

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF REGULAR MEETING
DATE OF MEETING: DECEMBER 11, 2019
BRENTWOOD, TENNESSEE**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 8:30 a.m. on December 11, 2019 at PE Partners’ office in Brentwood, Tennessee in its regular meeting.

Board Members present included: Chairman Curtis Hayes, Vice-Chairman Randy Brundige, Victor Lay, Dr. Christa Martin, Lois Preece, Todd Smith, and Sam Tharpe

Board Members participating via telephone conference call were: Jill Holland and John Holden

Board Members absent were: none

PE Partners staff present were: Dawn R. Crawford, President/CEO; and Charles DeMore, Executive Vice President & CFO

Also present were: Russ Farrar, General Counsel; Kristin Berexa, Associate General Counsel; Margaret Mahery, Executive Director, Tennessee Municipal League; Wade Morrell, President/CEO, Tennessee Municipal Bond Fund; Mark Blackburn, Principal, LBMC; and Jennifer Costello, Senior Audit Manager, LBMC.; David Parsons, Counsel for Dawn Crawford; Jim Morrison, President of Public Risk Services, Inc.; Brad Thompson, City of Martin; and Sarah Linder with Elite Reporting Services.

Chairman Hayes called the meeting to order at 9:16 a.m.

1. MOMENT OF SILENCE FOR CHARLES “BONES” SEIVERS

Chairman Hayes informed Board members of the recent death of Charles “Bones” Seivers and noted his appreciation for Bones’ many years of service for PE Partners, the Tennessee Municipal Bond Fund which he created, and the work he did for the Tennessee Municipal League. Hayes said Bones has been a mentor to him. He opened the floor to anyone else who wanted to speak. Farrar said Bones was the reason he that he is in Nashville and that he was a tremendous person. Mahery said Bones is one of the first people who helped start the Risk Management Pool because insurance was so expensive that cities couldn’t afford to buy it and that’s why the Pool was started and that’s why the Bond Fund was started because the cities couldn’t borrow money; Mahery said Bones is an icon. Tharpe said he refers to Bones as the Emperor of Nashville as he knew everybody on the House floor, the Senate floor and everybody outside the financial range of the Bond Fund; he knew just about every city mayor, commissioner and very rarely missed a TML conference. Tharpe said Bones’ passion was for this organization and it went very deep, and he knows Bones is up there forming a new TML with our Holy Ghost.

Dr. Martin said it is amazing to her to be in elected position in the State of Tennessee and to have someone like Bones start talking to you many years ago about what your goals are, and where you intend to go with this, and “I’ve got a job for you”. Dr. Martin said Bones started to encourage her wherever he saw her – at the national level, at the state level – and he would say, “I’ve got something for you to do” and was always assigning her something or asking questions about what’s going on in Columbia. She said we appreciate that because you never know when somebody can see promise in you and they can encourage you to do bigger and better things, so she appreciates Bones and his investment in our people over the State of Tennessee.

Chairman Hayes shared a personal story about receiving a telephone call from Bones on a Saturday while mowing his yard when his wife answered the phone and told Bones that Hayes was busy mowing the grass. He said Bones asked her to tell Hayes that it was Bones on the phone so Hayes' wife went outside and said, "Curtis, there's some idiot on the phone that sounds like he's about half drunk and his name was Bones". Hayes said he cut his mower off right then and went in and took the phone call for Bones. He said his point is that when your phone rung and it said Bones, you just stopped what you were doing and answered the phone.

Chairman Hayes asked Board members to pause in a moment of silence to honor Charles "Bones" Seivers.

2. APPROVAL OF MINUTES

Chairman Hayes called for a motion to approve minutes of meetings on September 13 and November 15. A motion was made by Tharpe and seconded by Lay. Chairman Hayes asked for any discussion. There was none. Chairman Hayes called for a vote and asked all for the motion to let it be known by saying aye. Hayes then asked for those opposed to let it be known by like sign. There was no response. Hayes said the motion passed.

Chairman Hayes asked everyone in the room and those participating via telephone conference call to introduce themselves.

