TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL

Board of Trustees Planning Session Meeting

Carter Creek Resort
Live Oak Ballroom
4064 West US Highway 290
Johnson City, TX 78636

January 22, 2026 (8:30 AM)

Trustees Present
Bert Lumbreras, Chair
Austin Bleess, Vice Chair
Mike Alexander
Rickey Childers
Chris Coffman
Mary M. Dennis
J.W. "Buzz" Fullen
Harlan Jefferson
Opal Mauldin-Jones
Mike Land
Kimberly Meismer
David Ruthledge
Holly Gray
Monty Wynn

Staff Present
Jeff Thompson
Lindsey Fields
Aaron Hardiman
Scott Houston
Irvin Janak
Bo Joseph
Julie Nguyen
David Nix
Atul Poladia
Mike Raigosa
David Reagan
Valessa Gutierrez
Gil Lee
Jessica Rodriguez
Debbie Sherwood

Staff (Cont).
Jeffrey Snyder
Tito Villegas
Melinda Walter
Kim Williams

Others Present
Ron Cox,
Ron Cox Consulting
Chad Wright,
Forward Partners
Jeff Rieder,
Ward/AON Consulting
Dan Smereck,
Strategic Asset Alliance, Inc.

Chair Bert Lumbreras called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool Planning Session to order at 8:50 AM on Thursday, January 22, 2026. Mike Alexander led those in attendance in an invocation. Chair Bert Lumbreras led those in attendance in the Pledge of Allegiance to the United States flag and the Texas flag.

1. Roll call and excused absences (Tab 1)

   Jeff Thompson reported the absence of Emily Crawford, Randy Criswell, and Allison Heyward and the reasons for their absences.

   MOTION by Mary M. Dennis, seconded by Opal Mauldin-Jones, to excuse the absences of Emily Crawford, Randy Criswell, and Allison Heyward. Motion carried with unanimous approval.

2. Public Comment on Agenda Items

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

3. Introduction and Comments from Invited Guests from the Rhode Island Interlocal Risk Management Trust (Tab 2)

   Jeff Thompson informed the Board of Trustees that Ian C. Ridlon, President and Executive Director of the Rhode Island Interlocal Risk Management Trust, would not be able to attend this meeting because weather conditions prohibited travel.

4. Consider Board Governance Matters, including the Pool Mission Statement, Pool Guiding Objectives, Pool Core Values, and Membership Philosophy (Tab 3)

   Ron Cox, the facilitator for the Board Planning Session, led the Board in a discussion of the Board governance model, which included a review of the Pool's mission statement, its guiding objectives, its core values, and membership philosophy. The governance schedule calls for full review and discussion of different aspects of the Pool's governance model as follows:

- Mission Statement and Objectives – every four years (or as needed) (reviewed in 2026)
- Bylaws – as needed (last updated in 2023)
- Coverage Document – as needed (to be reviewed in 2026)
- Code of Conduct Policy – every three years – 2028 (last updated in 2023)
- Board Travel and Expense Policy – every five years – 2028 (last update in 2023)
- Board Survey – every three to five years – 2027 (last conducted in 2024)
- Sponsorship Agreement with TML – as needed (last updated in 2023)
- Target Equity Study – every three to five years – 2027 (last updated in 2024)
- Comp and Class Review – every three to five years – 2029 (last conducted in 2025)
- Strategic Plan – updated annually (reviewed in 2025 & 2026)
- Membership/Partnership Philosophy – approved in 2025

Rickey Childers suggested that the Board survey be conducted again before the next Planning Session since there were a number of new Board Members who were not involved in the last Board survey. Jeff Thompson suggested the Board survey be conducted as part of the October 2026 Board meeting to have it completed before the January 2027 Planning Session. There were no comments from Board Members suggesting changes to the mission statement, guiding objectives, or core values. In reference to the membership/partnership philosophy, Jeff Thompson commented that this has been a tremendous tool for the staff in dealing with Pool Members. It highlights the collective responsibility of the Pool toward each Pool Member and has been the focal point for decisions. Harlan Jefferson pointed out that the impact of the philosophy has already shown up favorably in the Pool financial statements.

5. Consideration of Operationalization of the Pool's Strategic Plan (Tab 4)

Jeffrey Synder provided the Board with an overview of how the Strategic Plan could be operationalized. The staff proposed each of the five strategic pillars of the Strategic Plan have objectives developed by the staff. Currently, staff has developed two objectives under each strategic pillar for 2026. Chair Bert Lumbreras pointed out he believed it was appropriate to keep the objectives limited in the beginning as the Strategic Plan was being operationalized. Mike Land asked how the objectives would be prioritized each year. This led to a discussion on how the objectives would be developed each year or over a longer period of time. Chad Wright commented that the Strategic Pillars were directional and the objectives were more specific. This was not a complete list of all possible objectives that might be developed. Mike Land commented that he thought the Board needed to be involved in some manner with staff in developing the objectives, even if that is simply providing input on objectives developed by the staff.

