

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

**The San Luis Resort, Spa & Conference Center – Mainsail Room
5222 Seawall Blvd.
Galveston, TX 77551**

April 27 – 28, 2023

Trustees Present

Mary M. Dennis, Chair
Bert Lumbreras, Vice-Chair
J.W. 'Buzz' Fullen
Jeffrey Snyder
Austin Bleess
Kimberly Meismer
Chris Coffman
Opal Mauldin-Jones
Harlan Jefferson
Randy Criswell
Allison Heyward
Byron Black
Rickey Childers
Bennett Sandlin

Staff Present

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

Staff (cont.)

Patti Ledesma
Debbie Sherwood

Others Present

Dan Smereck,
Strategic Asset Alliance, Inc.
(via video conference)

Late Arrivals

Allison Heyward (12:36 PM – 4/27/23)
Rickey Childers (12:38 PM – 4/27/23)
Harlan Jefferson (12:45 PM – 4/27/23)
Chris Coffman (12:49 PM – 4/27/23)
Bennett Sandlin (8:00 AM – 4/28/23)

Chair Mary M. Dennis called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool to order at 12:30 PM on Thursday, April 27th, 2023.

1. Roll call and excused absences (Tab 1)

Jeff Thompson reported the absences of Victor A. Flores, Holly Gray-Moore, and Michael Smith. He also reported that Bennett Sandlin would be absent on the portion of the meeting held on Thursday, April 27, 2023, but would be present on Friday, April 28, 2023, when the Board meeting reconvened.

MOTION by Randy Criswell, seconded by Opal Mauldin-Jones, to excuse the absences of Victor A. Flores, Holly Gray-Moore, Michael Smith, and Bennett Sandlin. Motion carried with unanimous approval.

2. Public Comment on Agenda Items

Chair Mary M. Dennis opened the meeting to public comments on any item on the agenda for this meeting. No comments were made. Chair Mary M. Dennis closed the meeting to public comment.

3. Consideration of Minutes of January 27, 2023 Board Planning Session and January 28, 2023 Board Meeting (Tab 2)

MOTION by Jeffrey Snyder, seconded by Bert Lumbreras, to approve the January 27, 2023 Board Planning Session Minutes and the January 28, 2023 Board Meeting Minutes. Motion carried with unanimous approval.

4. Board Workshop – Rates for all lines of coverage for 2023-24, including Reinsurance and Target Members Equity Updates

Jeff Thompson and Lindsey Fields presented the proposed rates for all lines of coverage for 2023-24, including the proposed property and cyber reinsurance recommendations. Collin Schoenfeld assisted with the presentation of the proposed reinsurance recommendations.

At the conclusion of the presentation, Byron Black requested the Chair consider taking up Agenda Items 7.b. through 7.f. for consideration.

7. b. Consideration of Minimum Contributions by Line of Coverage (Tab 12)

MOTION by Opal Mauldin-Jones, seconded by John Fullen, to approve the minimum contributions as recommended by the staff under Tab 4 effective July 1, 2023, which would result in a minimum per-member contribution of \$4,950 if the member purchased all lines of coverage. Motion carried with unanimous approval.

7. c. Consideration of Property Rate Recommendations and Property Reinsurance Recommendations for May 1, 2023 to May 1, 2024 (Tab 13)

MOTION by Opal Mauldin-Jones, seconded by Allison Heyward, to approve the property program rates and the reinsurance structure and rates as set forth under Tab 13. Motion carried with unanimous approval.

7. d. Consideration of Workers' Compensation Rate Recommendations for 2023-24 (Tab 14)

MOTION by Bert Lumbreras, seconded by Opal Mauldin-Jones, to leave the workers' compensation rates at their current levels for the 2023-24 fund year. Motion carried with unanimous approval.

7. e. Consideration of Liability Rate Recommendations for 2023-24 (Tab 15)

MOTION by Opal Mauldin-Jones, seconded by Allison Heyward, to approve the following rate changes for the 2023-24 fund year:

- General Liability – no rate change;
- Law Enforcement Liability – 10% rate increase;
- Errors & Omissions Liability – no rate change;
- Automobile Liability – 10% rate increase;

- Aviation Liability & Supplemental Sewage Backup – no rate change;
- Increase the Gas Utility rate by 25%;
- Elimination of the Liability Experience Modifier cap (1.50) when the cap has been exceeded for two consecutive years and the following rerate calculation is also above 1.50.

