PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: February 27, 2026
10:00 a.m.

The Board of Directors of Public Entity Partners ("PE Partners") met at 10:00 a.m. on February 27, 2026, at PE Partners' offices in Franklin, Tennessee.

Board Members Present: Chairman Holden, Vice-Chair Lay, Jeannie Anderson, Mayor Stover, Commissioner Tharpe, Mayor Hartman, Mayor Gooch, and Blake Walley

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; George Dalton, Executive Vice President; Halie Gallik, Board Secretary/ Director of Underwriting; Celeste Taylor, Director of Administration & Human Resources; Elisha Hodge, Director of Legal & Member Services; Allen Dean, IT Manager, Jason Dodson, Assistant IT Manager, Carly Salah, Communications and Research Manager, Chester Darden, Loss Control Director, and Janine Helton, Assistant Director of Underwriting.

Also Present: Kristin Berexa, Farrar, Bates, & Berexa; Wade Morrell, TMBF; Michele Fassbender, Arthur J. Gallagher; and Brad Penter, Callan & Associates.

Chairman Holden called the meeting to order.

Roll call was taken. All members were present except for Mayor McTizic.

Citizen Comments – no one spoke.

I. **Board Consideration & Vote for Minutes**
   a. Board Meeting of December 17, 2025

Motion made by Commissioner Tharpe to approve the minutes of December 17, 2025, seconded by Blake Walley. MOTION PASSED UNANIMOUSLY

II. **Investments – Annual Review**

Brad Penter - Good morning, everybody. For those I have not met, my name is Brad Penter, and I work for Callan. Callan has worked with Public Entity Partners for a number of years. You've probably seen some different faces; Bill Emmett had previously covered you all. I've been at Callan for about 10 years. Working with similar institutional asset pools, advising on how you invest their assets to meet their long-term obligations. I think today is going to be a quick review of the capital markets and those areas that are relevant to your portfolio. Then we can dive into how the portfolio performed in 2025 and what expectations you might have for the future. I'll try to avoid any sort of jargon. If you have a question, please feel free to ask, and I'm happy to answer it. I put together a book here, so if you want to go ahead

and open it up to page two. Broadly speaking, another really good year for the markets. I know you guys don't have any equity exposure, the whole portfolio is in bonds, but the story of 2025 is really two-fold. Tariffs at the beginning of the year and the impact they had on the market is a shock to the system. We saw equity sell off sharply. We saw credit spreads widen. Really just showing the people were nervous about how this implementation may go moving forward. That was very short-lived. Just a few weeks and everybody caught their breath. Realize that some of these might go into place. The market just took off after that; the equity market went down about 14% in early April to up over 17% for the full calendar year 2025. As it relates to the bond portfolio you know when the equity shock happens, investors will reposition themselves to what they consider safer assets, so when equities sold off, bond portfolios appreciated, as there is greater demand for bonds which drove down yields which led to price appreciation in bonds. As the year went on, we did continue to see interest rates fall, so that results in appreciation for the bond portfolio so at the end of the year the investment grade bonds universe is represented by Bloomberg Aggregate Index was up 7.3%, so a healthy return.

