

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

**Hyatt Regency Lost Pines Resort & Spa – Baron’s D
575 Hyatt Lost Pines Road
Bastrop, TX 78612**

July 20 – 21, 2023

Trustees Present

Bert Lumbreras, Vice-Chair
Victor Flores
J.W. ‘Buzz’ Fullen
Jeffrey Snyder (arrived
7/21/23 at 8:04 AM)
Austin Bleess
Kimberly Meismer
Chris Coffman
Opal Mauldin-Jones
Harlan Jefferson
Allison Heyward
Byron Black
Mike Land

Trustees (cont.)

Rickey Childers
Holly Gray-Moore
Bennett Sandlin

Staff Present

Jeff Thompson
Lindsey Fields
Phil English
Aaron Hardiman
Scott Houston
Irvin Janak
Patti Ledesma
Paula Marr-Ludwig

Staff (cont.)

Julie Nguyen
David Nix
Atul Poladia
Mike Raigosa
David Reagan
James Sharkey
Debbie Sherwood
Tito Villegas
Melinda Walter

Others Present *Via Video Conference*

Dan Smereck, Strategic Alliance, Inc.
Lisa Kaufman, Davis Kaufman, PLLC

Vice-Chair Bert Lumbreras called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool to order at 12:10 PM on Thursday, July 20, 2023.

1. Roll call and excused absences (Tab 1)

Jeff Thompson reported the absences of Mary M. Dennis, Chair, Randy Criswell, and Michael Smith. He also reported that Jeffrey Snyder would be absent for the portion of the meeting held on Thursday, July 20, 2023, but would be present on Friday, July 21, 2023, when the Board meeting reconvened.

MOTION by Rickey Childers, seconded by Opal Mauldin-Jones, to excuse the absences of Mary M. Dennis, Chair, Randy Criswell, Michael Smith, and Jeffrey Snyder. Motion carried with unanimous approval.

2. Public Comment on Agenda Items

Vice-Chair Burt Lumbreras opened the meeting to public comments on any item on the agenda for this Board meeting. No comments were made. Vice-Chair Burt Lumbreras closed the meeting to public comment.

3. Consideration of Minutes of April 27–28, 2023 Board Meeting (Tab 2)

MOTION by Austin Bleess, seconded by Opal Mauldin-Jones, to approve the April 27–28, 2023 Board Meeting Minutes. Motion carried with unanimous approval.

4. Consideration of Minutes of April 27, 2023 Nominating Committee Meeting (Tab 3)

MOTION by Chris Coffman, seconded by Allison Heyward, to approve the April 27, 2023 Nominating Committee Meeting Minutes. Motion carried with unanimous approval.

5. Board Workshop on Proposed 2023-24 Operating Budget

Jeff Thompson presented an overview of the proposed 2023-24 budget and the major items proposed in the budget. Tito Villegas presented the budget development process and details on the Pool's operating environment. Mike Raigosa presented the financial details of the proposed 2023-24 operating budget.

At the conclusion of the presentation and discussion of the proposed 2023-24 budget by Board members, Byron Black requested the Vice-Chair consider taking up Agenda Item 6.d. for consideration. Vice-Chair Burt Lumbreras called up agenda item 6.d. for consideration.

6. d. Consideration of Proposed Budget for 2023-24 (separate document) including: (1) Authorization for Executive Director to transfer funds within budgets; (2) Authorization for Executive Director to make necessary changes in personnel that are not budgeted if growth in new members or added functions warrant the need for such changes; (3) Establishment of the Cyber Fund; and (4) Adoption of the 2023-24 Proposed Budget (Tab 7)

MOTION by Byron Black, seconded by Chris Coffman, to: (1) Authorize the Executive Director to transfer funds within budgets; (2) Authorize the Executive Director to make necessary changes in personnel that are not budgeted if growth in new members or added functions warrant the need for such changes; (3) Establish a Cyber Fund; and (4) Adopt the 2023-24 Proposed Budget with the strategic initiatives as set forth under Tab 7. Motion carried with unanimous approval.

Vice-Chair Bert Lumbreras recessed the meeting at 2:02 PM on July 20, 2023.