Motion carried with unanimous approval.

7. f. Consideration of Cyber Reinsurance Agreement Renewal, Cyber Coverage Structure and Rate Recommendation, and Cyber Coverage Document changes for 2023-24 (Tab 16)

MOTION by Opal Mauldin-Jones, seconded by Allison Heyward, to approve the following:

- Renewing the reinsurance agreement with Beazley at a 25% increase in rate for the Core, Core+, and Tiers 3-5 effective May 1, 2023;
- The Pool no longer retain the full cost of the base limit (Core) contribution for Members participating in either Real & Personal Property or General Liability;
- The cyber coverage structure set forth under Tab 16, effective October 1, 2023;
- The new Cyber Liability & Data Breach Response Coverage Document set forth under Tab 16, effective October 1, 2023.

Motion carried with unanimous approval.

Chair Mary M. Dennis recessed the meeting at 2:13 PM on April 27, 2023.

Chair Mary M. Dennis reconvened the meeting at 8:00 AM on April 28, 2023.

Chair Mary M. Dennis began the meeting with an invocation and led those in attendance in the Pledge of Allegiance to the United States flag. Chair Mary M. Dennis called up the Finance & Information Technology Committee agenda items.

6. Finance & Information Technology Committee Items

a. Consideration of minutes of October 20, 2022 Committee Meeting (Tab 5)

Jeffrey Snyder reported the Finance & Information Technology Committee approved the minutes of the October 20, 2022 Finance & Information Technology Committee meeting on April 27, 2023.

b. Review of February 28, 2023 (5-month) Financial Statements and presentation of March 31, 2023 Financial Statement (Tab 6)

Tito Villegas presented the February 28, 2023 (5-month) Financial Statements and the March 31, 2023 Financial Statement set forth under Tab 6.

- c. Review of February 28, 2023 (5-month) Investment Report and presentation of March 31, 2023 Investment Report (Tab 7)

Tito Villegas provided an overview of the February 28, 2023 (5-month) Investment Report and the March 31, 2023 Investment Report set forth under Tab 7. Dan Smereck, Strategic Assets Alliance, joined the meeting via video conference and gave an overview of the market and the Pool's investment results.

- d. Update Report on Target Equity Range for Combined and Operating Funds and Consideration of Equity Return (Tab 8)

Tito Villegas presented an update report on the Target Equity Range based on financial results as of September 30, 2022 and consideration of Return of Equity to Members per the Pool's Members' Equity Distribution Policy set forth under Tab 8.

MOTION by Jeffrey Snyder on behalf of the Finance & Information Technology Committee, seconded by Austin Bless to provide no equity return to Members based on the financial results for fiscal year 2021-22. Motion carried with unanimous approval.

- e. Report from Office of Project Management and Analytics, including consideration of Updated Business Application & IT Road Map (Tab 9)

Atul Poladia presented the proposed updated Business Application & Information Technology Roadmap as set forth under Tab 9.

MOTION by Jeffrey Snyder on behalf of the Finance & Information Technology Committee, seconded by Rickey Childers, to approve the updated Business Application & Information Technology Roadmap set forth under Tab 9. Motion carried with unanimous approval.

- f. Information Technology Report (Tab 10)

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

7. Underwriting & Claims Committee Items

- a. Consideration of minutes of October 20, 2022 committee meeting (Tab 11)

Opal Mauldin-Jones reported the October 20, 2022 Underwriting and Claims Committee Meeting Minutes were approved at the Underwriting and Claims Committee Meeting on April 27, 2023.

g. Significant Cases and Legal Developments impacting the Pool (Tab 17)

The Significant Cases and Legal Developments impacting the Pool under Tab 17 was submitted for the Board's review without an oral presentation.

h. Liability and Property Claims Report on trends concerning liability claims and property claims (Tab 18)

The Liability and Property Claims Report on trends concerning liability claims and property claims under Tab 18 was submitted for the Board's review without an oral presentation.

i. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 19)

