

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting

**Hyatt Regency Conroe – Hickory Room
1001 Grand Central Parkway
Conroe, TX 77304**

April 25 – April 26, 2024

Trustees Present

Mary M. Dennis, Chair
Bert Lumbreras, Vice-Chair
Austin Bless
Rickey Childers
Chris Coffman
Randy Criswell
J.W. “Buzz” Fullen
Allison Heyward
Harlan Jefferson
Opal Mauldin-Jones
Mike Land
Kimberly Meisner
Bennett Sandlin
Jeffrey Snyder

Staff Present

Jeff Thompson
Lindsey Fields
David Reagan
Susie Green
Tito Villegas
David Nix
Bo Joseph
Scott Houston
Aaron Hardiman
Paula Marr-Ludwig
Joshua Haley
Chrissy Alves
Gil Lee
Jennifer O’Sullivan

Staff (Cont).

Atul Poladia
Mike Raigosa
Patti Ledesma
Tamara Chafin

Others Present

Collin Schoenfeld, Guy
Carpenter & Company, LLC
Kiersten Picardo, Guy
Carpenter & Company, LLC
John Duke, CPM Consulting

Chair Mary M. Dennis called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool to order at 12:30 PM on Thursday, April 25, 2024. Chair Mary M. Dennis led those in attendance in an invocation and Buzz Fullen led the Pledges 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 Victor A. Flores and the reason for his absence. He also reported the absence of Holly Gray-Moore and the reason for her absence.

MOTION by Opal Mauldin-Jones, seconded by Allison Heyward, to excuse the absences of Victor A. Flores and Holly Gray-Moore. Motion carried with unanimous approval.

2. **Public Comment on Agenda Items**

Chair Mary M. Dennis opened the meeting to public comment on any item on the agenda for the meeting. No comments were made. Chair Mary M. Dennis closed the meeting to public comments.

3. **Consideration of Minutes of January 25, 2024 Board Planning Session and January 26, 2024 Board Meeting (Tab 2)**

MOTION by Harlan Jefferson, seconded by Bert Lumbreras, to approve the January 25, 2024 Board Planning Session Minutes and the January 26, 2024 Board Meeting Minutes. Motion carried with unanimous approval.

4. Board Workshop – Rates for all lines of coverage for 2024-25, including Reinsurance and Target Members Equity Updates, including highlights of Proposed Coverage Changes

Jeff Thompson and Lindsey Fields presented a comprehensive review of the Pool's current financial position and the proposed Target Equity range. They also presented the proposed change in rates for Worker's Compensation, Liability, and Property, along with the current status and proposals for Property Reinsurance. Finally, they presented the proposed creation of a new Cyber Fund along with the proposed Interlocal Agreement, proposed rates, and proposed reinsurance.

Chair Mary M. Dennis recessed the meeting at 2:07 PM until 8:00 AM on April 26, 2024.

Chair Mary M. Dennis reconvened the meeting at 8:00 AM on April 26, 2024.

5. Review of Board of Trustees Election Process and Board Election of Chair and Vice Chair (Tab 3)

David Reagan presented the review of the upcoming election process for Places 11 – 15 and the election of a Board Chair and Vice Chair under Tab 3.

6. Nomination Committee Items

a. Consideration of January 25, 2024 minutes of Nominations Committee Meeting (Tab 4)

Chair Mary M. Dennis reported the January 25, 2024 Nominations Committee Meeting Minutes were approved at the Nominations Committee Meeting on April 25, 2024.

b. Consideration of appointment of a Citizen Trustee for the remaining term of Place 10 of the Board of Trustees, which expires on October 1, 2028(Tab 5)

Jeff Thompson reported the Nominations Committee recommended Michael Alexander, Managing Principal of Lion Organizational Development Institute, LCC, be appointed to Place 10 on the Board of Trustees to fill the unexpired term.

MOTION by Chris Coffman, seconded by Opal Mauldin-Jones, to appoint Michael Alexander, Managing Principal of Lion Organizational Development Institute, LLC, to Place 10 on the Board of Trustees to fill the unexpired term, which expires on October 1, 2028. Motion carried with unanimous approval.

