



**CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS MEETING
AGENDA**

**Friday, October 23, 2026
12:00 p.m. MDT**

Teleconference

Join the meeting via Zoom:

<https://hollandhart.zoom.us/j/6287346651?pwd=d25TdCtYNDZLQjdHb2ZmOFFoalI3UT09>

Join by Phone: (669) 444-9171
Meeting ID: 628 734 6651
Passcode: 1230

A portion of this meeting will be conducted via teleconference in accordance with Government Code Section 54953. The teleconference locations are as follows: California Transit Indemnity Pool, 601 Walter Avenue, Pinole, CA, 94564. Alternatively, you may attend the meeting and address the Board via the Zoom link or dial-in number shown above.

In compliance with the Americans with Disabilities Act, if you need a disability–related modification or accommodation to participate in this meeting, please contact Yvette Flama at (916) 730-2667 or yvette.flama@sedgwick.com. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Page

1. CALL TO ORDER; INTRODUCTIONS

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

3 3. CONSENT CALENDAR

If a Board member would like to discuss any item listed, it may be pulled from the Consent Calendar.

*A. CERMA Board of Directors Roster

Recommendation: Staff recommends approval of the Consent Calendar.

4. ADMINISTRATIVE MATTERS

5 A. Introduction of State of Utah Captive Insurance Division Staff

Recommendation: None.

6 *B. Discussion Regarding CERMA Logo

Recommendation: Staff recommends the Board of Directors consider and select one option from the proposed CERMA logos.

- 18 *C. Captive Utilization by Public Entity Risk Pools
Recommendation: None.

5. FINANCIAL MATTERS

- 31 A. Report from Finance Manager
Recommendation: None.

- 34 *B. Captive Funding Overview - Bickmore Actuarial
Recommendation: Staff recommends the Board of Directors receive and file the June 25, 2026, Captive Implementation Report for CERMA as presented.

- 76 *C. Investment Portfolio Overview and Update - PFM Asset Management
Recommendation: None.

6. REPORTS

- 101 A. Report from Executive Director – Rob Kramer
Recommendation: None.

7. CLOSING COMMENTS

This time is reserved for comments by the Board of Directors members and Staff and to identify matters for future Board of Directors business.

- A. Board of Directors
- B. Staff

8. ADJOURNMENT

CONSENT CALENDAR

SUBJECT: Consent Calendar

BACKGROUND AND STATUS:

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and require no discussion. If a Board member would like to discuss any item listed, it may be pulled from the Consent Calendar.

RECOMMENDATION:

Staff recommends approval of the Consent Calendar.

REFERENCE MATERIALS ATTACHED:

- A. CERMA Board of Directors Roster

**CAPTIVE FOR THE EMPLOYMENT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS LISTING
AS OF OCTOBER 12, 2026
(Board of Directors two-year term 7/1/26-7/1/28)**

BOARD MEMBERS

President (two-year term)

Amy Conley - CIRA
2330 East Bidwell Suite 150
Folsom, CA 95816
Tel: (707) 799-3251
aconley@cira-jpa.org

Vice President (two-year term)

Rob Thompson – CalTIP
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Treasurer (two-year term)

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Representative

Jason Castleberry
City of Union City
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Union City, CA 94587
Tel: (510) 737-2876
jasonc@unioncity.org

ADMINISTRATIVE MATTERS

**SUBJECT: Introduction of State of Utah Captive Insurance Division Staff – Rob Kramer,
Executive Director**

BACKGROUND AND STATUS:

The focus of the Utah Captive Insurance Division is to implement the Utah Captive Insurance Companies Act and promote Utah as a domicile for captive insurance companies.

They believe that a multitude of businesses can take greater control of their own insurance risks through a properly organized captive insurance company in Utah. Their captive infrastructure is rapidly developing, and a Utah captive is a great solution for meeting risk management needs.

As you will see in a later staff report there are now numerous California Risk Sharing Groups/JPA's that have formed captives in the State.

This time is reserved for the Board of Directors to meet with Utah Captive Insurance Division staff, learn more about their roles, and ask questions. The team is led by Travis Wegkamp, the Director of Captive Insurance, and Stephanie Liu, the Deputy Director of Captive Insurance.

Mason Christian, Captive Insurance Specialist, has been assigned to the CERMA account.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

None.

ADMINISTRATIVE MATTERS

SUBJECT: Discussion Regarding CERMA Logo – Yvette Flama, CERMA Staff

BACKGROUND AND STATUS:

As its own legal entity, the Captive for ERMA (CERMA) should have its own identity and logo.

Staff collaborated with Sedgwick’s Marketing Department to develop three logo design options for the Board’s consideration. The selected logo will be used on agendas, memoranda, and other official business correspondence.

RECOMMENDATION:

Staff recommends the Board of Directors consider and select one option from the proposed CERMA logos.

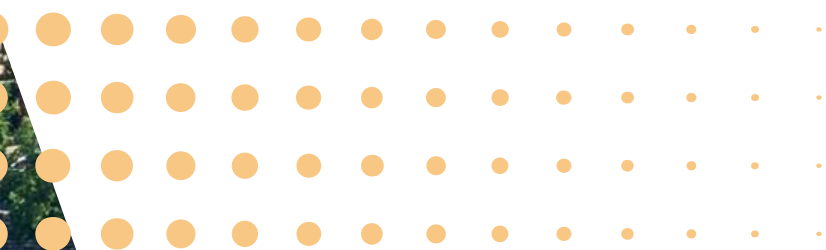
REFERENCE MATERIALS ATTACHED:

- CERMA Logo Design Options



CERMA LOGO OPTIONS

OCTOBER 2026

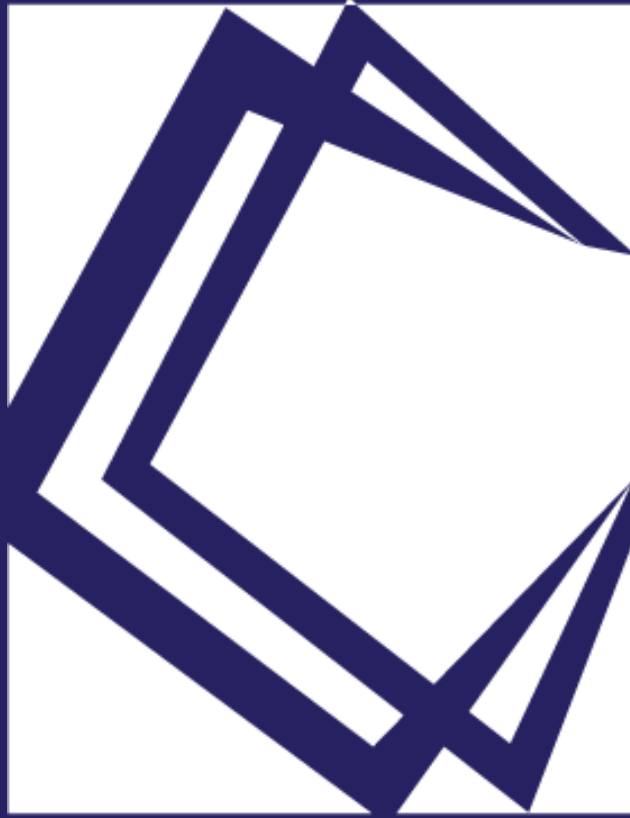




CERMA

**Captive for the Employment
Risk Management Authority**

Option 1



CERMA

**Captive for the Employment
Risk Management Authority**

Option 1



Option 1



Option
2



Option

2



Option

2



Option

3



Option



Option

3



Option
1



Option
2



Option
3



ADMINISTRATIVE MATTERS

SUBJECT: Captive Utilization by Public Entity Risk Pools – Rob Kramer, Executive Director

BACKGROUND AND STATUS:

Now that the formation of captives by public entity risk pools like ERMA is becoming more commonplace, public entities are finding new and exciting ways to better utilize their respective captives.

For ERMA, as a monoline coverage organization, that began by covering both its tail and prospective liabilities, the options are fewer. However, staff has prepared a brief presentation to discuss some of the potential uses that other public entities are considering.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

- CERMA Captive Utilization by Public Entity Risk Pools Presentation



CERMA

Captive for the Employment
Risk Management Authority

Captive Utilization by Public Entity Risk Pools

Captive for Employment Risk Management Authority

Presented by Rob Kramer, Executive Director • October 23, 2026

Agenda

- 1 Overview of Entities and Corresponding Domiciles
- 2 Traditional Captive Utilization Strategies
- 3 Additional Captive Utilization
- 4 Successes and Challenges
- 5 Discussion



Section 01

Overview of Entities and Corresponding Domiciles

Sample of Public Entity Risk Pools That Have Formed Captives

Entities and Corresponding Domiciles

California Entity	Captive	Domicile
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Captive Insurance for Public Agencies (CIPA)	Hawaii
Association of California Water Agencies JPIA (ACWA)	California Water Insurance Fund (CWIF)	Utah
California Affiliated Risk Management Authorities (CARMA)	CARMA Captive (CARMAC)	Utah
California Association for Park and Recreation Indemnity (CAPRI)	Recreation Insurance Organization (RIO)	Utah
California Housing Workers' Compensation Authority (CHWCA)	In Development	Utah
California Joint Powers Insurance Authority (CJPIA)	Sequoia Pacific Reinsurance Company	Utah
California Sanitation Risk Management Authority (CSRMA)	Clean Water Insurance Captive (CWIC)	Utah
Employment Risk Management Authority (ERMA)	ERMA CAPTIVE	Utah
Keenan (NCR, PIPS, SCR, Safer, SWACC)	Meritage Insurance Group	Hawaii
North Bay Schools Insurance Group (NBSIG)	NBSIG Captive	Utah
PRISM	Affiliate Risk Captive (ARC)	Utah
Public Liability Assurance Network (PLAN)	In Development	Utah
Other States	Captive	Domicile
County Reinsurance, Limited (CRL)	" " " "	Vermont
Government Entities Mutual (GEM)	" " " "	Washington, D.C.



