Nevada Public Agency Insurance Pool
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Minutes of AMENDED Agenda for the Joint Meeting of the Board of Directors/Trustees and of the Executive Committees of Nevada Public Agency Insurance Pool and Public Agency Compensation Trust

Date: April 19, 2024 Time: 8:00 a.m.
Location: Grand Sierra Resort, Grand Sierra Resort
500 E 2nd St,
Reno, NV 89595

1. **Introductions and Roll**
   Chair Paul Johnson requested introductions of those present at the meeting. A sign-in sheet was collected and reviewed for determination that a quorum was present. Seeing that a quorum was present, Chair Johnson called the meeting to order.

2. **Public Comment**
   Chair Johnson opened public comment and hearing none, closed the public comment period.

   Before continuing to the next agenda item, Chair Johnson invited Alan Kalt and Stephen Romero to present their Measures that Matter training that had been deferred from the Training Day. He first invited Derek Burkhalter, the actuary for POOL and PACT, to provide an overview of the work that he does in developing the reserves and rates for the programs. Alan Kalt then reviewed the programs and services offered by the pools and how they are measured. Stephen Romero reviewed how staff was able to help fire district members meet the coverage needs required to fulfill contract terms that had significant financial impact for the districts. The next presenter was Mike Van Houten, ELearning administrator, who provided a review of the Absorb Learning Management System, available ELearning courses and metrics about utilization showing an 87% course completion rate. He described how new courses are developed upon request from members. Stacy Norbeck, POOL/PACT HR Manager, presented a review of the POOL/PACT HR program and the value of the training. She commented specifically about the Essential Management course and cited the pretest results of 22% compare with 93% post test results. Jarrod Hickman, Risk Management Specialist, reviewed the Enterprise Risk Management program implementation and achievements by members. He noted that there are 46 participants in the program currently at various stages of the ERM program, including three members who achieved the full completion recognition. Alan Kalt then discussed financial leadership and how he assisted members in improving their financial results from debt management to investment income. He cited the financial leadership training classes he conducted along with the sample policies and technical assistance provided. He noted some examples of helping a member refinance a bond saving them over $2 million. For other members he helped them set up a sweep account to gain additional revenue given the current market conditions.

3. **<u>For Possible Action:</u> Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda**
   a. **Approval of Minutes of Board:**
      1) **Joint Board Meeting April 21, 2023**

   b. **Acceptance of Minutes of Committee Meetings**
      1) **Joint Executive Committee: 9/1/2023; 3/12/2024; 4/2/2024**
      2) **Loss Control Committee: 7/13/2023; 10/16/2023; 2/6/2024**
      3) **HR Oversight Committee: 9/8/2023; 12/8/2023**

On motion by Mike Giles, second by Josh Foli to approve the consent agenda, the motion carried.

4. <u>For Possible Action:</u> Acceptance of Investment Reports and Action on Recommendations:
   - **a. NEAM Investment Advisor Report**
   - **b. Strategic Asset Alliance Investment Advisor Report**

a. Chip Clark, President of NEAM, presented a state of the investment market overview. He reviewed current market positive returns. The economic outlook has been strong in recent times although there are some indications of a future slowdown which has caused the Federal Reserve to hold off rate reductions. Consumer spending continues to be robust following wage gains. He reviewed consumer low debt ratios and savings rates, noting the effect of stimulus funds in recent years. He discussed the negative effect of inflation in certain sectors. The labor market remains strong. Further, rate cut expectations have moderated significantly from six down to two rate cuts from the Federal Reserve.

Patrick Scully, NEAM Asset Manager, reviewed how the macro environment will affect the pools and captives' investment results going forward. He estimated interest rates will decline later this year and next. He complimented Alan Kalt for coming in second in predicting a quarterly interest rate at their recent investment conference. He highlighted the shift in investment income in recent years and how that is working positively. He reviewed the increase in book yields and how that is positively affecting core fixed income opportunities.

