1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833
(800) 541-4591 Fax (916) 244-1199
https://www.planjpa.org/

# FINANCE COMMITTEE SPECIAL MEETING AGENDA

**Thursday, August 13, 2026**
**1:00 p.m.**

**Zoom**
**Meeting ID: 824 4964 2626**
**Passcode: 747357**

All or portions of this meeting will be conducted by teleconferencing in accordance with Government Code Section 54953(b). Teleconference locations are as follows: Sedgwick, 1750 Creekside Oak Drive, Suite 200, Sacramento, CA 95833; City of American Canyon, 4381 Broadway St., Ste. 201, American Canyon, CA 94503; City of Burlingame, 501 Primrose Road, Burlingame, CA 94010; City of Cupertino, 10300 Torre Ave, Cupertino, CA 95014; Town of Colma, 1198 El Camino Real, Colma, CA 94014; and Town of Los Altos Hils, 26379 Fremont Rd, Los Altos Hills, CA 94022.

Each location is accessible to the public, and members of the public may address the Finance Committee from any teleconference location.

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation to participate in this meeting, please contact Kassandra Batista at kassandra.batista@sedgwick.com (916) 244-1103. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Documents and materials relating to an open session agenda item that are provided to the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA) Finance Committee less than 72 hours prior to a regular meeting will be available for public inspection at 1750 Creekside Oaks Dr., Suite 200, Sacramento, CA 95833.

**Page** **1. CALL TO ORDER**

**2. INTRODUCTIONS**

**3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)**

**4. PUBLIC COMMENTS** - This time is reserved for members of the public to address the Committee relative to matters of the PLAN JPA not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total.

**Page**

**5. FINANCIAL MATTERS**

**5** *A. Presentation from PFM – Asset Allocation Options **I**

*Recommendation: Staff recommends the Finance Committee provide direction regarding the development of a captive investment policy.*

**33** B. Consideration and Approval of Captive Name **A**

*Recommendation: Staff recommends the Finance Committee approve a preferred name for PLAN JPA's captive insurance company.*

**34** C. Development of Governing Documents for the Captive Insurance Company **I**

*Recommendation: None.*

**37** *D. Consideration and Approval of Captive Administration Services Agreement with Sedgwick Claims Management Services, Inc. **A**

*Recommendation: Staff makes no recommendation as it has a financial interest in the outcome.*

**50** E. Delegation of Authority to Execute Routine Service Agreements and Operational Contracts for Captive Formation **A**

*Recommendation: Staff recommends the Finance Committee authorize the Captive Manager and legal counsel, to negotiate and execute routine contracts, agreements, engagement letters, account documents, and related instruments necessary to establish, capitalize, license, and operate the PLAN JPA captive insurance company, provided such agreements are within the approved budget and consistent with Captive Board-approved objectives. Any agreement resulting in a material increase in costs, significant change in scope, or long-term financial obligation beyond approved budget authority shall be brought back to the Captive Board for approval.*

**54** *F. Review of Captive Timeline **I**

*Recommendation: None.*

**6. CLOSING COMMENTS**

This time is reserved for comments by Finance Committee members and/or staff and to identify matters for future Finance Committee business.

A. Finance Committee
B. Staff

**7. ADJOURNMENT**

**NOTICES:**

- The next Risk Management Committee Meeting will be held on October 8, 2026, via Zoom teleconference at 10:00 am.
- The next PLAN-WORKS Committee Meeting will be held on October 22, 2026, via Zoom teleconference at 10:00 am.

* Reference materials enclosed with staff report. A = Action I = Information

- The next Finance Committee Meeting will be held on October 29. 2026, via Zoom teleconference at 10:00 a.m.
- The next Plan Executive Committee Meeting will be held on November 19, 2026, via Zoom teleconference at 10:00 a.m.
- The next Board of Directors Meeting will be held on December 8, 2026, via Zoom teleconference at 10:00 a.m.

## FINANCIAL MATTERS

**SUBJECT: Presentation from PFM – Asset Allocation Options**

**BACKGROUND AND HISTORY:**

PLAN JPA is currently evaluating the formation of a captive insurance company to support its long-term risk financing strategy and provide access to a broader range of investment opportunities that are available to the Joint Powers Authority (JPA). As part of the captive formation process, an investment policy and asset allocation strategy must be established to ensure captive assets are invested prudently while maintaining sufficient liquidity to meet claims obligations and regulatory requirements.

Captive insurers generally have greater investment flexibility than public entities, allowing for diversified portfolios that may include a combination of fixed income and other market-based investments, subject to regulatory requirements, risk tolerance, liquidity needs, and liability characteristics.

Preliminary analysis indicates that the proposed captive may have approximately $44.5 million available for investment after maintaining sufficient liquidity for expected claim payments. The surplus analysis also identified an estimated surplus cushion of approximately $12.0 million, representing the amount of equity that the captive could lose through investment losses or claim development before regulators may require additional funding contributions to the captive. Together, these metrics provide an initial framework for evaluating investment risk and return objectives. The actuarial firm will provide a final analysis as part of the captive application process.

**Discussion**

PFM will present several investment allocation alternatives for consideration by the Finance Committee. The presentation will address:

- Investment objectives for the captive.
- Risk and return characteristics of various asset allocation strategies.
- Fixed income and non-fixed income investment options available to captives.
- Potential impacts of different allocation models on expected long-term returns and portfolio volatility.

The Finance Committee's discussion will provide guidance regarding the appropriate balance between capital preservation, liquidity, and long-term investment growth as staff and advisors prepare a formal Captive Investment Policy for future committee consideration. The committee's feedback will also assist in determining the preliminary target asset allocation to be incorporated into the captive's business plan and regulatory application materials.

**Fiscal Impact**

There is no direct fiscal impact associated with receiving this presentation. The investment allocation ultimately selected for the captive may affect future investment earnings, portfolio volatility, and the long-term financial position of the captive.

**RECOMMENDATION:**

*Staff recommends the Finance Committee provide direction regarding the development of a captive investment policy.*

**REFERENCE MATERIALS ATTACHED:**

- PFM Investment Allocation Presentation.
- Preliminary Captive Investment and Surplus Analysis

pfm asset management

# PLAN JPA

## Finance Committee Meeting

August 13, 2026

Allison Kaune

Mallory Sampson, CFP®

Michael Kronbetter

*A Division of U.S. Bancorp Asset Management, Inc.*

# Agenda

- **Investment Policy Statement**
  - Required Return Rate
  - Target Asset Allocation
- **Asset Allocation Modeling**
  - Capital Market Assumptions
  - Risk & Return Metrics
  - Sample Investment Portfolio

# Who We Are

# Structure of Organizational Support and Resources

## U.S. Bancorp

- Parent company of U.S. Bank, N.A.
- 70k+ employees and $692b in assets

### U.S. Bank, N.A.

- Among the largest commercial banks in the U.S. by assets

### U.S. Bancorp Asset Management, Inc.

- Institutionally focused Registered Investment Adviser
- Fixed income and multi-asset solutions for institutional investors
- $416.4b in assets under management

### PFM Asset Management

- A division of U.S. Bancorp Asset Management, Inc.
- 40+ years of providing public sector investment solutions

*As of December 31, 2025.*

# How We Can Partner with You

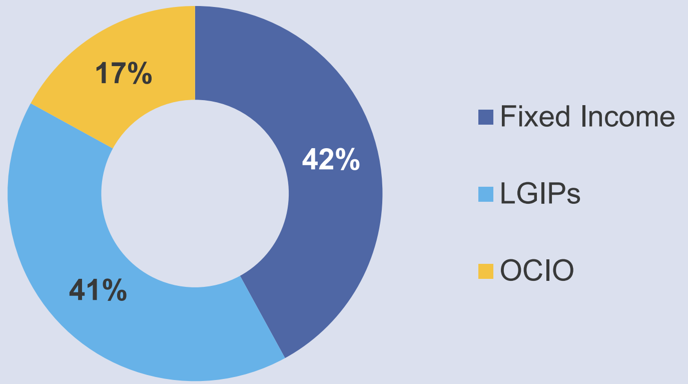
## Our Investment Solutions

- **Fixed Income:** High-quality, short- and intermediate-term portfolios for operating funds, reserves, working capital, self-insurance funds and bond proceeds
- **Local Government Investment Pools (LGIPs):** services for programs with options ranging from fully liquid cash management to a fixed-rate, fixed-term investment
- **Outsourced Chief Investment Officer (OCIO):** Multi-asset class portfolios for institutional investors
- **Specialized Solutions:** Arbitrage rebate, escrow restructuring, bond proceeds investments, structured investments

**40+ years *of* experience in the public sector***

**$177.2b in public sector assets under management***

**Assets by Investment Solution[1]**




*[1]Illustrates public sector assets under management by investment solution as of December 31, 2025. Total may not add up to 100% due to rounding.*

**As of December 31, 2025. Public sector includes government, pool, and TERM. Total assets under management for U.S. Bancorp Asset Management, Inc. were $416.4 billion.*

# Our OCIO Solution

## Key Facts

- Focused on serving institutional investors
- Tailored multi-asset portfolios available with wide variety of implementation options including active & passive strategies
- Tenured investment committee, dedicated client service and portfolio management resources
- Transparent reporting, strong performance track record, and a fiduciary to our clients

**20+ years of experience**

**$32b in OCIO assets nationwide**

**#18 in P&I Top OCIO Providers by AUM***

## Clients We Serve

**Public Pension & OPEBs**

**Not-for-Profits**

**Taft-Hartley**

**Public Insurance & Captives**

**Corporations**

**Higher Education**

**Healthcare**

*As of December 31, 2025.*
**Source: P&I Survey, ranking reflects U.S. Bancorp Asset Management by total U.S. institutional outsourced assets under management as of March 31, 2025.*