Vice-Chair Bert Lumbreras reconvened the meeting at 8:04 AM on July 21, 2023.

Vice-Chair Bert Lumbreras began the meeting by leading those in attendance in the Pledge of Allegiance to the United States flag. Vice-Chair Bert Lumbreras called up the Finance & Information Technology Committee agenda items.

6. Finance & Information Technology Committee Items

Byron Black reported that he presided over the Finance & Information Technology Committee Meeting in the absence of its Chair, Jeffrey Snyder.

a. Consideration of minutes of April 27, 2023 Committee Meeting (Tab 4)

Byron Black reported the Finance & Information Technology Committee approved the minutes of the April 27, 2023 Finance & Information Technology Committee meeting on July 20, 2023.

b. Report on May 31, 2023 (8-month) Financial Statements and presentation of June 30, 2023 Financial Results (Tab 5)

Tito Villegas presented the May 31, 2023 (8-month) Financial Statements and the June 30, 2023 Financial Results set forth under Tab 6.

c. Review of May 31, 2023 (8-month) Investment Report and presentation of June 30, 2023 Investment Results (Tab 6)

Tito Villegas provided an overview of the May 31, 2023 (8-month) Investment Report and the June 30, 2023 Investment Results set forth under Tab 6. Dan Smereck, Strategic Assets Alliance, joined the meeting via video conference and gave an overview of the market and the Pool's investment results.

e. Consideration of Updated Funding Range of the Workers' Compensation Lifetime Benefits (LTB) Investment Portfolio (Tab 8)

Tito Villegas presented the recommendation under Tab 8 that the Lifetime Benefits Investment Portfolio funding range be slightly increased to \$165 million to \$210 million. The current range is \$164 million to \$206 million and Lifetime Benefits losses have stabilized since the last analysis of the range when Covid-19 Lifetime Benefits claims surged.

MOTION by Byron Black on behalf of the Finance & Information Technology Committee, seconded by Chris Coffman, to approve the updated funding range of the Workers' Compensation Lifetime Benefits Investment Portfolio of \$165 million to \$210 million. Motion carried with unanimous approval.

f. Report of Office of Project Management and Analytics, including update on Business Application & IT Road Map (Tab 9)

The Report from the Office of Project Management and Analytics under Tab 9 was submitted for the Board's review without an oral presentation.

g. Information Technology Report on hardware and software of the IT Infrastructure (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 April 27, 2023 Committee Meeting (Tab 11)

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

b. Report regarding Final Property Reinsurance Placement Effective May 1, 2023 (Tab 12)

Lindsey Fields presented the report under Tab 12 which provided an update on the final placement of the 2023-2024 Property Reinsurance Program as authorized by the Board at the April 2023 Board meeting.

c. Consideration of Independent Claims Adjusting, Appraisal and Damage/Remediation Consulting Firms Handling TMLIRP Claims, and update on historical costs, including Enhanced Recovery costs (Tab 13)

David Nix presented the recommendation to approve the Independent Claims Adjusting Contractors and Appraisers, as well as the Damage and Remediation Consultants set forth under Tab 13.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Rickey Childers, to approve the Independent Claims Adjusting Contractors and Appraisers, as well as the Damage and Remediation Consultants, set forth under Tab 13. Motion carried with unanimous approval.

d. Consideration of awarding Payroll Audit Services contract with R. Dylong & Associates, Inc. for three years, with an option for two one-year extensions (Tab 14)

Lindsey Fields presented the staff recommendation to award the Payroll Audit Services contract to R. Dylong & Associates for a three-year period, with two one-year options to renew with fees at \$110.00 per hour for field audits and \$43.50 flat-fee for each telephone audit, increasing to \$113.50 per hour and \$45.00 flat-fee for years four and five. Victor Flores requested that a provision concerning the payment of travel expenses be added to the contract.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Harlan Jefferson, to approve the award of the Payroll Audit Services contract to R. Dylong & Associates for a three-year period with two one-year options to renew with fees at \$110.00 per hour for field audits and \$43.50 flat-fee for each telephone audit, increasing to \$113.50 per hour for field audits and \$45.00 flat-fee for each telephone audit for years four and five, and to add a provision to the contract concerning the payment of travel expenses. Motion carried with unanimous approval.