This is three consecutive calendar years of recovery after what was a brutal 2022 where we really took our medicine with the number of rate hikes that happened during that period going 3% higher on interest rates that just resulted in major capital losses in bond portfolio. But now that you've taken your medicine, really as a bond investor what you want is higher yields. You guys are long term investors. Ideally, this asset pool is going to last in perpetuity, so as a lender you want there to be higher rates, maybe not in if you're raising capital for your own municipalities, but as an investor, higher rates are a good thing and so right now with rates around 4.75%, your portfolio particularly is about 5%. That's a good return going forward after a decade plus of near zero interest rate policy. They made it tough to invest into bonds. Specific to the taxable municipal market where the large majority of your holdings are, we saw a strong year, it was up a little bit over 7%. Issuance was near a record of $500 billion in taxable municipal issuance during the year and you saw credit spreads tightened, but it's still relatively healthy. If you look at it compared to where corporate spreads are, those are as narrow as they've ever been. So, what that means is investors are getting paid the lowest premium that they have been in a while for taking that additional default or downrate risk above treasuries. Municipals are largely thought of as higher quality than corporates so when there is some parody in the credit spread between the municipals and corporates that's beneficial. You guys have a higher quality portfolio, so you are getting paid a similar yield to have those securities. So, moving forward our expectations is that you know you can kind of look at it in bond world look at what's your starting yield. It's a very good predictor of what your returns are going to be over the next call it 10 years, so with rates at four and some change today, our expectation over the next 10 years is that in investment grade bonds you'll probably return 4.75% over the next 10 years, that's not a crystal ball prediction, there's some ranges around that but generally speaking that's what our expectation is. A pretty good year in the market in general. Any questions before I talk about your portfolio more generally?

Mayor Holden- Any questions or comments?

Brad Penter- Going to page 2, you'll see that you ended the year with $293 million in reserve assets. This is up $21 million from where you were at the end of 2024. You're still working to make up some ground from the losses in 2022, where you guys were around $311 million. 92% of the portfolio is in what you call a fixed income, with the remainder in cash. Going to page 3, this is looking at the results, so you'll see the fixed income portfolio was up a little over 8% during 2025. If you think about simple bond math, rates were down about half a percent during the year, you guys had 8 years of duration so take half a percent times 8 there's 4% of your return then you get another 4% from the income that comes from the bond, so you know that's kind of where that return came from during the year. Just a really good result and nice to see the recovery and our expectation is to have those mid-single digits returns going forward. We outperformed the Bloomberg Aggregate Index which we think of as the broad market, the duration of profile in your portfolios is longer than that of the Bloomberg Aggregate meaning that you have

greater sensitivity to interest rate movement. So when rates fall, you guys will see a higher appreciation than that index. If rates rise, like they did in 2022, then you will see greater losses, which is fine. Duration, interest rate sensitivity, it's not there is a greater risk at the bonds it's not going to get paid back, it's just price fluctuations based on the opportunity cost of rates moving around. So going back further, 5 years, you still have long term losses over that period, because if you look on page 4 in 2022, you took a 22% hit in bonds. It's going to take a while to work off the track record, but I did pull some longer-term numbers that I didn't include in the book. Over the last 10 years your total portfolio is up a little over 2% and so that 2% is really recognition that interest rates were ultra-low if you go back to 2015. Rates were in the 2-3% range, so hopefully you get a better return going forward and if you look at what's going on at the Fed and this initiative to try to drive down interest rates, you'll maybe see some price appreciation where you've experienced losses in the past. That was most of my comments as it relates to your portfolio. Our understanding is that this is to be a conservatively positioned portfolio with a goal on generating a generous return but with a low probability of losses or impairment of capital permanently, so it still looks appropriate going forward.

Mayor Holden- Any questions or anything? So this is for discussion only, no vote. Brad, thank you very much.

III. **Consideration & Acceptance of Financial Reports**
   a. **Financial Statements- 12/31/2025**
   b. **Q2 Budget to Actual**
   c. **Investment Report- 1/31/2026**

Amanda Shrum- So we're going to start with the financial statements, if you will go to tab 3. Under that tab, the first thing we're going to look at is the Statement of Revenues and Expenses. As of December 31st, our net earned premium was reported at $42.9 million, up $3.3 million from last year, and our total revenues were reported at $43.1 million, up $3.3 million. Our total loss and loss adjustment of $34.1 million showed a slight decrease from $413,000 from last year. Our policy acquisition cost of $5.7 million increased around $244,000, and the general and administrative expenses were $5.9 million and remained pretty steady last year, it was right at $5.9 million. So total expenses as of December 31st were $45.7 million, which was a decrease of about $228,000 from last year. Operating loss is reported at $2.6 million, however, after accounting for investment-related and rental income, we report a change in net position to the good of $9 million dollars, leaving an ending net position of $144.2 million, which is up $124.9 million this time last year. Any questions on the Statement of Revenue and Expenses?