Kelly Sullivan, NEAM Account Manager, reviewed the specific results for the pools. The fixed income portfolio generates substantial income compared to the prior year. Book yield has nearly doubled over the last year for the pools. She mentioned using a loss harvesting approach to exit low yield securities to replace them with higher yields with a payback period of two years for future yields at higher levels for five to ten years. She noted the negative total returns in 2022 versus the very positive returns in 2023 commenting that positive income returns dominated in 2023.

b. Alton Cogert, President of Strategic Asset Alliance, commented that four times a representative of the pools achieved the best prediction of interest rates, Wayne Carlson, Josh Foli, Alan Kalt and Cash Minor. This year, Alan Kalt came in second by a small margin. He then reviewed the long-term market conditions over 40 years comparing various investment risks and returns over time. He noted the positive total returns this year versus last year. He described the increase in book yield as well. The strategic outlook for key indicators appears to be positive, especially for the top-tech stocks. Federal Reserve's projections appear to be for reduced number of rate cuts as they seek to reach their target inflation rate. The challenge for fixed income investors is to focus on duration as a way to create long term income returns. Expect continued economic growth. Use due diligence, diversification, and patience to capitalize on the growth over the long term.

On motion by Ben Marchant, second by Josh Foli to accept the reports, the motion carried.

5. <u>For Possible Action:</u> Review and Approval of Changes to Investment Guidelines
   - **a. POOL Investment Guidelines**
   - **b. PACT Investment Guidelines**

Alan Kalt indicated that there are no recommended changes to the guidelines. On motion by Mike Giles, second by Joe Westerlund to accept the reports, the motion carried.

6. **For Possible Action: Acceptance of Reports:**
   a. **Executive Director**
   b. **Chief Financial Officer**
      a. **Public Risk Mutual Audit**
      b. **Public Compensation Mutual Audit**
      c. **Pooling Resources, Inc. Audit**
      d. **Nevada Risk Pooling, Inc. Audit**
   c. **POOL/PACT HR General Manager**
   d. **Risk Management**
   e. **ELearning**
   f. **Member Relations Manager**
   g. **Davies Claims Solutions Report and Claims Overview**

a. Wayne Carlson highlighted aspects of his written report. He commented about certain members who have given notice of potential withdrawal from either POOL or PACT. He encouraged members to contact them to encourage them to remain.

b. Alan Kalt reviewed the audits of the various organizations, highlighting the net income and net position of each organization. He highlighted the efforts of accounting staff Deb Connally, Melissa Mack, Jennifer Turner, and Tiffany Garcia for their diligence in preparing for the six audits each year.

c. Stacy Norbeck discussed the POOL/PACT HR services, training and utilization results this year. She revised the number of courses and evaluations indicating that the evaluations were highly positive. She reminded the group about the upcoming HR conference and highlighted the number of attendees for last year's conference. She recognized members who had achieved successful HR Phase I or II assessments. She showed a pie chart showing the number and types of contacts with her staff over the year and the top topics.

d. Marshall Smith indicated he had no additional comments on his written report.

e. Mike VanHouten showed statistics about the ELearning program with over sixty-six courses assigned and 87% completed. He showed a pie chart of the types of courses taken. He encouraged more people to take the cyber security training. He noted the most assigned courses related to abuse and bullying. He further showed that school districts are the highest utilizers.

f. Stephen Romero stated that he will provide more during the separate board meetings.

g. Margaret Malzahn indicated that she had no additional comments to the written report.

On motion by Tyler Vanni, second by Varlin Higby, to accept the reports, the motion carried.

7. **For Possible Action: Approval of Grant to Nevada Risk Pooling, Inc. for Administrative Services to POOL/PACT and PRM/PACM**

Alan Kalt noted that NRP brought former Willis services in staff and that the grant is reduced by $500,000 in the base year subject to a 3.5% increase in subsequent years.

On motion by Mike Giles, second by Gina Rackley, to approve the grant, the motion carried.

8. **Public Comment**

Chair Johnson recognized Geof Stark for his service to the pools considering his retirement. He highlighted Geof's active participation with the pools serving on several committees. Alan Kalt highlighted Geof's involvement in the Executive Committee, HR Oversight Committee and Loss Control Committee. Geof thanked everyone for their support.

9. **Adjournment**

Chair Johnson adjourned the meeting.