e. Significant Cases and Legal Developments Impacting the Pool (Tab 15)

Bo Joseph presented the Report on Significant Cases and Legal Developments Impacting the Pool under Tab 15.

f. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 16)

The Workers' Compensation Claims Report on trends concerning workers' compensation claims under Tab 16 was submitted for the Board's review without an oral presentation.

g. Report from Office of Project Management and Analytics, including update on Business Application & IT Road Map (Tab 9)

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

h. Member Services Report including Membership Activity (Tab 17)

The Member Services Report including Membership Activity under Tab 17 was submitted for the Board's review without an oral presentation.

i. Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor, Inc. regarding revenues received and contract activities (Tab 18)

The Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor, Inc. regarding revenues received and contract activities under Tab 18 was submitted for the Board's review without an oral presentation.

j. Loss Prevention Report on member interactions, activities and training (Tab 19)

The Loss Prevention Report on member interactions, activities and training under Tab 19 was submitted for the Board's review without an oral presentation.

k. Subrogation Division Progress Report (Tab 20)

The Subrogation Division Progress Report under Tab 20 was submitted for the Board's review without an oral presentation.

Vice-Chair Bert Lumbreras recessed the meeting at 9:06 AM.

Vice-Chair Bert Lumbreras reconvened the meeting at 9:17 AM.

8. Executive Committee Items

a. Consideration of an amendment to the Administrative Services Contract with the Texas Municipal League (Tab 21)

Jeff Thompson presented the staff recommendation that the Administrative Services Contract with the Texas Municipal League be amended to increase the fees paid under the contract by 7% as set forth under Tab 21.

MOTION by Bert Lumbreras on behalf of the Executive Committee, seconded by John Fullen, to approve and authorize the Chair of the Board to execute an amendment to the Administrative Services Contract with the Texas Municipal League effective October 1, 2023, with an annual fee of \$999,184. Motion carried with unanimous approval.

b. Consideration of The Pool's Role in Supporting Excellence in Law Enforcement (Tab 22)

Scott Houston and Irvin Janak presented the preliminary report on The Pool's Role in Supporting Excellence in Law Enforcement under Tab 22.

c. Consideration authorizing a Resolution to terminate the 401(a) service agreement with MissionSquare Retirement and transferring the responsibilities currently provided by MissionSquare Retirement under the service agreement to Empower Trust Company, LLC. (Tab 23)

David Reagan presented the staff recommendation to terminate the existing service agreement with MissionSquare Retirement concerning the 401(a) profit sharing plan and to enter into a service agreement with respect to the 401(a) profit sharing plan with Empower Trust Company, LLC.

MOTION by Bert Lumbreras on behalf of the Executive Committee, seconded by Jeffrey Snyder, to adopt the resolution under Tab 23 terminating the service agreement for a 401(a) profit sharing plan between the Texas Municipal League Intergovernmental Risk Pool and MissionSquare Retirement and transferring the responsibilities currently provided by MissionSquare Retirement under the service agreement to Empower Trust Company, LLC. Motion carried with unanimous approval.

- d. Discuss TMLIRP's Relationship with the former Texas Municipal League Health Pool, now known as "TX Health Benefits Pool"

The Chair deferred this item until after the Executive Session.

- e. Consideration of Legislative Services Contract with Davis Kaufman, PLLC (Tab 24)

MOTION by Bert Lumbreras on behalf of the Executive Committee, seconded by Victor Flores, to authorize the Executive Director to execute a new two-year Legislative Services Agreement with Davis Kaufman, PLLC, at a monthly cost of \$15,000, as set forth under Tab 24.

- f. People Operations Report identifying employment changes, and update on departmental operational matters (Tab 25)

The People Operations Report identifying employment changes and update on departmental operational matters under Tab 25 was submitted for the Board's review without an oral presentation.

- g. Communications Office Report on Communications Efforts and Initiatives During the Last Quarter, including Results on Member Survey (Tab 26)

Scott Houston presented the Communications Office Report on Communications Efforts and Initiatives During the Last Quarter, including Results on Member Survey, under Tab 26.