Flip over to the Statement of Net Position. You will see our cash and market values of investments were up $22.2 million, totaling $294 million. Total Assets and Deferred Outflows increased $28.3 million, while Total Liabilities and Deferred Inflows increased $8.9 Million. Any questions about anything there?

Motion made by Vice-Chair Lay to accept Financial Statement for 12/31/2025, seconded by Mayor Hartman. MOTION PASSED UNANIMOUSLY

Amanda Shrum- So the next item is the G&A expense, the budget to actual. As of December 31st, the G&A expenses totaled $5.9 Million were approximately $1.1 million under budget which was $7.0 Million. As you can see, all the departments are within line, we talked about communications

and research with that being the symposium expenses, but that should level off by the end of the year. Do we have any questions on that?

Mayor Holden- Any questions?

Motion made by Commissioner Tharpe to approve the Q2 Budget to Actual, seconded by Mayor Stover. MOTION PASSED UNANIMOUSLY

Amanda Shrum- OK, so if you go to the next page, turn to the investment portfolio analysis, we have the full report behind that. As of January 31st, our unrealized losses were reported at $40.7 million, which shows improvement of $5.3 million from the end of last year June 30th, 2025. The average coupon was 4.398%, and the average yield was 4.986%. Based on that, we project our yearly interest income to be around $13.3 million. And additional good news, we pulled the market report, and the losses have improved $7 million, so we are around $33.8 million as of this morning. So, we are continuing to go in the right direction. Does anybody have any questions on anything?

Victor Lay – All of the losses that were sustained back in 2022, are we still working through that?

Amanda Shrum- We're still trying to dig our way out of it, and as we see opportunity to sell and take losses where we find quality bonds, we are doing that, but it just takes time.

Mayor Holden- Any other questions?

Motion made by Blake Walley to approve the Investment Report – 1/31/2026, seconded by Jeannie Anderson. MOTION PASSED UNANIMOUSLY

IV. **Board Consideration & Vote of Coverages & Rates – FY 2027**
   a. **Coverages**
   b. **Rates**

Mayor Holden- Next item number 4 board consideration and vote of coverages and rates.

Michael Fann- Yes Mr. Chairman I want to kick it off and then send it to go over to Halie. As most of you know in the fall we engaged our Actuarial team for actuarial studies. This year we did two of the three for our annual reserve study then we updated our rate study. I am going to turn it over to Halie just to talk about where we've landed and our entire leadership team was involved in this process, but I especially want to congratulate Amanda and Halie for all the hard work that they and their team have done on all of this.

Halie Galik- To go through the coverage changes first, we don't have any recommended policy changes for liability and workers' compensation, but as you see on the first page, the coverage recommendations to the property policy is specifying on the application that coverage for aerial and underground fiber optic cables for traffic management systems should be included as a scheduled location under building and personal property schedules, as opposed to being included under electronic data processing equipment. This allows us to fully capture the value to make sure we are charging adequate premiums. Also, what we shared in December was that we studied several areas and continue to evaluate the policy for any competitiveness for, compliance with regulations along with our reinsurance partners. We're still working with Arthur J. Gallagher to put together a separate cyber program and intend to come back to you all separately to propose a program that would be through a specialized cyber carrier. I'm happy to take any questions related to policy changes first.

Mayor Holden- Any questions? So, we need to vote on this one, right?