# Our Dynamic OCIO Approach

## Based on our discussions , we will:

### Strategically plan & design the portfolio

- Establish goals
- Identify risk/return parameters
- Assess liquidity needs
- Build custom asset allocation
- Develop investment policy

### Manage the portfolio

- Determine portfolio positioning
- Decide on active/passive exposure
- Select managers or funds
- Implement tactical shifts

### Review the portfolio

- Performance reporting
- Transaction reporting
- Attribution analysis
- Active rebalancing
- Client engagement

# Investment
# Policy Statement

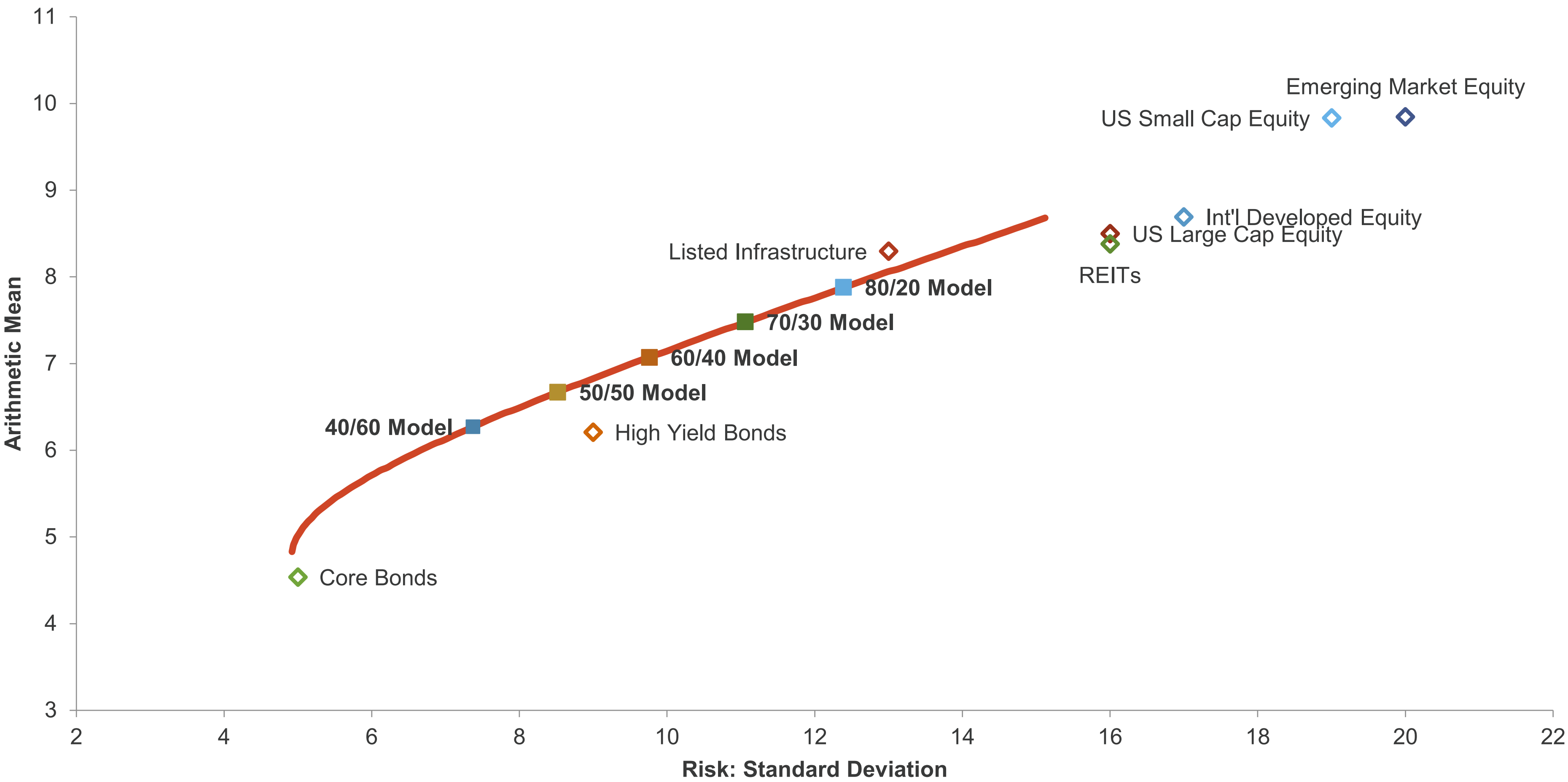
# Investment Policy Statement

*The main investment objective of the Fund is to achieve long-term growth of Fund assets by maximizing long-term rate of return on investments and minimizing risk of loss.*

| Asset Classes | Asset Weightings<br>Range | <br>Target |
|---|---|---|
| Growth Assets | | |
| Domestic Equity | +/- 20 ppts | XX% |
| International Equity | +/- 20 ppts | XX% |
| Other | 0% - 20% | XX% |
| Income Assets | | |
| Fixed Income | +/- 20 ppts | XX% |
| Other | 0% - 20% | 0% |
| Real Return Assets | 0% - 20% | 0% |
| Cash Equivalents | 0% - 20% | X% |

# Asset Allocation Modeling

# Efficient Frontier (Long-Term)




*Representative as of 12/31/2025. Asset allocations and assumptions are subject to change. Please see important disclosures at the end of this presentation for additional information.*

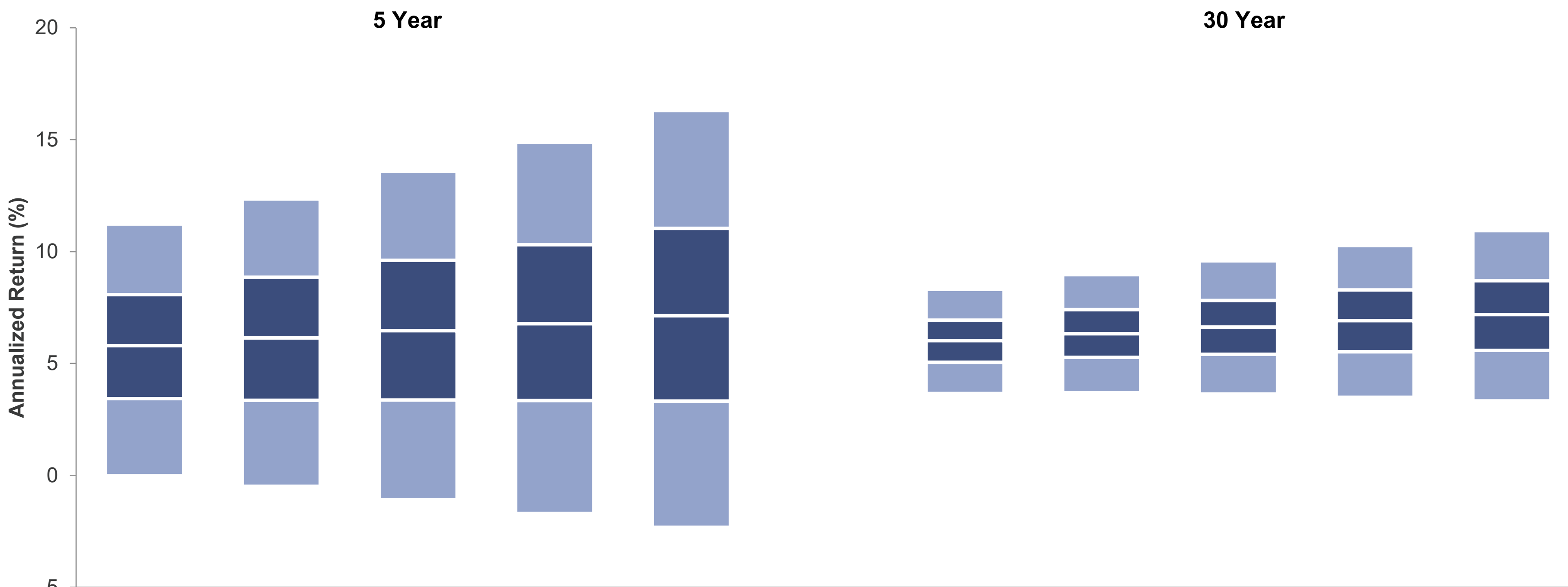
# Asset Allocation Summary

| | 40/60 Model | 50/50 Model | 60/40 Model | 70/30 Model | 80/20 Model |
|---|---|---|---|---|---|
| **Equity** | **36.0%** | **45.0%** | **54.0%** | **63.0%** | **72.0%** |
| US Large Cap Equity | 22.8% | 28.5% | 34.2% | 39.9% | 45.6% |
| US Small Cap Equity | 1.2% | 1.5% | 1.8% | 2.1% | 2.4% |
| Int'l Developed Equity | 8.4% | 10.5% | 12.6% | 14.7% | 16.8% |
| Emerging Market Equity | 3.6% | 4.5% | 5.4% | 6.3% | 7.2% |
| **Listed Real Assets** | **4.0%** | **5.0%** | **6.0%** | **7.0%** | **8.0%** |
| REITs | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
| Listed Infrastructure | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
| **Fixed Income** | **60.0%** | **50.0%** | **40.0%** | **30.0%** | **20.0%** |
| Core Bonds | 55.5% | 46.3% | 37.0% | 27.8% | 18.5% |
| High Yield Bonds | 4.5% | 3.8% | 3.0% | 2.3% | 1.5% |

| | | | | | |
|---|---|---|---|---|---|
| **Intermediate-Term Assump. (5 Years)** | | | | | |
| Expected Return | 5.8% | 6.1% | 6.5% | 6.8% | 7.1% |
| Standard Deviation | 7.4% | 8.5% | 9.8% | 11.1% | 12.4% |
| Return / Standard Deviation | 0.79 | 0.72 | 0.66 | 0.61 | 0.58 |
| **Long-Term Assump. (30 Years)** | | | | | |
| Expected Return | 6.0% | 6.3% | 6.6% | 6.9% | 7.2% |
| Standard Deviation | 7.4% | 8.5% | 9.8% | 11.1% | 12.4% |
| Return / Standard Deviation | 0.82 | 0.74 | 0.68 | 0.62 | 0.58 |

