

June 28 Finance & Audit Committee Meeting Minutes

A Finance & Audit committee meeting for the Surplus Lines Stamping Office of Texas was held in-person at the SLTX Office, 1601 E Pflugerville Parkway, Pflugerville, TX 78660.

AGENDA

June 28, 2024, Finance & Audit Committee Meeting Agenda		
Item 1.	Call to Order and Establishment of a Quorum	Nick Lawrence, Committee Member
Item 2.	Discussion and Appropriate Approval of - March 21, 2024, F&A Committee Meeting Minutes	Nick Lawrence, Committee Member
Item 3.	Discussion and Appropriate Action: - 2024 YTD Financial Review	Donna Aug, Director of Finance
Item 4.	Discussion and Appropriate Action: - Pension Plan Review	Nick Lawrence, Committee Member
Item 5.	Adjournment	Nick Lawrence, Committee Member

Item 1. Call to Order – Nick Lawrence, Committee Member

Nick Lawrence called the meeting to order on June 28, 2024 at 9:00 A.M.

Meeting was held in-person. A conference call-in number and teleconference link was provided in the Public Meeting Notice. Written notice of this meeting and related agenda was provided to the committee members and submitted to the Secretary of State on June 22, 2024, in accordance with the Plan of Operation, Section 2(c)(2) for publication in the Texas Register in accordance with the Texas Open Meetings Act.

COMMITTEE MEMBERS PRESENT

Jason Cables, Board Chair, via teleconference
Nick Lawrence, Committee Member
Esequiel Nathal, Absent

OTHER BOARD MEMBERS PRESENT

Garrett Sprows, Board Chair

ALSO PRESENT

Greg Brandon, Executive Director, SLTX
Donna Aug, Director of Finance, SLTX
Cheyenne Herrera, Director of Operations, SLTX
Sholonda Stone, Director of ITS, SLTX
Denisse Amezcua, Director of Human Resources, SLTX, via teleconference
Marissa G., Administrative Assistant, SLTX

Stan Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Paul Rainey, TSLA Liaison, RSI International, Inc.
Barbara Lazard-Hernandez, Office of Financial Counsel, Texas Department of Insurance
John Carter, Office of Financial Regulation, Texas Department of Insurance
James Pinder, Nova 401 (k) Associates, Sales Team
Ernie Galliani, Nova 401 (k) Associates, Actuary

SLTX Staff Members Also in Attendance

Toby P., Operations Manager, SLTX, via teleconference
Sharmilla S., Business Analyst, SLTX, via audio
Catherine H., Lead Policy Analyst, SLTX, via audio
Kristian P., Policy & Data Analyst, SLTX, via audio
Yuba D., Financial Analyst, SLTX, via audio
Nathan O., Sr. Policy Analyst, SLTX, via audio

Minutes taken by SLTX Staff.

Administrative housekeeping announcements:

1. Antitrust activity or discussion are prohibited at all Stamping Office functions. This prohibition includes exchange of information concerning individual company rates, coverages, market practices, claims settlement practices, expenses, or any other competitive aspect of an individual company's operation.
2. No public comments. Public and media attendees should mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record but refrain from asking questions or interjecting comments.
4. State personnel present may be asked questions related to an agenda item.
5. Members, counsel, and staff participating by phone should identify themselves and mute lines.

Item 2. Discussion and Approval of March 21, 2024, Meeting Minutes | Nick Lawrence, Committee Member

Committee members were provided with a copy of the March 21st meeting minutes. Lawrence asked for any corrections or comments. Having none, Lawrence requested a motion for minutes approval.

MOTION: Jason Cables

SECOND: Nick Lawrence

Motion passed unanimously.

Item 3. Discussion and Appropriate Action: 2024 YTD Financial Review | Nick Lawrence, Committee Member; Donna Aug, Director of Finance

Lawrence opens the floor to Donna Aug. Aug begins the presentation.

Stamping Fee – 8%, or \$57,500 over budget in May; 1%, \$25,300 over budget YTD.