3. FY 2019 FINANCIAL AND COMPLIANCE AUDIT REPORT

Chairman Hayes called upon Mark Blackburn with LBMC to present the audit and compliance report for the fiscal year ended June 30, 2019. Blackburn introduced Jennifer Costello also with LBMC to present the required auditor communications to the Board. Costello thanked the Board and DeMore and his team for their work with the audit. She began by addressing the scope of the attest services LBMC was engaged to perform as being an audit of PE Partners' FY 2019 financial statements, including subjecting certain required supplementary information and other information to auditing procedures. She said PE Partners' management is responsible for the preparation and the fair presentation of the financial statements and the required supplementary information and other information as well. LBMC issued an unmodified opinion on the FY 2019 financial statements and communicated certain matters related to the audited financial statements, the required supplementary information, and other information. Costello said the unmodified opinion is the best opinion that you all can receive. She said there were no modifications.

Costello said management is responsible for the selection and use of appropriate accounting policies and that PE Partners did adopt one new statement this year, GASB Statement number 88 which is with respect to certain disclosures related to debt, including debt borrowings and debt placements, and that it did not have an impact to the financial statements. She said they were not aware of any transactions that were entered into by PEP during the year for which they were not able to get any authoritative guidance or consensus. She said accounting estimates are integral to the financial statements and are based on management's knowledge and experience. She highlighted the most systemic estimates as being: the actuarial assumption related to Tennessee Consolidated Retirement System Pension Plan; the estimates of reinsurance recoverable on paid losses; the actuarial valuation of reserve for losses and loss adjustment expenses; and, the valuation of the PEP investments. Costello noted the municipal bonds and the US government securities are valued at the closing price reported on the active market for which the individual securities are traded and money market funds are valued at the net asset value of the shares held by PEP at year end, based on quoted prices in the active market. She said LBMC is always responsible for evaluating the key factors and assumptions that go into those estimates and that they did determine those are reasonable in relation to the financial statements as a whole. With respect to the financial

statement disclosures, they are all neutral, consistent, and clear. She said in terms of corrected and uncorrected misstatements, she was happy to say that there are no misstatements that were identified as a result of performing our audit procedures.

In terms of difficulties encountered in performing their audit, Costello said LBMC would be required, obviously, to communicate any difficulties and that they had experienced none and also did not experience any disagreements with management. She said they were unaware of management consulting with any other accountants about the application of any accounting principles to the financial statements or the type of auditor's opinion and that representations they had requested from management were included in the management representation letter dated October 21, 2019. With regard to independence, Costello said they are not aware of any relationships between LBMC and PEP that, in their professional judgment, may reasonably be thought to bear any threat to their independence from the period of July 1, 2018, through the date of our report of October 21. She said in terms of the required supplementary information, they do not express an opinion or provide any assurance on the required supplementary information but do, however, perform certain limited procedures in terms of inquiries and so forth to make sure that the methods and preparation is consistent with the financial statements as a whole.

She said there is also other information that accompanies the financial statements with respect to the required information that the Tennessee State law requires PEP to include and that LBMC did report on that information. She noted that LBMC would communicate to governance any deficiencies they might have identified with respect to internal control and that they consider internal control for the limited purpose of designing our audit procedures to ensure that they are appropriate. Costello stated they did not identify any weaknesses or other deficiencies in internal control that they considered to be material and that they also issued their report with respect to internal control that is required by government auditing standards which is our report on the internal control over financial reporting and noncompliance and other matters based on the audit they perform in accordance with government auditing standards.

Costello said in summary, the audit again went very well with an unmodified opinion, no corrected or uncorrected misstatements, and, finally, no internal control deficiencies that were required to get back to the governance.

Chairman Hayes asked if anyone had questions for Costello. There were none.

Chairman Hayes asked for a motion to accept the FY 2019 financial and compliance audit report as presented. A motion was made by Brundige and seconded by Dr. Martin. Hayes asked if there was any discussion. There was none. Chairman Hayes called for a vote and asked all for the motion to let it be known by saying aye. Hayes then asked for those opposed to let it be known by like sign. There was no response. Hayes said the motion passed.

Tharpe asked DeMore if this was his last audit to which DeMore replied yes. DeMore commented that LBMC is a pleasure to work with. Tharpe thanked DeMore for his work and said the Board would miss him. DeMore thanked the Board and said he has a good team of folks.