Section 02

Traditional Captive Utilization Strategies

Varying Utilization By Public Entity Risk Pools

Initial Captive Utilization – Investment Returns

Captive formation, and utilization as a reinsurance entity, allows for **more aggressive asset investment** compared to California Joint Powers Authority (JPA) limitations on asset class and grade.



Initial Captive Utilization – National Exposures



Captive formation is one of the very few options for **writing coverage in multiple states** outside of forming an insurance company.



Section 03

Additional Captive Utilization

New and Repeating Captive Utilization

Loss Portfolio Transfer – Adding a New Member or Group

Loss Portfolio Transfer

- A prospective member, or group of members (even an entire JPA), is looking to join a pool and wants to discontinue its prior obligations.
- Open market insurers typically price:
expected claims + risk margin + overhead + profit = expensive transition
- Generally, requires insurer takeover of open claims management/administration.
- Pool insures/reinsures this loss portfolio transfer risk without insurer profit margin, provides claims handling flexibility, plus gains new member(s).



Section 04

Successes and Challenges

What Have We Seen So Far

Things to Watch

Market Timing – Recent examples of captives in the past three years capitalizing on a strong equity market.

- 2018/2022 declines were extremely unfavorable for newer captive entrants.

Combined Results – Strong claims results combined with strong investment returns had a compounding effect.

Transparency – Negative membership response (and PR) to a lack of transparency, inappropriate expenses.

Focus on Risk Retention – Creativity causing some concern that captives are losing focus on reinsurance/risk.



CERMA

Captive for the Employment
Risk Management Authority

Discussion

FINANCIAL MATTERS**SUBJECT: Report from Finance Manager – Sarah Thurston, Finance Manager****BACKGROUND AND STATUS:****Background**

As part of ERMA's long-term risk financing strategy, an actuarial analysis performed by Bickmore was used to evaluate funding levels and identify amounts appropriate for transfer to the captive insurance program (CERMA). The objective was to align assets with projected liabilities while enhancing ERMA's ability to manage risk through the captive structure.

Captive Funding

Based on recommendations provided by Bickmore's actuarial analysis, a total of **\$47,485,000** was transferred to capitalize the captive insurance program. The funding consisted of:

- \$35,665,000 attributable to ERMA's Liability Loss Portfolio Transfer (LPT); and
- \$11,820,000 attributable to ERMA's FY 2026-27 Go Forward Program funding.

Summary of Premiums and Surplus Paid In

COMPONENT	PREMIUM	SUPPORTING SURPLUS	TOTAL CONTRIBUTION
At 7/1/2026 ERMA Liability LPT	\$25,134,000	\$10,531,000	\$35,665,000
During 2026-27 ERMA Liability Go Fwd	8,917,000	2,903,000	11,820,000
During 2026-27 Additional Paid-In Capital (Est.)		9,937,000	9,937,000
TOTAL INFLOWS			\$57,422,000

The supporting surplus amounts in the table above are the amounts required to take the liabilities for the LPT components from the expected confidence level to the 90% confidence level. For the go forward components, they are the amounts required to take the liabilities up to the 75% confidence level.

The additional recommended paid-in capital was left in ERMA's liquidity account to support operational processes.

Funding Timeline

The funding process occurred in multiple phases:

- **July 1, 2026:** \$250,000 in seed funding was transferred to the captive's money market account with California Bank & Trust (CB&T).
- **July 23, 2026:** The primary transfer of \$35,415,000 (\$35.7M less \$250K) was initiated and subsequently settled at U.S. Bank on July 24, 2026.
- **August 5, 2026:** The final transfer of \$11,820,000 was initiated and settled at U.S. Bank on August 6, 2026.

These transactions completed the transfer of funds recommended through actuarial analysis and fully capitalized the captive for its initial operations.

Implementation and Coordination Effort

The successful establishment and funding of the captive represented the culmination of approximately one year of planning, preparation, and coordination among numerous internal and external stakeholders.

During the final implementation phase, from approximately April through July 2026, significant effort was dedicated to:

- Establishing the captive's banking and money market accounts.
- Opening and funding the new investment accounts.
- Closing legacy accounts and appropriately reallocating remaining assets among operating, liquidity, and investment accounts.
- Completing and executing extensive legal, banking, and custodial documentation.
- Coordinating user access, permissions, and system administration requirements across multiple organizations and service providers.
- Working with captive management, legal counsel, banking institutions, investment professionals, and other partners to ensure all operational requirements were met.
- Collaborating with accounting and finance stakeholders to determine appropriate accounting treatment and establish the captive structure within the financial reporting system.

This initiative required substantial cross-functional collaboration to ensure the captive was established in a manner consistent with governance, operational, accounting, and investment requirements.

Initial Portfolio Status

As of September 30, 2026, the captive portfolio has generated approximately \$122,000 in interest income and has experienced approximately \$450,000 in unrealized gains. While these initial results are encouraging, the portfolio remains in the early stages of implementation. Investment performance will continue to be monitored and reported by PFM within the context of the portfolio's long-term objectives and investment strategy.

Looking Ahead

Beginning next year, separate actuarial analyses will be completed for both ERMA and CERMA. These independent studies will provide organization-specific evaluations and support future funding and risk financing decisions.

Additionally, independent financial audits will be performed for both ERMA and CERMA. These audits will further enhance financial transparency, accountability, and governance as both organizations continue to evolve.

Conclusion

The establishment and funding of the captive marks a significant milestone in ERMA's long-term risk financing strategy. Through extensive planning, coordination, and execution, ERMA successfully completed the capitalization of the captive and established the operational, financial, and governance infrastructure necessary to support its ongoing success.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

None.

FINANCIAL MATTERS

SUBJECT: Captive Funding Overview – Derek Burkhalter & Mike Harrington of Bickmore Actuarial

BACKGROUND AND STATUS:

Derek Burkhalter, ACAS, MAAA, and Mike Harrington, FCAS, MAAA, Bickmore Actuarial, have completed a Captive Implementation Report for CERMA as of June 25, 2026. This is an addendum to ERMA's self-insured losses dated March 27, 2026. The report is attached to this staff report for your review.

The Utah Department of Insurance requires captive insurance companies to file an Annual Statement, which consists of the following:

- Statement of Economic Benefit,
- Statement of Actuarial Opinion,
- and Annual Audit.

This will occur near the end of this fiscal year.

Mr. Burkhalter and/or Mr. Harrington will be in attendance virtually to review the current analysis with the Board.

RECOMMENDATION:

Staff recommends the Board of Directors receive and file the June 25, 2026, Captive Implementation Report for CERMA as presented.

REFERENCE MATERIALS ATTACHED:

- CERMA Captive Implementation Report
- CERMA Captive Actuarial Presentation



Captive Implementation Report Employment Practices Liability Program

*Loss Portfolio Transfer and Go Forward Premium Transfer
From Employment Risk Management Authority
To Captive for Employment Risk Management Authority*

Effective July 1, 2026

Presented to
Employment Risk Management Authority (ERMA)

June 25, 2026

June 5, 2026

Mr. Rob Kramer, Executive Director
Employment Risk Management Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

RE: ERMA Captive Feasibility Study and Business Plan
Captive for Employment Risk Management Authority Captive (CERMA)

Dear Mr. Kramer,

As requested, we have completed the captive feasibility study and business plan for the Captive for Employment Risk Management Authority (CERMA) for the liability program of ERMA.

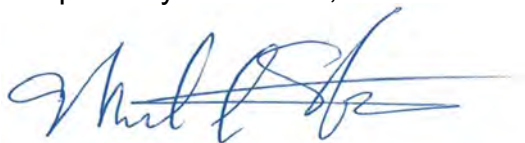
This report provides the necessary information to file with the Utah department of insurance, including the following:

- Summary of the Captive Feasibility Study, both Phase I and Phase II
- Captive Business Plan
- Captive Reinsurance Agreements
- Pro Forma Financials for Expected and Adverse Loss Scenarios

We appreciate the opportunity to be of service to ERMA in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or Dick Huntington at (214) 906-8464 with any questions you may have about this report.

Sincerely,

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Mike Harrington", with a stylized flourish at the end.

Mike Harrington, FCAS, MAAA
President, Principal, Bickmore Actuarial

Cc: Dick Huntington, CPCU, ARM, President, The Huntington Group, LLC

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FEASIBILITY STUDY PHASE 1

ERMA was formed on July 1, 1999 to provide California public entities with tailored employment practices liability coverage for its 205 public entity members, including 12 joint powers authorities and two direct (independent) members:

- Bay Cities Joint Powers Insurance Authority (BCJPIA)
- California Transit Indemnity Pool (CalTIP)
- Central San Joaquin Valley Risk Management Authority (CSJVRMA)
- Exclusive Risk Management Authority of California (ERMAC)
- Housing Authority of Contra Costa County (IND)
- Monterey Bay Area Self Insurance Authority (MBASIA)
- Municipal Pooling Authority (MPA)
- Oakland Housing Authority (IND)
- Pooled Liability Assurance Network (PLAN)
- Public Agency Risk Sharing Authority of California (PARSAC)
- Public Entity Risk Management Authority (PERMA)
- Small Cities Organized Risk Effort (SCORE)
- Vector Control Joint Powers Agency (VCJPA)

Employment related claims for all of these entities are administered in Sacramento. Liability claims administration for these underlying member pools are handled by a variety of self-administered units or outside independent adjusting firms, including the ERMA administrator.

The figures in this implementation report are based upon results of the actuarial study for ERMA's liability program completed in March, 2025, utilizing loss data valued as of October 31, 2024. This report is also included in this submission for information.

FEASIBILITY STUDY PHASE 2

The focus of Phase 2 of the Feasibility Study was a financial comparison of keeping the liability risk of \$1,000,000 of each loss in the pool, or placing this exposure in the captive insurance company. In discussions with ERMA's Board of Directors, it was determined that the captive would assume ERMA's retained liabilities by (1) a loss portfolio transfer (LPT) of claims with accident dates of June 30, 2026 and prior, and (2) assuming the go-forward liabilities for claims incurred during the 2026-27 policy period. The captive's exposure would be on a reinsurance basis, with CERMA reinsuring the ERMA pool.

The following table shows the premium, supporting surplus, and any additional capital to be paid to the captive for the liability program.

