

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL  
Board of Trustees Planning Session Meeting  
Hyatt Regency Lost Pines, Baron's Ballroom E-G  
575 Hyatt Lost Pines Road, Lost Pines, TX 78612  
January 24, 2020**

**Trustees Present**

John Fullen, Chair  
Randy Criswell, Vice Chair  
Jeffrey Snyder  
Leo Montalvo  
Mary Gauer  
Mary Dennis  
Larry Melton  
Andres Garza, Jr.  
Carol Loughlin  
Bert Lumbreras  
Byron Black  
David Harris  
Rickey Childers  
Henry Wilson  
Bennett Sandlin  
Michael Smith

**Staff Present**

Jeff Thompson  
Bob Haynes  
David Reagan  
Susie Green  
Hank Domeracki  
Atul Poladia  
Mike Raigosa  
Mike Rains  
Tito Villegas

**Also Present**

Ron Cox, Ron Cox Consulting  
Dan Smereck, Strategic Asset Alliance  
Carrie Rice, Johnson Lambert  
Amy Strachan, Johnson Lambert  
Lee Weisiger, Gallagher Human  
Resources & Compensation  
Consulting

Chair John Fullen called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool Planning Session to order at 8:34 a.m. on Friday, January 24, 2020.

1. Roll call and excused absences (Tab 1)<sup>1</sup>

Jeff Thompson reported the absences of Robert Hauck and Robert Herrera and the reasons they asked their absences to be excused. Mr. Thompson indicated that Robert Herrera may be able to attend the meeting later in the day.

MOTION by Bert Lumbreras, seconded by Rickey Childers, to excuse the absences of Robert Hauck and Robert Herrera. Motion carried with unanimous approval.

2. Board Planning Session

a. Consider Board governance, including Pool Mission Statement and objectives.

The Board reviewed the Pool's Mission Statement, Guiding Objectives, and the Pool's Core Values. The Board did not review the Travel Policy or the Ethics Policy. The Board discussed key characteristics that are important to the Mission Statement and the Guiding Objectives. Jeff Thompson suggested that the staff Communications Team work on options of including these characteristics in the Mission Statement or Guiding Objectives. The 2021 governance schedule

---

<sup>1</sup> All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustee Planning Session Agenda packet.

calls for a full review of the Mission Statement and Guiding Objectives and possible changes will be taken up at that time.

b. Consider logistics of quarterly Board meetings.

Ron Cox led a review and discussion of the responses to the 20 question Board survey. The purpose of the survey is to assist in finding a balance on the amount of information presented to the Board, appropriate amount of meaningful participation on Board matters, the structure of committee meetings and board meetings, and the preferred meeting days for the quarterly meetings. The Board expressed a desire to not change the committee structure, continue with annual planning sessions, and to continue to have the October meeting at the end of October rather than meet in conjunction with the TML Annual Conference. The Board did express a desire to meet on Thursdays and Fridays rather than Fridays and Saturdays. Since hotel arrangements have already been made for several future Board meetings, this transition will occur over time. The Board expressed a desire for each Board member to determine whether they wanted to receive a hard copy or electronic copy of the Board packet. It was the consensus of the Board to have the staff make a recommendation on how special or emergency meetings may be conducted through video conference calls.

Chair John Fullen called for a recess at 10:04 a.m.

Chair John Fullen reconvened the meeting at 10:16 a.m.

c. Consider capital efficiency of Members' equity, including update on capital efficiency initiatives in light of expansion of the Pool's investment flexibility.

Staff presentations and Board discussions were combined with Agenda Item 2.d.

d. Consider implementation of the new investment authority authorized under SB 2551 of the 86<sup>th</sup> Texas Legislative Session, including the overall strategy of investments, asset allocation, eligible securities, asset management, and updating the Pool's Investment Policy.

Jeff Thompson, Tito Villegas, and Dan Smereck with Strategic Asset Alliance presented the alternatives available under Senate Bill 2551 for creating an account with expanded investment opportunities to fund lifetime income benefits and death benefits under the Workers' Compensation Act. The presentation and discussion points centered around the following:

- The initial funding range of the account and the methodology used to establish the range.
- The type of investments that would be authorized for the account. The discussion focused on investment-grade corporate bonds, mutual funds invested in below-grade corporate bonds with a rated average rating of B or above, mutual funds invested in stocks traded on US stock exchanges, stocks traded on US stock exchanges, and investments authorized under the Texas Public Funds Investment Act.
- Establishing a custom benchmark for the new investments in order to appropriately measure the performance of the new investments. The staff proposed a custom investment benchmark of 50% weighting to the Barclays US Intermediate Corporate Bond Index (for active investing), and 50% to Vanguard Mutual Funds for high yield bonds and stocks (for passive investing). The Vanguard Mutual Funds would consist of Vanguard High Yield Corporate Bond Fund (15% of the portfolio), Vanguard High Dividend Yield Stock Index Fund (17.5% of the Portfolio), and Vanguard Dividend Appreciation Stock Index Fund (17.5% of the Portfolio).

- Establishing the investment structure where active investing would be through one of the Pool's investment managers and passive investing would be through the Pool's internal investment officer.
- The date to begin funding and the fund that would be used for the initial funding. Staff recommended funding to begin March 1, 2020 and allocating \$50 million currently invested in TexPool with the additional funds to come from new annual contributions from Pool members or existing portfolios, depending on market conditions.

Final decision on these discussion points are planned to be made at the regular scheduled Board meeting on January 25, 2020.

Chair John Fullen called a recess at 12:20 p.m.

Chair John Fullen reconvened the meeting at 12:45 p.m.

e. Consider update on:

1. The Pool's Business Application and IT Road Map.

This item was not discussed since a similar item is on the Board Agenda for the meeting on January 25, 2020.

2. Pool Cyber Security and Defense Program.

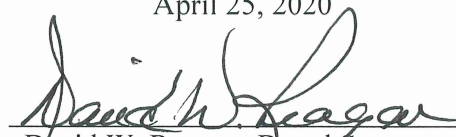
Atul Poladia, Bob Haynes, and Lindsey Fields presented proposals for cyber security and defense programs for the Pool and for Pool Members. House Bill 3834 of the 86<sup>th</sup> Texas Legislative Session requires all local government employees that have access to a computer must obtain security awareness training and certification. Also, there has been a significant increase in cyber attacks for Members. After the initiatives that are under consideration were presented, the Board was of the consensus that the Staff should develop a program that assists Members on cyber security issues and provides forensic services. This program should be brought back to the Board for approval and funding. In reference to cyber security for the Pool, the Board's consensus was that the standards and protocols recommended by the staff were good and implementation details should be developed for the future consideration of the Board.

f. Consider employee benefits and compensation provided by the Pool.

Lee Weisiger of Gallagher Human Resources and Compensation Consulting discussed the development of a study of the compensation for nine executive jobs at the Pool. Those executive jobs consist of two Assistant Directors, Chief Analytics Officer, and Deputy CFO, CFO and Investment Officer, Associate Director and Employment Counsel, Chief Information Officer, Director of Legal Services, General Counsel, Deputy Director, and Executive Director. The Board discussed the market for talent for executives, such as the industry sectors that compete against the Pool, the markets that will be competing with the Pool for talent in the future, and how competitive the Pool needs to be with that market. The report on appropriate ranges and structures related to executive compensation will be available at the April 2020 Board meeting.

Chair John Fullen adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees at 2:16 p.m.

Approved by the Board of Trustees on  
April 25, 2020

  
David W. Reagan, Board Secretary