

BOARD OF DIRECTORS MEETING
SEPTEMBER 23, 2022



Board of Directors Minutes

BOARD MEMBERS PRESENT:

Kristin Bennett, Kristen Colonell, David Crews, Jeff Gatlin, Mike Page, Tom Turrell and Stephanie Watson.

BOARD MEMBERS ABSENT:

Siri Vensel

POOL STAFF PRESENT:

Steve S. Fast, Craig Hein, Audrey Mauser, Lawrence Mundy, Justin Bratt and Stephanie Wright.

POOL STAFF ABSENT:

Mary Lee Gibson.

I. Ground Rules:

GP-11 Board Director Covenants: All members will participate and contribute. We will be solution oriented, action oriented and take risk. We will stay open, restate closure and adhere to timelines.

II. Call to Order:

Kristen Colonell called the meeting to order at 8:58 a.m.

III. Approve Agenda:

A. Additions & Deletions to Agenda

The Agenda is approved with the following revisions:

- V. Standing Reports, Risk Control Team Report is moved up to A.
- 6. Equity Rating Update is added to V. Standing Reports, C. Finance Team Report.

1st Stephanie Watson

2nd Mike Page

Unanimous approval by Board Directors.

IV. Action Items:

A. *22-05 GP-3: Resolution to Approve the Re-Appointment of Board Directors.

Be it resolved that the re-appointment of Board Directors Kristin Bennett, Jeff Gatlin and Tom Turrell are approved.

1st Stephanie Watson

2nd Dave Crews

Unanimous approval by Board Directors.

B. *22-06 GP-3: Resolution to Approve the Appointment of Board Director.

Be it resolved that the appointment of Dave Eastin as Board Director is approved.

1st Tom Turrell

2nd Jeff Gatlin

Unanimous approval by Board Directors.

C. *22-07 GP-3: Resolution to Approve the Appointment of Board Officers.

Resolved, that the Board approve the appointment of the Board Officers as follows:

Chair: Kristen Colonell

Vice Chair: Tom Turrell
Treasurer: David Crews
Secretary: Stephanie Watson

1st Stephanie Watson

2nd Kristin Bennett

Unanimous approval by Board Directors.

D. *22-08 GP-3: Resolution to Approve the April 29, 2022 Minutes.

Be it resolved that the Board Minutes of the April 29, 2022 Board Meeting are approved.

1st Kristin Bennett

2nd Tom Turrell

Unanimous approval by Board Directors.

V. Standing Reports:

A. Risk Control Team: M.L. Gibson (EL-10)

1. Risk Control Services Update

Stephanie Wright, on behalf of Mary Lee Gibson, presented the Risk Control Update and the current Member status and activity related to Vector Solutions.

2. Member Commander Coin

Ms. Wright shared the CSDSIP Commander Coin Risk Management Initiative being developed by Risk Control. Coins would be awarded to Members over the next three years based focused on member completion of designated training subjects, renewal objectives and loss improvement.

The Board provided feedback asking that program consider individual Member trends, issues and losses. Consider developing individual Member goals and objectives. Additionally, it was suggested that the award be connected to past awards with an overall goal or objective in mind.

B. Executive Director's Report: S. Fast (EL-10)

1. 2022 Broker RFP Results

Mr. Fast reviewed and summarized the Broker RFP process and results with the Board. He advised that the RFP was sent to 10 potential candidates with two firms submitting completed responses. Both firms were interviewed by Board Directors and members of the Management Team. Both firms provided comprehensive responses, they differed in both cost as well as their approach to the reinsurance markets. Mr. Fast advised that he awarded a one-year contract to Arthur J. Gallagher Risk Management Services, Inc. with an option to extend the contract for two additional years.

Mr. Fast advised that he will invite both Arthur J. Gallagher Risk Management Services, Inc. and Alliant Insurance Services, Inc. to future Board meetings to allow for the opportunity for each to introduce themselves and their programs to the Board.

2. 2022 Reinsurance Update

Mr. Fast provided a Property Reinsurance update. He advised that the Pool continues to incur negative loss development in the 2018, 2019 and 2020 years and that the 2021 year is reserved at \$18.1 Million Total Incurred. The losses for each of the highlighted years are still within the Annual Aggregate, but the upward trend is putting pressure on our ability to hold the aggregate at the current \$22Million and hold current rate.

