

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting

Via Zoom Teleconference Software

Recorded Meeting Video May Be Viewed at

<https://www.tmlirp.org/who-we-are/your-board-members/board-meetings-and-agenda/#video>

October 24, 2020 (8:00 A.M.)

Trustees Present

Randy Criswell, Chair
Mary Dennis, Vice Chair
Byron Black
Rickey Childers
John Fullen
Andres Garza
David Harris
Rob Hauck
Robert Herrera
Carol Loughlin
Bert Lumbreras
Larry Melton
Leo Montalvo
Bennett Sandlin
Jeffrey Snyder
Henry Wilson

Staff Present

Jeff Thompson
David Reagan
Susie Green
Tito Villegas
Atul Poladia
Mike Rains
Mike Bratcher
David Nix
Tamara Chafin
Lindsey Fields
Victoria Fisher
Rosa Guerra
Aaron Hardiman
Irvin Janak
Bo Joseph
Patti Ledesma

Staff Present (cont.)

Paula Marr-Ludwig
Gary McAuliffe
Julie Nguyen
Tim Salzman
Ryan Seater
Debbie Sherwood
Wendy Standorf
Manuel Trejo
James Vinson

Others Present

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

At 8:00 A.M., the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool began with Jeff Thompson, Executive Director, making the following statement:

In an effort to mitigate the spread of Covid-19 by avoiding meetings that bring people in a group setting and in accordance with the Texas Governor's Declaration of Disaster enacted on March 13, 2020, and subsequently renewed monthly, members of the Texas Municipal League Intergovernmental Risk Pool are participating remotely in compliance with the Texas Open Meetings Act, as temporarily modified by Governor Abbott. Members of the public may participate by joining via Zoom by registering at the web address provided on the agenda posted at the TMLIRP website at www.tmlirp.org and at the Secretary of State's office. Once registered, instructions on how to access the meeting using Zoom or telephonically and how to make public comment are sent to the registrant either by email or phone call.

I'm Jeff Thompson and I will be the host of the TMLIRP Board Meeting on this 24th of October, 2020. Zoom teleconferencing software is being utilized for this electronic meeting. All members of the Board have the ability to communicate during this meeting through the platform and the public has access to listen. Please remember that it is the requirement of the Texas Open Meetings Act that in order to lawfully participate in the teleconference, your camera must be engaged at all times, even if you step away from your computer. Board members are to refrain from using the chat function within Zoom unless they are experiencing technical difficulties and it is necessary to send a message to the I.T. Staff or if they need to indicate that they would like to make a comment or ask a question, they can then otherwise signify their intent to the Board Chairman. Any messages sent via chat

will be recorded. All votes taken during this meeting will be done by a show of hands with a roll call vote to be taken, if necessary. Should the meeting be interrupted by technical difficulties, it will be restarted as soon as technical difficulties are resolved and I would encourage you to check your email if the meeting goes down.

Chair Randy Criswell acknowledged J.W. “Buzz” Fullen’s leadership as past Chair of the Board and thanked him for his hard work.

Mr. Fullen indicated it was an honor and he enjoyed working with everyone on the Board.

Chair Criswell called the meeting of the Texas Municipal League Intergovernmental Risk Pool to order at 8:06 a.m. on Saturday, October 24, 2020.

1. Roll call and excused absences (Tab 1)¹

Jeff Thompson reported the absences of Michael Smith, Robert Herrera, and Mary Gauer and the reasons they asked their absences be excused.

MOTION by Larry Melton, seconded by Rickey Childers, to excuse the absences of Michael Smith, Robert Herrera, and Mary Gauer. Motion carried with unanimous approval.

2. Public Comment on Agenda Items

David Reagan advised the public how to make a public comment. No comments were made. Chair Randy Criswell closed the meeting to public comments.

3. Consideration of Minutes of July 17-18, 2020 Board Meeting (Tab 2)

MOTION by David Harris, seconded by Larry Melton, to approve the July 17-18, 2020, Board of Trustees Minutes. Motion carried with unanimous approval.

4. Consideration of Minutes of the July 17, 2020 Nominations Committee Meeting (Tab 3)

MOTION by Leo Montalvo, seconded by Mary Dennis, to approve the July 17, 2020, Nominations Committee Minutes. Motion carried with unanimous approval.