4. FINANCIAL REPORTS

- A. Chairman Hayes called on DeMore to present the financial statements for the quarter ended September 30, 2019. DeMore said he would review the highlights to be brief. He started with the Statement of Revenues, Expenses and Changes in Net Position for the three months ended September 30, 2019. He said gross earned premium was slightly more than budget by 1.4% and was more than last year actual by approximately 4%. Net earned premium was approximately 4% or \$671,000 more than actual as well. He said investment income was about \$780,000 more than last year due to some realized gains from sales and calls of investments in**

the first three months. He said realized gains on investment sales were approximately \$818,000 so if you disregard them, investment income was comparable to what it was this time last year. DeMore said investment income is earning \$1.2 million more than budgeted for this year so it is in a healthy posture. He said total revenues of \$19.4 million are roughly \$1.5 million or 8% more than actual last year.

DeMore said loss and loss adjustment expenses were slightly increased by about 4% because we had more claim payment activity during the first quarter. Policy acquisition costs were fairly flat compared to last year at 2.7% or \$75,000 less. General and administrative expenses were just slightly over last year's actual by \$55,000 or 2.6%. He said, however, general and administrative expenses were running \$400,000 or 17% under what was budgeted for this year. Total operating income was \$946,000 compared to \$11,000 this time last year's actual. Because of investment market fluctuations, the market value of our investments had reversed from an unrealized loss position this time last year to an unrealized gain position this year, resulting in \$2.9 million of unrealized gains this year versus \$5.3 million unrealized loss last year. He emphasized that the unrealized gains are "paper" gains. Operating income of \$946,000 combined with \$2.9 million of unrealized investment gains results in a total change in net position of \$3.8 million for the first quarter ended September 30, 2019. He asked if there any questions, and there were none.

- B. DeMore presented the Statement of Net Position and said the statement reflects what PE Partners owned and what it owed as of September 30th this year compared to last year. He said total assets, including assets and deferred outflows, were up 12% or \$336 million compared to \$298 million last year, most of which is attributed to the investment uptick. The combined total of investments and cash was \$308 million compared to \$274 million this time last year. He said lots of cash is received during the first quarter from the collection of July 1st renewal billings. Capital assets increased to \$7.6 million from \$3.1 million due to construction of the new office building. He noted total liabilities were \$183.5 million this year compared to \$185.5 million last year. The change in net position of \$3.8 million for the three-month period added to beginning net position of \$149 million resulted in net position of \$153 million at September 30, 2019, compared to \$112 million this time last year.

Chairman Hayes asked if there were any questions. Crawford said it is not a question, but she wanted to comment that the combined total amount of case reserves, IBNR reserves, ULAE reserves, the dividend declared by the Board each year, and the catastrophic component of fund balance or net position actually comprises 80% of total investments. She said so most of PE Partners' investments are tagged for a specific purpose and are not just being accumulated. Crawford said that during a recent onboarding meeting with Holland, Holland suggested that Crawford point that out to the Board as well as to the TML Board because Crawford said she felt like a lot of folks across the state felt PE Partners was hoarding money for different things and, in reality, we are not.

Chairman Hayes said he never heard that. Holland said she remembers that conversation and thought sometimes if people don't see the big picture, many times they assume things that could possibly be incorrect. She added that she thinks it is important that the message gets out there. Hayes said that was a good point.

- C. DeMore presented the internally-managed investment portfolio as of November 29, 2019 as classified by type and maturity of securities and said the company was in a good posture again. He said investments had a book value of \$282 million with a fair value of \$286 million, so we were \$4 million in an unrealized gain position. The average coupon was 3.2%, which is a composite number for all types of securities in our portfolio. He said the municipal bonds themselves have an average coupon rate of 3.49%, but the government agencies bring that rate down a little bit. The average maturity of the portfolio is 16.1 years but has an average call term of 6.5 years. He said PE Partners had \$18 million invested in LGIP at the end of

November earning 1.8 %, which is better than some banks are paying right now in money markets. He added that the unrealized gain position was holding as yesterday it was \$3.5 million. He commented that our investments do well when the stock market is not, and we have been faring very well with our securities throughout this volatile market. Chairman Hayes asked if there were any questions. There were none.

Chairman Hayes asked for a motion to accept the financial reports as presented. A motion was made by Tharpe and seconded by Preece. Hayes asked if there was any discussion. There was none. Chairman Hayes called for a vote and asked all for the motion to let it be known by saying aye. Hayes then asked for those opposed to let it be known by like sign. There was no response. Hayes said the motion passed.