Additionally, he reported that the markets are very becoming increasingly concerned with the effects of inflation on material and labor costs and as a result are looking more closely at Total Insured Value. The markets have yet to fully account for recent hurricane activity in the southeast, but they are cautioning that we may see additional reduction in capacity for the upcoming renewal.

Both Arthur J. Gallagher Risk Management Services, Inc. and Alliant focused on London as likely a source of additional markets for the Pool's Property Reinsurance program.

3. 2022 CSDSIP Entity Insurance

Mr. Fast reviewed the CSDSIP Entity Insurance renewal with the Board. The program was renewed with similar terms and conditions, including Cyber, with a year over year increase of 16.26% after reduction of Broker commission. The cost of the entity placement is now included in the overall AJG Broker contract fee. The Package policy increased almost 30% and reflects the effects the office break-in and stolen auto. The Cyber coverage increased almost 34%.

4. Staffing and Retention

Mr. Fast reported that the non-management staff inflationary payment was distributed with the July payroll. Staff was advised that this was a one-time, inflationary offset and employee retention bonus. The payment was subject to regular withholding and does not count toward PERA HAS or 401(k) match.

Additionally, Mr. Fast reported that open positions for Litigation Specialist and Communications Specialist were filled. He advised that open positions for Administrative Assistant, Sr. Staff Accountant and Assistant Executive Director remain open.

5. Compensation Study Update

Mr. Fast provided the Board with a status update including an updated project timeline. The Project deadline is January 2023 and will be presented to the Board at their January meeting. The scope of the project has been expanded to include the updating of position job descriptions. Open positions will be included in the study.

C. Financial Services Report: L. Mundy (EL-7, 8 & 9)

1. Interim Financial Statements Review

Lawrence Mundy provided the Directors with an overview of the interim Financial Statements for FY 21-22. Mr. Mundy highlighted notable changes of balances and activity in the financial statements compared to June 30, 2021. These changes were mainly due to the aforementioned negative loss development in the form of increased claim reserves for Property. Additionally, Mr. Mundy provided a recap of the investment information as of August 31, 2022 and September 6, 2022 from the Finance Brief showing the inflow of member contributions and increases in overall balances in the investment portfolio. It was reported that CSDSIP had collected 87% of member contributions billed for the FY 22-23 policy period.

2. 2022 Budget YTD Variance

Mr. Mundy reviewed the FY 21 – 22 year to date actual v. budgeted operational and payroll expense from the Finance Brief. He advised that operational expense for Contracts, Legal and Insurance is slightly above budgeted and primarily due to the increased cost of entity insurance and to a lesser extent attributed to increased actuarial fees, departmental audit costs, investment management fees and general legal expenses. Similarly, he reported that the actual expense for technology is higher than budgeted primarily attributed to maintenance research costs of the new system. He reported that payroll and benefits are well below the budgeted costs and reflects the unfilled positions due to employee turnover, less-than-

expected time that tenured employees worked alongside new-hires as part of the succession plan.

3. Investment Policy Compliance Report

Mr. Mundy reported that there are no known or reported variances investments to the investment policy.

a. Custodian Reporting Conversion

Mr. Mundy updated the Board regarding the transition of the investment accounting platform and reporting with the investment custodian. It was reported that this project was nearing completion.

b. Investment Portfolio Performance

Mr. Mundy also provide an update to the Board regarding the investment performance of the portfolio considering the multiple interest rate hikes by the Federal Reserve in 2022. Based on conversations with the portfolio manager, it was confirmed that the recent unrealized losses in the portfolio are vastly due to increases in interest rates and that credit quality of the portfolio remains strong.

4. Actuarial Study Overview March 31 / June 30 – Draft

Mr. Mundy presented a summary of the actuarial studies completed by Select Actuarial Services for outstanding losses as of March 31, 2022 and projected to June 30, 2022 and outstanding losses as of June 30, 2022 based on data as of June 30, 2022. School Entity Liability estimated forecast losses for 7/1/22-23 are \$3,151,00. School Auto Liability estimated forecast losses for 7/1/22-23 are \$977,000. Property estimated losses under the current \$22M aggregated subject to a \$25,000 maintenance deductible are \$22,357,000. Estimated losses are at the 75th percentile and net of Member deductibles.