7. Finance & Information Technology Committee Items

a. Review of February 29, 2024 (5-month) Financial Statements and presentation of March 31, 2024 Financial Results (Tab 6)

Tito Villegas presented the February 29, 2024 (5-month) Financial Statements and the Financial Results as of March 31, 2024 under Tab 6.

b. Review of February 29, 2024 (5-month) Investment Report and presentation of March 31, 2024 Investment Results (Tab 7)

Tito Villegas provided an overview of the February 29, 2024 (5-month) Investment Report and the March 31, 2024 Investment Results set forth under Tab 7.

c. Presentation of Capital Adequacy Assessment from PricewaterhouseCoopers LLP and Consideration of Updated Target Equity Range, Target Equity Policy and Members' Equity Distribution Policy (Tab 8)

Tito Villegas presented the Capital Adequacy Assessment performed by PricewaterhouseCoopers and set forth under Tab 8, along with the proposed updated Target Equity Range, Target Equity Policy, and Members' Equity Distribution Policy. Staff also

recommended that there be no equity distribution to members due to uncertainty and risks facing the Pool as of the end of the 2022-23 fiscal year.

MOTION by Chris Coffman on behalf of the Finance & Information Technology Committee, seconded by Jeffrey Snyder, to:

1. Adopt the updated Combined Target Equity Range of \$341 million to \$682 million;
2. Authorize no equity distribution to members due to uncertainties and risks facing the Pool as of the end of the 2022-23 fiscal year;
3. Approve the updated (1) Target Equity Policy and (2) Member Equity Distribution Policy set forth under Tab 8; and
4. Approve a change in methodology for the next target equity study to include a program-level approach with target equity minimums and maximums.

Motion carried with unanimous approval.

d. Consideration of one-year contract extension with Principal Financial Group for investment custodial services (Tab 9)

Tito Villegas presented the staff recommendation under Tab 9 to approve a contract extension with Principal Financial Group for a one-year period from July 1, 2024 to June 30, 2025 at an estimated cost of \$100,000 with all other provisions of the original contract remaining unchanged.

MOTION by Chris Coffman on behalf of the Finance & Information Technology Committee, seconded by Harlan Jefferson, to approve the contract extension under Tab 9 with Principal Financial Group for a one-year period from July 1, 2024 to June 30, 2025 at an estimated cost of \$100,000 with all other provisions of the original contract remaining unchanged. Motion carried with unanimous approval.

e. Report from Office of Project Management and Analytics, including status of Business Application & IT Road Map Items (Tab 10)

The Report from the Office of Project Management and Analytics, including an update of Business Application & IT Road Map, under Tab 10, was submitted for the Board's review without an oral presentation.

f. Information Technology Report on Hardware & Software of the IT Infrastructure (Tab 11)

The Information Technology Report on Hardware & Software of the IT Infrastructure, under Tab 11, was submitted for the Board's review without an oral presentation. Jeff Thompson recognized Atul Poladia for the IT Department's efforts in connecting all critical data and applications of the Pool to the Disaster Recovery as a Service (DrasS), which is a critical cloud-based solution that will ensure the swift and efficient recovery of such critical data and applications in the event of a disaster at the Pool's data center.

8. Underwriting & Claims Committee Items

a. Consideration of Property Rate Recommendations & Property Reinsurance Recommendations for May 1, 2024 to May 1, 2025 (Tab 12)

Lindsey Fields and Collin Schoenfeld presented the recommendations for property rates and property reinsurance for May 1, 2024 to May 1, 2025 under Tab 12.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Allison Heyward, as follows:

Property Rates/Coverage Changes

- Apply a 3% inflationary factor to all Members' scheduled building and contents values;
- Apply an overall 9% increase to Real & Personal Property rates and Boiler & Machinery rates;
- Apply an additional 15% increase to housing authority Real & Personal Property rates (through a Member type factor) in response to poor loss experience;
- Apply a 10% increase to Auto Physical Damage and Auto Catastrophe coverages;
- Increase the minimum Real & Personal Property deductible option to \$250 and adjust deductible credits as shown in the body of the report under Tab 12;
- Increase the Wind & Hail deductible overall maximum to .2% of cumulative scheduled building values;
- Approve the Roofing and Catastrophe Management endorsement to be added to all Members adding Real & Personal Property coverage, all housing authority Members, and any Member that does not exhibit a partnership with the Pool in a prior claim where the programs would have significantly impacted the overall claim costs and expenses;
- Approve the option to remove the Roofing and Catastrophe Management endorsement with a 10% surcharge to the Members' Real & Personal Property coverage, subject to final approval by the Executive Director; and
- Increase the Real & Personal Property, Mobile Equipment, and Crime coverages' minimum contributions based on the year-to-year change in the Pool's operating budget (as shown in the body of the report under Tab 12) for a \$5,300 total minimum contribution across all applicable coverages.