Summary of Premiums and Surplus Paid In

COMPONENT	PREMIUM	SUPPORTING SURPLUS	TOTAL CONTRIBUTION
At 7/1/2026 ERMA Liability LPT	\$25,134,000	\$10,531,000	\$35,665,000
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Assumed Interest Rates

One of the reasons for ERMA to reinsure its liability program with its captive insurance company is to increase its investment yield on the portfolio of funds held for future loss payments. ERMA's current investment yield is approximately 2.0%. Discussion with ERMA's investment professionals, however, indicates that long term yields in the 6% to 10% range are quite achievable. Thus, to be conservative, we have selected 2.0% as the base case investment yield.

Total Assets vs. Invested Assets

At any given point in time, the assets to be invested within the captive are net of all loss payments that are expected to be made during the subsequent two calendar years for all prior liabilities, and also net of all captive expenses that will be paid during the subsequent calendar year. In this way, the captive maintains enough liquid assets to manage its daily operations without having to liquidate any investments.

For example, on the effective date, the captive will maintain liquid assets of \$12,943,000 to cover two years of loss payments for the LPT, and \$225,000 to cover one year of CERMA's general expenses. So, although \$35,665,000 in assets will be transferred to the captive in total on the effective date, \$12,943,000 will be withheld by ERMA to make claim payments. This is reflected in the following initial balance sheet as of July 1, 2026:

Cash and Investments (To be invested)	\$22,722,000
Funds Withheld (Retained by ERMA)	12,943,000
Total Assets	\$35,665,000
Liability for Unpaid Claims – LPT @ 6/30/2026	\$25,134,000
Liability for Unpaid Claims – 2026-27 Policy Year	0
Total Liabilities	\$25,134,000
Regulatory Surplus Requirement	\$250,000
Additional Surplus	10,281,000
Total Surplus	\$10,531,000

Stress Testing Captive Results

Identical premiums, surplus contributions, undiscounted losses and allocated loss adjustment expenses have been included in each of the pro forma financial statements. Each section of Exhibits 1 and 2 provides the results at different investment yields.

Several important conclusions can be drawn from these exhibits. Over the five-year period, the net income from the captive operation shown on Exhibit 1 ranges from \$31,206,000 at the 2.0% investment yield to \$36,038,000 at the 5.0% investment yield.

Initial surplus is assumed to range from \$24,267,000 at a 2.0% investment yield to \$26,395,000 at a 5.0% investment yield. By the end of the five year period, the initial surplus amounts are expected to grow to \$41,143,000 at the 2.0% investment yield and \$47,441,000 at the 5.0% investment yield.

Exhibits 1 and 2 on the following pages summarize the key indicators from pro forma financial statements using 3.0%, 4.0% and 5.0% and then comparing those results with the current investment yield of 2.0%.

Employment Risk Management Authority
Employment Practices Liability Captive Implementation and Business Plan

Exhibit 1 provides the results of the expected loss scenario at different investment yields.

Exhibit 1: Expected Loss Scenario (\$000s)

Category	Investment Return	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Total
Capital Paid In and Premiums	2.0%	57,422	12,565	13,438	14,372	15,371	113,168
	3.0%	57,143	12,287	13,140	14,054	15,030	111,654
	4.0%	56,874	12,018	12,853	13,746	14,701	110,192
	5.0%	56,614	11,758	12,574	13,448	14,382	108,776
Investment Income	2.0%	870	1,004	1,115	1,231	1,358	5,578
	3.0%	1,296	1,502	1,675	1,856	2,054	8,383
	4.0%	1,718	1,998	2,237	2,489	2,765	11,207
	5.0%	2,134	2,493	2,801	3,130	3,491	14,049
Present Value of Incurred Losses	2.0%	33,800	9,658	10,342	11,070	11,846	76,716
	3.0%	33,219	9,612	10,297	11,022	11,796	75,946
	4.0%	32,663	9,568	10,252	10,976	11,748	75,207
	5.0%	32,128	9,526	10,210	10,932	11,701	74,497
Expenses	2.0%	225	159	163	168	173	887
	3.0%	225	159	163	168	173	887
	4.0%	225	159	163	168	173	887
	5.0%	225	159	163	168	173	887
Present Value of Losses and Expenses	2.0%	34,025	9,817	10,505	11,238	12,019	77,603
	3.0%	33,444	9,771	10,460	11,190	11,969	76,833
	4.0%	32,888	9,727	10,415	11,144	11,921	76,094
	5.0%	32,353	9,685	10,373	11,100	11,874	75,384
Net Income	2.0%	14,330	3,752	4,048	4,365	4,711	31,206
	3.0%	14,545	4,018	4,355	4,720	5,116	32,754
	4.0%	14,790	4,289	4,675	5,091	5,546	34,391
	5.0%	14,992	4,566	5,002	5,478	6,000	36,038
Surplus	2.0%	24,267	28,019	32,067	36,432	41,143	41,143
	3.0%	24,995	29,013	33,368	38,088	43,204	43,204
	4.0%	25,704	29,993	34,668	39,759	45,305	45,305
	5.0%	26,395	30,961	35,963	41,441	47,441	47,441

As shown, over the five-year period net income from the captive operation ranges from \$31,206,000 at the 2.0% investment yield to \$36,038,000 at the 5.0% investment yield.

At each investment return, surplus increases over the period.

Exhibit 2 provides the results of an adverse loss scenario at different investment yields, with losses at the 85% confidence level in years three and four coupled with a 5% loss on investments in years three and four.

Exhibit 2: Adverse Loss Scenario (\$000s)

Category	Investment Return	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Total
Capital Paid In and Premiums	2.0%	57,422	12,565	13,438	14,372	15,371	113,168
	3.0%	57,143	12,287	13,140	14,054	15,030	111,654
	4.0%	56,874	12,018	12,853	13,746	14,701	110,192
	5.0%	56,614	11,758	12,574	13,448	14,382	108,776
Investment Income	2.0%	870	1,004	(2,762)	(2,755)	1,077	(2,566)
	3.0%	1,296	1,502	(2,765)	(2,743)	1,598	(1,112)
	4.0%	1,718	1,998	(2,770)	(2,732)	2,109	323
	5.0%	2,134	2,493	(2,776)	(2,722)	2,611	1,740
Present Value of Incurred Losses	2.0%	33,800	9,658	17,777	19,012	12,086	92,333
	3.0%	33,219	9,612	17,548	18,828	12,147	91,354
	4.0%	32,663	9,568	17,328	18,652	12,203	90,414
	5.0%	32,128	9,526	17,118	18,483	12,255	89,510
Expenses	2.0%	225	159	163	168	173	887
	3.0%	225	159	163	168	173	887
	4.0%	225	159	163	168	173	887
	5.0%	225	159	163	168	173	887
Present Value of Losses and Expenses	2.0%	34,025	9,817	17,940	19,180	12,259	93,220
	3.0%	33,444	9,771	17,711	18,996	12,320	92,241
	4.0%	32,888	9,727	17,491	18,820	12,376	91,301
	5.0%	32,353	9,685	17,281	18,651	12,428	90,397
Net Income	2.0%	14,330	3,752	(7,264)	(7,563)	4,190	7,445
	3.0%	14,545	4,018	(7,336)	(7,685)	4,309	7,851
	4.0%	14,790	4,289	(7,408)	(7,806)	4,435	8,300
	5.0%	14,992	4,566	(7,483)	(7,925)	4,566	8,716
Surplus	2.0%	24,267	28,019	20,755	13,192	17,382	17,382
	3.0%	24,995	29,013	21,677	13,992	18,301	18,301
	4.0%	25,704	29,993	22,585	14,779	19,214	19,214
	5.0%	26,395	30,961	23,478	15,553	20,119	20,119

Given the adverse loss scenario, both net income and surplus are expected to be impacted adversely over the five-year period. Despite the adversity, both premium to surplus and reserves to surplus ratios remain below 4.0 over the entire five year period.

Full sets of pro forma financial statements are included in Appendices C and D for each loss scenario.

BUSINESS PLAN

Insurance Coverage in the Captive

ERMA would like to have CERMA reinsure the general liability losses that occur during the annual period from July 1, 2026 to June 30, 2027 as well as the losses that occurred prior to July 1, 2026 but which have not yet been paid as of July 1, 2026.

ERMA will periodically submit a list of paid claims to CERMA and CERMA will reimburse ERMA the amount requested. This invoicing and payment process will likely be monthly.

Risk Management

ERMA provides tailored loss prevention services to reduce the employment practices liability exposures of California public agencies. ERMA reduces employment practices risk through its comprehensive, innovative training and resources.

ERMA's risk management and training programs begin at the top with Elected Officials to remind them of their critically important role in their service to the public and that they are held to high standards and expectations. Broad coverage and tailored loss prevention services are available to members addressing matters related to workplace harassment, discrimination, and wrongful termination.

In addition to the efforts directed to the prevention of harassment, discrimination and termination, ERMA annually provides a rotating slate of relevant and/or hot-button human resources and employment training topics.

Claim Management

Claim management for liability claims is conducted by the Litigation Manager at ERMA's Manager's office, Sedgwick.

Liability Program

The liability program of ERMA is governed by the Memorandum of Coverage (MOC) which is issued for each fiscal year from July 1 to June 30. The MOC for the annual period ending June 30, 2027 will provide for ERMA retaining the first \$1,000,000 of each claim.

Placement into the Captive

It is the intent of ERMA to reinsure its retained amounts from the employment practices liability program in CERMA.

To the extent there are losses that occurred prior to July 1, 2026 and which have not been paid by ERMA as of July 1, 2026, these losses will become the responsibility of CERMA in the form of a Loss Portfolio Transfer (LPT) type of reinsurance agreement.

The LPT portion of the plan comprises outstanding liabilities of approximately \$25,920,000 at the expected, undiscounted level, or \$25,134,000 at the expected discounted level. In addition, ERMA will contribute \$10,531,000 as risk margin to support this line of coverage, resulting in a total contribution of \$35,665,000.

In addition, the estimated 2026-27 forecast of losses in this layer of coverage is \$9,119,000 (undiscounted, expected confidence level). This is the amount that is the basis for the annual premium of \$8,917,000 at the discounted, expected level and including expenses. In addition, ERMA will contribute \$2,903,000 as risk margin to support this line of coverage, resulting in a total contribution of \$11,820,000.