The Workers' Compensation Claims Report on trends concerning workers' compensation claims under Tab 19 was submitted for the Board's review without an oral presentation.

j. Report from Office of Project Management and Analytics, including consideration of Updated Business Application & IT Road Map (Tab 9) (Finance & IT to Report)

The Report from Office of Project Management and Analytics, including consideration of Updated Business Application & IT Road Map under Tab 9 was submitted for the Board's review without an oral presentation.

k. Member Services Report including Membership Activity (Tab 20)

The Member Services Report including Membership Activity under Tab 20 was submitted for the Board's review without an oral presentation.

l. Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor, Inc. regarding revenues received and contract activities (Tab 21)

The Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor, Inc. regarding revenues received and contract activities under Tab 21 was submitted for the Board's review without an oral presentation.

m. Loss Prevention Report on member interactions, activities and training (Tab 22)

The Loss Prevention Report on member interactions, activities and training under Tab 22 was submitted for the Board's review without an oral presentation.

n. Subrogation Division Progress Report (Tab 23)

The Subrogation Division Progress Report under Tab 23 was submitted for the Board's review without an oral presentation.

Chair Mary M. Dennis called up agenda items 5.a. and 5.b.

5. Nominations Committee Items

a. Consideration of minutes of January 27, 2023 Nominations Committee Meeting (Tab 13)

The January 27, 2023 Nominations Committee Meeting Minutes were approved at the Nominations Committee Meeting on April 27, 2023.

b. Consideration of appointment of member to the Board of Trustees to fill the unexpired term of Place 14, which expires on October 1, 2024 (Tab 4)

MOTION by Mary M. Dennis on behalf of the Nominations Committee, seconded by Opal Mauldin-Jones, to appoint Mike Land to the Board of Trustees to fill the unexpired term of Place 14. Motion carried with unanimous approval.

Chair Mary M. Dennis resumed the regular order of the Agenda by calling up the Executive Committee agenda items.

8. Executive Committee Items

a. Consideration of January 27, 2023 Planning Session Report from Ron Cox Consulting (Tab 24)

MOTION by Bert Lumbreras, seconded by Jeffrey Snyder, to approve the January 27, 2023 Planning Session Report from Ron Cox Consulting set forth under Tab 24. Motion carried with unanimous approval.

b. Consideration of Bylaws Changes (Tab 25)

David Reagan presented the proposed Bylaw changes set forth under Tab 25.

MOTION by Mary M. Dennis on behalf of the Executive Committee, seconded by Allison Heyward, to approve the Bylaw changes set forth under Tab 25. Motion carried with unanimous approval.

c. Consideration of Revisions to the Board Travel & Expense Policy (Tab 26)

Jeff Thompson presented the proposed revisions to the Board Travel & Expense Policy set forth under Tab 26.

MOTION by Mary M. Dennis on behalf of the Executive Committee, seconded by Byron Black, to approve the revisions to the Board Travel & Expense Policy set forth under Tab 26.

d. Consideration of Future Plans for the Texas Municipal Center, including potential purchase of TML Health Benefits Pool's Interest in the Texas Municipal Center

Jeff Thompson informed the Board that an appraisal of the Texas Municipal Center had been completed and furnished to the TML Health Benefits Pool. It was his understanding that the Board of Trustees for the TML Health Benefits Pool were discussing the appraisal and would be providing a response. No action was taken on this matter.

e. Consideration of Consolidating 457 Retirement Benefit Plans (Tab 27)

Jeff Thompson and Susie Green presented the report under Tab 27 recommending that a new agreement be entered into with Empower to provide 457 Plan retirement services for all plan participants of the Pool pursuant to the proposal from Empower and terminate the existing 457 Plan agreement with Mission Square.

MOTION by Mary M. Dennis on behalf of the Executive Committee, seconded by Bert Lumberras, to authorize the Executive Director to enter into a new agreement with Empower to provide 457 Plan retirement services for all plan participants of the Pool pursuant to the proposal from Empower and to terminate the existing 457 Plan agreement with Mission Square. Motion carried, with Opal Mauldin-Jones abstaining.

f. Consideration of Amending Personnel Policy to Recognize Previous Comparable Service in Awarding Vacation Leave Time (Tab 28)

Susie Green presented the report under Tab 28 recommending the Executive Director be provided with discretion to recognize previous comparable service in awarding vacation and personal holidays leave time to job applicants and Pool staff hired within the past six years until the Pool has completed a compensation, classification, and benefits review study within the next one to 1.5 years.