*Representative as of 12/31/2025. Asset allocations and assumptions are subject to change. Please see important disclosures at the end of this presentation for additional information.*

# Return Projections (Intermediate and Long-Term)




| | 5 Year: 40/60 Model | 50/50 Model | 60/40 Model | 70/30 Model | 80/20 Model | 30 Year: 40/60 Model | 50/50 Model | 60/40 Model | 70/30 Model | 80/20 Model |
|---|---|---|---|---|---|---|---|---|---|---|
| 95th | 11.23 | 12.35 | 13.58 | 14.89 | 16.30 | 8.31 | 8.97 | 9.59 | 10.27 | 10.94 |
| 75th | 8.07 | 8.85 | 9.61 | 10.31 | 11.03 | 6.93 | 7.40 | 7.82 | 8.28 | 8.70 |
| 50th | 5.80 | 6.14 | 6.47 | 6.77 | 7.13 | 6.02 | 6.33 | 6.62 | 6.91 | 7.18 |
| 25th | 3.43 | 3.36 | 3.37 | 3.34 | 3.32 | 5.05 | 5.28 | 5.41 | 5.52 | 5.58 |
| 5th | 0.06 | -0.41 | -1.02 | -1.62 | -2.25 | 3.74 | 3.76 | 3.71 | 3.57 | 3.41 |

*The information provided reflects standard risk and return metrics for the portfolio depicted and are derived by running Monte Carlo simulations using PFMAM's Capital Market Assumptions and target asset class allocations. Based on asset allocation scenarios provided above. Asset class and risk return analytics are run through FactSet. Please see additional disclosures for more information.*

# Sample Portfolio – 60/40

| | Asset Class Weights | Policy Targets | Tactical Weights | Expense Ratio |
|---|---|---|---|---|
| **Domestic Equity** | **100.00%** | **36.00%** | **36.00%** | |
| Schwab US Large Cap ETF | 95.00% | | 34.20% | 0.03% |
| Columbia Small Cap Growth Fund | 2.50% | | 0.90% | 0.84% |
| PIMCO RAE US Small Cap Fund | 2.50% | | 0.90% | 0.50% |
| **International Equity** | **100.00%** | **18.00%** | **18.00%** | |
| Fidelity International Index Fund | 35.00% | | 6.30% | 0.04% |
| GQG Partners International Opportunities Fund | 12.00% | | 2.16% | 0.75% |
| Janus Henderson Overseas Fund | 16.00% | | 2.88% | 0.80% |
| MFS International Diversification Fund | 22.00% | | 3.96% | 0.73% |
| Fidelity Emerging Markets Index Fund | 15.00% | | 2.70% | 0.08% |
| **Other Growth** | **100.00%** | **6.00%** | **6.00%** | |
| Cohen & Steers Institutional Realty Fund | 50.00% | | 3.00% | 0.75% |
| NYLI CBRE Global Infrastructure Fund | 25.00% | | 1.50% | 0.92% |
| Lazard Global Listed Infrastructure Fund | 25.00% | | 1.50% | 0.97% |
| **Fixed Income** | **100.00%** | **40.00%** | **40.00%** | |
| iShares Core U.S. Aggregate Bond ETF | 22.50% | | 9.00% | 0.03% |
| PGIM Total Return Bond Fund | 17.00% | | 6.80% | 0.39% |
| Baird Aggregate Bond Fund | 27.00% | | 10.80% | 0.30% |
| Nuveen Core Bond Fund | 17.00% | | 6.80% | 0.29% |
| Voya Intermediate Bond | 9.50% | | 3.80% | 0.29% |
| NYLI MacKay High Yield Corporate Bond Fund | 3.50% | | 1.40% | 0.57% |
| Artisan High Income Fund | 3.50% | | 1.40% | 0.71% |
| | | | | 0.26% |

*As of 12/31/25. Manager fees are estimated and subject to change.*

# Commitment to Client Communication & Reporting

## Portfolio Reports & Alerts

- Timely updates on portfolio changes and markets
- Quarterly meetings
- Monthly reporting
- 24/7 online account access

## Quarterly Reporting

- Economic overview and forecast
- Portfolio review with asset allocation and performance

**How the X-date and Debt Ceiling Impasse Could Impact Separately Managed Investment Portfolios**

pfm asset management

The following is an update of our recent thoughts and frequently asked questions surrounding the ongoing debt ceiling discussion and the approaching X-date, or date at which the United States government will have exhausted it's borrowing capacity.

In a letter to congressional leaders on May 22, Treasury Secretary Yellen reaffirmed the timing of when the U.S.

**Sample Client**

**Asset Allocation Compliance - Total Fund**

| | Asset Allocation (%) | Target Allocation (%) | Differences (%) |
|---|---|---|---|
| **Total Fund** | **100.0** | **100.0** | **0.0** |
| Domestic Equity | 41.6 | 40.0 | 1.6 |
| International Equity | 17.2 | 17.0 | 0.2 |
| Real Estate | 2.9 | 3.0 | -0.1 |
| Fixed Income | 37.3 | 40.0 | -2.7 |
| Cash Equivalent | 1.0 | 0.0 | 1.0 |

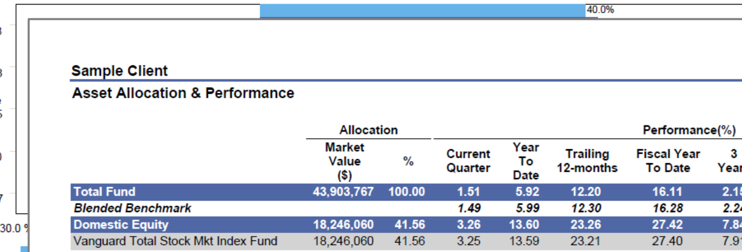
Domestic Equity
$18,246,059.8

International Equity
$7,547,809.8

Real Estate
$1,280,804.5

Fixed Income
$16,385,400.0

Cash Equivalent
$443,692.7




**Sample Client**

**Asset Allocation & Performance**

| | Allocation | | Performance(%) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | Current Quarter | Year To Date | Trailing 12-months | Fiscal Year To Date | 3 Years | 5 Years | Since Inception | Inception Date |
| **Total Fund** | **43,903,767** | **100.00** | **1.51** | **5.92** | **12.20** | **16.11** | **2.15** | **6.67** | **6.51** | **10/01/2017** |
| ***Blended Benchmark*** | | | ***1.49*** | ***5.99*** | ***12.30*** | ***16.28*** | ***2.24*** | ***6.80*** | ***7.08*** | ***10/01/2017*** |
| **Domestic Equity** | **18,246,060** | **41.56** | **3.26** | **13.60** | **23.26** | **27.42** | **7.84** | **14.01** | **13.03** | **06/01/2018** |
| Vanguard Total Stock Mkt Index Fund | 18,246,060 | 41.56 | 3.25 | 13.59 | 23.21 | 27.40 | 7.91 | N/A | 14.60 | 10/01/2019 |
| *Russell 3000 Index* | | | *3.22* | *13.56* | *23.12* | *27.27* | *8.05* | *14.14* | *14.66* | *10/01/2019* |
| **International Equity** | **7,547,810** | **17.19** | **0.80** | **5.16** | **11.14** | **15.61** | **0.42** | **5.73** | **4.31** | **06/01/2018** |
| Vanguard Total Intl Stock Index Fund | 7,547,810 | 17.19 | 0.80 | 5.16 | 10.96 | 15.61 | 0.34 | N/A | 6.42 | 10/01/2019 |
| *MSCI AC World ex USA (Net)* | | | *0.96* | *5.69* | *11.62* | *16.00* | *0.46* | *5.55* | *6.25* | *10/01/2019* |
| **Real Estate** | **1,280,805** | **2.92** | **-1.90** | **-3.06** | **4.50** | **14.52** | **-2.63** | **2.94** | **4.37** | **06/01/2018** |
| Vanguard Real Estate Index Fund | 1,280,805 | 2.92 | -1.90 | -3.06 | 4.75 | 14.52 | -2.55 | 2.96 | 4.39 | 06/01/2018 |
| *FTSE NAREIT Equity REIT Index* | | | *0.06* | *-0.13* | *7.79* | *16.07* | *0.30* | *3.90* | *5.76* | *06/01/2018* |
| **Fixed Income** | **16,385,400** | **37.32** | **0.18** | **-0.83** | **2.52** | **5.81** | **-3.08** | **-0.42** | **0.80** | **06/01/2018** |
| Vanguard Total Bond Mkt Index Fund | 16,385,400 | 37.32 | 0.18 | -0.83 | 2.55 | 5.81 | -3.08 | N/A | -0.76 | 10/01/2019 |
| *Blmbg. U.S. Aggregate* | | | *0.07* | *-0.71* | *2.63* | *6.06* | *-3.02* | *-0.23* | *-0.72* | *10/01/2019* |
| **Cash Equivalent** | **443,693** | **1.01** | **1.29** | **2.27** | **4.90** | **3.66** | **2.85** | **1.94** | **1.97** | **06/01/2018** |
| Allspring 100% Treasury Money Market | 443,693 | 1.01 | 1.29 | 2.16 | 4.79 | 3.55 | 2.81 | 1.92 | 1.94 | 09/01/2018 |

Returns are net of fees and are expressed as percentages.
Segment data excludes cash position(s) and is net of fees.
Asset class level returns may vary from individual underlying manager returns due to cash flows.