The attached actuarial report and Pro Forma financial statements provide the detail of the intended financial impact on the results of CERMA.

APPENDIX A

POLICY #0026

CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY EMPLOYMENT LIABILITY PROGRAM REINSURANCE AGREEMENT

This reinsurance agreement is made and entered into by and between the EMPLOYMENT RISK MANAGEMENT AUTHORITY (hereinafter referred to as "ERMA") and its captive reinsurance company, CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY (CERMA), a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures ERMA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 – BUSINESS COVERED

The Reinsurer agrees to reimburse ERMA for amounts of loss which ERMA may pay as a result of losses occurring under ERMA's Memorandum of Coverage for Liability as provided to ERMA members participating in the ERMA Liability Program.

ARTICLE 2 – POLICY PERIOD

The period covered by this reinsurance agreement is July 1, 2026 through June 30, 2027.

ARTICLE 3 – LIMITS OF COVERAGE

Ultimate Net Loss of \$1,000,000 per occurrence less the *retained limit* up to the *limit of coverage* on behalf of the *covered party* due to a *claim* against the *covered party* because of a **Wrongful Employment Practice** as those terms are defined in ERMA's Memorandum of Coverage for Liability.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the Memorandum of Coverage for Liability adopted by ERMA. Any changes in such Memorandum shall be reported to the Reinsurer and shall be effective in this reinsurance on the same effective date as the Memorandum of Coverage.

ARTICLE 5 – PREMIUM

ERMA shall pay to the Reinsurer a deposit premium of \$11,820,000 based on actuarially determined rates and payroll reported by the participating members. This amount is comprised of \$8,917,000 in base premium and \$2,903,000 in surplus to support the base premium.

ARTICLE 6 – CLAIM SETTLEMENTS

All claim settlements made by ERMA, under the Memorandum of Coverage for Liability reinsured hereunder, shall be binding upon the Reinsurer. Upon receipt of satisfactory proof of loss, the Reinsurer agrees to reimburse ERMA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

ERMA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the Reinsurer shall make full payment to the ERMA within 30 days of the receipt of the report.

ARTICLE 8 – COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2026, and may be terminated upon the mutual written consent of the ERMA and the Reinsurer. In the event of cancellation by either party, the premium will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this 1st day of July, 2026.

ACCEPTED:

EMPLOYMENT RISK MANAGEMENT AUTHORITY
(ERMA)

CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY
(CERMA and Reinsurer)

APPENDIX B

EMPLOYMENT LIABILITY ENDORSEMENT NUMBER 1

CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY

THIS ENDORSEMENT IS ATTACHED TO REINSURANCE AGREEMENT WITH ERMA FOR THE PERIOD JULY 1, 2026 TO JULY 1, 2027.

ARTICLE 2 – POLICY PERIOD is revised to include all annual policy periods prior to July 1, 2026 as defined by the respective ERMA Memorandums of Liability Coverage for those annual periods.

ARTICLE 3 – LIMITS OF COVERAGE is revised to include those limits retained by ERMA in the Memorandum of Liability Coverage in each of the prior annual periods.

ARTICLE 5 – PREMIUM is revised as follows:

ERMA shall pay Reinsurer a one-time premium of \$35,665,000 for this additional exposure. This premium consists of \$25,134,000 in base premium and \$10,531,000 in surplus to support the base premium. This premium shall not be subject to adjustment.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE CAUSED THIS Endorsement to be executed the 1st day of July 2026.

ACCEPTED:

EMPLOYMENT RISK MANAGEMENT AUTHORITY

CERMA REINSURER

APPENDIX C

EMPLOYMENT LIABILITY ENDORSEMENT NUMBER 2

CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY

**THIS ENDORSEMENT IS ATTACHED TO REINSURANCE AGREEMENT WITH ERMA
FOR THE PERIOD JULY 1, 2026 TO JULY1, 2027**

FUNDS WITHHELD PROVISION

With the concurrence of CERMA, ERMA may retain and withhold funds sufficient to pay losses and loss adjustment expenses arising under this Agreement. The amount of such funds shall be determined from time to time by ERMA's and CERMA's Appointed Actuary, who shall estimate the liabilities associated with the business reinsured hereunder in accordance with applicable actuarial standards of practice. ERMA shall adjust the amount of funds withheld as necessary based upon updated actuarial estimates, but no less frequently than annually.

ERMA will pay interest to CERMA at 3% per annum on the amount of withheld funds and will pay CERMA the actuarially determined withheld amount within 30 days after the end of the policy period. A new withheld amount will be determined by the actuary for each new policy year.

ERMA will hold the withheld amount in a segregated account

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this 1st day of July, 2026.

ACCEPTED:

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

**CAPTIVE FOR EMPLOYMENT RISK MANAGEMENT AUTHORITY (CERMA or
REINSURER)**

PRO FORMAS

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer

Expected Case Scenario (2.0% Investment Return)

Pro Forma Financial Statements

Balance Sheet
Income Statement
Cash Flow Statement
Annual Premiums
Loss and ALAE

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Expected Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

FORECASTED STATEMENT OF NET ASSETS

	<u>6/30/2027</u>	<u>6/30/2028</u>	<u>6/30/2029</u>	<u>6/30/2030</u>	<u>6/30/2031</u>
Assets					
Investments (at fair market value)	37,641,000	42,314,000	47,192,000	52,512,000	58,303,000
Cash and Cash Equivalents	13,929,000	15,400,000	16,874,000	18,248,000	19,602,000
Premium Receivable	0	0	0	0	0
Other Receivables	0	0	0	0	0
Federal Income Tax Recoverable	0	0	0	0	0
Deferred Tax Asset	0	0	0	0	0
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets:	<u>51,570,000</u>	<u>57,714,000</u>	<u>64,066,000</u>	<u>70,760,000</u>	<u>77,905,000</u>
Liabilities					
Provision for Loss & ALAE:					
Expected, NPV (at 2.0%)	27,303,000	29,695,000	31,999,000	34,328,000	36,762,000
Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Losses and ALAE	27,303,000	29,695,000	31,999,000	34,328,000	36,762,000
Unallocated Loss Adjustment Expenses (ULAE)					
Expected, NPV (at 2.0%)	0	0	0	0	0
Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total ULAE	0	0	0	0	0
Other					
Unearned Premium	0	0	0	0	0
Premium Taxes Payable	0	0	0	0	0
Deferred Tax Liability	0	0	0	0	0
Accrued Expenses	0	0	0	0	0
Due to Broker for Unsettled Purchases	0	0	0	0	0
Liability for Insurance Deposit	0	0	0	0	0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other	0	0	0	0	0
Total Liabilities	<u>27,303,000</u>	<u>29,695,000</u>	<u>31,999,000</u>	<u>34,328,000</u>	<u>36,762,000</u>
Net Equity & Capital					
Capital Contribution	9,937,004	9,937,004	9,937,004	9,937,004	9,937,004
Net Equity from Operations	14,329,996	18,081,996	22,129,996	26,494,996	31,205,996
Total Net Equity & Capital	<u>24,267,000</u>	<u>28,019,000</u>	<u>32,067,000</u>	<u>36,432,000</u>	<u>41,143,000</u>
Total Liabilities & Equity	<u>51,570,000</u>	<u>57,714,000</u>	<u>64,066,000</u>	<u>70,760,000</u>	<u>77,905,000</u>

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Expected Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

FORECASTED STATEMENT OF REVENUE AND EXPENSES

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>	<u>Total</u>
Revenue						
Total Premium Charged	47,485,000	12,565,000	13,438,000	14,372,000	15,371,000	103,231,000
Captive Fee	0	0	0	0	0	0
Investment Income (at 2.00%)	<u>870,000</u>	<u>1,004,000</u>	<u>1,115,000</u>	<u>1,231,000</u>	<u>1,358,000</u>	<u>5,578,000</u>
Total Revenues:	<u>48,355,000</u>	<u>13,569,000</u>	<u>14,553,000</u>	<u>15,603,000</u>	<u>16,729,000</u>	<u>108,809,000</u>
Expenses						
<u>Claims Expenses</u>						
Claims Incurred Including ALAE						
Payments During the Year	6,497,000	7,266,000	8,038,000	8,741,000	9,412,000	39,954,000
Change in Liabilities (at Expected, NPV)	27,303,000	2,392,000	2,304,000	2,329,000	2,434,000	36,762,000
Change in Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Incurred Including ALAE	33,800,000	9,658,000	10,342,000	11,070,000	11,846,000	76,716,000
Claims Adjusting Admin Fee (ULAE)						
Payments	0	0	0	0	0	0
Change in Liabilities (at Expected, NPV)	0	0	0	0	0	0
Change in Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Adjusting Admin Fee	0	0	0	0	0	0
Excess Insurance Premiums & Other Premiums	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Expenses:	<u>33,800,000</u>	<u>9,658,000</u>	<u>10,342,000</u>	<u>11,070,000</u>	<u>11,846,000</u>	<u>76,716,000</u>
<u>General and Administrative Costs</u>						
State Premium Tax	0	0	0	0	0	0
Fronting Fees	0	0	0	0	0	0
na	0	0	0	0	0	0
na	0	0	0	0	0	0
Cost of Security (LOC/Surety)	0	0	0	0	0	0
Management/Program Administration	40,000	41,200	42,400	43,700	45,000	212,300
Actuarial Services	5,000	5,200	5,400	5,600	5,800	27,000
Legal Costs	7,000	7,200	7,200	7,200	7,200	35,800
Investment Advisory Fees	84,000	86,500	89,100	91,800	94,600	446,000
Board of Director Meetings	4,900	5,000	5,200	5,400	5,600	26,100
State Licensing Fee	7,500	7,500	7,500	7,500	7,500	37,500
Premium Tax	0	0	0	0	0	0
Financial Audit/Tax Return	6,000	6,200	6,400	6,600	6,800	32,000
Up-Front Costs	<u>70,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,600</u>
Total General and Administrative Costs	<u>225,000</u>	<u>158,800</u>	<u>163,200</u>	<u>167,800</u>	<u>172,500</u>	<u>887,300</u>
Total Expenses	<u>34,025,000</u>	<u>9,816,800</u>	<u>10,505,200</u>	<u>11,237,800</u>	<u>12,018,500</u>	<u>77,603,300</u>
Revenue in Excess of Expense	<u>14,330,000</u>	<u>3,752,200</u>	<u>4,047,800</u>	<u>4,365,200</u>	<u>4,710,500</u>	<u>31,205,700</u>
Provision for Income Tax (0%)	-	-	-	-	-	-
Net Income	<u>14,330,000</u>	<u>3,752,200</u>	<u>4,047,800</u>	<u>4,365,200</u>	<u>4,710,500</u>	<u>31,205,700</u>

