverage. As part of our review, we compared our endorsement to policies available in the commercial market. That review helped us to determine that our coverage is more restrictive than what was available in the commercial market; that review also helped us to evaluate the tools that specialized cyber carriers offer, like the ability to scan your network to determine if there are open ports and to conduct phishing campaigns, services that our members have to pay for now. These services being integrated into a cyber product would be more than cost savings for members; they would prevent and minimize potential cyber events.

In May, our broker Brandon Miller, who is actually in the room with us today, with Arthur J Gallagher, circulated our program submission to 15 potential carriers. We received programs back from two and evaluated those for limits, coverage, resources, claims response, incident partner panel, along with cost and program stability. We are recommending a cyber program through CFC, they have been in the cyber market for 27 years, and because they concentrate on cyber they have a wealth of knowledge and resources.

Structuring a program on another carrier's paper allows us to offer a cyber product and resources to members without the need to invest in cyber resources or have the risk exposure for claims. We know that local governments are a cyber target and that's not likely to change. Having access to specialized resources along with adjustors and legal who routinely respond to those types of incidents will benefit our members. Another issue we have faced is our hesitancy to expand available limits and our limited prevention resources in this area. This has become a competitive issue with at least one member choosing to place their coverage elsewhere. We have had other members that have expressed frustration when they were not able to qualify for our cyber extension. Under this proposed program, all members with revenue less than \$100 million will not have coverage qualifiers and will automatically be offered the coverage with no security requirements if they elect to take coverage.

Structuring the program through CFC eliminates the financial exposure to Public Entity Partners, while also providing better coverage and resources for our members. This is a shift with how we provided coverage to members and I do want to make sure that I highlight that as you consider this program. PE Partners has traditionally maintained control over claims administration and this

program will include CFC handling all cyber claims. We will have communication with CFC and the member, but we will not have the details with how each claim is administered. While this is a significant change, we are recommending this program because of the added benefits to the member.

The other exposure to Public Entity Partners is related to shifts in the cyber market. It is conceivable that in the future the cyber market could require more qualifiers and become more restricted on terms and limits. If the new program is approved by the board, we do intend to include in the launch of the program communication with members about what those standard qualifiers are. There are things that we are already recommending to members like cybersecurity training that comes with the product. Patching processes, data backups kept offline or air gapped, and things like multi-factor authentication, but they are not required in order to gain coverage under this program. And because this program requires discontinuing our privacy and network liability endorsement with the cyber extension from our policy document and engaging with a separate carrier, it does require board approval.

I'm happy to answer any questions you might have about the program and should also add that our projected launch date would be January 1 of 2027. In your packet, you do have a written description of the program along with some resources from CFC. The cyber incident partner panel, along with information about their app. They have an extensive amount of resources available to members.

Chairman Holden- OK, thank you, and on page 2, we have a staff and Arthur J. Gallagher broker recommendations to fully negotiate a program with CFC and discontinue the privacy and network liability coverage with the cyber extension program. All right, any questions? I will entertain a motion to approve this recommendation.

Motion made by Mayor Stover to negotiate a program through CFC and discontinue the PE Partners Privacy & Network Liability Coverage with the Cyber Extension program seconded by Vice-Chair Lay. MOTION PASSED UNANIMOUSLY

Chairman Holden- Next item on the agenda Item 8; Reinsurance Updates

VIII. Reinsurance Update

Michael Fann- Yes, Mr. Chairman, I'm going to kind of cover some basics of our 7/1 renewals. We renew our casualty liability program and workers' comp reinsurance as of July 1. As Halie said our broker Mr. Miller is here with us. They went to a full market examination for us in these two areas getting proposals and we interviewed a number of carriers here in this room. We ended up deciding to renew both our casualty program and Workers' Comp program with Safety National Casualty which we have been with for a number of years on our reinsurance program. The casualty renewed at a little over \$1.5 million, which reflected no change in premium. That number did reflect a 6.84% increase in our overall casualty exposures, but a 6.09% reduction in overall rate for reinsurance. On the Workers' Comp side, we renewed at \$1.88 million, which was about a 1% reduction in premium from last year. It reflected a 6.41% increase in exposure and a 9.81% reduction in rate. Thank you, Brandon.

