

**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>

July 17 & 18, 2020

Trustees Present

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

Staff Present

Jeff Thompson
Bob Haynes
David Reagan
Mike Bratcher
Tamara Chafin
Lindsey Fields
Victoria Fisher
Susie Green
Rosa Guerra
Joshua Haley
Aaron Hardiman
Irvin Janak
Bo Joseph
Patti Ledesma
Gil Lee
Paula Marr-Ludwig
Gary McAuliffe

Staff Present (continued)

Linda Morvant
Julie Nguyen
David Nix
Atul Poladia
Mike Raigosa
Mike Rains
Kris Reim
Allan Romer
Debbie Sherwood
Tito Villegas
Kim Williams

Others Present

Dan Smereck, Strategic Asset Alliance
Collin Schoenfeld, Guy Carpenter

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 at the link provided on the agenda posted at the TMLIRP website and at the Secretary of State's office on July 13, 2020. Instructions, including how to access the meeting using Zoom or telephonically, were posted and are currently posted at the meeting link on TMLIRP's website at www.tmlirp.org.

I'm Jeff Thompson and I will be the host of the TMLIRP Board Meeting on this 18th of July, 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 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

Chair John Fullen called the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Directors to order at 2:33 p.m. on Friday, July 17, 2020.

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

Jeff Thompson reported the absence of Bert Lumbreras.

MOTION by Andres Garza, seconded by Jeffrey Snyder, to excuse the absence of Bert Lumbreras. Motion carried with unanimous approval.

2. Board Workshop on Proposed 2020-21 Budget

Jeff Thompson presented an overview of the budget preparation, themes, initiatives, and goals for the 2020-21 fiscal year. Tito Villegas reported on the financial structure of the budget including contributions, investment income, losses, reinsurance expense, pension expense and operating expenses. The Pool is budgeting a full year of operating costs, but identified pandemic-related variable costs to add a layer of transparency and accountability. Jeff Thompson proposed the Board review on a quarterly basis pandemic-related variable costs, and how they accrue compared to the budgeted figures. Tito pointed out a separate agenda item for the Board to consider increasing the capital outlay threshold from \$30,000 to \$100,000. Capital expenses of \$100,000 or greater would be depreciated over an appropriate number of years, depending on the type of capital expense. All capital expenses under \$100,000 would be expensed in the year they are incurred. Bob Haynes presented the "Members First, Staff Always" leadership precept. In light of the COVID-19 pandemic, Mr. Haynes pointed out the need to serve Pool members while always considering the safety of staff. Mike Raigosa discussed the impact of budget programs and initiatives. Jeff Thompson stated there were no funds in the proposed budget for merit increases because of the pandemic and its effect on Pool Members. After much discussion, the Board consensus was to vote tomorrow when the agenda item on the budget was called on whether to allocate \$400,000 to a restricted merit pool, which would not be used unless approved by the Board.

3. Public Comment on Agenda Items

Chair John Fullen opened the meeting for public comment and asked David Reagan to advise the public on how to make a public comment. There was no one desiring to make a comment.

Chair John Fullen recessed the Board of Trustees Meeting at 4:46 p.m., to reconvene at 8:00 a.m. tomorrow, Saturday, July 18, 2020.

Chair John Fullen reconvened the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool at 9:04 a.m., Saturday, July 18, 2020.

Jeff Thompson restated the disclaimer regarding remote participation in accordance with the Texas Governor's Declaration of Disaster enacted on March 13, 2020, as set forth at the beginning of these minutes.

1. Roll call and excused absences (Tab 1)

Jeff Thompson reported the absence of Bert Lumbreras and the reason he asked his absence to be excused.

¹ All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustee Agenda packet.

MOTION by Larry Melton, seconded by Mary Gauer, to excuse the absence of Bert Lumbrera. Motion carried with unanimous approval.

3. Public Comment on Agenda Items

Chair John Fullen opened the meeting for public comment and had David Reagan advise the public on how to make a public comment. No comments were made. Chair John Fulton closed the meeting to public comments.

4. Consideration of Minutes of April 24 & 25, 2020 Board meetings via Zoom Teleconference (Tab 2)

MOTION by David Harris, seconded by Jeffrey Snyder, to approve the April 24 & 25, 2020 Board of Trustees minutes as written under Tab 2. Motion carried with unanimous approval.

5. Nominations Committee

Chair John Fullen advised the Board that agenda items 5.1. through 5.f. would be taken up near the end of this Board meeting. There were no objections.