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Expected Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

FORECASTED STATEMENT OF CASH FLOWS

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>	<u>Total</u>
Cash Flows from Operating Activities						
Premium	47,485,000	12,565,000	13,438,000	14,372,000	15,371,000	103,231,000
Other Income	-	-	-	-	-	-
Investment Income	870,000	1,004,000	1,115,000	1,231,000	1,358,000	
Expense Paid	(6,722,000)	(7,424,800)	(8,201,200)	(8,908,800)	(9,584,500)	
Income Tax	-	-	-	-	-	
Net Increase in Cash	<u>41,633,000</u>	<u>6,144,200</u>	<u>6,351,800</u>	<u>6,694,200</u>	<u>7,144,500</u>	<u>67,967,700</u>
Cash and Equivalents, beginning of year	<u>9,937,004</u>	<u>51,570,004</u>	<u>57,714,204</u>	<u>64,066,004</u>	<u>70,760,204</u>	
Capital Contributions during year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Cash and Equivalents, end of year	<u>51,570,004</u>	<u>57,714,204</u>	<u>64,066,004</u>	<u>70,760,204</u>	<u>77,904,704</u>	

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Expected Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

CALCULATION OF ANNUAL PREMIUM

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>
Claims Incurred Including ALAE					
Loss & ALAE (at Expected, NPV @ 2.0%)	\$33,826,000	\$9,300,000	\$9,951,000	\$10,648,000	\$11,393,000
Risk Margin (33.4% for Prem, 41.9% for LPT)	<u>13,434,274</u>	<u>3,106,200</u>	<u>3,323,634</u>	<u>3,556,432</u>	<u>3,805,262</u>
Total Claims Incurred Including ALAE	\$47,260,274	\$12,406,200	\$13,274,634	\$14,204,432	\$15,198,262
Excess Insurance Premiums	0	0	0	0	0
Cost of Security (LOC/Surety)	-	-	-	-	-
Claims Adjusting Admin Fee (ULAE)					
ULAE (at Expected, NPV @ 2.0%)	\$0	\$0	\$0	\$0	\$0
Risk Margin (33.4% for Prem, 41.9% for LPT)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Adjusting Admin Fee	\$0	\$0	\$0	\$0	\$0
Fixed Expenses					
Management/Program Administration	\$40,000	41,200	42,400	43,700	45,000
Actuarial Services	5,000	5,200	5,400	5,600	5,800
Legal Costs	7,000	7,200	7,200	7,200	7,200
Investment Advisory Fees	84,000	86,500	89,100	91,800	94,600
Board of Director Meetings	4,900	5,000	5,200	5,400	5,600
State Licensing Fee	7,500	7,500	7,500	7,500	7,500
Premium Tax	0	0	0	0	0
Financial Audit/Tax Return	6,000	6,200	6,400	6,600	6,800
Up-Front Costs	<u>70,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fixed Expenses	\$225,000	\$158,800	\$163,200	\$167,800	\$172,500
Variable Expenses					
	Pct				
State Premium Tax	0.00%	\$0	\$0	\$0	\$0
Fronting Fees	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Investment Advisory Fees	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
na	0.0%	0	0	0	0
na	0.0%	0	0	0	0
Total Variable Expenses		\$0	\$0	\$0	\$0
Premium for Coverages not Written in Captive	\$0	\$0	\$0	\$0	\$0
Total Premium Needed	\$47,485,274	\$12,565,000	\$13,437,834	\$14,372,232	\$15,370,762
Total Premium Charged	\$47,485,000	\$12,565,000	\$13,438,000	\$14,372,000	\$15,371,000
Total Premium Directly Written in Captive	\$47,485,000	\$12,565,000	\$13,438,000	\$14,372,000	\$15,371,000

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Expected Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

Loss & ALAE

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>	<u>Total</u>	
Ultimate Loss & ALAE							
<u>Undiscounted Loss & ALAE</u>							
Employment Practices Liability Proje	9,118,793	9,757,000	10,440,000	11,171,000	11,953,000	52,439,793	
Employment Practices Liability Tail	25,920,000	0	0	0	0	25,920,000	
NA							
NA							
NA							
Total Undiscounted Loss & ALAE	35,038,793	9,757,000	10,440,000	11,171,000	11,953,000	78,359,793	
<u>Net Present Value Loss & ALAE @ 2.00%</u>							
Employment Practices Liability Proje	8,692,000	9,300,000	9,951,000	10,648,000	11,393,000	49,984,000	
Employment Practices Liability Tail	25,134,000	0	0	0	0	25,134,000	
NA							
NA							
NA							
Total Discounted Loss & ALAE	33,826,000	9,300,000	9,951,000	10,648,000	11,393,000	75,118,000	
Loss & ALAE Payments							
7/26 - 6/27	6,497,000	n/a	n/a	n/a	n/a	6,497,000	
7/27 - 6/28	7,207,000	59,000	n/a	n/a	n/a	7,266,000	
7/28 - 6/29	7,219,000	755,000	64,000	n/a	n/a	8,038,000	
7/29 - 6/30	5,880,000	1,985,000	808,000	68,000	n/a	8,741,000	
7/30 - 6/31	4,144,000	2,206,000	2,124,000	865,000	73,000	9,412,000	
Loss & ALAE Liabilities							
						Total Undisc.	Total NPV
@6/27	28,541,793	n/a	n/a	n/a	n/a	28,541,793	27,303,000
@6/28	21,334,793	9,698,000	n/a	n/a	n/a	31,032,793	29,695,000
@6/29	14,115,793	8,943,000	10,376,000	n/a	n/a	33,434,793	31,999,000
@6/30	8,235,793	6,958,000	9,568,000	11,103,000	n/a	35,864,793	34,328,000
@6/31	4,091,793	4,752,000	7,444,000	10,238,000	11,880,000	38,405,793	36,762,000
Risk Margin							
<u>Undiscounted</u>							
Current Year	13,906,000	3,259,000	3,487,000	3,731,000	3,992,000		
Reduction for Payments	-2,717,458	-2,979,730	-3,140,599	-3,243,959	-3,340,479		
Total Additional Risk Margin	11,188,542	279,270	346,401	487,041	651,521		
Total Cumulative Risk Margin	11,188,542	11,467,812	11,814,213	12,301,254	12,952,775		
<u>Net Present Value @ 2.00%</u>							
Total Additional Risk Margin	10,800,000	221,000	293,000	438,000	605,000		
Total Cumulative Risk Margin	10,800,000	11,021,000	11,314,000	11,752,000	12,357,000		
Risk Margin Projection	33.4%	33.4%	33.4%	33.4%	33.4%		
Risk Margin Tail	41.9%	41.9%	41.9%	41.9%	41.9%		

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer

Adverse Case Scenario (2.0% Investment Return)

Pro Forma Financial Statements

Balance Sheet
Income Statement
Cash Flow Statement
Annual Premiums
Loss and ALAE

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Adverse Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

FORECASTED STATEMENT OF NET ASSETS

	<u>6/30/2027</u>	<u>6/30/2028</u>	<u>6/30/2029</u>	<u>6/30/2030</u>	<u>6/30/2031</u>
Assets					
Investments (at fair market value)	37,641,000	41,798,000	40,731,000	38,462,000	44,759,000
Cash and Cash Equivalents	13,929,000	15,916,000	18,907,000	22,365,000	20,335,000
Premium Receivable	0	0	0	0	0
Other Receivables	0	0	0	0	0
Federal Income Tax Recoverable	0	0	0	0	0
Deferred Tax Asset	0	0	0	0	0
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets:	<u>51,570,000</u>	<u>57,714,000</u>	<u>59,638,000</u>	<u>60,827,000</u>	<u>65,094,000</u>
Liabilities					
Provision for Loss & ALAE:					
Expected, NPV (at 2.0%)	27,303,000	29,695,000	38,883,000	47,635,000	47,712,000
Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Losses and ALAE	27,303,000	29,695,000	38,883,000	47,635,000	47,712,000
Unallocated Loss Adjustment Expenses (ULAE)					
Expected, NPV (at 2.0%)	0	0	0	0	0
Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total ULAE	0	0	0	0	0
Other					
Unearned Premium	0	0	0	0	0
Premium Taxes Payable	0	0	0	0	0
Deferred Tax Liability	0	0	0	0	0
Accrued Expenses	0	0	0	0	0
Due to Broker for Unsettled Purchases	0	0	0	0	0
Liability for Insurance Deposit	0	0	0	0	0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other	0	0	0	0	0
Total Liabilities	<u>27,303,000</u>	<u>29,695,000</u>	<u>38,883,000</u>	<u>47,635,000</u>	<u>47,712,000</u>
Net Equity & Capital					
Capital Contribution	9,937,004	9,937,004	9,937,004	9,937,004	9,937,004
Net Equity from Operations	14,329,996	18,081,996	10,817,996	3,254,996	7,444,996
Total Net Equity & Capital	<u>24,267,000</u>	<u>28,019,000</u>	<u>20,755,000</u>	<u>13,192,000</u>	<u>17,382,000</u>
Total Liabilities & Equity	<u>51,570,000</u>	<u>57,714,000</u>	<u>59,638,000</u>	<u>60,827,000</u>	<u>65,094,000</u>

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Adverse Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 to 2030-2031