Those Workers' Comp numbers also reflect an increase in the grant funding from Safety National, which has assisted us for a number of years with our grant funding. They are contributing \$60,000 in grant funds for loss control grant programs and ongoing loss control efforts, so I just wanted to update you that this does not require a vote. If you have any questions, I will be happy to try to answer.

Chairman Holden- Anything at all?

Michael Fann- Thank you all very much.

Chairman Holden- Thank you. Item number 9: Consideration and Vote on PRS Post-Acquisition Matters

IX. Consideration and Vote on PRS Post-Acquisition Matters

Michael Fann- Yes Mr. Chairman, just to briefly recap the acquisition process you know we were put on notice by the legal representative from the Morrison Trust last July that they were calling the contract. Unfortunately, Jim Morrison's, the principal, cancer had returned and was deemed terminal. We were put on notice and began working on it then. We secured representation from a great team at Bass, Berry, & Sims to handle the merger and acquisition process. We went through a number of processes and eventually shared in the cost of the total valuation of that company with the Morrison Trust. An accounting firm out of Knoxville, PYA, determined a valuation in January.

In February, you will recall, we were close and asked this Board to authorize me to close that process. It still took a few weeks, but on May 1, I think I have communicated with each of you, we had a closing at a purchase cost of \$4,705,500 with the Morrison Trust. This consideration is simply a resolution asking you to adopt a resolution that will allow me, George Dalton, and Amanda Shrum to conclude all the processes, file all the paperwork, for ultimately the dissolution of PRS and essentially to ratify the purchase that you've already authorized. Mr. Chairman, I would ask your adoption of this resolution.

Chairman Holden- Alright, you've heard the request to adopt a resolution to finalize this agreement.

Motion made by Commissioner Tharpe to accept Resolution No 2026-1 A Resolution of the Board of Directors of Public Entity Partners Regarding Public Risk Services, Inc. seconded by Mayor Stover. Roll Call vote was taken. MOTION PASSED UNANIMOUSLY

Chairman Holden- Thank you. Item number 10: Consideration and Vote on a Resolution to Establish a Surplus Property Policy.

X. Consideration and Vote on a Resolution to Establish a Surplus Property Policy-

George Dalton- Thank you, sir. Good morning. I appreciate your time today. I have item number 10 under tab 10 in your booklet. This is for consideration and vote on a resolution to establish a surplus property policy. Just very briefly, what is this policy? As with any organization, PEP has property that has become obsolete or is no longer needed. This policy will allow PEP to sell or dispose of the property that the board has officially declared to be surplus property. Why is this policy important? It will help

PEP avoid audit findings, allow departments to better track PEP owned property, help avoid ethics issues as it relates to the sale or dispose of surplus property and overall, it's just a matter of best practices.

So how does this policy work? Three very broad points I want to make. First, PEP nominates obsolete or unneeded property for sale or disposable through a nomination form which Miss Amanda Shrum will talk to you about next. Secondly the board shall consider the nomination form in a public meeting and must vote to declare property as surplus, thus allowing for sale or disposable property. Thirdly, once authorized, PEP will advertise and conduct a surplus property sale and then direct the disposal or sale of that surplus property and of course with the provisions found within this written policy.

What are we asking for to do today? On this particular agenda item we are asking the board to consider and vote on a resolution of Public Entity Partners to establish a policy for the sale and disposal of property determined to be surplus. That concludes my presentation on this agenda item, and I will entertain questions that anyone has. If not, I thank you for your time and I will return it back to you Chairman Holden and your consideration and vote with surplus property resolution.