15
2.1

*For illustrative purposes only.*

# Transition Timeline

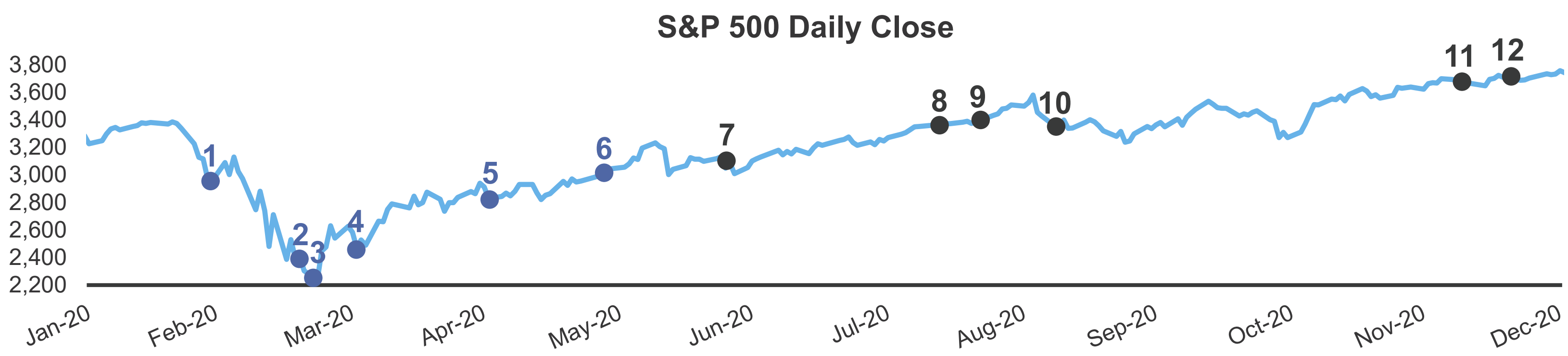
| | |
|---|---|
| **Step 1** | • Formally review investment policy and current holdings<br>• Hold kick-off call and establish recurring weekly transition call with client<br>• Review and execute contract<br>• Establish new custody accounts (if applicable) and online access<br>• Provide investment manager designation letter to custodian |
| **Step 2** | • Select the appropriate benchmarks<br>• Determine primary contacts and account authorized persons<br>• Assess service of custody relationship<br>• Determine requirement of transition manager |
| **Step 3** | • Complete Portfolio Planning Survey with client<br>• Determine strategic asset allocation<br>• Provide manager termination notices/guaranteed securities list |
| **Step 4** | • Complete receipt of on-boarding paperwork (including W-9) |
| **Step 5** | • Portfolio Implementation Day 1 (Complete transition) |

*This material is based on factual information from an actual onboarding schedule that the firm completed for a client. The timeline of individual onboarding will vary significantly depending on individual requirements and other events or circumstances beyond your control or the control of the firm.*

# Appendix

CASE STUDY

# 2020: Managing Risk & Capturing Opportunity




## Managing Risk

**1** – De-risked portfolios by reducing equities from 110% to 80% of target; splitting proceeds equally between fixed income and cash (for a 70/30 portfolio, equity allocations would have decreased from 77% to 56%)

**2** – Increased equities to 85% of target

**3** – Increased equities to 90% of target

**4** – Reduced equities to 85% of target

**5** – Added an allocation to a municipal bond ETF

**6** – Increased equities to 90% of target; added convertible bonds and emerging market debt

## Capturing Opportunity

**7** – Removed overweight to fixed income; added a dedicated allocation to mid-cap within domestic equity

**8** – Increased equities to 100% of target by shifting assets from fixed income

**9** – Removed dedicated municipal bond allocation

**10** – Removed dedicated convertible bonds allocation; increased equities to 102.5% of target

**11** – Increased allocation to international small-cap equity

**12** – Added dedicated domestic small-cap equity allocation

*This example is based on factual information from investment advisory services provided by U.S Bancorp Asset Management, Inc.* It is for general information purposes only as it is not intended to provide specific advice or any specific recommendations. The results of individual clients will vary materially depending upon various factors including, but not limited to, the size and structure of each portfolio, permitted investments, prevailing market conditions, and other events or circumstances beyond your control or the control of the adviser. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in these examples is not an offer to purchase or sell any securities.*

**OCIO experience includes legacy organizations.*

| Year | Tactical Asset Allocation Changes | |
|---|---|---|
| 2023 | February | Increased Small/Mid Cap U.S. Equities & Emerging Market Equities; Reduced Short Duration Bonds |
| | May | Removed overweight to Small/Mid Cap U.S. Equities |
| | July | Reduced overweight to U.S. Large Cap; increased exposure to Emerging Markets (ex China); added dedicated International Small Cap and removed dedicated Short Duration Bonds |
| | October | Removed overweight to U.S. Equity and underweight to Fixed Income; increased Core Bonds within Fixed Income |
| 2024 | March | Removed dedicated International Small Cap |
| | May | Removed dedicated Emerging Markets ex China |
| | October | Reduced Emerging Markets; added tactical overweight to REITs |
| 2025 | February | Removed tactical overweight to REITs; increased Emerging Markets back to target |
| | April | Adopted underweight to U.S. & International Equities/overweight to Fixed Income |
| | July | Removed underweight to U.S. & International Equities/overweight to Fixed Income |

*The information presented above as of September 30, 2025 is based upon past experience to illustrate particular analysis or decisions in the context of market events and does not describe all portfolio changes. No other changes through September 30, 2025.*

# Capital Market Assumptions

# What are Capital Market Assumptions?

- Expected future return, associated risk, and correlation for various asset classes over a specified period

  Example:

  - Return: Expected average annual growth rate of the asset class for the period
    - 5% annualized over the next 30 years
  - Risk (Standard Deviation): Expected range of annual returns based on a normal distribution
    - 5% expected return with a 10% standard deviation has a 68% certainty of a return between -5% and 15% in any one year

# What is the Role of Correlation?

- An estimate of how asset classes will behave relative to one another
- The measure is standardized and ranges between -1 (perfectly negatively correlated) to +1 (perfectly correlated)
- Considering how asset classes are correlated as part of the portfolio construction process is important to ensure diversification—a fundamental principle of modern portfolio theory

# 2026 Capital Market Assumptions, Cont.

| | U.S. Large Cap Equity | U.S. Small Cap Equity | Int'l Developed Equity | EM Equity | Short-Term Bonds | Core Bonds | Global Core | Intermediate IG Corp | Long IG Corp | Broad Treasury | Long Treasury | 20+ STRIPS | High Yield Bonds | Bank Loans | REITs | Listed Infrastructure | Private Equity | Private Debt | Private Real Estate | Private Infrastructure | Hedge Funds | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Large Cap Equity | 1 | | | | | | | | | | | | | | | | | | | | | |
| U.S. Small Cap Equity | 0.9 | 1 | | | | | | | | | | | | | | | | | | | | |
| Int'l Developed Equity | 0.8 | 0.8 | 1 | | | | | | | | | | | | | | | | | | | |
| EM Equity | 0.7 | 0.7 | 0.8 | 1 | | | | | | | | | | | | | | | | | | |
| Short-Term Bonds | 0.2 | 0.2 | 0.1 | 0.1 | 1 | | | | | | | | | | | | | | | | | |
| Core Bonds | 0.1 | 0.1 | 0.2 | 0.2 | 0.5 | 1 | | | | | | | | | | | | | | | | |
| Global Core | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.7 | 1 | | | | | | | | | | | | | | | |
| Intermediate IG Corp | 0.3 | 0.3 | 0.2 | 0.2 | 0.7 | 0.9 | 0.9 | 1 | | | | | | | | | | | | | | |
| Long IG Corp | 0.3 | 0.3 | 0.2 | 0.2 | 0.7 | 0.9 | 0.9 | 0.9 | 1 | | | | | | | | | | | | | |
| Broad Treasury | -0.3 | -0.3 | -0.2 | -0.2 | 0.8 | 0.9 | 0.9 | 0.6 | 0.9 | 1 | | | | | | | | | | | | |
| Long Treasury | -0.3 | -0.3 | -0.2 | -0.2 | 0.6 | 0.8 | 0.9 | 0.5 | 0.9 | 0.9 | 1 | | | | | | | | | | | |
| 20+ STRIPS | -0.3 | -0.3 | -0.2 | -0.2 | 0.4 | 0.6 | 0.7 | 0.4 | 0.9 | 0.9 | 0.9 | 1 | | | | | | | | | | |
| High Yield Bonds | 0.7 | 0.7 | 0.5 | 0.5 | 0.3 | 0.4 | 0.4 | 0.7 | 0.4 | -0.1 | -0.1 | -0.1 | 1 | | | | | | | | | |
| Bank Loans | 0.4 | 0.4 | 0.3 | 0.3 | 0.4 | 0.1 | 0.3 | 0.5 | 0.3 | -0.3 | -0.3 | -0.3 | 0.7 | 1 | | | | | | | | |
| REITs | 0.6 | 0.7 | 0.7 | 0.6 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | -0.1 | -0.1 | -0.1 | 0.5 | 0.4 | 1 | | | | | | | |
| Listed Infrastructure | 0.7 | 0.7 | 0.7 | 0.6 | 0.2 | 0.3 | 0.6 | 0.6 | 0.5 | -0.1 | -0.1 | -0.1 | 0.6 | 0.5 | 0.7 | 1 | | | | | | |
| Private Equity | 0.7 | 0.7 | 0.6 | 0.6 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.1 | 0.1 | 0.1 | 0.5 | 0.2 | 0.4 | 0.4 | 1 | | | | | |
| Private Debt | 0.6 | 0.6 | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.8 | 0.7 | 0.4 | 0.4 | 0.5 | 1 | | | | |
| Private Real Estate | 0.4 | 0.4 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.2 | 0.8 | 0.6 | 0.4 | 0.4 | 1 | | | |
| Private Infrastructure | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.3 | 0.2 | 0.4 | 0.7 | 0.4 | 0.3 | 0.5 | 1 | | |
| Hedge Funds | 0.6 | 0.6 | 0.5 | 0.5 | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 | -0.2 | -0.2 | -0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.3 | 0.3 | 1 | |
| Cash | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 1 |

# Important Disclosures for Return Projections (Intermediate and Long-Term)

The information provided reflects standard risk and return metrics for the portfolio depicted and are derived by running Monte Carlo simulations using PFMAM's Capital Market Assumptions and target asset class allocations based on the specific scenario within this presentation. Please refer to PFMAM's Capital Market Assumptions for key assumptions and the methodology utilized. PFMAM's Capital Market Assumptions are available upon request.