5. Canvassing the 2020 Board Election Results (Tab 4)

David Reagan presented the results of the 2020 Board of Trustees election for Places 1-4, under Tab 4. He reported the following results:

Place 1

Robert T. Herrera	461
Unknown (Write-In)	none

Place 2

Chris Armacost	120
John W. (Buzz) Fullen	351
Unknown (Write-In)	none

Place 3

George Hyde	61
Roy E. Maynor	33
Jeffrey Snyder	407
Unknown (Write-In)	none

Place 4

Robert S. Hauck	222
Dave Martin	39
Kimberly Meismer	137
Sean Overeynder	78
Unknown (Write-In)	none

¹ All references to “Tabs” in these minutes are references to the Tabs in the Board of Trustees Agenda packet.

MOTION by David Harris, seconded by Mary Dennis, to certify the vote totals as the official election results of the 2020 Board of Trustees election. Motion carried with unanimous approval.

6. Report from the Chair on Appointment of Representatives to and from TML and TML Benefits Pool

Chair Randy Criswell reported that Jeffrey Snyder will serve as the ex officio representative to the TML Board of Directors, replacing Mary Gauer. Chair Criswell expressed the Board's appreciation to Ms. Gauer for her many years of dedication and service. He further stated that J.W. "Buzz" Fullen will serve as the ex officio representative to the TML Health Benefits Pool Board of Trustees.

In addition, Chair Criswell announced that Andres Garza will be retiring. Mr. Garza stated he will be retiring in January, 2021. He stated he has enjoyed his service on the Board for 36 years and is proud of the development of the Pool during this time.

7. Report from the Chair on appointments to Board Committees

Chair Randy Criswell reported Board members had been informed of the appointments to the Board Committees. He thanked the Board members for accepting their committee appointments.

8. Finance & Information Technology Committee

a. Election of Committee Chair

Robert Herrera reported he had been elected as Chair of the Finance and Information Technology Committee.

b. Report on August 31, 2020 (11-month) Financial Statements and Presentation of Preliminary Year-End (September 30, 2020) Financial Statements (Tab 5)

Tito Villegas presented the report on August 31, 2020 (11-month) financial statement and presented the preliminary year-end (September 30, 2020) financial statements, as set forth under Tab 5. Mr. Villegas emphasized that the financial position of the Pool is strong and stable.

c. Update on Fiscal 2019-20 Year-End Estimates (Tab 6), including:

1. Workers' Compensation, Liability, Property, and Reinsurance Funds Ultimate Loss Selections
2. Unallocated Loss Adjustment Expense (ULAE) Reserve
3. Discount rate for workers' compensation lifetime and death indemnity benefit claims
4. Restricted Member's Equity for the Subsequent Injury Fund's long-term obligations to the Pool

Tito Villegas presented the update on Fiscal 2019-20 year end estimates, as set forth under Tab 6.

d. Consideration of Updating Funding Range for the Lifetime Benefits Investment Portfolio (Tab 7)

Tito Villegas presented the updated funding range for the Lifetime Benefits Investment Portfolio, under Tab 7.

MOTION by Robert Herrera on behalf of the Finance and Information Technology Committee, seconded by Bert Lumbreras, to approve the updated funding range for the Lifetime Benefits Investment Portfolio of \$102 million to \$140 million. Motion carried with unanimous approval.

- e. Consideration of Agreement with PricewaterhouseCoopers, LLP for a Target Equity Study for the Pool (Tab 8)

Tito Villegas presented the proposed agreement with PricewaterhouseCoopers, LLP for a target equity study for the Pool, set forth under Tab 8.

MOTION by Robert Herrera on behalf of the Finance and Information Technology Committee, seconded by Ricky Childers, to authorize the Executive Director to execute an agreement with PricewaterhouseCoopers, LLP for a Target Equity Study for the Pool. Motion carried with unanimous approval.

- f. Report on August 31, 2020 (11-month) Investment Results and Presentation of September 30, 2020 investment results (Tab 9)

Tito Villegas presented the investment results as of September 30, 2020, and Dan Smerick gave an overview of the markets and the investment outlook.

- g. Annual Review of the Pool's Investment Policy and Proposed Broker List, and Consideration of adopting the Policy with amendments (Tab 10)

Tito Villegas presented the Annual Review of the Pool's Investment Policy and the proposed changes to the Policy and the Broker List, as set forth under Tab 10.

MOTION by Robert Herrera on behalf of the Finance and Information Technology Committee, seconded by Jeffrey Snyder, to approve the resolution under Tab 10 readopting the Pool's investment policy with amendments and authorizing the list of brokers presented in Appendix C of the Investment Policy. Motion carried with unanimous approval.

- h. Consideration of TexPool Resolution Amending Authorized Representatives (Tab 11)

Tito Villegas presented the TexPool resolution amending the Pool's authorized representatives, under Tab 11.