Chair Bert Lumbreras recessed the meeting at 9:47 AM.

Chair Bert Lumbreras reconvened the meeting at 10:05 AM.

6. Consideration of Benchmarking and Effectiveness of Pool's Performance compared to the Industry and Consideration of the Pool's Loss Prevention Efforts (Tab 5)

Jeffrey Snyder provided an overview of how this agenda item, comparing the Pool's performance to the industry and expanding loss prevention effectiveness, fit under the strategic pillar of mitigating risks and costs. Jeff Rieder, of Ward/AON Consulting, presented a summary of an analysis of the Pool's performance compared to peer commercial insurance companies. The Pool's expense ratio is 25% less than peers, with the largest difference being the Pool's tax advantage and having no agents. The analysis was adjusted to take this advantage away. The ratio of staff to management for the Pool is 3.5:1 as opposed to 4:1 for peers. The Pool's loss prevention expenses are 2.5 times that of peers, but this is intentional to support Pool Membership. Claim frequency is 3 to 10 times higher than peers, but unit costs compare favorably. Tort Claims caps keep premiums lower than peers, but the Pool has to staff to the same level. In order to price comparably to the market of peers, the Pool would need to increase contributions (premium) by 43%. Jeff Thompson suggested that the Pool focus on and improve its efforts in two areas: (1) Internal/External Fraud Efforts; and (2) Improving its Span of Control (ratio of staff to management). It was the Board's consensus that the Pool focus on these two areas, and the Board had no additional suggestions.

Lindsey Fields provided an overview of the Pool's Loss Prevention efforts. The Pool provides 2.5 times more Loss Prevention training and services than its peers but does so intentionally to serve its Membership. The higher investment in loss prevention efforts support the Pool's Mission Statement and is central to serving the Membership. It was suggested by the Board that the Pool provide more information to the Membership, especially small cities, of programs available and that Members can always call for help. It was the Board consensus that the Pool's loss prevention efforts were good.

At 10:25AM, Mike Land left the meeting and returned to the meeting at 11:00 AM.

7. <u>Consideration of Pool's Investment Management, including the Fundamental Mechanisms and Roles (Tab 6)</u>

   Jeffrey Snyder provided an overview of how this agenda item, in providing financial stability, fit under the strategic pillar of strengthening the Pool partnership. Mike Raigosa provided an overview of the Pool's current investment program and its historical development. The discussion under this agenda item was to ensure the investment program continued to develop in a way that supports strong governance, sound fiduciary oversight, and the long-term financial health of the Pool. Roles in the investment team will change to make sure processes and responsibilities are aligned properly as the Pool moves forward.

   Jeff Thompson announced Tito Villegas' retirement near the end of 2026 after 36 years with the Pool. With this change in leadership, Finance and Investment Oversight will be divided into two roles. Finance will be led by a Chief Financial Officer, which will be Kim Williams beginning July 1, 2026. Assistant Chief Financial Officer will be Julie Nyugen. Investments and Analytics will be led by a Chief Investment and Analytics Officer, which will be Mike Raigosa beginning July 1, 2026. Mike Raigosa will be supported by Gil Lee and Ryan Seater.

   Mike Raigosa and Dan Smereck presented an overview of restructuring the investment process and investment firms would provide cost efficiency opportunities, particularly in consolidation of existing and potential new managers. Request for Proposals had been received and were evaluated under scoring framework. The next step will be to select the firms desired to be interviewed and develop a Board recommendation. A list of all firms that are candidates and the rankings was provided to the Board. It was the consensus of the Board that it supports the approach to: (1) pursue fee-efficiency opportunities through consolidation of existing and potential new managers; (2) increase the role and significance of internal treasury management to mitigate liquidity risk; and (3) continue through the RFP process, culminating in a recommendation from the staff and Strategic Asset Alliance for an investment manager at the April 2026 Board Meeting. It was also the consensus of the Board that Board Members Opal Mauldin-Jones and Chris Coffman would participate in the finalist interview process because of its fiduciary duty in this area.

Chair Bert Lumbreras recessed the meeting at 12:33 PM.

Chair Bert Lumbreras reconvened the meeting at 1:24 PM.

