

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Board of Trustees Meeting**

Horseshoe Bay Resort – Post Oak Room
200 Hi Circle North
Horseshoe Bay, Texas 78657

April 28 - 29, 2022

Trustees Present

Randy Criswell, Chair
Mary Dennis, Vice Chair
Noel Bernal
J.W. ‘Buzz’ Fullen
Jeffrey Snyder
Austin Bleess
Bert Lumbreras
Harlan Jefferson
Opal Mauldin-Jones
Carol Loughlin
Byron Black
David Harris
Rickey Childers
Bennett Sandlin
Mike Smith
Allison Heyward

Staff Present

Jeff Thompson
David Reagan
Susie Green
Lindsey Fields
Tito Villegas
Mike Raigosa
Atul Poladia
Mike Rains
Mike Bratcher
David Nix
Bo Joseph
Joshua Haley
Paula Marr-Ludwig
Scott Houston

Staff (cont.)

Phil English
Aaron Hardiman
Gil Lee
Cindy Arce-Shaddix
Patti Ledesma
Debbie Sherwood
Sandra Simmons

Others Present

Collin Schoenfeld,
Guy Carpenter & Co.
Dan Smereck,
Strategic Asset Alliance

Randy Criswell, Chair, called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool Planning Session to order at 12:25 p.m. on Thursday, April 28, 2022.

1. Roll call and excused absences (Tab 1)

Jeff Thompson reported the absence of Mary Gauer. He also reported that Carol Loughlin, Michael Smith, and Bennett Sandlin would be absent on the portion of the meeting held on Thursday, April 28, 2022, but would be present on Friday, April 29, 2022, when the Board meeting reconvened.

MOTION by David Harris, seconded by Bert Lumbreras, to excuse the absences of Mary Gauer, Michael Smith, Carol Loughlin, and Bennett Sandlin. Motion carried with unanimous approval.

3. Consideration of minutes of February 4, 2022, Planning Board Session and February 5, 2022 Board Meeting (Tab 2)

MOTION By Rickey Childers, seconded by Mary Dennis, to approve the February 4, 2022, Board Planning Session minutes and the February 5, 2022, Board Meeting minutes. Motion carried with unanimous approval.

4. Review of Board of Trustees Election Process and Board Election of Chair and Vice Chair (Tab 3)

Chair Randy Criswell announced this item would not be taken up until the following day when the meeting reconvened.

5. Board Workshop – Rates for all lines of coverage for 2022-23, including Reinsurance and Target Members Equity Updates, including highlights of Proposed Coverage Changes

Jeff Thompson and Lindsey Fields presented the proposed rates for all lines of coverage for 2022-23, including proposed reinsurance recommendations. Collin Schoenfeld assisted with the presentation of the proposed reinsurance recommendations for property coverage. Jeff Thompson and Lindsey Fields also presented highlights of the proposed changes to the Pools coverage.

Chair Randy Criswell recessed the meeting at 1:54 PM on April 28, 2022

Chair Randy Criswell reconvened the meeting at 8:08 AM on April 29, 2022.

2. Public Comment on Agenda Items

Chair Randy Criswell opened the meeting to public comment on any item on the agenda for this meeting. No comments were made. Chair Randy Criswell closed the meeting to public comments.

4. Review of Board of Trustees Election Process and Board Election of Chair and Vice Chair (Tab 3)

David Reagan presented an overview of the election process for the Board of Trustees for 2022 and the Board of Trustees election of a Chair and Vice Chair for 2022-24.

6. Nominations Committee

- a. Consideration of minutes of October 21, 2021 Nominations Committee Meeting (Tab 4)

Mary Dennis reported the October 21, 2021 Nomination Committee Meeting minutes were approved at the Nominations Committee Meeting on April 28, 2022.

- b. Consideration of appointment of a member to the Board of Trustees to fill the unexpired term of Place 12, which expires on October 1, 2024 (Tab 5)

Chair Randy Criswell announced this item would be deferred until after the Executive Session.

7. Finance and Information Technology Committee

- a. Report on February 28, 2022 (5-month) Financial Statements and presentation of March 31, 2022 Financial Results (Tab 6)

Tito Villegas presented the 2022 (5-month) financial statements and the March 31, 2022, financial results set forth under Tab 6.

- b. Report on February 28, 2022 (5-month) Investment Report and presentation of March 31, 2022 Investment Results (Tab 7)

Tito Villegas provided an overview of the February 28, 2022 (5month) investment report and the March 31, 2022, investment results set forth under Tab 7 .

Dan Smereck of Strategic Asset Alliance presented an overview by video conference of the Markets and the Performance the Pool's investments.