Motion made by Vice-Chair Lay to approve coverage changes as presented, seconded by Mayor Stover. MOTION PASSED UNANIMOUSLY

Halie Galik- Also in your packet you have your 26/27 base rate changes. For workers compensation the recommended base rate change is a 2% reduction. As part of our actuarial review, we do look at each individual classification, and a majority of those classifications will be receiving a greater than 2% reduction, around 3-4%, with only two classifications based off the actuarial review receiving an increase. Specifically, the loss experience for firefighters and school professionals are showing increase loss which will actually have a base rate increase for that individual classification.

For property, we are recommending a 2.5% base rate increase. We're very pleased to begin to start seeing more stabilization in the property reinsurance market and in the construction costs, both of which are leading to more stability in base rate recommendations. We are seeing stability in the property inflation guard. The current year is at 2.5% Inflation guard, and we are keeping that consistent for 26/27. We do look at industry data for establishing our inflation guard, along with working with the 3rd party property valuation firm Huber and Lamb.

For liability, the combined liability base rate change is recommended at 3.5%, broken out by line of coverage we're recommending no change in general liability, a 3% reduction in errors and admissions, a 4% increase in law enforcement liability, and an 8% increase in both auto liability and auto physical damage. The privacy & network liability coverage and cyber extension are included in errors and admissions. So, as we come back to you with a potential cyber program change, we will watch this base rate very closely. Law enforcement liability continues to have severity claims, which you see reflected in the base rate recommendation. Auto liability and auto physical damage are impacted by both frequency and severity, along with the overall cost to vehicles.

Combined for all funds, the base rate change equates to a 1.7% increase, and I'm happy to take any questions related to base rate changes.

Mayor Holden- Any questions?

Motion made by Mayor Hartman to approve base rate recommendations, seconded by Jeannie Anderson. MOTION PASSED UNANIMOUSLY

V. **Board Consideration & Vote for Dividend Declaration**

Mayor Holden - Number 5 board consideration and vote for dividend declaration

Michael Fann- Yes Mr. Chairman. Under tab 5, as I mentioned earlier, when we were talking coverages and rates had considerable discussions internally and externally with our actuarial team. There has been no change that this board has made with regard to our capital adequacy policy. Our goal is stay right in the middle if at possible with our capital adequacy policy so the policy that this board has had for a number of years is the low end of our range should be equal to a 1-in-200-year event that would be actuarily covered by losses and then the upper end of that range is a 2 times a 1-in-100 year event, so with that and our discussions with our actuarial team. This current year the 25/26 year this board approved last February of a $5 million dividend of which $4 million went to Workers' Compensation, $1 million went to Liability renewals. This year are making a recommendation to the board for an $8 million dividend and that $8 million reduction will again bring it right back to that midpoint of our capital adequacy range, so we are very excited about that. Hope that you are as well. They are recommendations Mr. Chairman.

Mayor Holden- Alright, any questions?

Motion made by Commissioner Tharpe to approve Dividend Declaration, seconded by Mayor Stover. MOTION PASSED UNANIMOUSLY

VI. **Board Consideration & Vote for Authority to Contract LBMC**

Mayor Holden - Board consideration to vote for the authority to contract LBMC

Michael Fann- Yes, this is a contract that is being recommended from our IT partners at LBMC Technologies as we migrate from our current CRM, our client relationship management system to the cloud. Our CRM program is used by multiple departments. It manages all of our contacts with our cities and other entities, our loss control risk control surveys, our continuing education credits, and training tracking. You can see the list of things that we manage through our CRM program, all

of our member service visits and communications. We are migrating this to the cloud and the request is to approve this relationship, this migration in an amount not to exceed $165,000. That would be our recommendation Mr. Chairman.

Mayor Holden- Alright, you heard the recommendations. Any questions?