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

Jeff Thompson reported that Michael Smith, Ex-officio Board Member from the TML Health Benefits Pool, asked that the following statement be provided to the Board:

From: Michael Smith <msmith@cityofjacksboro.com>

Date: July 21, 2023 at 5:57:48 AM CDT

To: Jeff Thompson <jthompson@tmlirp.org>

Subject: [External] TX Health Pool

Jeff,

Let me begin by thanking you for sharing the following update with the IRP Board of Directors. I have a great deal of respect for each of them, as well as yourself and your staff. Regardless of the future relationship between IRP and TX Health Pool, it remains an honor to have had the opportunity to be a part of IRP.

2022 was a tough year for the TX Health Pool, there is no doubt about that. However, the Board has made a number of difficult decisions that we believe have us headed in a positive direction. Our finances are much

improved from a year ago, and health claims are trending in a positive direction. The remedy to ensure that revenue will keep up with claims is a multi-year issue, and as I mentioned earlier we are trending in the right direction.

Due to a number of decisions from the Board, as well as no longer being responsible for paying 100% of COVID claims, we have made a \$10 million dollar improvement in Net Loss from Operations over last year. Additionally, our investments have made a positive turn around from last year with a \$5 million dollar gain. I think it is important to point out that while these are large numbers, they do not compare with IRP figures. The TX Health Pool's operating costs and claims are much smaller than IRP's, as I am sure you can appreciate.

Some other positive notes include the fact that the Pool absorbed over \$3 million dollars last year during our conversion to Blue Cross Blue Shield of Texas. That conversion is complete, and we are no longer absorbing conversion costs. Last year we were still paying COVID claims that amounted to approximately \$8 million dollars. As of May 12th, we are no longer responsible for 100% of those claims. Additionally, our Per Person, Per Month claim costs have improved by 7% in a positive direction.

Despite 2022 being a "perfect storm" for the Pool, our conservative planning from 1979 to 2021 paid off. We suffered historic losses last year, but we also believe we are on a path to regain our member equity to a point that we will be comfortable again. If we were a commercial insurance organization that was governed by TDI, we are at a funding level of 250% of the required surplus. Our current cash and investments of \$70 million dollars will carry us for a long time, even if we were to suffer another increased monthly loss situation.

Finally, part of our loss last year was due to errant payments by Blue Cross. We believe we have rectified the vast majority of those issues, and we have recovered \$4.3 million dollars on Pool claims that Blue Cross overpaid, as well as an additional \$1 million dollars on performance guarantees. We recognize that we still have some issues and improvements that need to be corrected, but we are definitely on the right path.

I wanted to offer this information simply to express to your Board that the TX Health Pool is still viable and strong. While I realize that our split with TML was sudden and quick, I do not believe it will have a lasting negative impact. Since my first day on the Health Pool, and the IRP Pool, I have been a big believer that our two organizations have made a positive impact on municipalities, and I believe both of us will continue to do so far into the future. I also do not believe that the "TML" logo has been the only thing that has kept our two organizations together. It is the attitude and positive

contribution to thousands of members that has made both our organizations strong and competitive.

Regardless of the decision that your Board makes today with respect to the continued relationship between the two Pools, please express my personal "thanks" to your staff and the Board for having had the opportunity to work with you for the past many years.

Respectfully,

Mike S.

MICHAEL R. SMITH, Lt Col, USAF (ret)

City Manager

City of Jacksboro

112 West Belknap

Jacksboro, TX 76458

(940) 567-6321

Holly Gray-Moore, Ex-officio Board Member for the Texas Municipal League Board of Directors reported the TML Board met June 30, 2023, in Beaumont, TX. The Board received an update on the Legislative sessions and ratified the Executive Committee's vote to cease sponsorship of the Texas Municipal League Multi-State Intergovernmental Employee Benefits Pool and terminate the License Agreement between TML and Texas Municipal League Multi-State Intergovernmental Employee Benefits Pool. During the past year, the Board appointed a committee to review TML's constitution. It is expected changes will be presented at the TML Conference in October in Dallas, TX.