Reinsurance Rates & Structure

- Approve the overall reinsurance structure above, as recommended in the body of the report under Tab 12;
- Approve the estimated external reinsurance expenditure on layers above \$25 million of \$31,657,257 with an additional contingency of \$3,165,756 (10%), with leeway for the Executive Director to make modifications to the structure among internal and external sources, but not to exceed \$34,823,013;
- Approve the estimated external expenditure of \$2,906,750 with NLC Mutual, for co-participations in various levels of the proposed reinsurance structure, with an additional contingency of \$290,675 (10%), with leeway for the Executive Director to make modifications to the structure of the internal and external sources, but not to exceed \$3,197,425 in premium to NLC Mutual; and
- Approve the internal reinsurance fund pricing by layer, as noted in the body of the report under Tab 12, with a total estimated allocation above the \$25 million layer of \$13,416,698.

Motion carried with unanimous approval.

b. Consideration of Workers' Compensation Rate Recommendations for 2024-25 (Tab 13)

Lindsey Fields presented the staff recommendations for Workers' Compensation rates for 2024–2025 under Tab 13.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Kimberly Meismer, to adopt the following Workers' Compensation rate changes:

1. Apply a -12% rate reduction to four public safety class codes: Firefighters (paid), Police Officers (paid), Motorcycle Officers, and Ambulance Services;
2. Apply a -5% rate reduction to the Street & Road Repair and Construction class codes;
3. Apply a -5% rate reduction to the Parks & Recreation class code; and
4. Increase the Workers' Compensation minimum contribution based on the year-to-year change in the Pool's operating budget (as shown in the report under Tab 13) for a \$5,300 total minimum contribution across all applicable coverages.

Motion carried with unanimous approval.

c. Consideration of Liability Rate Recommendations for 2024-25 (Tab 14)

Lindsey Fields presented the staff recommendation for liability rates for the 2024-25 fiscal year under Tab 14.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Allison Heyward, to adopt the rate changes set forth under Tab 14 as follows:

- General Liability – No rate change;
- Law Enforcement – No rate increase;
- Errors & Omissions Liability – No rate change;
- Automobile Liability – 7% rate increase;
- Aviation Liability – No rate change;
- Supplemental Sewage Backup – No rate change; and
- Increase the General Liability, Law Enforcement Liability, Errors & Omissions Liability, and Auto Liability coverages' minimum contribution based on the year-to-year change in the Pool's operating budget (as shown in the report under Tab 14) for a \$5,300 total minimum contribution across all applicable coverages.

Motion carried with unanimous approval.

d. Consideration of Cyber Reinsurance Agreement Renewal, Cyber Coverage Rate Recommendation for 2024-25, and Members' Equity Transfer to the Cyber Fund from the Liability Fund (Tab 15)

Lindsey Fields presented the staff recommendations set forth under Tab 15 for the cyber reinsurance agreement renewal, cyber coverage rate recommendations for 2024-25, and a Members' Equity transfer to the Cyber Fund from the Liability Fund.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Rickey Childers, to approve the staff recommendations under Tab 15 as follows:

- Approve extending the current reinsurance agreement with Beazley to September 30, 2024;
- Approve renewing the reinsurance agreement with Beazley effective October 1, 2024, with a \$15 million treaty aggregate cap, fixed minimum annual premium for 80% of the estimated gross premium, Tower 1 Liability limit changes, and proposed rates as detailed in the body of the report under Tab 15;
- Approve the Pool no longer retain any of the cost of the base limit for Cyber coverage (Core) contribution;

- Approve the Core and Core+ costs as detailed in Option 4 in the report under Tab 15;
- Approve a 15% rate increase for Tiers 3-5 options;
- Approve a \$25 million Fund Total Annual Aggregate Limit of Liability under the Cyber coverage; and
- Approve transferring \$10 million of Members' Equity from the Liability Fund to the Cyber Fund.

Motion carried with unanimous approval.

Chair Mary M. Dennis called up Agenda Items 9.d. and 9e. to be considered jointly.

9. d. Consideration of Cyber Fund Interlocal Agreement (Tab 28)

9. e. Consideration of Bylaws Changes (Tab 28)

MOTION by Mary M. Dennis on behalf of the Executive Committee, seconded by Chris Coffman, to adopt the Resolution set forth under Tab 28 approving the creation of the Cyber Liability and Data Breach Response Interlocal Agreement and Amendment to the Bylaws. Motion carried with unanimous approval.