5. HUMAN RESOURCES DIRECTOR

Chairman Hayes addressed the topic of a Human Resources Director and said he, Crawford and the Board had discussed having an HR Director here at PE Partners and that we've never had a position solely for the purpose of HR as it's been a position that has been combined with other duties. He said but given the fact that DeMore has decided to retire, we are at a crossroads and that he has talked with Crawford. He reminded Board members that while they did bring in an HR company, he thinks most Board members felt they wanted a "warm body" here in the office that anyone with any issues could talk with. He said for this reason he asked Crawford, if she would, to come up with the job description and the essential duties. He asked if Board members had had an opportunity to take a look at the job description. There was no response. Hayes asked Crawford if she had any comments, and she shook her head to indicate no.

Chairman Hayes said so the Board will be approving this job description, and he wanted to talk about it just a little bit more. He said he didn't know if this should be in the bylaws but a conversation he would like to have with the Board is that the HR Director, upon termination, would have to be terminated by the President and the full Board. He said this would be the only position that would have that, but he didn't want to have an HR Director who would be afraid to do their job because of any President. He said it has nothing to do with Crawford. And he thinks that it would be important but doesn't know if that needs to go in this job description or in the bylaws. He then called upon Farrar.

Farrar said in his opinion -- and that Berexa may disagree -- as long as the Board makes a motion and they approve the motion, that's what they are operating under. He said he doesn't see that the Board needs to put that in the bylaws. He said he thinks a motion approving what Chairman Hayes just said, that it would require termination by both the President and the Board for that position, would be adequate. He said he didn't see the need to go into the bylaws and then asked Berexa if she did. Berexa said she didn't know that the Board needed to amend the bylaws. Farrar said no. Berexa said one thing the Board could do in the personnel policies would be spell that out as well. Farrar agreed. Hayes said okay, personnel policy -- that would be good.

Berexa said one other essential duty that she thinks should maybe be added here -- having talked to Halie Gallik a couple of times -- is since PE Partners is working on getting its website ADA compliant, one of the things PEP will need to do is have an ADA compliance officer. She thinks that should be one of the essential duties or functions as an ADA compliance officer. Farrar agreed and said "A personnel director." Smith said he also agreed.

Chairman Hayes said when he worked at Tennessee Tech on their job description was, at the very bottom, "And other jobs assigned to you", which covered everything. He said he doesn't know if that's something we need to put here or not but it worked there. Farrar said he would and that most places put in "And other duties as assigned by the President or the Board". Lay also

commented, “Other duties assigned”. Farrar said he thinks that needs to be put in here, too. Chairman Hayes agreed.

Farrar said he does think a vote and the Board then approving a motion to put it in the personnel policies is plenty. He said the bylaws are not meant to address everything – they’re like the Constitution in that they're the big picture and then the policies are like a statute. He said so he would recommend that the Board do it that way instead of putting it in the bylaws.

Chairman Hayes said so we're adding ADA compliance officer. He referred to Farrar and said Farrar’s verbiage was also to add, “Other assignments that have--”. Farrar said, “And other duties as directed by the President” because the Board doesn’t want to get in a situation where something we're not thinking about comes up and then they say, “Well, I don't have to do that”. Chairman Hayes agreed.

Dr. Martin said her question would be under qualifications -- are these required or desired? She said we work numerous position reviews and analysis at the college, and most all of ours, almost a hundred percent, have qualifications that are required and it says that word, or if it's desired. It says that word so you can hire and the person not necessarily have that. She said, for example, SHRM certified -- that's a requirement, and it spells it out that that's a requirement. So could we get that in here so that we will know what you specifically have to have so we don't get into discrimination, diversity, whatever, and somebody gets a chance to do this and somebody else doesn't. So if it says it's required and you don't have it, then you're out of the Pool. Crawford said that's a very good suggestion -- we'll do it.

Farrar agreed and told Crawford that he and Berexa will try to work with her to revamp it a little bit and that there are a couple of other things and then let us present to the Board after we've had input. Berexa said because there are another one or two. Farrar said this is the first time he had seen this. Berexa agreed.

Dr. Martin said if all of them are required, then it needs to say that; but sometimes in looking at this, it may not be that all of them are required. Berexa said that’s a good point because we’ve had lawsuits over whether it’s “required” or “desired”. Dr. Martin said exactly. Farrar agreed. Berexa said we really need to take a look, too, at this qualification of “good physical health, including vision and hearing acuity”. She said she wants to make sure that may be an ADA thing. Dr. Martin commented that that may not be legal. Farrar said we have an ADA question on that; it may just require us to say “an accommodation for...”.