MOTION by Robert Herrera on behalf of the Finance and Information Technology Committee, seconded by Bert Lumbreras, to adopt the TexPool resolution under Tab 11 amending the Pool's authorized representatives by designating the Chief Financial Officer & CIO, Staff Actuary & Investment Officer, Controller and Senior Accountant as authorized representatives of the Pool. Motion carried with unanimous approval.

- i. Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 12)

The Report from Office of Project Management and Analytics, including Report on Progress for Business Application and IT Road Map under Tab 12 was submitted for the Board's review without an oral presentation.

- j. Information Technology report on status of hardware and software updates to the computer systems (Tab 13)

The Information Technology Report on the status of hardware and software updates to the computer systems under Tab 13 was submitted for the Board's review without an oral presentation.

Chair Randy Criswell recessed the meeting for a 10-minute break at 9:18 a.m.

Chair Randy Criswell reconvened the meeting at 9:27 a.m.

9. Underwriting and Claims Committee

a. Election of a Committee Chair

Chair Randy Criswell reported that David Harris was elected as Chair of the Underwriting and Claims Committee.

b. Consideration of Workers' Compensation Reinsurance Recommendation for November 1, 2020 to November 1, 2021 (Tab 14)

Lindsey Fields presented the Underwriting and Claims Committee's reinsurance recommendation for November 1, 2020 to November 21, 2021, as set forth under Tab 14.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Larry Melton, to authorize Staff to place up to 100% of the proposed workers' compensation reinsurance placement for the \$15M x \$10M layer coverage up to a maximum cost of \$550,000. Motion carried with unanimous approval.

Lindsey Fields indicated that Collin Schoenfeld of Guy Carpenter had joined the meeting. Mr. Schoenfeld, on behalf of himself and Guy Carpenter, LLC, expressed gratitude for having been given the opportunity to work with the Pool over the last 15 years and looks forward to working with the Pool for many years in the future. Mr. Schoenfeld then excused himself from the meeting, in anticipation of the next item of the agenda, the consideration of the extension of the reinsurance brokerage services agreement

c. Report and Consideration of Extension of Reinsurance Brokerage Services Agreement with Guy Carpenter, LLC (Tab 15)

Lindsey Fields presented the recommendation to extend the Reinsurance Brokerage Services Agreement with Guy Carpenter, LLC, set forth under Tab 15.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Carol Loughlin, to authorize the Executive Director to enter into a new brokerage services agreement with Guy Carpenter, LLC set forth under Tab 15 for reinsurance placement services, for *five* years, effective May 1, 2021, with the following compensation structure:

- **Property:** Flat annual brokerage fee of \$450,000 with 2.5% annual inflation escalation, plus a \$25,000 claims handling fee for any year in which a property reinsurance claim is initiated;
- **Workers' Compensation:** Standard 15% commission, with a 10% credit, for a net commission of 13.5% of ceded premium; and
- **Cyber:** Standard 5% commission, with a 10% credit, for a net commission of 4.5% of ceded premium.

Motion carried with unanimous approval.

d. Report of Progress and Consideration of Developing Underwriting Guidelines for certain Housing Authority Members and Non-Municipal Firefighting Entities (Tab 16)

Lindsey Fields presented the Report of Progress and requested the Board consider developing underwriting guidelines for certain housing authority members and non-

municipal firefighting entities, as under Tab 16. Ms. Fields stated that any proposed underwriting guidelines would be presented at a future meeting for the Board's review. A discussion followed regarding the length of time for the suggested moratorium on Workers' Compensation coverage offerings.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Andres Garza, to:

1. Approve Housing Authority coverage eligibility guidelines, as recommended in the body of the Board Communication under Tab 16.
2. Approve the suggested underwriting guidelines incorporated in the Board Communication under Tab 16, and to direct Staff to develop a final draft of additional underwriting guidelines and measures (for new member, and potentially existing member, non-municipal firefighting entities' Workers' Compensation coverage) for further consideration by the Board at a future meeting;
3. Approve enacting a temporary moratorium on Workers' Compensation coverage offerings to new non-municipal firefighting entities until new guidelines are either developed or enacted. (Staff stated new guidelines would be presented for the Board's consideration at the April 2021 Board meeting.)

Motion carried with unanimous approval.

e. Consideration of Inception Phase of Guidewire ClaimCenter Upgrade (Tab 17)

Lindsey Fields next presented the recommendation concerning the Inception Phase of the Guidewire ClaimCenter Upgrade under Tab 17.