6. Finance and Information Technology Committee

a. Report on May 31, 2020 (8-month) Financial Statements and Presentation of June 30, 2020 Financial Statements (Tab 4)

Tito Villegas presented the report on the May 31, 2020 (8-month) Financial Statements and an overview of the June 30, 2020 Financial Statements under Tab 4.

b. Report on May 31, 2020 (8-month) Investment Results, Presentation of June 30, 2020 investment results, and Report on Annual Results by Strategic Asset Alliance (Tab 5)

Tito Villegas presented the report on May 31, 2020 (8-month) Investment Results and the June 30, 2020 investment results under Tab 5. Dan Smereck of Strategic Asset Alliance presented a report on annual results, and current trends in the investment environment. Jeff Thompson stated his appreciation to Mr. Smereck for his assistance in developing the funding approach for the Pool's Lifetime Benefits portfolio.

c. Consideration of Proposed Budget for 2020-21 (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. Adoption of the 2020-21 Budget

Jeff Thompson reported that during yesterday's Board Workshop meeting, an additional item was discussed which proposed the allocation of \$400,000 to a Restricted Merit Pool. The Restricted Merit Pool would not be authorized for distribution until the Board considered the economic impact of the COVID-19 pandemic crisis and its effect on the Pool's membership. Based on the Board's comments yesterday, the Board further directed that other options for the possible distribution of the Restricted Merit Pool be provided for the Board's further consideration at the next Board meeting. Also, as part of the quarterly finance report, an analysis of the pandemic variable costs should be provided. Byron Black expressed concerns that an allocation of \$400,000 to a Restricted Merit Pool would send a message that the Pool isn't

concerned about the hardships currently being faced by the members and believes that this allocation would take away from the transparency of the budget process.

MOTION by Rickey Childers, seconded by Jeffrey Snyder, to:

1. Allocate \$400,000 to a Restricted Merit Pool which shall not be distributed until the Board has considered the economic impact of the COVID-19 pandemic crisis and its effect on the Pool's membership and authorized its distribution. Options for the possible distribution of the Restricted Merit Pool shall be provided for the Board's consideration at the next Board meeting on October 24, 2020, and an analysis of the pandemic variable costs shall be provided as part of the quarterly Finance Report;
2. Authorize the Executive Director to transfer funds within the budget;
3. 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; and
4. Adopt the 2020-21 Budget.

The Motion carried with 13 votes in favor and Byron Black abstaining.

d. Consideration of Increasing Capitalization Threshold for Operating Assets (Tab 6)

Tito Villegas presented the report on increasing the capitalization threshold for operating assets under Tab 6.

MOTION by Andres Garza, seconded by Jeffrey Snyder, to increase the capitalization threshold for operating assets to \$100,000. The Motion carried with unanimous approval.

e. Office of Project Management and Analytics Report (Tab 7), including:

1. Update on ongoing business application development,
2. Progress on Guidewire Claim Center / Contact Manager Upgrade Project Plans; and
3. Report on Business Application & IT Roadmap

Lindsey Fields presented the Report from the Office of Project Management and Analytics, which included the status of the progress on business applications and the IT Road Map, under Tab 7. Ms. Fields indicated Guidewire's recently-added cloud-based solution was unable to support the security requirements of a government-community cloud. Staff is currently evaluating Version 10 for Claim Center and plans to provide updated information at the October, 2020 or January 2021 Board meeting. She indicated Policy Center is still in the design and development phase, remains within budget, and is still on track for completion during the fourth quarter this year.

f. Information Technology Report (Tab 8)

The Information Technology Report under Tab 8 was submitted for the Board's review without an oral presentation.

7. Underwriting and Claims Committee

a. Report regarding Final Property Reinsurance Placement Effective May 1, 2020 (Tab 9)

Jeff Thompson reported the Property Reinsurance Placement was final and the market remain tough, but the final reinsurance placement came in slightly less than the estimated range provided at the April 2020 Board Meeting. Endorsements excluding pandemic claims were placed on the reinsurance. The remainder of the report was submitted for the Board's review.

b. Consideration of Independent Claims Adjusting Firms Handling TMLIRP Claims, and update on historical costs (Tab 10)

David Nix presented the list of Independent Adjusters, indicating no changes or additions have been made to last year's list. Mr. Nix advised that some adjusters are beginning to request rate increases. To offset this, we have reduced the number of assignments sent to outside adjusters and hired adjusters capable of handling these matters inhouse.

MOTION by Jeffrey Snyder, seconded by Leo Montalvo, to approve the list of Independent Adjusting Firms Handling Pool Claims, under Tab 10. The Motion carried with unanimous approval.

c. Consideration of Cyber Coverage Structure and Rate Changes (Tab 11)

Lindsey Fields presented the Cyber Coverage Structure and Rate Changes Report, under Tab 11, indicating the biggest change is regarding the addition of eCrime coverage due to the increase in criminal cyber activity. The goal has been to expand the program and provide the best coverage possible, with as little financial impact to the membership as possible.