8. <u>Consideration of Ethics and the Pool's Role of Promoting Ethical Use of Artificial Intelligence (Tab 7)</u>

   Jeffrey Synder provided an overview of how promoting ethical use of artificial intelligence promotes the strategic pillar of digital mastery. Atul Poladia provided a presentation on how artificial intelligence (AI) works, common misconceptions about AI, the value of AI, and why ethics in the use of AI matters. The presentation also covered the Pool's approach and commitment to responsible use of AI, and the Pool AI projects already underway. Staff recommended the following AI philosophy to the Board for consideration:

   The Pool is committed to the responsible adoption of Artificial Intelligence as a strategic tool for augmentation, <u>not replacement</u>, aimed at achieving Fiscal Responsibility and Operational Excellence. This commitment is grounded in the core values of Integrity and Partnership, ensuring that we deliberately maintain the <u>essential human touch</u> in all high-value decisions and uphold our duty to lead members through emerging AI risks.

MOTION by J.W. "Buzz" Fullen, second by Austin Bleess, to adopt the AI philosophy recommended by staff. Motion carrier with unanimous approval.

At 2:00 PM, Kimberly Miesner left the meeting and did not return.

9. <u>Update on the Pool's Human Resources Roadmap, including Payroll Management Modernization, and Consideration of Setting a Framework and Updating the Pool's Personnel Policies (Tab 8)</u>

Jeffrey Snyder provided an overview of how advanced leadership development and succession planning, modernizing personnel policies and the digital HR infrastructure promotes the strategic pillar of building a thriving team. Melinda Walter presented a summary of the People Resources initiatives and the status of each. In reference to the initiative of developing a revised employee handbook and guidelines, it was recommended the policy manual be divided into two sections to create a distinction between governance and operations. One section would provide policies set and approved by the Board, which would be strategic, high-level guidance. The other section would be administrative directives from the Executive Director to implement the policies adopted by the Board. The administrative directives would be operational, detailed, and aligned with the policies adopted by the Board.

Melinda Walter presented the staff recommendation to change the Pool's payroll process from semi-monthly to bi-weekly with a one- or two-week lag between the end of a payroll period and payroll processing. There will be an additional one-time payroll cost to create the lag which could be paid from the Employee Cost Reserve (ECR).

The staff recommendations were as follows:

- The policy manual should be separated into two distinct sections, Policy Manual and Administrative Directives.
- Adoption of a new Policy Manual with separate Administrative Directives to take place at the July 2026 Board meeting.
- Additions to Administrative Directives should be communicated to the Board through the quarterly People Resources update.
- Change the pay frequency to bi-weekly and create a two-week lag in processing.
- The use of the ECR for the one-time additional payroll expenses, which could be as high as $850,000.

It was the consensus of the Board that staff should pursue these recommendations and be brought back to the Board for approval when ready for implementation. Jeff Thompson also mentioned to the Board that staff was looking at the development of a Voluntary Early Retirement program for the Board's consideration.

10. <u>Consideration of Additional Thoughts on Planning Session Topics and Future Planning Session Topics (Tab 9)</u>

Jeffrey Snyder, in again addressing the operationalization of the Pool's Strategic Plan, provided an overview of how strengthening Pool communications to improve Member expectations and trust promotes the strategic pillar on Member engagement. Scott Houston shared with the Board various ways the Pool engages with Pool Members, such as the Pool's Member Portal, articles in the TML magazine and weekly newsletter, loss prevention training, and using software to track the Pool's engagement with Members, He pointed out that the Pool's Communication Department is only one piece of the different ways the Pool engages with its Membership. One of the main points of communication is to not only be able to communicate with Members "what" we do, but "why" we do it. Communicating the "why" creates a belief and loyalty in what we do in our Members and Pool employees. Of all the ways the Pool engages with the Membership, Scott Houston believes the most important engagement is in-person engagement with Member leaders. There are plans to increase that in-person engagement over the next year.

Chad Wright, Forward Partners, presented a suggestion on a more succinct way of operationalizing the strategic plan. There will be more ongoing conversation or collaboration between staff and the Board of the objectives (goals) developed under each of the strategic pillars. Chad Wright proposed that the pillars be reviewed by the Board every five years, that two goals under each pillar be proposed by the Executive Team to the Board each year in October to be adopted in January, and the success of the goals be measured by the staff and reported to the Board throughout the year. Bert Lumbreras mentioned that the Board should be cautious not to become involved in what the staff is to do. It was the Board consensus to operationalize the strategic plan in this manner.

11. Adjournment

Chair Bert Lumbreras adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees at 3:26 PM.

Approved by the Board of Trustees on
April 24, 2026

David W. Reagan

David W. Reagan, Board Secretary