MOTION by David Harris on behalf of the Underwriting and Claims Committee, seconded by Byron Black, to:

- Authorize the Inception Phase of the Claim Center / Contact Manager Upgrade Project, thereby clearing the "Proceed" gate of project execution framework; and
- Authorize the Executive Director to engage a vendor (Guidewire and/or System Integrator) to lead Pool staff through the Inception Phase and to deliver a project implementation plan for the Claim Center / Contact Manager Upgrade Project at a cost not to exceed \$150,000.

Motion carried with unanimous approval.

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

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

g. Liability and Property Claims Report: Report on 2020 Catastrophe Claims and Pool's Enhanced Response Services (Tab 19)

The Liability and Claims Report on 2020 Catastrophe Claims and the Pool's Enhanced Response Services under Tab 19 was submitted for the Board's review without an oral presentation.

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

The Workers' Compensation Claims Report on trends concerning workers' compensation claims under Tab 20 was submitted for the Board's review without an oral presentation.

- i. Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor Insurance Managers, Inc. regarding revenues received and policies placed on behalf of Pool Membership (Tab 21)

The Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor Insurance Managers, Inc. regarding revenues received and policies placed on behalf of Pool Membership under Tab 21 was submitted for the Board's review without an oral presentation.

- j. Loss Prevention Report on member surveys, training and property valuations conducted (Tab 22)

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

- k. Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 12)

The Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map under Tab 12 was submitted for the Board's review without an oral presentation.

- l. Subrogation Department Performance Report (Tab 23)

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

- m. Member Services Report including Membership Activity and Update on Pool Communications Initiatives (Tab 24)

The Member Services Report including Membership Activity and Update on Pool Communications Initiatives under Tab 24 was submitted for the Board's review without an oral presentation.

10. Executive Committee

- a. Update on Exterior Building and Window Renovations to the Texas Municipal Center (Tab 25)

The Update on Exterior Building and Window Renovations to the Texas Municipal Center under Tab 25 was submitted for the Board's review without an oral presentation.

- b. Consideration of January, 2021 Board Planning & Training Session (Tab 26)

Jeff Thompson presented the recommendation to defer the January, 2021 Board Planning and Training Session under Tab 26.

MOTION by Randy Criswell on behalf of the Executive Committee, seconded by Larry Melton, to defer the Planning Session presently scheduled January 2021 until January 2022. Motion carried with unanimous approval.

- c. Consideration of Release of Restricted Merit Pool, as Allocated in the 2020-21 Fiscal Year Budget (Tab 27)

Allan Romer presented the options under Tab 27 staff developed concerning the release of the restricted merit pool allocated in the 2020-21 Fiscal Year Budget.

MOTION by Randy Criswell on behalf of the Executive Committee, seconded by Bert Lumbreras, to release the Restricted Merit Pool allocated in the 2020-21 Fiscal Year Budget, effective January 1, 2021, with a per employee maximum of 3% of the mid-range of an employee's pay grade or \$2,000, whichever is less. Motion carried with unanimous approval.

- d. Human Resources Report identifying employment changes, including update on employment trends for Insurance Industry from Ward/Aon (Tab 28)

Allan Romer presented the Human Resources Report under Tab 28 identifying employment changes, including an update on employment trends for the Insurance Industry obtained from a study by the Jacobson Group and Ward.

11. General Counsel's Report on Legislative Activities

David Reagan presented the General Counsel's Report on Legislative Activities. The House and Senate are working on parliamentary rules for the upcoming session. Pre-filing of bills begins November 9, 2020. The session will begin January 12, 2021 and end May 31, 2021. The 2022-23 budget is starting with a deficit of \$4.6 Billion, as compared to the current budget which started with a surplus of \$4.7 Billion. State revenues have significantly dropped from \$110.2 Billion to approximately \$100.9 Billion. Election races for House seats are predicted to be very close and it is uncertain who will be Speaker. Also, there are indications that one or more special sessions will be called this summer.

12. Comments by ex officio Members from and to TML and Employee Benefits Boards

Henry Wilson, ex-officio Board member from the Texas Municipal League, reported the TML Annual Conference was very successful. He would like TML to make the pre-recorded sessions available for access. There will be a Board meeting in December to finalize legislative plans. This session, there may be much fewer bills filed and fewer city-oriented bills filed.