Chairman Holden- OK, you've heard the recommendation and this resolution of Public Entity Partners to establish a policy on surplus property. Any questions about this?

Mayor Hartman- Is this a new policy?

Michael Fann- It is. And just a little more background, if I could, George. With the closing of the PRS offices, we are moving most of them here, and then we have a building full of furniture and things that we need to get rid of. We worked with the Comptroller's Office on what's the best way and the most appropriate way that we can do that for this resolution.

Chairman Holden- Any other questions?

Mayor Hartman- It's probably in here, does this allow employees to bid on or purchase this surplus?

Elisha Hodge- It does.

Amanda Shrum- Through the same online process.

Michael Fann- Equal to everyone else.

Donna Hartman- I know that sometimes there are questions about that.

[Discussion inaudible]

Michael Fann- Absolutely.

Chairman Holden- OK, any other questions? I will entertain a motion to approve this resolution.

Motion made by Mayor Hartman to approve Resolution 2026-2 Establishing a Surplus Policy, seconded by seconded by Jeannie Anderson. Roll Call vote was taken. MOTION PASSED UNANIMOUSLY

XI. Consideration of the Surplus Nomination Form

Amanda Shrum- The first nomination form for you all to consider, as Michael said, we have a 5,500 square foot office building that is coming to the end of its lease term where PRS was housed. We had numerous desks, bookcases, chairs, lobby furniture, a number of things, and you've got a list.

Michael Fann- You've got a list in Tab 11.

Amanda Shrum- The finance team, along with the PRS, now PEP employees, have come together to take an inventory of what was there and what we can do with it. We do not have room here. We don't need it, and we don't have room to store it here. So, we are asking you to consider the nomination form, and there is also, under tab 13, the resolution to declare the items listed

Michael Fann- Number 12, actually.

Amanda Shrum- Yes, I'm sorry, under 12 to declare the items listed as surplus so that we can move forward. As soon as we leave this meeting, we will post it online for 48 hours and take bids until Monday. At that time, this policy does allow for the furniture, if it's not sold, allows it to be disposed of as solid waste. We've got to get that office building cleaned out before the end of the day on the 30th.

Michael Fann- Yes, Mr. Chairman, the nomination form under tab 11 does not require votes just requires that you know what it is included in his request, and as Amanda said, under 12 is the resolution that allows us to declare all that surplus and get rid of it.

Chairman Holden- Alright, so items listed in section 11 and then we'll move on to section 12 right now - consideration and vote on a resolution to declare property surplus

Michael Fann- Right, they go hand in hand.

Chairman Holden- Alright, under section 12, any questions about Consideration to vote on a resolution to declare a property surplus? I will entertain a motion to approve this

Motion made by Vice-Chair Lay to approve Resolution 2026-3 to declare property surplus, seconded by Commissioner Tharpe. Roll Call vote was taken. MOTION PASSED UNANIMOUSLY

XII. Date of Next Meeting: Suggested Friday, September 25th, 2026

Chairman Holden- Suggested September 25th here in Franklin. Is that good with everybody?

Michael Fann- Also, at that meeting, obviously we will need to select a new vice chair, as Victor will have rolled off; keep that in mind as well. You see the other upcoming events that our board generally attends, including the Municipal League Conference in Kingsport in July, our 10th anniversary Risk Symposium in August, and then the Tennessee Public Risk Management meeting here in Franklin in November.

Chairman Holden- Ok any questions about any of those? I think that's it, right?

Chairman Holden- Let me thank Victor once again for your service to this board and your city and our state, and Mr. Tharpe, you as well. I have enjoyed working with you all these years; it's been a long time. We appreciate everything you do for us and for Paris, Tennessee.

Motion made by Mayor Hartman to adjourn, seconded by Mayor Stover. MOTION PASSED UNANIMOUSLY

John Holden, Chairman

Halie Gallik, Secretary