- c. Consideration of Updating the Pool's Target Equity and Members' Equity Distribution Policies Based on Adopted Method for Combined Target Equity Range Determination (Tab 8)

At the February 2022 Board Meeting, the Board approved an update to the Pool's combined target equity range where the lower limit of the range is a 1 in 200 year capital event (\$311 million) and the upper limit of the range is 2 times a 1 in 200 year capital event (\$622 million). Tito Villegas presented the Pool's target equity policy and the Members' equity distribution policy that incorporates the Pool's new target Members' equity range as set forth under Tab 8.

MOTION by Jeffery Snyder on behalf of the Finance and Information Technology Committee, seconded by Byron Black, to approve the updated Pool's target equity policy and Members' distribution policy to incorporate the target equity range based on a lower range limit of a 1 in 200 year capital event (\$311 million) and an upper

range limit of 2 times a 1 in 200 year capital event (\$622 million) as presented in Exhibit A & B of Tab 8. Motion carried with unanimous approval.

d. Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 9)

The report under Tab 9 from the Office of Project Management and Analytics, including the report on the progress for Business Applications and the IT Road Map, was submitted for the Board's review without an oral presentation.

e. Information Technology report (Tab 10)

The Information Technology report under Tab 10 was submitted for the Board's review without an oral presentation.

8. Underwriting and Claims Committee

a. Consideration of Property Rate Recommendations & Property Reinsurance Recommendations for May 1, 2022 to May 1, 2023 (Tab 11)

Lindsey Fields presented the property rate recommendations and the property reinsurance recommendations for the year of May 1, 2022 to May 1, 2023 under Tab 11.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Opal Mauldin-Jones, to approve changes to property rates and approve reinsurance rates and layer structure as set forth below.

Property Rates:

- Apply a 15% inflationary increase to all Members' scheduled building values and contents values.
- Apply a 20% increase to real and personal property rates for Housing Authorities due to a poor loss experience indicated in the five-year loss ratio.
- Apply a 5% rate increase to Mobile Equipment coverage.
- Apply a 5% rate increase to the Auto Physical Damage and Auto Catastrophic coverage.

The above rate changes result in an overall 15.1% increase in the property program contributions.

Reinsurance Rates and Structure:

- Approve the overall reinsurance structure set forth under Tab 11 for May 1, 2022 to May 1, 2023.
- Approve the overall anticipated external reinsurance expenditure on reinsurance layers above \$10M of \$21,376,125, with an additional contingency of \$2,137,613 (10%), with authorization for the Executive Director to make modifications to the reinsurance structure, but not to exceed \$23,513,738 in total external reinsurance expenditure.

- Approve the per layer internal Reinsurance Fund allocated cost structure (for layers excess of the \$6M x \$4M reinsurance layer) as set forth under Tab 11 for a total estimated allocation of \$6,933,660.

Motion carried with unanimous approval.

b. Consideration of Workers' Compensation Rate Recommendations for 2022-23 (Tab 12)

Lindsey Fields presented the rate recommendations for 2022-23 under Tab 12. The recommendations were for a 20% rate increase for public safety class codes of paid police officers, paid firefighters, paid motorcycle police officers, and paid ambulance/EMS services. The recommendation also included a cap on the experience modifier change at the Member level to no more than a 50% change to smooth the impact of including COVID-19 losses in the experience modifier. It was also recommended that the deductible credit factors be reduced for all deductible options offered to Pool Members as shown in the chart on page 6 of Tab 12.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by John Fullen, to approve the following workers' compensation rate increases, resulting in an overall 11.8% increase in Pool Member contribution:

1. Implement a 20% rate increase to four Public Safety class codes (paid police officers, paid firefighters, paid motorcycle police officers, and paid ambulance/EMS services) resulting in a projected overall 9.8% increase in contributions; and
2. Include COVID-19 claims in the experience modifier calculations with a cap on the experience modifier change at the Member level to more than a 50% change resulting in an additional projected overall 2% increase in Pool Member contribution.

The motion includes approving the reduction of the retention program deductible credit factors for all deductible options as shown in the chart of page 6 of Tab 12. Motion carrier with unanimous approval.

c. Consideration of Liability Rate Recommendations for 2022-23 (Tab 13)

Lindsey Fields presented the liability rate recommendations for 2022-23. It was recommended there be no changes to liability rates, and the experience modifiers be allowed to drive contribution growth for the 2022-23 fund year.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Rickey Childers, to approve rates at their levels for all liability lines of coverage for the 2022-23 fund year. Motion carried with unanimous approval.

d. Consideration of Cyber Reinsurance Agreement Renewal and Cyber Coverage Rate Recommendation for 2022-23 (Tab 14)