Bennett Sandlin, ex-officio Board member from the Texas Municipal League, said they have held a series of round-table legislative meetings. Of the five meetings held so far, 15 legislators have attended. This session, TML plans to support a bill for improved broadband access for everyone. COVID-19 has emphasized the need for better broadband, especially in rural areas of the state. TML will also be supporting legislation regarding a new concept known as 'pay as you go infrastructure financing,' supported by several metroplex area cities. Instead of waiting 40 years to rebuild all of a city's infrastructure, a penny or two could be set aside from property taxes for infrastructure planning. It is anticipated that SB 29 (prohibiting contract lobbying by political subdivisions) will be filed again and it will be the most important bill to which TML will take a defensive position.

Andres Garza, ex-officio Board member to the TML Health Benefits Pool, reported the Board held its meeting on September 23-24, 2020, where the transition plan to BlueCross BlueShield as the third-party administrator for the Health Pool was approved. In addition, they are continuing to closely monitor health insurance at the federal level.

Jeffrey Snyder, newly-appointed ex-officio Board member to TML expressed his gratitude for the opportunity to serve.

Mary Dennis thanked Bennett Sandlin for his leadership and the annual TML conference.

Jeff Thompson informed the Board that Gary Ward passed away at 6:38 a.m. this morning after a brief illness diagnosed in September. Mr. Ward served as an adjuster in the Pool's Lubbock office for more than 13 years. He was well-loved by staff and well-loved by members. Mr. Thompson asked that all keep Gary's wife, Deanna, and his family in their prayers. Mr. Thompson then requested a moment of silence be observed.

After a period of silence, Chair Criswell described his interactions with Mr. Ward over the years, and expressed his condolences to his family and the Pool staff.

Chair Randy Criswell recessed the meeting for a 10-minute break at 10:11 A.M.

Robert Herrera informed Chair Criswell that he would be leaving, as previously agreed.

Chair Randy Criswell reconvened the meeting and announced it was 10:25 A.M. and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 13.a., 13.b., 13.c., 13.d., and 13.e. under Texas Government Code section 551.071.

13. Executive Session

- a. Workers' Compensation Claims Report including (1) fatality claims, (2) selected large exposure claims, (3) presumption claims and (4) new claims that have reserves exceeding \$150,000 (Addendum – Tab A)

This item was discussed in Executive Session.

- b. Update on Texas Division of Workers' Compensation Investigation into the Pool's Denial Language on Presumption Cancer Claims (Addendum – Tab B)

This item was discussed in Executive Session.

- c. Liability and Property Claims Report on claims that have indemnity reserves exceeding \$300,000, expense reserves in excess of \$250,000 (Addendum - Tab C)

This item was discussed in Executive Session.

- d. Consider settlement in Cole, et al v. City of Sachse, et al; Civil Action No. 3:13-cv-2719-O; In the United States District Court for the Northern District of Texas, Dallas Division

This item was discussed in Executive Session.

- e. Status of lawsuits in which the Pool is a Party (Addendum - Tab D)

This item was discussed in Executive Session.

Chair Randy Criswell reconvened the open session of the Board of Trustees at 11:52 A.M. and announced there were no actions to be taken on the items discussed in Executive Session.

14. Meeting Schedule and Board Continuing Education (Tab 29)

Chair Randy Criswell reminded Board members of the upcoming Board continuing education opportunities as set forth under Tab 29. Board members interested in attending any of the conferences are to contact Jeff Thompson or Patti Ledesma.

- a. Consideration of Amended Future Board Meeting Locations and Dates (Tab 30)
- b. Select a location for the October 23-24, 2022 Meeting

Recommended: Live Oak, TX

Agenda Items 14.a. and 14.b. were called up by the Chair and discussed together. Chair Randy Criswell presented the recommendations concerning future Board Meeting locations & dates, under Tab 30, with the Executive Committee's recommendation to adopt

the schedule as set out under Tab 30 and to select Live Oak, Texas as the location for the meeting to be held October 23-24, 2022

MOTION by Mary Dennis, seconded by David Harris, to affirm the 2021 meeting dates and locations as set out under Tab 30 and to hold the Board meeting of October 23-24, 2022 in Live Oak, Texas. Motion carried with unanimous approval.

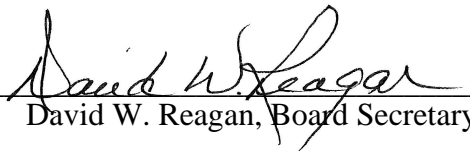
Mary Dennis expressed her gratitude to the Board for its confidence in her and the opportunity to serve as co-chair.

- c. Next Board Meeting: January 28-29, 2021
Hilton Dallas/Rockwall Lakefront
Rockwall, TX

15. Adjournment

Chair Randy Criswell adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool at 11:56 a.m.

Approved by the Board of Trustees on
January 29, 2021



David W. Reagan, Board Secretary