Motion made by Mayor Stover to approve Authority to Contract LBMC, seconded by Commissioner Tharpe. MOTION PASSED UNANIMOUSLY

VII. **Board Consideration to Vote for PRS Acquisition**

Michael Fann- As you know since last July, we have been working with our claims TPA of Public Risk Services. We were put on notice last July that they wanted to conclude that contract our desire was to purchase them, the contract calls for us to purchase them. So, we have been in negotiation with them since then, and then specifically since Mr. Morrison's death in November we have been working to that end. We had hoped to have a final number for you at least by this meeting. Unfortunately, with the holidays and the ice storm, we had a delay in getting that evaluation from the evaluation firm PYA. We have their report now, but we have not agreed yet with PRS representatives, so our representatives and their representatives are still talking. We hope pretty quickly we would hope to get a final number for you, but just to make sure we can continue negotiating and arriving at a final number and at a final purchase agreement, because there are still clauses within the purchase agreement that we are working with them on that would also adjust the ultimate price. We're asking for this board to give me authority to complete that negotiation and generally my authority without board approval was $50,000, obviously this purchase is going to be much greater than $50,000 and so we would ask based upon the PYA valuation and ultimately the clauses within the purchase agreement that you will allow me to complete that negotiation and then eventually get that number back to you. That's what we're asking for.

Mayor Gooch – So moved.

Victor Lay- Do you want to read out that motion the way that you have stated?

Motion made by Mayor Gooch to approve PRS Acquisition based on the valuation provided by PYA and the terms of the purchase agreement, we authorize our president Michael Fann to negotiate the acquisition of PRS for the amount to exceed $50,000, seconded by Vice-Chairman Lay. MOTION PASSED UNANIMOUSLY

Mayor Holden- Item order number 8.

VIII. **Board Consideration & Vote for Authority to Contract for Case Management**

Michael Fann- Going along with that motion and our ongoing relationship with PRS, we have also begun to examine options regarding case management under our Workers' Compensation program, so we would ask for the authority to contract for case management. I know our team is kind of already interviewing companies. Currently under the PRS relationship most of the case management is handled by either Health Trac or Wright Rehabilitation. And so, we are looking at basically interviewing a number of firms to see where we place, once the PRS acquisition is done, where we place our case management business. So, just asking for authority for that purpose.

Motion made by Commissioner Tharpe to grant authority to Contract for Case Management, seconded by Mayor Walley. MOTION PASSED UNANIMOUSLY

IX. **Board Consideration & Vote for Designation of Representative to TML Board**

Micheal Fann- We have been looking at this for a while now and working with both Anthony Haynes and his team at the league. Also he and I and Wade have met with the Comptroller trying to arrive where the representation needs to lie with regard to all three of our boards of directors. As you know, we passed a by-laws change last year that would allow our chair or the chairs designee to serve as an ex-officio, non-voting member of the league board. Ours was pretty simple, the league was a little more complex, and so there are limitations on which members of our board are allowed to serve on the league board. If you just rolled off the league board for example, you can't go right back on even as a representative of PEP. If someone else from your city is already on the league board, they are not eligible. So, we looked at that and talking with Mayor Holden over the last couple of weeks we feel like Mayor Donna Hartman of Fayetteville would be a good designee from this board to serve in an ex-officio, non-voting capacity on the league board and so a motion is in order that this board concur with Chairman Holden's designation of Mayor Hartman of Fayetteville as PEP's board nominee to the TML board of directors.

Motion made by Commissioner Tharpe to concur with the designation of Mayor Hartman as the designee to TML Board, seconded by Mayor Gooch. MOTION PASSED UNANIMOUSLY

X. **Date of Next Meeting**

Mayor Holden- Congratulations, Mayor Hartman.

Mayor Hartman- Thank you.

Mayor Holden- Number 10, date of next meeting. We suggest the date of Friday, June 26th, 2026. Is that a good date for everybody as you look at your calendars? Any issues?

Mayor Gooch- I will not be able to make that.

Motion made by Vice Chair Lay to adjourn seconded by Mayor Hartman. MOTION PASSED UNANIMOUSLY

John Holden, Chairman

Halie Gallik, Secretary