Bennett Sandlin, Executive Director of the Texas Municipal League and Ex-officio Member of the Board of Trustees, reported the Legislature has had two special sessions that did not involve cities. The issue was school property tax relief which was passed in the 2nd special session. The new legislation placed a 20% appraisal cap on non-homestead properties which should not affect cities. The impeachment trial of Attorney General Ken Paxton is coming up, and after that it is expected the Governor will call another special session to address school vouchers. The question is whether the Governor will add the bills he vetoed to the call of the 3rd special session.

Jeffrey Snyder, Ex-officio Board Member to the Texas Municipal League Board of Directors, had nothing to add to what had already been reported.

Allison Heyward, Texas Municipal League Board of Directors member, had nothing to add to what had already been reported.

10. General Counsel's Report

a. General Counsel's Report on Legislative Activities (Tab 27)

Lisa Kaufman, the Pool's lobbyist with Davis Kaufman, PLLC, presented the General Counsel's report on Legislative Activities set forth under Tab 27.

Vice-Chair Bert Lumbreras recessed the meeting at 10:26 AM.

Vice-Chair Bert Lumbreras reconvened the meeting at 10:40 AM.

Vice-Chair Bert Lumbreras announced it was 10:40 AM and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Items 11.a., 11.b., and 11.c. under Texas Government Code Section 551.071; personnel matters under Agenda Item 11.d. under Texas Government Code Section 551.074; and deliberation regarding real property under Agenda Item 11.e. under Texas Government Code Section 551.072.

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 Agreement with Davis Kaufman to Provide Legal Services to the Pool, through its Of Counsel, David Reagan, who serves in the capacity of the Pool's General Counsel and Board Secretary

This item was discussed in Executive Session.

e. Consider the future of the Texas Municipal Center, including its purchase, exchange, lease, sale, and value.

This item was discussed in Executive Session.

Vice-Chair Bert Lumbreras reconvened the meeting of the Board of Trustees in Open Session at 12:13 PM. In Open Session, Vice-Chair Burt Lumbreras called up the following agenda items:

11. d. Consideration of the Agreement with Davis Kaufman to Provide Legal Services to the Pool, through its Of Counsel, David Reagan, who serves in the capacity of the Pool's General Counsel and Board Secretary

MOTION by Rickey Childers, seconded by Opal Mauldin-Jones, to authorize the Pool to enter into an agreement with Davis Kaufman, PLLC effective August 1, 2023, to continue to provide legal services through its Of Counsel, David Reagan, to serve in the capacity of the Pool's General Counsel and Board Secretary for two additional years at a rate of \$18,000 per month. Motion carried with unanimous approval.

8. d. Discuss TMLIRP's Relationship with the former Texas Municipal League Health Pool, now known as "TX Health Benefits Pool"

Since the Texas Municipal League Multi-State Intergovernmental Employee Benefits Pool (also known as TML Health Benefits Pool) no longer has a formal relationship with the Texas Municipal League to continue using the Texas Municipal League name and has changed its name to TX Health Benefits Pool, the Board discussed whether the TX Health Benefits Pool should have an Ex-officio position on the TML Risk Pool's Board. No Board member expressed a desire to allow TX Health Benefits Pool to have an Ex-officio position on the Pool's Board since TML no longer sponsors the health benefits pool and has terminated the license agreement with the Texas Municipal League Intergovernmental Employee Benefits Pool.

12. Meeting Schedule and Board Continuing Education (Tab28)

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

Recommended: San Antonio Area

MOTION by John Fullen, seconded by Opal Mauldin-Jones, to approve the San Antonio Area as the location for the July 24-25, 2025, Board meeting. Motion carried with unanimous approval.


- b. Next Board Meeting October 19-20, 2023
Embassy Suites Hotel
Round Rock, TX

Vice-Chair Bert Lumbreras announced the October 19-20, 2023, Board meeting will be held at the Embassy Suites Hotel in Round Rock, Texas.

13. Adjournment

Vice-Chair Bert Lumbreras adjourned the meeting of the Texas Municipal League Risk Pool Board of Trustees at 12:20 PM.

Approved by the Board of Trustees on
October 20, 2023



David W. Reagan, Board Secretary