Investment Income – 63% or \$65,000 over budget for May; 39% or \$150,000 YTD due to higher earning on investments than projected.

Operating Expenses – \$82,500 or 13% under for May; \$1,200,000 – 27% YTD.

Salaries and Benefits – 13% or \$51,700 under budget for May; 34%, \$1,043,000 YTD. Five employees less than was budgeted; pension plan funding was budgeted for January.

Professional Services – 32% or \$11,200 under budget in May; 17% or \$38,000 under YTD. Underage in ITS due to nonengagement of RSI and MIS ending earlier than expected. OPS had 50% of LemonLight SOW paid in January but budget reflects equal monthly amounts.

Conference and Education – 27% or \$2,000 under budget for May; 68% or \$30,700 under due to timing of budgeted conferences.

Travel and Entertainment – 81% or \$7,800 for the month; 42% or \$13,000 under YTD.

Occupancy and Operating – \$4,200 or 9% under budget for May; \$43,000 or 17% YTD. Excess attributed to software, computer equipment and printing categories.

General and Administrative – \$2,100 or 1% under budget for May; \$17,300 or 2% YTD.

Contingency – 100% or \$3,300 under for May; \$22,000 under YTD.

Operating Income – \$410,400 income for May; \$218,500 income YTD. SLTX budgeted an income of \$123,300 for the month and a loss of \$962,300 through May.

Fund Balance – SLTX went into 2024 with fund balance of \$32.7 million which was \$20,150,000 over maximum for the year, \$12,537,946. May's YTD net income of \$218,500 resulted in a fund balance on May 31 of \$32,906,000, \$20,368,058 over our current maximum.

Ms. Aug concluded presentation, Lawrence asked for any discussion or comments. Having none, Lawrence asked Aug if there was a recommendation regarding the 2024 YTD Review. Ms. Aug stated she did not.

Item 4. Discussion and Appropriate Action: Pension Plan Review | Nick Lawrence, Committee Member; Greg Brandon, Executive Director

Pension Plan Overview

Brandon emphasized organization's significant turnover, prompting a focus on improving retention strategies over the past four years. The pension plan is designed to enhance employee retention and expertise within the organization.

A total of \$750,000 has been earmarked for pension costs in the 2024 budget. The committee was tasked with determining tier levels and funding for both 2023 and 2024, with proposed funding set at 100% for 2023 and 150% for 2024 to allow future flexibility. Opportunity to fund 2023 came from filing an extension to file taxes and submitting Form 990.

Funding and Benefits

The plan aims to provide annual benefits totaling \$750,000, with employees earning 4% interest on their accumulated benefits. Brandon emphasized the possibility of a funding holiday in the future for funding at 150%. Employees can choose to receive their benefits either as a lifetime income or as a lump sum. Employees must be employed as of December 31, 2023, to qualify for benefits, and there are no obligations to former employees who leave before this date.

Discussion

Concerns regarding employees cashing out early were discussed, but the plan is structured to promote long-term retention. There was also discussion on minimum hours worked to qualify for the years' funding of 6 months or 1000 hours worked equivalent. A three-year vesting period was also decided based on federal guidelines and employee tenure.

Brandon concluded his presentation. Lawrence asks if there are any questions or further discussion. Hearing none, Lawrence asks if Mr. Brandon has a recommendation to present to the Board. Brandon stated no.

A motion was made to approve recommendation to the board to approve the tiering system as proposed, the three-year vesting period from date of hire, the proposed funding amounts for 2023 at 100% and 2024 at 150% and for the Chair of the Board and Executive Director to engage with NOVA to finalize plan provisions.

MOTION: Jason Cables

SECOND: Nick Lawrence

The motion passed unanimously.


Item 5. Adjournment | Nick Lawrence, Committee Member

There being no further business before the committee, Lawrence makes a motion to adjourn.

MOTION: Nick Lawrence

SECOND: Jason Cables

The meeting adjourned at 9:59 A.M. on June 28, 2024.



Esequiel Nathal, Secretary