The return data is representative in nature and should not be relied upon as independently verifiable information. There is no guarantee that the projected returns can or will be achieved. Results may vary with each use and over time. This material does not purport to contain all of the information that a prospective investor may wish to consider and is not to be relied upon or used in substitution for the exercise of independent judgement.

Past performance is not a guarantee of future results. Prior to investing, you should consult your accounting, tax, and legal advisors to understand the implications of such an investment. Asset class and risk return analytics are run through FactSet.

# Disclosures

The returns presented in this simulation are not actual returns experienced by a real investor, but rather simulated returns that we believe could have been achieved under controlled circumstances using a number of assumptions.  No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered.

No assurance can be given as to whether the information and/or assumptions upon which this hypothetical performance is based reflect present market conditions or future market performance.  Actual performance results may differ from this hypothetical performance presented.  Changes in the assumptions may have a material impact on the hypothetical performance presented.  Past performance is no guarantee of future results.

The material is provided to you on the understanding that, as a sophisticated investor, you will understand and accept its inherent limitations.

# Disclosures

*Indexes shown are not available for investment. The index data reference herein is the property of the index provider and/ or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.*

*The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. (USBAM) at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.*

*Please remember you could lose money with this investment. Safety of principal is not guaranteed.* ***Past performance does not guarantee future results****. Individual account performance may be greater or less than performance of the composite.*

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*NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE*

# PRELIMINARY

# PLAN JPA

## Captive Investment & Surplus Analysis

| | | | |
|---|---|---|---|
| Assets | Assets 6/30/2026 | $ 54,000,000 | |
| | Funding - Pool Layer - (Cash Contributions in 2026-27) | $ 7,500,000 | |
| | **Total Available Assets** | **$ 61,500,000** | **<A>** |

| | | | |
|---|---|---|---|
| Liquidity Requirements | Claim Liabilities (Short Term) | $ 8,500,000 | |
| | Liquidity Needs Multiple | 2 | |
| | **Liquidity for Ongoing Claims Costs** | **$ 17,000,000** | **<B>** |

| | | | |
|---|---|---|---|
| Captive Assets | **Assets Available for Investment in Captive, after accounting for Liquidity Requirements** | **$ 44,500,000** | **<C> = <A> - <B>** |

| | | | |
|---|---|---|---|
| Existing Losses (as of 6/30/2026) | Expected Outstanding Losses, Discounted | $ 29,500,000 | |
| | 90% CL Factor | 1.38 | |
| | **90% CL Outstanding Losses, Discounted** | **$ 41,000,000** | **<D>** |

| | | | |
|---|---|---|---|
| Go-Forward Losses (2026-27) | Expected Losses 2026-27, Discounted | $ 7,500,000 | |
| | 75% CL Factor | 1.16 | |
| | **75% CL Losses 2026-27** | **$ 8,500,000** | **<E>** |

| | | | |
|---|---|---|---|
| Captive Equity Surplus | **Captive - Equity Surplus above Regulatory Requirements** | **$ 12,000,000** | **<F> = <A> - <D> - <E>** |

**August 13, 2026**
**Agenda Item 5.B.**

**FINANCIAL MATTERS**

**SUBJECT: Consideration and Approval of Captive Name**

**BACKGROUND AND HISTORY:**

**Executive Summary**
PLAN JPA has established a captive insurance company to serve as a strategic financial vehicle for the funding and management of the Joint Powers Authority (JPA) liabilities. As the captive progresses toward full operational readiness, staff and consultants continue to develop the governing documents necessary to support effective governance, regulatory compliance, and fiduciary oversight.

In addition, the captive requires a formal corporate name for incorporation, licensing, branding, and regulatory filings. Staff has developed several naming options that reflect the captive's mission, ownership structure, and commitment to protecting the long-term financial interests of PLAN JPA and its members.

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**Captive Insurance Company Naming Options**
Staff evaluated several naming options and found a simple, direct, and increasingly common naming style among public risk pools is:

"PLAN Captive"

**RECOMMENDATION:**

*Staff recommends the Finance Committee approve a preferred name for PLAN JPA's captive insurance company.*

**REFERENCE MATERIALS ATTACHED:**

None.

**August 13, 2026**
**Agenda Item 5.C.**

## FINANCIAL MATTERS

**SUBJECT: Development of Governing Documents for the Captive Insurance Company**

## BACKGROUND AND HISTORY:

**Executive Summary**
Staff and consultants have continued developing the foundational governing documents necessary for the formation and operation of the Joint Powers Authority's (JPA) captive insurance company. The purpose of these documents is to establish a comprehensive governance framework that ensures regulatory compliance, operational effectiveness, fiduciary oversight, and alignment with the JPA's strategic risk financing objectives.

The governing document suite is being designed to clearly define the captive's organizational structure, Captive Board authority, management responsibilities, financial controls, underwriting standards, and reporting requirements. Completion of these documents represents a key milestone in the captive formation process and will support regulatory review, licensing, and future operational readiness.

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The Captive Board previously authorized the exploration and development of a captive insurance company as a risk financing mechanism to enhance long-term cost stability, strengthen control of insurance programs, and provide additional flexibility in addressing member risk exposures.

As part of the establishment process, the captive must adopt governing documents that satisfy applicable regulatory requirements, industry best practices, and the ownership and oversight expectations of the sponsoring public entity JPA.

These documents establish the legal and operational framework under which the captive will conduct business and provide accountability mechanisms for directors, officers, management, and service providers.

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The following core documents are currently being drafted and reviewed:

1. **Articles of Incorporation**
   The Articles of Incorporation establish the captive as a legal entity and define:

   - Corporate purpose and authority
   - Ownership structure
   - Registered office and agent
   - Powers granted under applicable captive insurance statutes
   - Initial governance provisions

**2. Bylaws**

The Bylaws provide the framework for corporate governance and address:

- Captive Board composition and qualifications
- Director appointments and removal procedures
- Meeting requirements and voting procedures
- Officer roles and responsibilities
- Committee authority and structure
- Conflict-of-interest requirements
- Record retention and corporate governance standards

**3. Investment Policy Statement**

The Investment Policy establishes controls governing captive assets, including:

- Investment objectives
- Permitted investments
- Liquidity requirements
- Diversification standards
- Custody and reporting requirements
- Oversight and monitoring procedures

**4. Underwriting and Coverage Policies**

These policies define:

- Eligible risks
- Coverage approval authority
- Retention and risk appetite standards
- Pricing methodologies
- Claims management protocols
- Program review procedures

**5. Financial and Internal Control Policies**

These policies address:

- Budget development
- Financial reporting requirements
- Internal controls
- Auditing standards
- Reserve management
- Regulatory reporting obligations

**6. Service Provider Agreements**

Draft agreements are being prepared for key captive service providers, which may include:

- Captive manager
- Actuary
- Auditor
- Investment manager
- Investment custodian
- Legal Counsel

**Key Governance Principles**

The governing documents are being developed around several key principles:

- **Transparency -** The captive will maintain clear reporting structures to ensure ongoing accountability to the JPA Board and participating members.
- **Regulatory Compliance -** All documents are being aligned with applicable captive insurance regulations, accounting standards, and governance requirements.
- **Fiduciary Oversight -** The governance framework establishes clear fiduciary responsibilities for directors and officers regarding the prudent management of captive assets and insurance operations.
- **Risk Management -** Policies are designed to support disciplined underwriting, adequate capitalization, and effective enterprise risk management practices.
- **Public Entity Alignment -** Since the captive is owned by a public entity JPA, special consideration is being given to transparency, accountability, public stewardship, and consistency with the JPA's mission and governance structure.

**Current Status**

Staff and the Captive's Consultant have:

- Completed the initial governance framework review.
- Identified required corporate and operational policy documents.
- Developed preliminary drafts of the Articles of Incorporation and Bylaws.
- Begun review and refinement of governance, investment, and financial control policies.
- Coordinated with legal counsel and captive formation consultants regarding regulatory requirements.

The drafting process remains on schedule and continues to incorporate industry best practices and regulatory guidance.

**Next Steps**

Over the next reporting period, staff and advisors will:

- Complete draft versions of all foundational governing documents.
- Conduct legal and regulatory review.
- Incorporate stakeholder and Board feedback.
- Finalize service provider agreements.
- Prepare documents for formal Board consideration and approval.
- Submit required materials as part of the captive licensing and formation process.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

- None.

## FINANCIAL MATTERS

**SUBJECT: Consideration and Approval of Captive Administration Services Agreement with Sedgwick Claims Management Services, Inc.**

## BACKGROUND AND HISTORY:

As PLAN JPA advances the implementation of its captive insurance company, the organization must engage qualified service providers to support licensing, regulatory compliance, financial administration, governance, and ongoing operations. Staff recommends the Captive Board review and take appropriate action regarding a Service Agreement for Captive Administration with Sedgwick Claims Management Services, Inc., a nationally recognized provider of captive management, claims administration, and risk management services

Under the proposed agreement, Sedgwick will serve as the Captive Administrator and perform comprehensive captive management functions necessary for the formation and operation of the captive. Because many regulators and industry participants use the terms "Captive Administrator" and "Captive Manager" interchangeably, Sedgwick may also be identified as the Captive Manager in future organizational documents, regulatory filings, business plans, service agreements, and communications with the Utah Captive Insurance Division.

As part of the licensing and operational readiness process, the captive must engage a qualified entity to provide day-to-day captive management and administrative services. Utah captive regulations and industry best practices contemplate the use of experienced captive management professionals to assist with regulatory compliance, financial administration, accounting, corporate governance support, and coordination among the captive's service providers.