Chair Mary M. Dennis resumed the order of the Items listed on the Agenda by calling up Agenda Item 8.e.

8. e. Consideration of Proposed Coverage Changes to the Liability, Property and Cyber Coverage Lines (Tab 16)

Joshua Haley presented the proposed changes to the Property, Liability, and Cyber Liability and Data Breach Response Coverage Documents set forth under Tab 16.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Allison Heyward, to approve the changes set forth under Tab 16 to the Property, Liability, and Cyber Liability and Data Breach Response Coverage Documents. Motion carried with unanimous approval.

f. Consideration of revisions to the list of approved defense attorneys (Tab 17)

Jennifer O'Sullivan presented the proposed revisions to the list of defense attorneys to be retained by staff to defend Pool Members in liability claims and lawsuits set forth under Tab 17.

MOTION by Opal Mauldin-Jones on behalf of the Underwriting & Claims Committee, seconded by Kimberly Meisner, to approve the changes to the list of defense attorneys to be retained by staff to defend Pool Members in liability claims and lawsuits set forth under Tab 17. Motion carried with unanimous approval.

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

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

h. Liability and Property Claims Report on trends concerning liability claims and property claims (Tab 19)

The Liability and Property Claims Report on trends concerning liability claims and property claims under Tab 19 was submitted for the Board's review without an oral presentation.

i. 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.

j. Risk Services Report including Membership Activity (Tab 21)

The Risk Services Report including Membership Activity under Tab 21 was submitted for the Board's review without an oral presentation.

k. Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 22)

The Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities under Tab 22 was submitted for the Board's review without an oral presentation.

l. Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 23)

The Loss Prevention Report on member surveys, training, and property valuations conducted, as set forth under Tab 23, was submitted for the Board's review without an oral presentation.

m. Subrogation Division Progress Report (Tab 24)

The Subrogation Division Progress Report under Tab 24 was submitted for the Board's review without an oral presentation.

9. Executive Committee Items

a. Consideration of Consulting Contract for Real Estate Consultant Related to the Future of the Texas Municipal Center (Tab 25)

Jeff Thompson presented the proposal to retain CPM Texas, an Austin-based development services and project management consulting company, to develop recommendations for office space needs of the Pool and TML, deliver a final design, and provide an estimate and timeline for construction/renovation. Mr. Thompson also presented the recommendation under Tab 25 to establish a visioning committee of Board members to oversee the project, to be comprised of Chair Mary M. Dennis, Vice Chair Bert Lumbreras, TML President-Elect and TMLIRP Board member Allison Heyward, TMLIRP representative to the TML Board Jeffrey Snyder, and TMLIRP Finance Committee Chair Chris Coffman. John Duke, CPM Texas, provided information about CMP Texas and how it would approach the project.

MOTION by Bert Lumbreras, seconded by Harlan Jefferson, to accept the proposal from CPM for Visioning (Office Space Programming and Definition) for \$95,000 (inclusive of the proposed scope of services from Perkins+Will Architects), to authorize the Executive Director to finalize and execute the final contract with CPM Texas, and establish a Board "Visioning Committee," as outlined under Tab 25. Motion carried with unanimous approval.

b. Consideration of January 25, 2024 Planning Session Report from Ron Cox Consulting (Tab 26)

MOTION by Austin Bless, seconded by Chris Coffman, to approve the January 25 2024 Planning Session Report from Ron Cox Consulting set forth under Tab 26. Motion carried with unanimous approval.

c. Consideration of Offering Supplemental Income Gap Coverage for Public Safety by the Liability Fund beginning October 1, 2024 (Tab 27)

Jeff Thompson presented the recommendation under Tab 27 to provide Supplemental Income Gap coverage for Members that employ first responders that would fill the gap between workers' compensation income benefits (typically 70% of average weekly wage) and the "full pay" of an injured first responder, as mandated by H.B. 471 passed in 2023.

MOTION by Randy Chriswell, seconded by Chris Coffman, to approve the Pool offering Public Safety Workers' Compensation Supplemental Income Gap coverage to supplement a workers' compensation claim that is established, accepted, and administered by the Texas Municipal League Workers' Compensation Joint Insurance Fund, with the following conditions:

- The coverage is offered as an optional coverage under the Pool's General Liability Coverage;
- To be eligible for coverage, a Member must participate in both the Workers' Compensation and General Liability coverages;
- The coverage benefits related to "an injury related to the person's line of duty" and "full pay" are tied to the definitions of "compensable injury" and "average weekly wage" under the Workers' Compensation statutes, respectively;
- The additional 30% income benefit for full pay/average weekly wage is payable directly to the Member;
- The rate charged for the coverage is \$0.20/\$100 in applicable payroll, and subject to the General Liability experience modification factor, with a minimal contribution of \$100; and
- The total payable from the coverage shall not exceed \$100,000 in any one Fund Year for any Member.