Chairman Hayes said later on in the agenda, he is going to talk about having a called meeting so maybe we can put it on the agenda then. If not, it appears that we're tentatively meeting on February 1st. Brundige asked, “February 1st?” Farrar asked, “Do you know when you're going to do a call meeting?” Hayes replied that we're going to talk about that in just a minute. He said when we vote on that, he does want everyone to think about the suggestion that he had. He said he is not married to it, but he thinks it would be a good idea that for that position only of the HR Director who clearly works for the President/CEO, that when it comes to termination, we are going to have the majority vote of the Board along with the recommendation of the President/CEO. He said he thinks that's important to have and for the safety, not only of the employee but also for the integrity of PEP. He said so we will put that off until the next meeting.

Chairman Hayes asked Crawford if she had anything else she wanted to say about the HR Director. Crawford said no, sir.

Holland asked to clarify her understanding that Hayes had said the requirements of the HR Director are going to be drawn up and then presented at the next meeting. Hayes said that according to our general counsel, this is the first time they have seen the job description and essential functions so they're going to take a look at it. He said there are a few little things they

want to add to it - ADA things and things of that nature -- and it will be brought back up at our next meeting.

Holland said okay and asked if certifications would be part of it -- where they have to be certified in certain areas, or is that something that they could get whenever they get the position, if they don't have it right now? Farrar said yes.

At this time, Holden left the telephone conversation due to other prior commitments. Chairman Hayes told Holden goodbye.

Chairman Hayes said the qualifications are in this and said it says “bachelor degree in human resource from an accredited college or university; SHRM certified; experience in local government preferred, but not required”. He asked Holland if she had taken a look at those qualifications and if she wanted to add to that. Holland said that with the cities, we are always having to send someone to be certified in various areas with HR and she just wondered if with those things – regulations – she doesn't think you want somebody who doesn't go and get certified in the different areas, even if they're not right now. She said because they just can't just sit there and assume they know what they're doing.

Farrar agreed and said they need to be certified. Chairman Hayes said this is a bachelor's degree in human resources from an accredited college. Holland asked to clarify that it does say degree in human resources? Chairman Hayes replied yes. Holland said she missed that and apologized.

Chairman Hayes said this is a position like we all have where you have to have continuing Ed so “X” amount of hours. Holland said okay and apologized. Hayes said that is okay and that we are going to have a little bit more time on this it appears. He asked Board members to take another look at it again and said if there's something on there you like or don't like, please e-mail him, Crawford, Farrar, or whomever, and we'll put it up for discussion at the next Board meeting.

At this point, Farrar excused himself from the meeting due to another obligation and left the room.

6. STRATEGIC PLANNING RETREAT

Chairman Hayes addressed the strategic planning retreat and said trying to get everybody's schedule is nearly impossible. Tharpe asked Hayes what he was saying. Hayes said that people who are retired are not really retired and made a suggestion to put this back on next month's agenda. He said we're going to have to make a decision if we want to go with the majority or if we think it's important enough for everyone to be there. He said for himself, he does think that each Board member should be there. He said but if we can get the majority, roll on with it; or we simply set a date in November. Maybe people's calendars are not booked then or in early 2021. He said he hates to say that but that we've tried this three or four times.

At this time, Holland left the telephone conversation due to other prior commitments.

Chairman Hayes said trying to get everybody together has been a rat race. Dr. Martin said her personal comment is strategic planning needs to have everybody there and that she understands what we're saying but she is part of a leadership team at the college that's got 21 people on it and we stab at it until we get it where everybody can be there. Hayes said he agreed and understands. Dr. Martin said it's hard.

Chairman Hayes asked if Board members had their calendars and to take a quick look. He said what if we look at October or something like that in 2020.

After discussion about mutually available dates, October 15, 16 and 17, 2019 seemed to be available to most Board members currently present in the meeting.

Chairman Hayes added that those dates may not work for Holden and Holland who had left the telephone conference call. Tharpe noted that Holland would be rolling off the Board. Tharpe asked if Holden would still be on the Board to which Crawford replied, yes. Tharpe asked if everybody here was going to be still on the Board. Crawford replied yes, sir. Preece noted that elections aren't until November.