MOTION by Randy Criswell, seconded by Mary Dennis, to approve the recommended Cyber Coverage Structure and Rate Changes, under Tab 11, as follows:

1. Approve the cyber coverage structure as recommended in the body of the Board Communication under Tab 11;
2. Approve a 20% increase in rate for each band (to account for the increased eCrime coverage being made available); and
3. Approve the Cyber Liability & Data Breach Response Coverage Document changes.

The Motion carried with unanimous approval.

d. Office of Project Management and Analytics Report (Tab 7), including:

1. Update on ongoing business application development;
2. Progress on Guidewire Claim Center / Contact Manager Upgrade Project Plans; and
3. Report on Business Application & IT Roadmap

Agenda items d.1. through d.3., above, were previously considered under agenda item 6.c.

e. Consideration of Significant Cases and Legal Developments (Tab 12)

Bo Joseph presented Significant Cases and Legal Developments under Tab 12.

f. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 13)

Mike Bratcher presented the Workers' Compensation Claims Report on trends concerning Workers' Compensation Claims under Tab 13, noting the number of COVID-19 claims received. In March, the Pool received 32 COVID-19 claims; 132 in April, 57 in May, 114 in June, and 226 for the first half of July.

Jeff Thompson reported that from the inception of COVID-19 through July 1st, the Pool had received 334 claims. As of yesterday, July 17th, the Pool had received 560 claims, an increase of 226 from the beginning of July, a rate that is 5 times greater than prior claims received. This is a clear indication of community spread, which in many ways undermines the use of presumption for COVID-19 public safety claims. These claims will be monitored as received and staff still believes that accepting them as presumptive claims is the right thing to do. The COVID-19 first-responder claims will continue to be monitored along with the changes in circumstances of the pandemic.

David Reagan reported that COVID-19 first-responder claims are being treated as a lung disease under the presumption statute; however, there must be a statistical correlation of the lung disease to the job. Community spread is important because that may cause the statistical correlation to the job to be no greater than the statistical correlation to community spread. Should that occur, the Board's involvement may be required in determining whether to continue to apply the presumption statute to first responder COVID-19 claims.

Chair John Fullen indicated that the discussion of this item is for information only.

Chair John Fullen recessed the meeting for a 10-minute break at 10:58 a.m. Jeff Thompson reminded everyone to keep their camera turned on.

Chair John Fullen reconvened the meeting at 11:07 a.m.

g. Underwriting Report on underwriting results, loss ratios, and the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 14)

The Underwriting Report under Tab 14 was submitted for the Board's review without an oral presentation.

h. Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 15)

The Loss Prevention Report under Tab 15 was submitted for the Board's review without an oral presentation.

i. Subrogation Report (Tab 16)

The Subrogation Report under Tab 16 was submitted for the Board's review without an oral presentation.

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

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

8. General Counsel Report on Legislative Activities (Tab 18)

David Reagan indicated there is nothing to report on legislative activities. He reported the Legislature is struggling to have hearings because the Parliamentary Rules of Procedure adopted in the 86th Session do not allow committees to hold meetings by video conference.

9. Executive Committee (1:00 p.m. on July 17th)

a. Consideration of Expansion of Allowable Vacation Buyback Hours from 48 to 96 for Calendar Year 2020 (Tab 19)

Allan Romer presented the recommendation that the Allowable Vacation Buyback Hours be expanded from 48 to 96 for Calendar Year 2020 as set forth under Tab 19. This would be one time only, would be expense neutral (since vacation time is expensed as it is accrued), and would not affect any other personnel policies.

MOTION by Byron Black, seconded by Mary Gauer, to authorize the expansion of Allowable Vacation Buyback Hours from 48 to 96 for Calendar Year 2020 as set forth under Tab 19. The Motion carried with unanimous approval.

b. Human Resources Report identify employment changes (Tab 20)

This Human Resources Report under Tab 20 was available for the Board's review without an oral presentation.

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

Michael Smith, ex-officio Board member from TML Health Benefits Pool, said the Health Pool has made the decision to return equity to its Members.

Henry Wilson, ex-officio Board member from the Texas Municipal League, reported the next TML Board Meeting will be held via Zoom video software. On August 7th, the Board will discuss whether to hold the Annual TML Conference in person in Grapevine or via Zoom video conference. Mr. Wilson indicated TML's primary daily function is to provide useful information to cities, and daily email updates are being sent to thousands of city officials. Staff is preparing for the 2020-21 Legislative Session. The Policy Summit will be held virtually on August 3-4. Also, the Legislative Staff is considering virtual town hall meetings with each of the 15 regions.

Bennett Sandlin, ex-officio Board member from the Texas Municipal League, said their Deputy Director over Legislative Services has an uncanny ability to predict state-wide elections and believes there is a 50% possibility the House will flip to Democratic control this next election, which would have dramatic ramifications on the session. Seffronia Thompson or Chris Turner would most likely be the leading candidates for Speaker of the House. If the House remains Republican, Four Price or Drew Darby would most likely be the leading candidates for Speaker of the House.