MOTION by Mary M. Dennis on behalf of the Executive Committee, seconded by Kim Meismer, to approve, on an interim basis until a compensation, classification, and benefits review market study has been completed and adopted, the following:

- 1) Granting the Executive Director discretion to extend employment offers to initial higher vacation leave accruals based on the candidate's relevant job-specific experience of up to six years of service with the Pool (15 accrued days per year);
- 2) Providing Pool staff the same opportunity at the same level to be considered for an adjustment to vacation accrual rates based on experience prior to being hired by the Pool upon the department manager's recommendation;
- 3) Eliminating the 90-day waiting period for taking vacation leave;

- 4) Granting the Executive Director discretion to grant two Personal Holidays per year to experienced employment candidates and providing Pool staff the same opportunity based on experience prior to being hired by the Pool upon the department manager's recommendation; and
- 5) With respect to paragraphs 2) and 4), above, department managers may review Pool staff hired within the past six years to determine previous relevant work experience in relation to the Pool position held, and submit such recommendations to the Executive Director through the People Operations Manager, which would be effective June 1, 2023, if approved by the Executive Director.

Motion carried with unanimous approval.

- g. People Operations Report identifying employment changes, and Update on Pool Benefits Summary (Tab 29)

The People Operations Report identifying employment changes and an update on Pool Benefits Summary under Tab 29 was submitted for the Board's review without an oral presentation.

- h. Communications Office Report on Communications Efforts and Initiatives During the Last Quarter (Tab 30)

The Communications Office Report on Communications Efforts and Initiatives during the last quarter under Tab 30 was submitted for the Board's review without an oral presentation.

9. Comments by Ex-officio Members from and to TML and TML Health Benefits Pool Boards

Jeffrey Snyder, Ex-officio Board Member to the Texas Municipal League Board of Directors, reported that local control has been a major issue for the Texas Municipal League during the legislative session. The state is attempting to take much of the local control away from cities and centralize it at the state level. He said that he would defer to Bennett Sandlin to explain what is happening at the legislature in more detail.

Bennett Sandlin, Executive Director of the Texas Municipal League and Ex-officio Member of the Board of Trustees, reported there were 30 days left in the legislative session. There may be a special session because the Lieutenant Governor has indicated that he may hold approval of the state budget hostage unless he gets what he wants on school vouchers. There has been a major focus on preempting local control by the state, and the worst bill is HB 2127 by Rep. Dustin Burrows. It is likely this bill will pass in some form. This bill preempts home rule authority in eight broad categories. In these eight areas, home rule cities would have only the authority of a general law city. If the bill passes in some form, it is possible that there will be litigation claiming the bill violates the home rule provisions of the Texas Constitution. The taxpayer-funded lobbying bill, SB 175 by Sen. Middleton, has passed the Senate and is in the House. It was amended in the Senate to allow employees of governmental entities to lobby. There is also a very bad disannexation bill, SB 369 by Sen. Campbell, that would automatically

disannex any areas that are not receiving full municipal services on December 31, 2023. The Texas Municipal League will hold a legislative round up on June 15, 2023, in Georgetown to go over all bills affecting cities that passed. The next meeting of the Texas Municipal League Board of Directors is on June 30, 2023.

Bennett Sandlin also reported he attended the TML Health Benefits Pool Board Meeting on April 27, 2023, and that the Health Benefits Pool has encountered some financial difficulties. In the last 18 months the TML Health Benefits Pool has lost close to \$60 million. Thirty million dollars was due to Covid losses, \$7 million due to investment losses, \$6 million due to the third-party administrator claim handling errors, \$5 million due to skyrocketing prescription costs, \$5 million due to escalating hospital costs, and underwriting problems which caused the loss of approximately \$6 million in additional contributions. In September of 2022, the Health Benefits Pool had equity of \$85 million. As of April 27, 2023, the Health Benefits Pool had equity of \$25 million. The Target Equity Policy calls for a minimum of \$71 million of equity. Three times in the last year the Health Benefits Pool lost \$9 million of equity in one month. The Health Benefits Pool is attempting to get reimbursement from the state of Texas for Covid claims in the amount of \$29 million. That amount is in the House and Senate version of the budget. Hopefully it will not be deleted. If the equity drops to \$15 million, there will be an emergency called meeting of the Health Benefits Pool Board. If the equity drops to \$10 million, that will be the trigger to begin closing the Pool.