Lindsey Fields presented the recommendation to approve a reinsurance agreement with Beazley, and to approve the continuation of the Pool retaining the cost for the base limit (Core) contribution for Pool Members that participate in either the Real & Personal Property Coverage or the General Liability Coverage.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Opal Mauldin-Jones, to approve a reinsurance agreement with Beazley for the 2022-23 fund year at a 25% increase in the rate for the Core Tier and Tiers 3-5 and a 30% increase in the rate for the Core+ Tier, and to approve the Pool to continue to retaining costs for the base limit (Core) contribution for Pool Members that participate in either the Real & Personal Property Coverage or the General Liability Coverage. Motion carried with unanimous approval.

e. Consideration of Proposed Changes to the Property, Liability, and Cyber Liability and Data Breach Response Coverage Documents (Tab 15)

Joshua Haley presented the proposed changes to the Property Coverage Document, the Liability Coverage Document, and the Cyber Liability and Data Breach Response Coverage Document as set forth under Tab 15.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Opal Mauldin-Jones, to approve the changes set forth under Tab 15 for the Property Coverage Document, the Liability Coverage Document, and the Cyber Liability and Data Breach Response Coverage Document. MOTION carried with unanimous approval.

f. Consideration of Expansion of Cyber Grant Program (Tab 16)

Aaron Hardiman presented the recommendation to expand the Cyber Grant Program to include a cyber phishing training program that would be available to all Pool Members as set forth under Tab 16.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Opal Mauldin-Jones, to expand the Cyber Grant Program to include a cyber phishing training program utilizing funds already allocated to the Cyber Grant Program, and to authorize the Executive Director to enter into a two-year agreement with the Center for Internet Security (CIS) to provide the proposed phishing training program at a cost of \$136,400 with an additional year per Tier at \$57,200. Motion carried with unanimous approval.

g. Consideration of revisions to the list of approved defense attorneys (Tab 17)

Bo Joseph presented the proposed changes set forth under Tab 17 to the list of approved defense attorneys used by the Pool to defend Pool Members in liability claims and lawsuits

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Jeffrey Snyder, to approve the changes under Tab 17 to the list of approved defense attorneys used by the Pool to defend Pool Members in liability claims and lawsuits. Motion carried with unanimous approval.

h. Significant Cases and Legal Developments impacting the Pool (Tab 18)

Bo Joseph presented the report on significant cases and legal developments impacting the Pool under Tab 18.

i. Liability and Property Claims Report on Liability Litigation Trends (Tab 19)

Cindy Acre-Shadix presented the liability and property claims report on liability litigation trends under Tab 19.

j. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 20)

Phil English presented the workers' compensation claims report on trends concerning workers' compensation claims under Tab 20.

k. Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 9)

The report from the Office of Project Management and Analytics, including the report on progress for the business application and the IT road map, under Tab 9 was submitted for the Board's review without an oral presentation.

l. Member Services Report including Membership Activity (Tab 21)

The Member Services report, including membership activity, under Tab 21 was submitted for the Board's review without an oral presentation.

m. Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 22)

The Underwriting report on underwriting results, loss ratios, including the quarterly report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities under Tab 22 was submitted for the Board's review without an oral presentation.

n. Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 23)

The Loss Prevention report on member surveys, training, and property valuations conducted under Tab 23 was submitted for the Board's review without an oral presentation.

o. Subrogation Division Report (Tab 24)

The Subrogation Division progress report under Tab 24 was submitted for the Board's review without an oral presentation.

Chair Randy Criswell recessed the meeting at 9:35 AM.

Chair Randy Criswell reconvened the meeting at 9:53 AM.

9. Executive Committee

a. People Operations (HR) Report Identifying Employment Changes (Tab 25)

The People Operations (HR) report identifying employment changes under Tab 25 was submitted for the Board's review without an oral presentation.

b. Communications Office Report on Communications Efforts and Initiatives During the Last Quarter (Tab 26)

The Communication Office report on communications efforts and initiatives during the last quarter under Tab 26 was submitted for the Board's review without an oral presentation.

c. Consideration of February 4, 2022 Planning Session Report from Ron Cox Consulting (Tab 27)

MOTION by Randy Criswell on behalf of the Executive Committee, seconded by David Harris, to approve the February 4, 2022 Planning Session report from Ron Cox Consulting set forth under Tab 27. Motion carried with unanimous approval.

d. Consideration of a Resolution Approving a Bylaws Amendment designating certain Places on the Board of Trustees to be occupied by only Officials or Employees of Municipalities (Tab 28)

David Reagan and Jeff Thompson presented the proposed Bylaws amendment designating certain Places on the Board of Trustees to be occupied by only officials or employees of municipalities under Tab 28.

MOTION by Randy Criswell on behalf of the Executive Committee, seconded by Mary Dennis, to approve a Resolution set forth under Tab 28 approving a Bylaws amendment designating certain Places on the Board of Trustees to be occupied by only officials or employees of municipalities. Motion carried with unanimous approval.