Motion carried with unanimous approval.

Agenda Items 9.d. and 9.e. were already considered earlier during the meeting.

f. People Operations Report Identifying Activities and Initiatives (Tab 29)

The People Operations Report Identifying Activities and Initiatives were submitted for the Board's review without an oral presentation.

g. Communications Office Report on Communications Efforts and Initiatives (Tab 30)

The Communications Office Report on Communications Efforts and Initiatives was submitted for the Board's review without an oral presentation.

10. Comments by Ex-officio Members from and to the TML Board

Allison Heyward, TML President-elect, reported that the new TML City Financial Services Department is now operational. It held its first boot camp, which was a big success. TML has six other applications for boot camp and interest from a dozen other cities. As the program gains traction among cities, TML will look at the next services to be offered which will be

remote financial bookkeeping and financial officer services. She also reported the TML Budget and Audit Committee will meet May 13th to consider the 2024-25 TML Budget, which is proposed to include \$400,000 in seed money to assist in launching the Financial Services Department. The goal for the Financial Services Department is to reach break-even at the end of the 2024-25 budget year.

Ms. Heyward reported the Texas House of Representative run-off elections will be held May 28th and all eyes will be particularly focused on Speaker Dave Phelan's run-off race. Nine of the Speaker's Lieutenants lost their primary elections and eight other Republicans, including the Speaker, are in run-off elections. Additionally, the Senate has issued its interim charges, which include further property tax relief and reform, methods to improve voter control over tax rate setting, study implementation of S.B. 2038 concerning extraterritorial jurisdictions of cities, make recommendations to enhance protection of landowners' property rights, and study housing affordability which most likely will include tiny lots.

Ms. Heyward reported the TML President is currently making appointments to the TML Policy Summit, which will meet August 12-13 in Austin, Texas. The Policy Summit is an opportunity for TML members to propose matters to include in the legislative program for TML for 2025-26. Resolutions may also be submitted in that regard for consideration at the TML Annual Conference to be held in October, 2024.

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

Bennet Sandlin, Executive Director of the Texas Municipal League and ex-officio member of the Board of Trustees, had nothing to add to what had already been reported.

11. General Counsel's Report on Legislative Activities (Tab 31)

David Reagan, General Counsel, presented the General Counsel's Report on Legislative Activities under Tab 31.

Chair Mary M. Dennis recessed the meeting at 9:40 AM on April 26, 2024.

Chair Mary M. Dennis reconvened the meeting at 9:58 AM on April 26, 2024.

Chair Mary M. Dennis announced it was 9:58 AM and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda Items 12.a., 12.b., and 12.c. under Texas Government Code Section 551.071.

12. 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 \$150,000 (Addendum – Tab A)

This item was discussed in Executive Session.

- b. Liability and Property Claims Report on new claims that have indemnity reserves exceeding \$300,000, expense reserves in excess of \$250,000 and significant updates on previous claims and trial results (Addendum - Tab B)

This item was discussed in Executive Session.

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

This item was discussed in Executive Session.

Chair Mary M. Dennis reconvened the meeting of the Board of Trustees in open session at 11:08 AM.

13. Meeting Schedule and Board Continuing Education (Tab 32)

a. Select a location for the April 30 – May 1, 2026 Board Meeting

Recommended: Kerrville Area

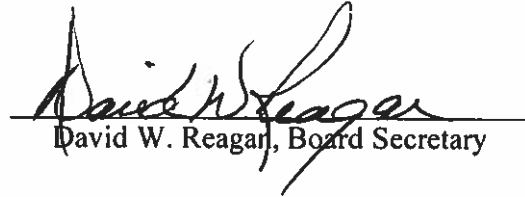
MOTION by Opal Mauldin-Jones, seconded by Allison Heyward, to approve the Kerrville Area as the location for the April 30 – May 1, 2026 Board Meeting. Motion carried with unanimous approval.

b. Next Board Meeting: July 25-26, 2024
Hotel Emma
San Antonio, TX

14. Adjournment

Chair Mary M. Dennis adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees at 11:08 AM.

Approve by the Board of Trustees on
July 26, 2024


David W. Reagan, Board Secretary