Lay asked how long are Board members' terms. Crawford replied up to three years so long as you are still in office. Lay asked Crawford if his third year comes around in July to which Crawford replied in June and added that Lay would be reappointed for the second term of three years. Lay said okay.

Tharpe asked to confirm the dates as October 15, 16 and 17. Chairman Hayes said yes and asked Board members to pencil in those dates.

Tharpe asked what time Chairman Hayes what time the retreat would start. Hayes said we're not going to start before 1:00 p.m. and suggested having lunch at 12:30 p.m. or a later lunch.

There was more discussion as to potential locations within the State of Tennessee that were mutually convenient to Board members when considering distance and different time zones.

After more discussion, Board members' consensus was to change the dates for the strategic planning retreat to October 14, 15 and 16, 2019 starting at 2:00 p.m. and to seek a location in Middle-TN, possibly at a retreat center called Evins Mill in Smithville, TN which is south of Cookeville, TN.

7. DATE OF NEXT MEETING

Chairman Hayes asked Board members whether Friday, February 21, 2020 is a good date to hold the next quarterly Board meeting. The consensus of the Board was yes. Tharpe asked Crawford what time and Crawford replied that breakfast would begin at 9:15 a.m. and the meeting would begin at 10:00 a.m.

8. OTHER BUSINESS

- A.** Chairman Hayes said under Other Business was Crawford, DeMore and a Tennessee Consolidated Retirement System resolution. Crawford said at the very strong urging of Mr. Chairman here --. Chairman Hayes said he didn't know he did this but --. Crawford said Chairman Hayes suggested at their lunch meeting a few months ago that she look into the possibility of buying back prior years' service through TCRS. She said Chairman Hayes keeps raving about what a great deal it would be and that she really ought to take a look at it, so she started that process. She said DeMore can explain what is asked in this resolution for TCRS.

DeMore said prior to PEP joining TCRS, the organization had and still has a 403(b) plan administered by VALIC. He said a 403(b) plan is similar to a 401(k) plan in a private company. He said under the 403(b) plan, the company would pay the employer's contribution into the 403(b) plan for the employees. Then in 1991, PEP was able to join and participate in TCRS. At that point, a handful of employees decided to stay with the VALIC 403(b) plan, and not join TCRS. Of those, we still have two employees who never did join TCRS but have stayed with the VALIC plan. He said for them, the company still pays the employer contribution to a 403(b) employer account for them.

DeMore said he thought about ten years into --. Crawford said eight. DeMore said eight years after PEP joined TCRS, Crawford decided to join TCRS and came in eight years after --. Crawford said on July 1, 1999.

DeMore said TCRS has a mechanism by which someone can buy back service credit -- years of service credits -- as though they had been in TCRS all along. He said to do that, TCRS has to do an actuarial study to determine what it would cost the organization to allow this person, and whoever else is eligible, to buy back those years because they go back to 1991. He said Crawford has expressed her interest in finding out what that cost would be. For the other two people, they would also have to be given that opportunity to do so even though they have never been in TCRS.

Chairman Hayes asked who are the other two employees. DeMore replied Michael Fann and Judy Housley. Hayes said okay. DeMore said they both have over 30 years and have continued to have employer contributions made to the 403(b) plan. He said to do a buyback, TCRS requires several things. One of them is that our 403(b) plan must allow these types of transactions because in the 403(b) plan are two accounts: one is an employer account; and then there's money the employee can put in on their own. He said we're only talking about whatever money is in there from employer contributions. Crawford keeps whatever money she has put in herself. But everybody that's eligible -- all three people -- has to be given the opportunity to see if they want to buy back their time.

DeMore explained what this study would do is determine what that cost would be to PEP for those three people because everybody else in the organization is already in TCRS. TCRS charges \$550 to do this special actuarial study which they said will take several months. DeMore said he met with the TCRS guy yesterday out here. The sequence of this would be, if the Board was so inclined, the Board would pass this resolution giving TCRS the authority to conduct an actuarial study in order to determine the cost to buy back these eight years. TCRS will come up with this buyback cost number, and if that number is \$200,000 to buy back, then that liability belongs to the organization because we're a noncontributory plan in TCRS.

DeMore said whatever money has been paid into Crawford's 403(b) employer account with VALIC, she would have to forfeit that by regulation and all that money would offset whatever the cost was. DeMore explained if, for example, Crawford has \$250,000 in her 403(b) employer account with VALIC and TCRS says it's going to cost \$200,000 for those eight years she wants to buy back, all that money is forfeited by Crawford and TCRS keeps the difference. If, however, TCRS says the cost is \$250,000 but Crawford only has \$200,000 in her 403(b) employer account with VALIC, PEP would still pay whatever that cost is.