Approval of the agreement will establish the operational infrastructure required to support the captive's planned commencement of operations on October 1, 2026.

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**Scope of Services**
Under the agreement, Sedgwick will provide comprehensive captive management services to support the organization, administration, and operation of the captive. Key services include:

**Corporate and Regulatory Administration**

- Maintain a principal place of business for the captive and ensure Utah residency and occupancy requirements are satisfied.
- Provide qualified staff to serve as officers of the captive, if requested.
- Prepare and coordinate regulatory filings and approved business plan changes.
- Respond to state regulatory inquiries and manage periodic regulatory examinations.
- Carry out applicable reporting obligations imposed on captive insurance companies.

**Financial Administration and Accounting**

- Establish and maintain accounting systems appropriate for captive operations.
- Provide accounting services necessary for regulatory compliance.
- Prepare quarterly management accounts and operational reports.
- Manage cash, billings, and collections.
- Maintain books and records necessary to comply with Utah and federal requirements.
- Coordinate with auditors, actuaries, and other service providers.

**Insurance Administration**

- Issue insurance policies, endorsements, certificates of insurance, and premium invoices.
- Maintain records of insurance policies and reinsurance agreements.
- Coordinate with reinsurers and reinsurance intermediaries, where applicable.
- Track premium invoices and related financial activity.

**Investment and Financial Coordination**

- Liaise with Board-appointed investment managers.
- Assist in arranging investment of captive assets in accordance with Board-approved guidelines.
- Maintain and operate bank accounts as directed by the Board.
- Coordinate actuarial studies and reserve analyses with the captive's actuary.

**Governance and Board Support**

- Coordinate Board meetings.
- Prepare meeting agendas and minutes.
- Coordinate the annual Utah meeting and related events.
- Assist with budgeting and annual administrative planning.

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**Captive Administrator and Captive Manager Designation**

The proposed agreement is titled a "Service Agreement for Captive Administration"; however, the scope of services encompasses the full range of duties customarily performed by a captive manager. Exhibit A specifically identifies these responsibilities as "Captive Management Services."

Accordingly, staff recommends acknowledging that Sedgwick may be referenced in future organizational, governance, regulatory, and operational documents as either:

- Captive Administrator; or
- Captive Manager.

This approach provides consistency with captive industry terminology and regulatory expectations while recognizing the comprehensive management services Sedgwick will perform on behalf of the captive.

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**Fiscal Impact**

The proposed agreement establishes an Annual Base Contract Price ("ABCP") of **$45,000** for the initial contract year. The first year's fee will be paid in nine monthly installments.

The agreement further provides:

- A 3.5% annual adjustment in Years 2 and 3.
- Fiscal Year 2027-28 compensation of **$46,575**.
- Fiscal Year 2028-29 compensation of **$48,205**.

Additional fiscal considerations include:

- Reimbursement of reasonable and necessary travel expenses associated with captive business, including annual meetings in Utah and meetings with Utah regulators.
- Potential additional compensation for mutually agreed-upon services outside the defined scope of work.
- A one-time fee of **$1,500** for each new JPA member added to the captive, along with adjustments to the annual fee based on payroll participation levels.

Funding for these services is included within the captive formation and operating budget assumptions previously reviewed as part of the captive implementation process.

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**Benefits to PLAN Captive**

Approval of the agreement will provide the captive with:

- Experienced captive management expertise.
- Administrative and financial infrastructure necessary for licensing and operations.
- Regulatory compliance support.
- Coordination among actuaries, auditors, investment managers, attorneys, and other service providers.
- Board governance and meeting administration support.
- Operational readiness in advance of October 1, 2026, target implementation date.

**RECOMMENDATION:**

*Staff makes no recommendation as it has a financial interest in the outcome.*

**REFERENCE MATERIALS ATTACHED:**

- Draft PLAN Captive Master Service Agreement

**SERVICE AGREEMENT FOR CAPTIVE ADMINISTRATION**

This Service Agreement for Pool Administration (this "Agreement") is made and entered into effective October 1, 2026, by and between the PLAN Captive ("CLIENT") and Sedgwick Claims Management Services, Inc. ("Sedgwick").

**RECITALS**

1. CLIENT desires that Sedgwick provide certain captive management services.
2. Sedgwick is willing to provide such services on the terms and conditions hereinafter stated.

**AGREEMENT**

**1.** **<u>Services to Be Performed by Sedgwick</u>**: Sedgwick shall provide CLIENT with the services set forth on Attachment A (the "Services"). Sedgwick, when mutually agreed by CLIENT and Sedgwick, may perform additional services. Payment for said additional services shall be as mutually agreed.

**2.** **<u>Obligations of CLIENT:</u>** CLIENT shall:

A. Provide all information required for Sedgwick to carry out the duties pursuant to this Agreement;

B. Be truthful with Sedgwick, cooperate with Sedgwick's staff, cooperate in the conduct of CLIENT's programs, and keep Sedgwick informed of any developments which could impact the operations of CLIENT;

C. Appoint a member of Sedgwick's staff as CLIENT's Executive Director, Finance Manager, and Secretary;

D. At CLIENT's expense, appoint a qualified firm to invest the reserve funds of CLIENT; and

E. At CLIENT's expense, purchase Public Officials' Errors and Omissions coverage in an amount not less than $1,000,000 per occurrence.

**3.** **<u>Covered Jurisdictions</u>**:

This Agreement shall cover the Services for CLIENT in the following jurisdictions: California and Utah.

**4.** **<u>Payments</u>**:

Sedgwick hereby agrees to perform the services set forth in this Agreement based on the following contract amounts. These contract amounts shall be payable in twelve (12) monthly payments, each due by the 30th of the month following the month in which the services are performed.

The following fees represent the total compensation for the services described in Attachment A. To the extent the services provided to the CLIENT under this Agreement should substantially increase because of the demand for additional services, the parties agree to negotiate in good faith the cost of such additional services. The CLIENT shall pay Sedgwick all fees on a monthly basis, in arrears, with the exception of Section 5.B., below, which shall be paid on a quarterly basis, in arrears.

A. The Annual Base Contract Price ("ABCP") for the first year of service shall be $45,000

B. Travel Expenses: Sedgwick may from time to time advance the costs of airfare, lodging, meals, and other travel expenses while on CLIENT business, and for such reasonable and necessary expenses, CLIENT shall reimburse Sedgwick in accordance with CLIENT's Travel Reimbursement Policy and upon evidence of the expense. This includes travel and expenses for any annual meeting in the State of Utah as well as any required meetings in Utah with the State regulators.

C. Fee Adjustment – Annualization

In years 2 and 3 of this Agreement, the ABCP shall be increased by an annual inflator of 3.5%. The numbers below represent the ABCP for 2026-27 and 2027-28, provided no additional members join CLIENT.

| | | | |
|---|---|---|---|
| ABCP: | FY | 2027-28 | $46,575 |
| ABCP: | FY | 2028-29 | $48,205 |

**5. New Member Agencies of CLIENT**:

A. Fee Adjustment – New Members

Nothing in this Agreement shall prevent CLIENT from adding new JPA members. For each new JPA member agency added, Sedgwick will receive a one-time fee of $1,500, in addition to an increase in the Annual Fee. The increase in the Annual Fee shall be calculated based on the percentage amount equal to the total payroll of the new member divided by the total payroll of all CLIENT members for the most recently completed fiscal year, with a minimum Annual Fee increase of $2,000. The Annual Fee increase shall be pro-rated for the number of months remaining in the term of the Agreement in which the new member joins. Thereafter, the revised Annual Fee (consisting of the prior Annual Fee increased by the annual (non-prorated) amount of the increase for the new member) will be the number to which the Annual Fee adjustment is applied pursuant to above.

**6. Term of Agreement and Termination:**

A. The term of this Agreement shall be for the period commencing on October 1, 2026, and ending on August 30, 2029.This Agreement may be terminated by either party at any time, provided that at least ninety (90) days prior written notice of the effective date of termination is given to the other party.

B. This Agreement may be terminated for breach by either party for (i) substantial and material failure to comply with the obligations set forth herein or (ii) habitual or recurrent failure to perform duties under the Scope of Services in this Agreement, provided that at least sixty (60) days prior written notice of the effective date of termination is given to the other party.

C. In the event of termination, Sedgwick shall deliver to CLIENT, or its designated recipient, all files, reports, documents, and other work performed by Sedgwick under this Agreement, whether in written or electronic form, and upon receipt thereof, CLIENT shall pay Sedgwick, pursuant to the terms of this Agreement, for services performed and authorized reimbursable expenses incurred to the date of termination. Sedgwick shall refund to CLIENT all compensation previously paid to Sedgwick but unearned as of the date of termination.

**6. <u>Property Rights</u>**:

All records relating to the operations, administration, activities, and finances of CLIENT shall at all times be and remain the property of CLIENT. At the termination of this Agreement, all such materials shall be returned to CLIENT. Sedgwick may, at its sole cost and expense, make and maintain copies of any CLIENT records (but not including confidential or privileged records such as but not limited to claims legal files) for Sedgwick's use and retention both during and after the termination of this Agreement. The copies may be made on paper, computer disk, or any other format or media deemed desirable by Sedgwick.

All data, information, documents, books and records, processes (such as but not limited to experience modifications and other calculations and procedures used in reports and/or in presentations to CLIENT by Sedgwick), equipment, software (in source and object code form), and other materials supplied or purchased by CLIENT from vendors outside this Agreement, relating to, or for use in, the provision of the Services to CLIENT, and all intellectual property rights therein, will be and remain the sole property of CLIENT.

**7. <u>Professional Advice</u>**:

CLIENT acknowledges that Sedgwick has been engaged to provide certain professional services and that it is not the intent of the parties that Sedgwick assume any insurance risk. Sedgwick shall not act as an insurer for CLIENT, and this Agreement shall not be construed as an insurance policy; it being understood that Sedgwick is in no event financially responsible for payment or satisfaction of CLIENT's claims, lawsuits, or any form of cause of action against CLIENT from Sedgwick funds.