10. Comments by Ex-officio Members from and to TML and Employee Benefits Boards

Michael Smith, ex-officio Board member for the TML Health Benefits Pool, reported that the Health Pool has been discussing ways to increase the Pool's equity and has been hit hard by COVID-19 claims. The Health Pool has also had several school districts join. The Health Pool will also be increasing its rates by an average of 10.5%. Finally, Michael Smith reported the Health Pool has been recognizing long standing Pool Members, and presented the TML Risk Pool with a plaque of appreciation for its membership in the Health Pool for 43 years.

John Fullen, ex-officio Board member to the TML Health Benefits Pool, stated he had nothing to add to the report from Michael Smith.

Allison Heyward, ex-officio Board member for the Texas Municipal League Board of Directors, reported the TML Board of Directors met February 25, 2022 in Georgetown, Texas. The Board adopted a privacy policy for member data, updated the Nominating Committee procedures to allow an automatic early election when the President leaves office before the term of office is completed, and updated the procedures for endorsing Board candidates to the National League of Cities. The next Texas Municipal League Board of Directors meeting will be held June 24, 2022 in Houston, Texas. Other items being considered by the Texas Municipal League Board of Directors are adopting the next Texas Municipal League budget, an amendment to the Texas Municipal League constitution to permit video Board meetings in the month of December before the beginning of each legislative session, and preparing for the next legislative session in 2023, appointing members to the municipal policy summit (which will meet in Austin on August 22, 2022). There are interim charges that are being considered by the Texas House on sales taxes, property tax relief, and economic development. The Texas Senate is considering an interim charge on taxpayer funded lobbying, which is a priority for the Lt. Governor. During the 2023 legislative session, the Texas Municipal League will seek introduction and passage of a bill revising the law concerning “newspaper notices.” Other Texas Municipal League priorities for the 2023 legislative session are supporting infrastructure improvements, supporting the economic incentive laws, and supporting extraterritorial jurisdiction laws.

Jeffrey Snyder, ex-officio Board member to the Texas Municipal League Board of Directors, said he had nothing to add to the report provided by Allison Heyward.

Mary Dennis, Past President of the Texas Municipal League Board of Directors, said she had nothing to add to the report provided by Allison Heyward.

Bennett Sandlin, ex-officio Board member for the Texas Municipal League, said he had nothing to add to the report provided by Allison Heyward.

11. General Counsel’s Report on Legislative Activities (Tab 29)

David Reagan presented the General Counsel’s report on legislative activities as set forth under Tab 29.

Chair Randy Criswell announced it was 10:17 AM and the Board of Trustees would go into executive session to discuss claims and lawsuits under agendas Item 12. a., 12. b., and 12. c., under Texas Government Code section 551.071, and to discuss a personnel matter under agenda item 6. b., under Texas Government Code section 551.074.

12. Executive Session

- a. Workers' Compensation Claims Report including selected items concerning (1) fatality claims, (2) large exposure claims, (3) presumption claims, (4) new claims that have reserves exceeding \$150,000, and (5) complaints from the Texas Department of Insurance, Division of Workers' Compensation, of possible administrative violations

This item was discussed in Executive Session.

- b. Liability and Property Claims Report on claims that have indemnity reserves exceeding \$300,000, expense reserves in excess of \$250,000

This item was discussed in Executive Session.

- c. Status of lawsuits in which the Pool is a Party

This item was discussed in Executive Session.

- 6.b. Consideration of appointment of a member to the Board of Trustees to fill the unexpired term of Place 12, which expires on October 1, 2024.

This item was discussed in Executive Session.

Chair Randy Criswell reconvened the meeting of the Board of Trustees in open session at 11:19 AM. There were no actions taken on the items discussed Executive Session. Chair Randy Criswell announce that agenda item 6.b. would be deferred to the July 2022 Board of Trustee meeting.

13. Meeting Schedule and Board Continuing Education (Tab 30)

- a. Select a location for the July 24-25, 2024 Board Meeting

Recommended: San Antonio, TX

MOTION by Randy Criswell on behalf of the Executive Committee, seconded by Mary Dennis, to select San Antonio, Texas, as the location of the July 24-25, 2024 Board of Trustee meeting. Motion carried with unanimous approval.

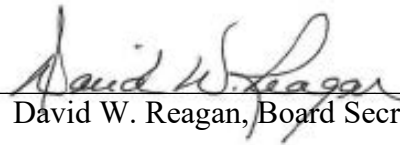
- b. Next Board Meeting July 28-29, 2022
Hotel Emma
San Antonio, TX

Chair Randy Criswell announced the July 28-29, 2022 Board meeting would be in San Antonio, Texas, at Hotel Emma.

14. Adjournment

Chair Randy Criswell adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees at 11:22 A.M.

Approved by the Board of Trustees on July 29, 2022.

A handwritten signature in dark ink, appearing to read "David W. Reagan", is written over a horizontal line.

David W. Reagan, Board Secretary