Andres Garza, ex-officio Board member to the TML Health Benefits Pool, reiterated what Michael Smith previously stated. The Health Benefits has also recently approved a plan to change its network and third party administrative services to Blue Cross Blue Shield of Texas.

Mary Dennis indicated the National League of Cities is working very hard to ensure cities are included in any funding packages that are made available due to the pandemic.

Mary Gauer, ex-officio Board member to TML, stated Bennett Sandlin covered everything.

11. Consideration of Resolution Honoring Bob Haynes, Deputy Director.

Chair John Fullen presented a Resolution honoring Bob Haynes.

Bob Haynes expressed his appreciation to the Board.

Jeff Thompson indicated his appreciation to Mr. Haynes for his hard work and dedication.

MOTION by Andres Garza, seconded by Mary Gauer, to adopt the Resolution in Recognition and Appreciation of Distinguished Service by Bob Haynes. The Motion carried with unanimous approval.

5. Nominations Committee

a. Election of Committee Chair

John Fullen announced he had been elected Chair of the Nominations Committee.

b. Review Board Election Process (Tab 3)

David Reagan presented the review of the Board election process.

c. Consideration of nominations for Places 1-4 on the Board of Trustees for the 2020 election for six-year terms beginning October 1, 2020

MOTION by Andres Garza, seconded by Randy Criswell, to place the following nominations for Places 1-4 on the Board of Trustees ballot for the 2020 election for six-year terms beginning October 1, 2020:

- Place 1 – Robert Herrera, City Manager, City of Cibola
- Place 2 – John Fullen, Mayor, City of Henderson
- Place 3 – Jeffrey Snyder, City Manager, City of Plainview
- Place 4 – Robert Hauck, City Manager, City of Tomball

Motion carried with unanimous approval.

d. Consideration of the nomination and appointment of a citizen Trustee for a six-year term to Place 5 on the Board of Trustees, beginning on or after October 1, 2020.

MOTION by Andres Garza, seconded by Randy Criswell, to appoint Leo Montalvo to Place 5 on the Board of Trustees for a six-year term beginning on or after October 1, 2020. Motion carried with unanimous approval.

e. Consideration of the qualification of the Board Vice-Chair to be elevated to Board Chair as of October 1, 2020.

MOTION by Larry Melton, seconded by Andres Garza, to elect Randy Criswell as Board Chair effective October 1, 2020. Motion carried with unanimous approval.

- f. Consideration of the qualification and election of a Board Vice-Chair to take office on October 1, 2020.

MOTION by Larry Melton, seconded by Andres Garza, to elect Mary Dennis as Board Vice-Chair effective October 1, 2020. Motion carried with unanimous approval.

Chair John Fullen announced it was now 12:00 p.m., and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 12.a., 12.b., 12.c., and 12.e. under Texas Government Code section 551.071 and to discuss personnel matters under Agenda item 12.d. under Texas Government Code section 551.074

12. Executive Session

- a. 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.

- b. 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

This item was discussed in Executive Session.

- c. Review of Division of Workers' Compensation Investigation into the Pool's Denial Language on Presumption Cancer Claims

This item was discussed in Executive Session.

- d. Review Executive Competitive Compensation Analyses prepared by Gallagher Benefits Services, Inc.

This item was discussed in Executive Session.

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

This item was discussed in Executive Session.

Chair John Fullen reconvened the open session of the Board of Trustees at 1:03 p.m. There were no actions to be taken on the items discussed in Executive Session.

13. Meeting Schedule and Board Continuing Education (Tab 21)

- a. Select a location for the July 28-29, 2022 Meeting

Jeff Thompson indicated Hotel Emma in San Antonio, Texas, where the present Board meeting was originally scheduled to take place, has agreed to defer our reserved accommodations until July 28-29, 2022, and to credit 75% of the Pool's deposit towards that deferral.

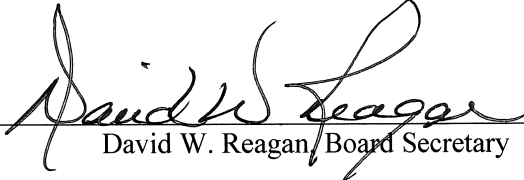
MOTION by Randy Criswell, seconded by Mary Dennis, to hold the July 28-29, 2021 Board of Trustees meeting in San Antonio at the Hotel Emma. Motion carried with unanimous approval.

The Chair stated the next Board meeting will be on October 23-24, 2020, in Fort Worth, Texas, at the Omni Hotel. Jeff Thompson stated he would keep the Board updated on the status of that meeting.

14. Adjournment

Chair John Fullen adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool at 1:08 p.m.

Approved by the Board of Trustees on
October 24, 2020



David W. Reagan, Board Secretary