**8. <u>Indemnification</u>**:

A. Sedgwick shall be fully responsible for exercising reasonable care at all times in the performance of its obligations hereunder. However, if Sedgwick is named as a party to any litigation or proceeding, or is the subject of any claim or demand because of its actions on behalf of CLIENT, CLIENT agrees to indemnify, defend, and hold Sedgwick, its officers, directors, employees and agents harmless from any and all losses, damages, costs, judgments and expenses (including attorney's fees and costs) with respect to any such litigation, proceeding, claim or demand, unless and until a finding is entered to the effect that Sedgwick failed to exercise such reasonable care in the performance of its obligations hereunder. Sedgwick agrees to indemnify, hold harmless and defend CLIENT, its directors, officers, employees and agents from and against any and all liabilities, loss or damage that they may suffer as a result of any claim, demand, cost or judgment against them arising out of the negligence or willful misconduct of Sedgwick in connection with its performance under this Agreement, provided that such acts or omissions do not arise out of or relate to oral or written instructions, procedures or forms supplied by CLIENT or to CLIENT's internal management or adjustment of its claims.

Each party agrees to keep the other fully informed of any matter for which it is defending, holding harmless or indemnifying the other party. Each party reserves the right to appoint its own counsel, at its own expense, regarding any matter defended hereunder and to approve any settlements of same.

B. Notwithstanding anything to the contrary contained in the above paragraph, it is understood and agreed that if CLIENT, directly or through a subcontractor or vendor of CLIENT's choosing ("CLIENT Subcontractor"), retains administration of a claim or performs any services for a claim Sedgwick administers, or if CLIENT otherwise directs the administration of a claim, CLIENT will indemnify, defend, and hold Sedgwick, its officers, directors, employees and agents harmless from the losses, damages, costs, judgments and expenses (including attorney's fees and costs) as a result of any litigation or proceeding, fines, penalties, revocation of license, or any other state regulatory investigation or action arising against Sedgwick related to the acts or omissions of CLIENT or the CLIENT Subcontractor.

C. The parties agree that in no event shall Sedgwick's liability under this Agreement exceed the of five million dollars ($5,000,000) for any one claim or matter . IN NO EVENT SHALL SEDGWICK BE LIABLE FOR ANY LOSS OR DAMAGE TO REVENUES, PROFITS OR GOODWILL OR OTHER SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND RESULTING FROM ITS PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT OR RESULTING FROM THE FURNISHING, PERFORMANCE, USE OR LOSS OF USE OF ANY SOFTWARE, SYSTEM, SITE, OR DELIVERABLE PROVIDED TO CLIENT HEREUNDER, INCLUDING WITHOUT LIMITATION ANY INTERRUPTION OF BUSINESS, EVEN IF SEDGWICK HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE.

D. Notwithstanding the foregoing, an indemnifying party will not settle a claim without the indemnified party's written consent, unless such settlement results in (i) a full release of all parties, (ii) no liability to the indemnified party or future obligation of the indemnified party, and (iii) no admission of wrongdoing by CLIENT or Sedgwick.

E. The provisions of this section shall survive the expiration or termination of the Agreement.

**9. <u>Network Security/Confidentiality</u>**:

A. If CLIENT's access to the data management system requires a network connection (the "Network Connection") between CLIENT's network and Sedgwick's network, Sedgwick and CLIENT shall take reasonable and customary precautions to prevent unauthorized access to or use of the Network Connection through their respective networks. The parties agree, however, that each party is responsible for the security of its own network. Neither party shall be liable to the other for unauthorized access to the Network Connection, so long as the accused party shall have taken reasonable and customary precautions to prevent such unauthorized access.

B. Whether or not marked as such, and without regard to the media in which such records are stored, "Confidential Information" shall mean:

i. Any business or technical information pertaining to the parties herein or to third parties, which is furnished, disclosed or made available by one party to the other, including, without limitation, specifications, prototypes, software, marketing plans, financial data, and personnel statistics; and

ii. Medical records, reports, and information, as well as any other non-medical records, reports or information pertaining to claimants under the Program.

C. Each party agrees to protect Confidential Information received hereunder with the same degree of care that such party exercises with its own confidential information (but in no event less than reasonable care) and to limit access and disclosure of Confidential Information only to their employees, agents and contractors who have a "need to know," and who agree to maintain confidentiality in accordance with this section. Notwithstanding the foregoing, CLIENT agrees to permit Sedgwick to compile and disseminate aggregate, de- identified information for auditing, compliance, internal assessments, process improvement and related analytics, benchmarking purposes or forward to a data collection facility data for data handled pursuant to this Agreement, provided that such facility agrees in writing to keep CLIENT's data confidential. Further, Sedgwick shall be entitled, without violation of this section and without the prior consent of CLIENT, to retain pool or claims administration information and to forward pool and claims administration information to government agencies to the extent required by law for the proper performance of the services set forth herein.

D. The provisions of this section shall survive the expiration or termination of the Agreement.

**10. <u>Notices</u>**:

Any notice required to be given under this Agreement shall be sent by certified or registered mail, postage prepaid, to Deputy General Counsel – Litigation and Commercial, Sedgwick Claims Management Services, Inc., 8125 Sedgwick Way, Memphis, TN 38125, in the case of Sedgwick, and to PLAN Captive Acting Chairperson or Acting Legal Counsel in the case of CLIENT.

**11. <u>Assignment</u>**:

Neither party may assign its rights or obligations under this Agreement without the written consent of the other party.

**12. <u>Entire Agreement and Modification or Amendment</u>**:

This Agreement and its attached exhibits and schedules represent the full and final understanding of the parties with respect to the subject matter described herein and supersedes any and all prior agreements or understandings, written or oral, express or implied. This Agreement may be modified or amended only by a written statement signed by both parties.

**13. <u>Applicable Law</u>**:

The terms and conditions of this Agreement shall be governed by the laws of the State of California without regard to conflicts of law principles. If any dispute or claim arises hereunder that the parties are not able to resolve amicably, the parties agree and stipulate that such litigation shall be resolved in the State of California, and the parties irrevocably submit to the exclusive venue and jurisdiction of such court for the purpose of any such action or proceeding. In the event of a dispute between the parties resulting in litigation, the prevailing party may, in addition to any other relief obtained, recover its court costs and reasonable attorney's fees.

**14.** **Force Majeure**:

Neither party shall be liable to the other party or be deemed to have breached this Agreement for any failure or delay in the performance of all or any portion of its obligations under this Agreement if such failure or delay is due to any contingency beyond its reasonable control (a "Force Majeure"). Without limiting the generality of the foregoing, such contingency includes, but is not limited to, acts of God, fires, floods, pandemics, storms, earthquakes, riots, boycotts, strikes, lock-outs, acts of terror, wars and war operations, restraints of government, power or communication line failure or other circumstance beyond such party's reasonable control, or by reason of the bankruptcy, receivership or other insolvency proceeding of any bank or other financial institution where funds to pay losses and allocated loss adjustment expenses are held, or by reason of a judgment, ruling or order of any court or agency of competent jurisdiction or change of law or regulation subsequent to the execution of this Agreement. Both parties are obligated to provide reasonable back-up capability to avoid the potential interruptions described above. If a Force Majeure occurs, the party delayed or unable to perform shall give immediate notice to the other party.

**15.** **Headings**:

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

**16.** **Relationship of Parties; Expenses**:

Nothing contained in this Agreement shall be deemed to create a partnership or joint venture between the parties hereto; the only relationship among the parties shall be that of independent parties to a contract. Except as expressly provided herein, no party hereto shall have authority or shall hold itself out as having authority to act for or bind any other party hereto. Except as expressly set forth herein, each party shall bear all expenses it may incur in connection with the execution, delivery, and performance of this Agreement.

**17.** **Waiver of Breach**:

Failure of either party hereto to require the performance by the other party hereto of any obligation under this Agreement shall not affect its right subsequently to require performance of that or any other obligation. Any waiver by any party hereto of any breach of any provision of this Agreement shall not be construed as a continuing waiver of any such provision or a waiver of any succeeding breach or modification of any other right under this Agreement.

**18.** **Equitable Adjustment**:

This Agreement contemplates that the standards applicable to this Agreement are those in effect on the date of this Agreement, whether such standards are set forth in statutes, regulations, rules, orders, case law or otherwise. In the event of a change in a service standard, the parties shall be entitled to an equitable adjustment in Sedgwick's compensation if such change increases or decreases Sedgwick's cost of providing the services under this Agreement or increases or reduces its profitability, upon notice to CLIENT and subject to mutual agreement of the parties.

**19.** **Insurance Requirements**:

A. Sedgwick, at its expense, shall at all times maintain in full force and effect workers' compensation insurance covering all employees of Sedgwick in an amount required by the laws of the State of California. Sedgwick hereby declares that said employees are the employees of Sedgwick and at no time shall said employees be held to be in the employ of CLIENT. Sedgwick shall hold CLIENT harmless against any liability which it may incur toward said employees, specifically including liability for the payment of workers' compensation benefits.

B. Sedgwick, at its expense, shall maintain automobile liability insurance in the amount not less than $2 million per occurrence.

C. Sedgwick, at its expense, shall maintain at all times general premises liability insurance with limits of $2 million per occurrence to cover bodily injury and property damage which may be incurred on the premises of Sedgwick's offices.

D. Sedgwick, at its expense, shall maintain errors and omissions insurance in an amount of $2,000,000 per claim to cover Sedgwick and Sedgwick's employees who have been designated as officers of CLIENT, and other staff while they are carrying out the provisions of this Agreement and otherwise acting within the course and scope of their duties to CLIENT.