FORECASTED STATEMENT OF REVENUE AND EXPENSES

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>	<u>Total</u>
Revenue						
Total Premium Charged	47,485,000	12,565,000	13,438,000	14,372,000	15,371,000	103,231,000
Captive Fee	0	0	0	0	0	0
Investment Income (at 2.00%)	<u>870,000</u>	<u>1,004,000</u>	<u>-2,762,000</u>	<u>-2,755,000</u>	<u>1,077,000</u>	<u>-2,566,000</u>
Total Revenues:	<u>48,355,000</u>	<u>13,569,000</u>	<u>10,676,000</u>	<u>11,617,000</u>	<u>16,448,000</u>	<u>100,665,000</u>
Expenses						
<u>Claims Expenses</u>						
Claims Incurred Including ALAE						
Payments During the Year	6,497,000	7,266,000	8,589,000	10,260,000	12,009,000	44,621,000
Change in Liabilities (at Expected, NPV)	27,303,000	2,392,000	9,188,000	8,752,000	77,000	47,712,000
Change in Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Incurred Including ALAE	33,800,000	9,658,000	17,777,000	19,012,000	12,086,000	92,333,000
Claims Adjusting Admin Fee (ULAE)						
Payments	0	0	0	0	0	0
Change in Liabilities (at Expected, NPV)	0	0	0	0	0	0
Change in Risk Margin	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Adjusting Admin Fee	0	0	0	0	0	0
Excess Insurance Premiums & Other Premiums	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Expenses:	<u>33,800,000</u>	<u>9,658,000</u>	<u>17,777,000</u>	<u>19,012,000</u>	<u>12,086,000</u>	<u>92,333,000</u>
<u>General and Administrative Costs</u>						
State Premium Tax	0	0	0	0	0	0
Fronting Fees	0	0	0	0	0	0
na	0	0	0	0	0	0
na	0	0	0	0	0	0
Cost of Security (LOC/Surety)	0	0	0	0	0	0
Management/Program Administration	40,000	41,200	42,400	43,700	45,000	212,300
Actuarial Services	5,000	5,200	5,400	5,600	5,800	27,000
Legal Costs	7,000	7,200	7,200	7,200	7,200	35,800
Investment Advisory Fees	84,000	86,500	89,100	91,800	94,600	446,000
Board of Director Meetings	4,900	5,000	5,200	5,400	5,600	26,100
State Licensing Fee	7,500	7,500	7,500	7,500	7,500	37,500
Premium Tax	0	0	0	0	0	0
Financial Audit/Tax Return	6,000	6,200	6,400	6,600	6,800	32,000
Up-Front Costs	<u>70,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,600</u>
Total General and Administrative Costs	<u>225,000</u>	<u>158,800</u>	<u>163,200</u>	<u>167,800</u>	<u>172,500</u>	<u>887,300</u>
Total Expenses	<u>34,025,000</u>	<u>9,816,800</u>	<u>17,940,200</u>	<u>19,179,800</u>	<u>12,258,500</u>	<u>93,220,300</u>
Revenue in Excess of Expense	<u>14,330,000</u>	<u>3,752,200</u>	<u>(7,264,200)</u>	<u>(7,562,800)</u>	<u>4,189,500</u>	<u>7,444,700</u>
Provision for Income Tax (0%)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>14,330,000</u>	<u>3,752,200</u>	<u>(7,264,200)</u>	<u>(7,562,800)</u>	<u>4,189,500</u>	<u>7,444,700</u>

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Adverse Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 - 2030-2031

FORECASTED STATEMENT OF CASH FLOWS

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>	<u>Total</u>
Cash Flows from Operating Activities						
Premium	47,485,000	12,565,000	13,438,000	14,372,000	15,371,000	103,231,000
Other Income	-	-	-	-	-	-
Investment Income	870,000	1,004,000	(2,762,000)	(2,755,000)	1,077,000	
Expense Paid	(6,722,000)	(7,424,800)	(8,752,200)	(10,427,800)	(12,181,500)	
Income Tax	-	-	-	-	-	
Net Increase in Cash	<u>41,633,000</u>	<u>6,144,200</u>	<u>1,923,800</u>	<u>1,189,200</u>	<u>4,266,500</u>	<u>55,156,700</u>
Cash and Equivalents, beginning of year	<u>9,937,004</u>	<u>51,570,004</u>	<u>57,714,204</u>	<u>59,638,004</u>	<u>60,827,204</u>	
Capital Contributions during year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Cash and Equivalents, end of year	<u>51,570,004</u>	<u>57,714,204</u>	<u>59,638,004</u>	<u>60,827,204</u>	<u>65,093,704</u>	

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Adverse Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 - 2030-2031

CALCULATION OF ANNUAL PREMIUM

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>
Claims Incurred Including ALAE					
Loss & ALAE (at Expected, NPV @ 2.0%)	\$33,826,000	\$9,300,000	\$17,447,000	\$18,528,000	\$11,393,000
Risk Margin (33.4% for Prem, 41.9% for LPT)	<u>13,434,274</u>	<u>3,106,200</u>	<u>5,998,403</u>	<u>6,359,457</u>	<u>3,805,262</u>
Total Claims Incurred Including ALAE	\$47,260,274	\$12,406,200	\$23,445,403	\$24,887,457	\$15,198,262
Excess Insurance Premiums	0	0	0	0	0
Cost of Security (LOC/Surety)	-	-	-	-	-
Claims Adjusting Admin Fee (ULAE)					
ULAE (at Expected, NPV @ 2.0%)	\$0	\$0	\$0	\$0	\$0
Risk Margin (33.4% for Prem, 41.9% for LPT)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Claims Adjusting Admin Fee	\$0	\$0	\$0	\$0	\$0
Fixed Expenses					
Management/Program Administration	\$40,000	41,200	42,400	43,700	45,000
Actuarial Services	5,000	5,200	5,400	5,600	5,800
Legal Costs	7,000	7,200	7,200	7,200	7,200
Investment Advisory Fees	84,000	86,500	89,100	91,800	94,600
Board of Director Meetings	4,900	5,000	5,200	5,400	5,600
State Licensing Fee	7,500	7,500	7,500	7,500	7,500
Premium Tax	0	0	0	0	0
Financial Audit/Tax Return	6,000	6,200	6,400	6,600	6,800
Up-Front Costs	<u>70,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fixed Expenses	\$225,000	\$158,800	\$163,200	\$167,800	\$172,500
Variable Expenses					
	Pct				
State Premium Tax	0.00%	\$0	\$0	\$0	\$0
Fronting Fees	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Investment Advisory Fees	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
na	0.0%	0	0	0	0
na	0.0%	0	0	0	0
Total Variable Expenses		\$0	\$0	\$0	\$0
Premium for Coverages not Written in Captive	\$0	\$0	\$0	\$0	\$0
Total Premium Needed	\$47,485,274	\$12,565,000	\$23,608,603	\$25,055,257	\$15,370,762
Total Premium Charged	\$47,485,000	\$12,565,000	\$13,438,000	\$14,372,000	\$15,371,000
Total Premium Directly Written in Captive	\$47,485,000	\$12,565,000	\$13,438,000	\$14,372,000	\$15,371,000

Employment Risk Management Authority
Employment Practices Liability - Go Forward Program and Tail Loss Portfolio Transfer
Adverse Case Scenario (2.0% Investment Return)
Fiscal Years 2026-2027 - 2030-2031

Loss & ALAE

	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>	<u>2029-2030</u>	<u>2030-2031</u>	<u>Total</u>	
Ultimate Loss & ALAE							
<u>Undiscounted Loss & ALAE</u>							
Employment Practices Liability Proje	9,118,793	9,757,000	16,192,440	17,326,221	11,953,000	64,347,454	
Employment Practices Liability Tail	25,920,000	0	2,076,000	2,076,000	0	30,072,000	
NA							
NA							
NA							
Total Undiscounted Loss & ALAE	35,038,793	9,757,000	18,268,440	19,402,221	11,953,000	94,419,454	
<u>Net Present Value Loss & ALAE @ 2.00%</u>							
Employment Practices Liability Proje	8,692,000	9,300,000	15,434,000	16,515,000	11,393,000	61,334,000	
Employment Practices Liability Tail	25,134,000	0	2,013,000	2,013,000	0	29,160,000	
NA							
NA							
NA							
Total Discounted Loss & ALAE	33,826,000	9,300,000	17,447,000	18,528,000	11,393,000	90,494,000	
Loss & ALAE Payments							
7/26 - 6/27	6,497,000	n/a	n/a	n/a	n/a	6,497,000	
7/27 - 6/28	7,207,000	59,000	n/a	n/a	n/a	7,266,000	
7/28 - 6/29	7,219,000	755,000	615,000	n/a	n/a	8,589,000	
7/29 - 6/30	5,880,000	1,985,000	1,774,000	621,000	n/a	10,260,000	
7/30 - 6/31	4,144,000	2,206,000	3,724,000	1,862,000	73,000	12,009,000	
Loss & ALAE Liabilities							
						Total Undisc.	Total NPV
@6/27	28,541,793	n/a	n/a	n/a	n/a	28,541,793	27,303,000
@6/28	21,334,793	9,698,000	n/a	n/a	n/a	31,032,793	29,695,000
@6/29	14,115,793	8,943,000	17,653,440	n/a	n/a	40,712,233	38,883,000
@6/30	8,235,793	6,958,000	15,879,440	18,781,221	n/a	49,854,454	47,635,000
@6/31	4,091,793	4,752,000	12,155,440	16,919,221	11,880,000	49,798,454	47,712,000
Risk Margin							
<u>Undiscounted</u>							
Current Year	13,906,000	3,259,000	6,278,000	6,657,000	3,992,000		
Reduction for Payments	-2,717,458	-2,979,730	-3,368,488	-3,839,637	-4,288,766		
Total Additional Risk Margin	11,188,542	279,270	2,909,512	2,817,363	-296,766		
Total Cumulative Risk Margin	11,188,542	11,467,812	14,377,324	17,194,688	16,897,922		
<u>Net Present Value @ 2.00%</u>							
Total Additional Risk Margin	10,800,000	221,000	2,747,000	2,666,000	-305,000		
Total Cumulative Risk Margin	10,800,000	11,021,000	13,768,000	16,434,000	16,129,000		
Risk Margin Projection	33.4%	33.4%	33.4%	33.4%	33.4%		
Risk Margin Tail	41.9%	41.9%	41.9%	41.9%	41.9%		

Captive for Employment Risk Management Authority (CERMA)

Discussion of Captive Operation

Friday, October 23, 2026

Mike Harrington, FCAS, MAAA
President and Principal
Bickmore Actuarial



This document was designed for discussion purposes only and is not intended to present detailed information on our analysis and findings. It is incomplete, and not intended to be used, without the accompanying oral presentation and discussion.