5. FY 2021 Audit Update

Mr. Mundy advised the Board that the audit is well underway. While there have been changes in the audit team year over year, the newly assigned partner and audit manager have been good to work with and the audit is on track.

6. Equity Rate Factor Update

Mr. Mundy reviewed the results of the 2022 equity experience modifier limited to a 1.3% credit. He provided example results based upon a subset of members for illustration purposes.

D. Legal Resources Program: C. Hein (EL-10)

1. RMIS Selection and Implementation Plan

Mr. Hein reported that the Management Team has selected PCIS as the RMIS vendor. He advised that he is in process of review and negotiation of final contract terms. Final pricing came in higher than the RFP response due to them learning more about our underwriting process and a revised scope of work to add a reinsurance reporting module that would allow us to capture reinsurance coverage and claim payment information. We should be under contract and have the first round of implementation organizational meetings in December.

Although the RMIS implementation assumed some temporary support from extra staff, Mr. Hein proposed the addition of a new permanent staff position, Business Data Analyst, that would be integral in both the implementation and ongoing utilization of the new system, its functionality and report outputs. CSDSIP currently does not have anyone dedicated to technology generally or the RMIS system specifically. The additional staff Member would provide much needed system and end user support and serve as a system owner. Mr. Fast advised that the position would be a senior level staff member. Pay and benefits through the

end of the fiscal year would most likely fall within budget due to the large number of staff vacancies throughout the year.

The board supported the creation of an additional staff position and requested that Mr. Fast and Mr. Hein bring back a resolution for the December meeting to approve the additional staff position and any budget amendment that may be necessary for the current Fiscal Year.

2. **FAMLI Act Overview**

Mr. Hein and Mr. Fast provided the Board with a summary overview of CSDSIP paid time of benefits in comparison to FAMLI and FMLA benefits. The Board requested staff feedback regarding their valuation of the FAMLI benefits. Mr. Hein and Mr. Fast will provide a similar FAMLI presentation to staff and bring their feedback to the Board at the December meeting.

3. **Communications Specialist Update**

Mr. Hein reported that the Communications Specialist position has been filled. Ms. Palermo will join the Team September 26.

E. Risk Programs Team: A. Mauser (EL-10)

1. **Risk Programs Services Update**

Audrey Mauser provided the Directors with an update from the Risk Programs Team. Risk Programs is in process of sending out the 2022 CSDSIP Policy to its Membership, and estimates that this will be completed by the end of the month. The Team is also organizing and attending Meet & Greet meetings with our newest Members and those who have had key contact changes.

The Risk Programs Team is hosting a coverage review class for all CSDSIP staff. This program is offered to educate our employees regarding the CSDSIP Coverage Form. Ms. Mauser shared that most of Team CSDSIP attended the first class.

2. **2023 Prospective Member Overview**

Ms. Mauser that Risk Programs has received a large number inquiries from former and prospective Members seeking quotes for the upcoming 2023 Policy Year. She and the Risk Programs Team are in the process of developing a marketing and renewal plan for prospective Members.

3. **2023 SIR Development Plan**

Ms. Mauser provided the Directors with an update regarding the continued development of the SIR rating methodology and model. She advised that Select Actuarial will present at the Board's December meeting. Additionally, she advised that the Risk Programs Team has identified a small number of Members who they believe may be eligible and interested in the SIR option should the Board agree to make the option available for the 2023 renewal.

F. Claims Team Report: J. Bratt (EL-10)

1. **Claims Services Update**

Mr. Bratt provided an overview of claim activity and year over year comparison of claims reported, closed and held in inventory.

G. GP-3-6. Board Monitoring Report:

The Board will monitor its processes and performance at each meeting. Self-monitoring will include comparison of Board activity and discipline to polices in the Governance Process and Board-Staff Relationship categories.

VI. Information Items:

A. R. Talmadge Resignation

VII. Future Meeting Dates:

December 16, 2022 – Board Meeting

VIII. Adjournment:

The meeting was adjourned at 12:30PM