E. Sedgwick, at its expense, shall maintain Fidelity/Crime coverage in an amount of $2,000,000 per occurrence.

F. Sedgwick shall maintain Certificates of Insurance in CLIENT's files, evidencing the insurance coverage provided herein.

[Signature page follows.]

IN WITNESS WHEREOF, the patties hereto have caused this Agreement to be executed on the day and date first above written.

| | |
|---|---|
| PLAN Captive (CLIENT) | Sedgwick Claims Management Services, Inc. |
| By______________________________ | By______________________________ |
| Title____________________________ | Title____________________________ |
| Date____________________________ | Date____________________________ |

## EXHIBIT A
## SERVICES

The duties listed in this section include activities which Sedgwick staff members and subcontractors are qualified to perform for CLIENT.

**CAPTIVE MANAGEMENT SERVICES**

1. Maintain a principal place of business for the CLIENT in California, ensure requirements for Utah residency/occupancy are met, and provide qualified staff, if requested, to serve as an officer of the CLIENT.

2. Establish and maintain an accounting system appropriate to the CLIENT's operations and provide all accounting services required for purposes of management and compliance with all requirements of the State of Utah.

3. Provide the CLIENT, within 45 days (30 days if needed due to meeting schedules) after the end of each quarter, with management accounts and a written report as respects the CLIENT's operations.

4. Work with CLIENT appointed auditors and other service providers.

5. Respond to any state inquiries into the CLIENT's operations after providing the CLIENT with notice and consulting with the CLIENT on a response.

6. Manage periodic regulatory examinations.

7. Prepare, file and work with the State of Utah on changes to the CLIENT's business plans that have been approved by the CLIENT.

8. Provide advice on insurance industry customs, practices, current developments, and all issues affecting the CLIENT, including but not limited to, current accounting issues.

9. Issue certificates of insurance, insurance policies, policy endorsements, and premium invoices.

10. Maintain copies of all insurance policies, endorsements, binders, cover notes, and other evidence of insurance.

11. Maintain on file all reinsurance agreements, collateral arrangements and liaise with reinsurance intermediaries and reinsurers to obtain all required documents, if applicable.

12. Cooperate with the CLIENT's authorized consultants, actuaries, claims personnel and attorneys on a day-to-day basis to ensure the efficient operation of the CLIENT.

13. Track premium invoices and issue finance charges if applicable.

14. Manage cash, billings, and collections of the CLIENT.

15. Reimburse all vendors and service providers after the Board’s approval.

16. Work with the Board and other service providers to budget annual general and administrative expenses.

17. Liaise with the appointed investment managers to arrange for the investment of the CLIENT's funds in accordance with guidelines that the Board has provided.

18. Maintain and operate such bank accounts on such terms and in accordance with such directions as may be agreed from time to time with the Board to be necessary or expedient for the proper conduct of the insurance operations of the CLIENT.

19. Ensure that there are established such books of accounts and records as are necessary to conform with the State of Utah and Federal laws relating to captive insurance companies and that such books and records are audited annually by the approved auditor of the CLIENT.

20. Work with the CLIENT's actuary to develop any actuarial studies.

21. Carry out, on the CLIENT's behalf, all applicable reporting obligations imposed on captive insurance companies by law or regulation in accordance with recommended practice.

22. Coordinate all Board meetings, prepare and distribute agendas, and prepare minutes.

23. Coordinate annual meeting and accompanying events in the State of Utah as required.

**August 13, 2026**
**Agenda Item 5.E.**

## FINANCIAL MATTERS

**SUBJECT: Delegation of Authority to Execute Routine Service Agreements and Operational Contracts for Captive Formation**

## BACKGROUND AND HISTORY:

In its June 25, 2026 meeting, the PLAN Board of Directors authorized the formation of the Captive Board of Directors to be composed of PLAN JPA's Finance Committee members. The tasks and responsibilities of the Captive Board are to ensure appropriate oversight, accountability, and alignment with PLAN JPA's financial and strategic objectives. Additionally, the Captive Board is responsible for providing focused oversight and strategic direction regarding investment activities, financial management, policy structures, and overall program performance.

**Executive Summary**
PLAN JPA is actively implementing its captive insurance company and has entered the organizational and operational readiness phase of the project. To facilitate timely formation and licensing activities, multiple professional service agreements and operational contracts must be negotiated and executed prior to October 1, 2026.

Many of these agreements are administrative in nature and represent standard vendor relationships commonly required during captive formation and ongoing operations. Requiring individual Captive Board approval for each agreement could create unnecessary delays in regulatory filings, service-provider onboarding, capitalization activities, and operational implementation.

Accordingly, staff recommends the Captive Board delegate authority to the PLAN General Manager working as the Captive Manager and with legal counsel, to execute routine contracts necessary for the formation and startup of the captive, subject to approved budget limitations and applicable procurement policies.

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**Agreements Anticipated During Formation**
The following agreements are anticipated during the implementation and startup period:

**Actuarial Services and Implementation Agreement**

Services may include:

- Initial capitalization analysis
- Loss reserve projections
- Funding recommendations
- Financial projections
- Regulatory support
- Ongoing actuarial certifications

**Investment Advisor Agreement**

Services may include:
- Investment policy implementation
- Portfolio management services
- Asset allocation recommendations
- Regulatory compliance support
- Investment performance reporting

**Banking Services Agreement**

Services may include:
- Operating accounts
- Capital and surplus deposits
- Cash management services
- Wire transfer services
- Treasury management functions

**Investment Custody Agreement**

Services may include:
- Custody of invested assets
- Safekeeping of securities
- Regulatory reporting support
- Investment account administration

**Utah Legal Counsel Engagement**

Services may include:
- Regulatory guidance
- Captive licensing support
- Corporate governance advice
- Utah-specific compliance matters
- Regulatory communications

**Captive Management Agreement**

Services may include:
- Regulatory administration
- Corporate record maintenance
- Compliance monitoring
- Financial reporting coordination
- Captive Board meeting support

**Proposed Delegation of Authority**

Staff recommends authorization for the General Manager, acting in the capacity of the Captive Manager, and legal counsel, to:

1. Negotiate and execute routine service agreements required for captive formation and operation.
2. Execute engagement letters, amendments, renewals, and related administrative documents.
3. Establish banking, custody, and investment accounts necessary for capitalization and operations.
4. Execute regulatory and licensing-related documents required by the Utah Captive Insurance Division.
5. Execute agreements necessary to implement Captive Board-approved investment, actuarial, accounting, legal, audit, reinsurance, and captive management services.

**Fiscal Impact**

The agreements anticipated under this authorization are included within, or will be funded through, the approved captive formation and implementation budget.

Any agreement resulting in a material budget increase or creating a significant long-term financial obligation outside approved budget authority will be returned to the Captive Board for specific approval.

**Accountability and Oversight**

To maintain transparency and Captive Board oversight:

- Staff will provide periodic implementation updates.
- The Captive Board will receive notice of significant agreements executed under this authority.
- Material changes to scope, budget, capitalization requirements, or strategic direction will remain subject to Captive Board approval.
- All agreements will be reviewed by legal counsel, as appropriate.

**Benefits of Delegated Authority**

Approval of this delegation will:

- Facilitate timely completion of captive formation activities.
- Avoid delays in regulatory filings and licensing.
- Allow efficient onboarding of specialized service providers.
- Support achievement of the captive's October 1, 2026, operational target date.
- Maintain appropriate Captive Board oversight while allowing administrative matters to be addressed efficiently.

**RECOMMENDATION:**

*Staff recommends the Finance Committee authorize the Captive Manager and legal counsel to negotiate and execute routine contracts, agreements, engagement letters, account documents, and related instruments necessary to establish, capitalize, license, and operate the PLAN JPA captive insurance company, provided such agreements are within the approved budget and consistent with Captive Board-approved objectives. Any agreement resulting in a material increase in costs, significant change in scope, or long-term financial obligation beyond approved budget authority shall be brought back to the Captive Board for approval.*

**REFERENCE MATERIALS ATTACHED:**

- None.

**August 13, 2026**
**Agenda Item 5.F.**

## FINANCIAL MATTERS

**SUBJECT: Review of Captive Timeline**

**BACKGROUND AND HISTORY:**

As part of PLAN JPA's ongoing implementation of a captive insurance company, PLAN JPA staff and consultants have completed the feasibility analysis and received authorization to move forward with captive formation activities. The next phase of the project involves establishing the captive's governance structure, preparing organizational and regulatory filings, developing the investment and reinsurance framework, and obtaining approval from the Utah Captive Insurance Division.

The attached implementation timeline provides a high-level roadmap of the major milestones required to form and capitalize the captive and commence operations. The timeline is intended to help the Finance Committee monitor the project's progress, identify key decision points requiring committee action, and ensure the captive is positioned to begin operations on October 1, 2026.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

- Captive Timeline

**PLAN JPA - Captive Implementation Timeline**:

| Phase | Key Activities | Target Date |
|---|---|---|
| **1. Authorization & Governance** | Finance Committee establishes investment guidelines, selects and authorizes Captive Manager to execute captive implementation contracts, and approves captive name. | **Early August 2026** |
| **2. Formation & Planning** | Engage key service providers to develop captive business plan, investment policy, reinsurance structure, articles of incorporation, and bylaws. | **August 2026** |
| **3. Approval of Regulatory, Governance, and Investment Documents** | Finance Committee approves documents drafted in Phase 2 and provides Utah biographical affidavits. | **Late August 2026** |
| **3. Regulatory Application** | Captive Manager conducts pre-application meeting with Utah regulators and submits captive licensing application and supporting documentation. | **Late August - Early September 2026** |
| **4. Regulatory Approval & Infrastructure** | Complete regulatory review process, obtain Certificate of Authority, establish bank and custody accounts, obtain EIN, and finalize operational infrastructure. | **September 2026** |
| **5. Capitalization & Launch** | Transfer capital and premium funding to the captive and commence operations. | **October 1, 2026** |