Welcome to Captiveland!



CAPTIVITY

It could be worse.

Topics of Discussion

- Captive Established
- Exposures and Investments
- Options Considered
- Program Operation
- Actuarial Process



Captive Established

- Name: Captive for Employment Risk Management Authority (CERMA)
- Legal Form: Single-Parent Captive, Reinsurer
- State of Domicile: Utah
- Captive Management: Sedgwick
- Legal Counsel: Holland and Hart
- Investment Advisor: PFM Asset Management
- Actuary: Bickmore Actuarial
- CPA: Sampson and Sampson
- Implementation Date: 7/1/2026 for LPT and Go-Forward

Exposures

- Which Exposures Do We Place in the Captive?
 - Liability Coverage – All Years
 - Liability Coverage– Future Years
 - Layers of Coverage (e.g. 5M x 5M)
 - Loss Portfolio Transfer
 - Special Coverages
 - Member Exposures

Investments

- Including equities in the investment portfolio increases the expected investment return
 - Including equities in the investment portfolio also increases the risk
 - Returns will be more volatile from year to year, but historically, a mix of fixed income and equity securities has generated a larger return over the long run.
- This is a long-term option, not short-term!

Program Options

➤ Coverage Options

- Transfer of only new claims
- Transfer of all historical claims (i.e. tail claims)
- Other options can be considered (excess layers, certain older years rather than all, etc.)

OPTION	ESTIMATED PREMIUM	REQUIRED SURPLUS	TOTAL CONTRIBUTION
1. EPL Go-Forward Only	8,683,000	2,843,000	11,526,000
2. EPL Go-Forward and Prior Losses	34,051,000	13,434,000	47,485,000

SELECTED ➔

Option	Average Amount Invested	YEAR 1 ANNUAL INVESTMENT YIELD			
		2.0%	3.0%	4.0%	5.0%
1	\$11,541,000	\$242,000	\$352,000	\$454,000	\$549,000
	Excess over 2.0%		\$110,000	\$212,000	\$307,000
2	\$43,083,000	\$870,000	\$1,296,000	\$1,718,000	\$2,134,000
	Excess over 2.0%		\$426,000	\$848,000	\$1,264,000

SELECTED ➔

* Surplus Requirement is 90% CL for LPT and 75% CL for Go-Forward

2026-27 CERMA Budget

➤	Start Up Costs (Incurred in 2025-26)	
▪	Consulting Fees	\$59,000
▪	Legal Incorporation Fees	10,000
▪	Travel and Other	1,600
○	Total	\$70,600
➤	Annual Costs	
▪	Program Management	\$45,000
▪	Investment Management	84,000
▪	Legal Fees	8,000
▪	Audit and Tax Fees	11,900
▪	Actuarial Fees (no fees for 2026-27)	0
▪	Board Meeting Expenses	15,000
▪	Annual License Fee	7,500
▪	Regulatory and Other Expenses	28,500
○	Total	\$199,900

2026-27 ERMA Budget

➤	Captive Premium	
▪	Expected Pooled Losses	\$8,636,409
▪	80% CL Risk Margin	3,653,201
▪	Administration Costs	199,900
○	Total	\$12,291,609
➤	Pool Premium	
▪	Excess and Reinsurance	\$906,422
▪	Other Administration Costs	1,976,417
○	Total	\$2,882,838
➤	Total Premium	\$15,174,447

2026-27 CERMA Operation

Now that we've formed the captive, and reinsured the pool exposure with the captive, what is ahead?

- Collect ERMA Premiums
 - Loss Premium and Captive Admin goes to CERMA
 - Excess and Reinsurance and Program Admin goes to ERMA
- Pay operating costs from CERMA funds
- Manage Cash Flow
 - Pay claims from ERMA funds
 - Reimburse ERMA for claims with CERMA funds
 - Should keep a portion of CERMA funds in cash to reimburse loss payments
- Manage CERMA investments
 - Given state of market, recommend holding at least 2 years expected payouts in cash or equivalents

2026-27 Actuarial Analysis

Actuarial analysis will proceed as in prior years using data valued as of December 31, 2026, but will now be split into two reports:

- ERMA Report
 - ULAE Liabilities as of June 30, 2027
- CERMA Report
 - Loss Liabilities for as of June 30, 2027
 - Projected Rates for 2027-28

2027-28 CERMA Prep

As the 2026-27 year is coming to a close, you need to turn attention to planning for 2027-28.

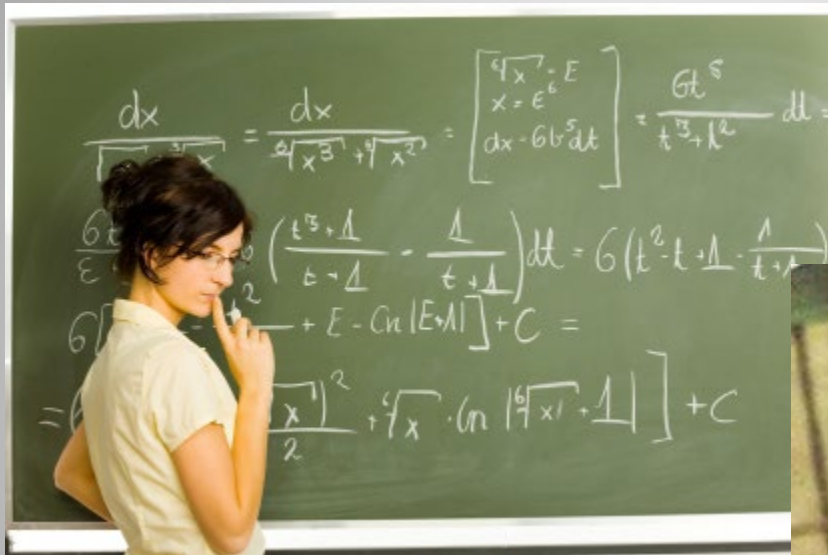
- Develop new CERMA reinsurance policy for 2027-28 losses
- Consider alternative uses of CERMA (layers, special coverages, etc)
- Evaluate investment strategy
- Normal Board Stuff...

2026-27 CERMA Closeout

Once the 2026-27 year is over:

- Start everything all over again...
 - 2027-28 Premium collection, cash and investment management
 - Board meetings and program administration
- Prepare financial statements for June 30, 2026
- Prepare Statement of Actuarial Opinion
- File Captive Annual Report with Utah by end of August, extension are available
- Financial Audit

Questions



FINANCIAL MATTERS

SUBJECT: Investment Portfolio Overview and Update – Mallory Sampson & Stefani VonHoltum-Niesent of PFM Asset Management

BACKGROUND AND STATUS:

Mallory Sampson, CFP, and Stefani VonHoltum-Niesent, PFM Asset Management (PFMAM), will provide the Board with an overview of current market conditions and a review of CERMA's investment portfolio.

Included in the agenda is a report prepared by PFMAM on the portfolio's performance as of September 30, 2026. The report also includes a discussion on Asset Allocation, Performance, and a comparison of CERMA's current 50% equities and 50% fixed income (50/50 Model) against other investment strategies.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

- CERMA Portfolio Performance Report

Captive for Employment Risk Management Authority

Investment Update

October 23, 2026

Stefani VonHoltum-Niesent, Director

Mallory Sampson, CFP®, Director

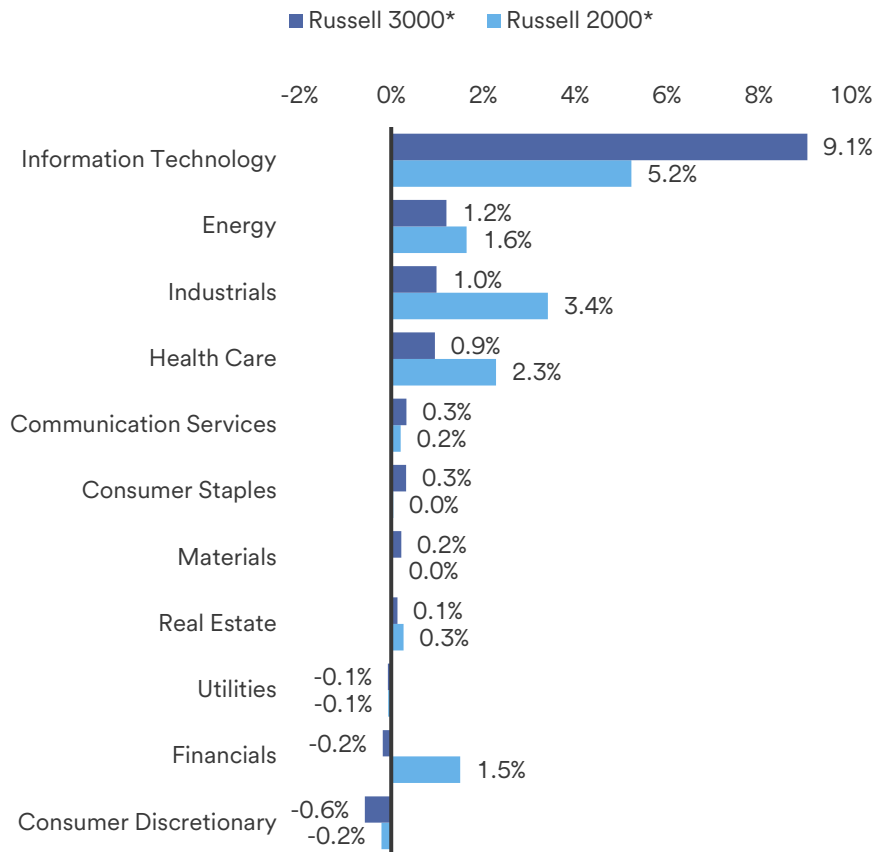
Major Equity and Fixed Income Market Indices