10. General Counsel's Report on Legislative Activities (Tab 31)

David Reagan presented the General Counsel's Report on Legislative Activities set forth under Tab 29.

Chair Mary M. Dennis recessed the meeting at 9:47 AM.

Chair Mary M. Dennis reconvened the meeting at 10:10 AM.

Chair Mary M. Dennis announced it was 10:11 AM and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Items 11.a., 11.b., 11.c., 11.d., and 11.e. under Texas Government Code Section 551.071, and to discuss a personnel matter under Agenda Item 5.b. under Texas Government Code Section 551.074.

11. Executive Session**

- a. Workers' Compensation Claims Report including selected items concerning (1) fatality claims, (2) large exposure claims, (3) presumption claims, and (4) new claims that have reserves exceeding \$250,000

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.

- d. Consideration of the Appointment of an Umpire in the City of Gainesville, Date of Loss October 20, 2019

This item was discussed in Executive Session.

- e. Consider settlement of *Rachel Miller v. City of Marshall, Texas and Larry Doniel Smith*, Cause Number 623,780-A, 1st Judicial District Court, Caddo Parish, Louisiana

This item was discussed in Executive Session.

- 5. b. Consideration of appointment of member to the Board of Trustees to fill the unexpired term of Place 14, which expires on October 1, 2024 (Tab 24)

This item was not discussed in Executive Session.

Chair Mary M. Dennis reconvened the meeting of the Board of Trustees in Open Session at 11:37 AM. In Open Session, the Board took the following actions:

- 11. d. Consideration of the Appointment of an Umpire in the City of Gainesville, Date of Loss October 20, 2019

MOTION by Chris Coffman, seconded by Allison Heyward, to appoint Brett A. Lochridge as the Umpire in the appraisal process of the property claim of the City of Gainesville, Date of Loss October 20, 2019. Motion carried with unanimous approval.

- 11. e. Consider settlement of *Rachel Miller v. City of Marshall, Texas and Larry Doniel Smith*, Cause Number 623,780-A, 1st Judicial District Court, Caddo Parish, Louisiana

MOTION by Randy Criswell, seconded by Opal Mauldin-Jones, to approve the settlement of *Rachel Miller v. City of Marshall, Texas and Larry Doniel Smith*, Cause Number 623,780-A, 1st Judicial District Court, Caddo Parish, Louisiana, in the amount of \$850,000. Motion carried with unanimous approval.

12. Meeting Schedule and Board Continuing Education (Tab32)

a. Select a location for the April 24-25, 2025, Board Meeting

Recommended: Hilton Garden Inn
Lake Granbury Conference Center
Granbury, TX

MOTION by Byron Black, seconded by Chris Coffman, to approve the Hilton Garden Inn – Lake Granbury Conference Center as the location for the April 24-25, 2025, Board meeting. Motion carried with unanimous approval.

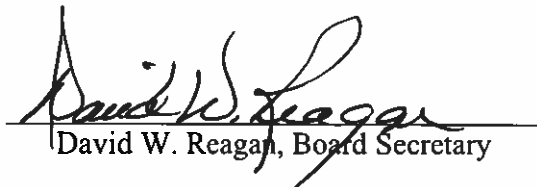
b. Next Board Meeting July 20-21, 2023
Hyatt Regency Lost Pines Resort
Bastrop, TX

Chair Mary M. Dennis announced the July 20-21, 2023, Board meeting will be held at the Hyatt Regency Lost Pines Resort in Bastrop, Texas.

13. Adjournment

Chair Mary M. Dennis adjourned the meeting of the Texas Municipal League Risk Pool Board of Trustees at 11:40 AM.

Approved by the Board of Trustees on
July 21, 2023


David W. Reagan, Board Secretary