He said once those costs are determined, the Board would have an option if it wanted to move forward to do this, once the Board knows what the numbers are. In that case, there's a second resolution TCRS requires the Board to pass if the Board wants to accept the cost liability. The second resolution puts PEP on the hook for accepting liability. Up to this point, the Board is just giving TCRS authority to move forward to do the actuarial study by paying the \$550 fee so that's what this resolution is before the Board.

Chairman Hayes thanked DeMore and said Crawford is correct as they did talk about that over lunch and that he just thought that it would be beneficial to her and the other employees. He said he had no idea who the other employees were, or if there were any. He said he didn't think that they even discussed that.

Berexa asked if the actuarial study would cover the three employees or would you do an actuarial study for each employee that wants to do this? DeMore said the actuarial study would be on an individual basis for those who are interested and express that interest. They have a

60-day timeframe to say yes or no, and it's irrevocable. So once the 60 days have passed, if they later say I want in after that, they can't. He said he has not yet talked with Michael or Judy about this. If they say they are interested to see what it's going cost, then the study would be for all three people. He said but if they say no and don't want to do it, then the study would be trimmed down just to Crawford. Berexa said got it.

DeMore said if Crawford says she wants to move forward with this and the other two say, no, we don't, then what the TCRS guy said yesterday is that TCRS would adjust our rate based on whatever the study is. If all three people are interested in the cost study, then the actuarial rate would be adjusted for all three people. So, if the other two bow out and it just leaves Crawford, we may need to come back and see what an actuarial study would be just for Crawford by herself in the future on what the costs are. Berexa said right.

Chairman Hayes asked to confirm that according to what you're saying, the cost is just \$550 to get the ball rolling, correct? DeMore said exactly.

Chairman Hayes asked if there was a motion. Dr. Martin made a motion which was seconded by Lay. Lay asked to clarify that on this study, all we're doing is authorizing essentially about \$1,550 or \$1,650. DeMore said \$550. Lay asked to confirm that was for all three. DeMore said yes, it's one cost study for all three.

Lay asked that any decision -- even if they come back and say, yes, we want to do this -- there's still a decision that comes back to this Board to say, yes, we want to do it or, no, we don't want to do it? DeMore said exactly. Crawford said it's a second resolution that would come back to the Board. DeMore added that if all three people say they want to do this, the Board is the one that says, "yes, we will" or "no, we won't". It's not the individual participants. Chairman Hayes said right. Lay said thank you.

Chairman Hayes asked DeMore to confirm that when the study comes back, the Board will be provided the correct numbers of exactly what it's going to cost PEP to get this done. DeMore said yes, sir. DeMore said TCRS determines it actuarially so they have no idea and can't do anything in advance and that TCRS said the study would take a few months.

Chairman Hayes said sure. He said there is a motion and a second on the floor. He asked if there was any more discussion. There was no response. Chairman Hayes called for a vote and said all for the motion to let it be known by saying aye and then for those opposed to indicate by like sign. There was no response. Hayes said the motion passed unanimously. DeMore thanked the Board.

- B. Chairman Hayes said also under Other Business, the Board had talked at the last meeting about sitting down and taking a look at all the contracts that PEP is involved with. He asked Board members to look at their calendars for some time in January. After discussion, the consensus of the Board members was that January 17, 2020 was the most available date to the majority of Board members.

Chairman Hayes reminded Board members that Crawford had sent everyone copies of all the contracts that PEP is involved in. Dr. Martin asked what time. Preece said breakfast was at 9:15 a.m. and the meeting was at 10:00 a.m.

9. ADJOURNMENT

Chairman Hayes asked if there was any other business. There was no response. Hayes asked Crawford if she had any other business she wanted to bring up. Crawford said no, sir. Tharpe made a motion to adjourn that was seconded by Brundige. Chairman Hayes called for a vote and said all for the motion to let it be known by saying aye; then, for those opposed to indicate by like sign. There was no response. Hayes said the motion passed unanimously.

Chairman Hayes declared the meeting adjourned at 10:29 a.m.

William Curtis Hayes, Chairman

Charles DeMore, Secretary