Market Indices as of 9/30/2026

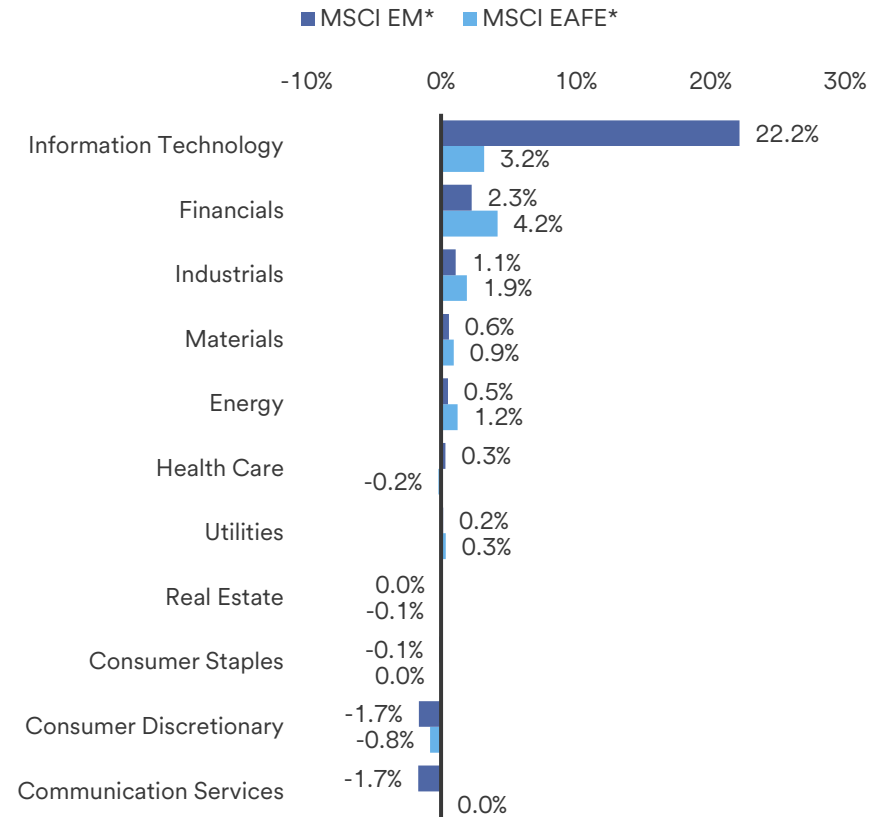
Domestic Equity	MTD	QTD	YTD	One Year	Three Year	Five Year
S&P 500	-0.35%	2.30%	12.75%	15.74%	22.89%	13.79%
Russell 3000	-0.84%	1.41%	12.42%	15.13%	22.26%	12.64%
Russell 2000	-5.25%	-7.23%	13.71%	16.20%	17.72%	6.34%
Russell Midcap	-4.17%	-3.00%	11.84%	12.02%	17.20%	8.04%
Russell 1000	-0.65%	1.80%	12.30%	15.01%	22.48%	13.01%
International Equity	MTD	QTD	YTD	One Year	Three Year	Five Year
MSCI ACWI ex US (net)	-2.38%	0.48%	14.22%	20.00%	20.54%	9.55%
MSCI EAFE (net)	-3.05%	0.81%	10.33%	15.69%	18.40%	9.32%
MSCI Emerging Markets (net)	-0.56%	-0.37%	23.38%	29.22%	24.09%	8.94%
Fixed Income	MTD	QTD	YTD	One Year	Three Year	Five Year
Bloomberg U.S. Aggregate	-2.61%	-3.51%	-2.91%	-1.84%	4.06%	-0.64%
Bloomberg Global Aggregate	-2.38%	-2.46%	-2.67%	-2.43%	3.82%	-1.86%
High Yield Fixed Income	MTD	QTD	YTD	One Year	Three Year	Five Year
ICE BoFA High Yield	-2.49%	-1.81%	0.04%	1.39%	7.94%	3.56%
Listed Real Assets	MTD	QTD	YTD	One Year	Three Year	Five Year
FTSE Nareit All Equity REITs	-5.73%	-6.06%	7.93%	5.61%	10.97%	2.37%
FTSE Global Core Infrastructure 50/50 Index (Net)	-5.43%	-6.65%	3.31%	4.13%	12.78%	6.23%

Source: FactSet, as of 9/30/2026. It is not possible to invest directly in an index. The index returns shown do not represent the results of actual trading of investor assets. Net total return is calculated by MSCI using the companies' country of incorporation and maximum withholding tax rate applicable to institutional investors to determine the relevant dividend withholding. Net return comprises of price returns and net dividends, which incorporate impact of taxes on dividends.

YTD: Domestic Equity Sector Contribution



YTD: International Equity Sector Contribution



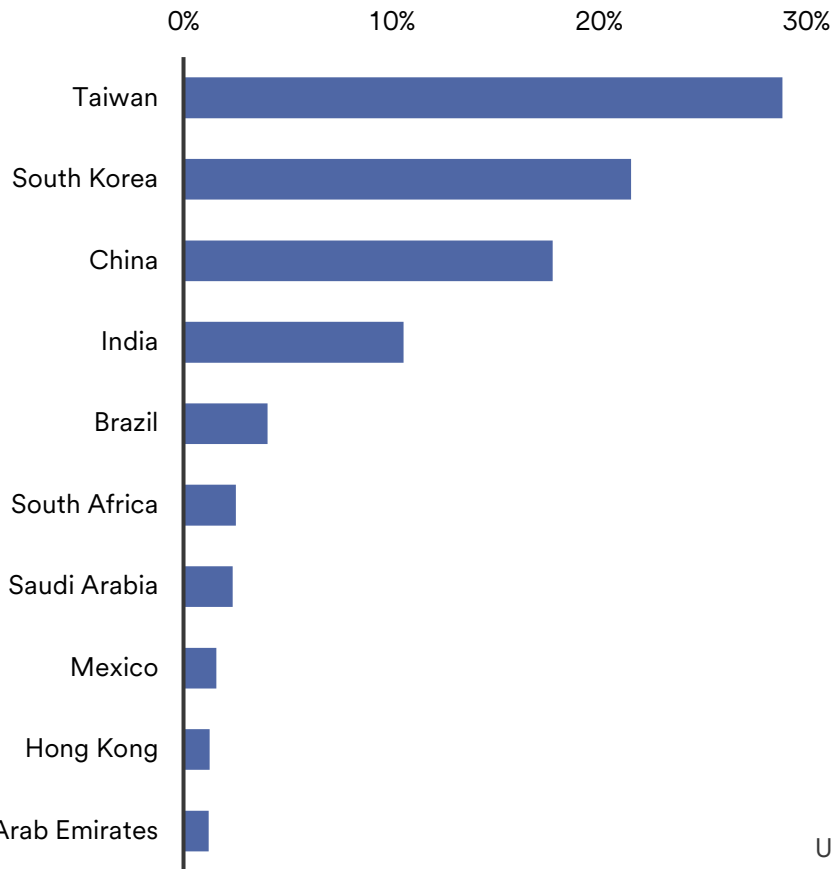
Source: FactSet as of 9/30/2026.

*Based on iShares Russell 3000 ETF and iShares Russell 2000 ETF. EM proxied by iShares MSCI EM ETF USD, EAFE proxied by iShares MSCI EAFE ETF USD

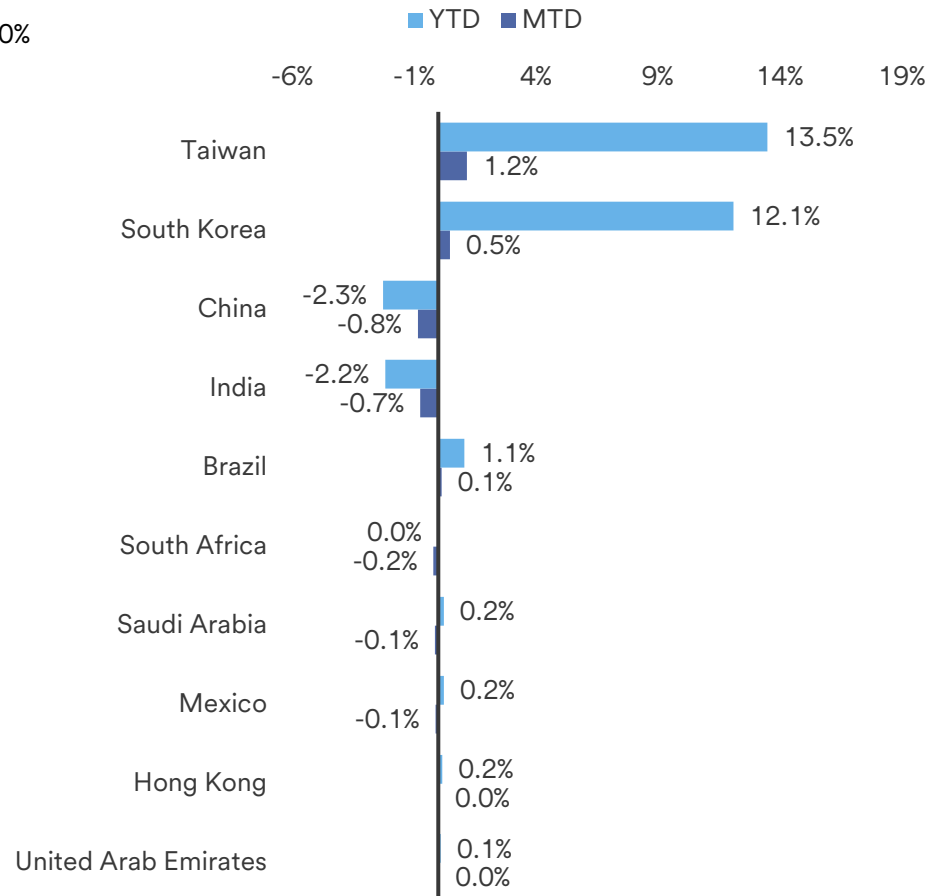
EM: Country Contribution to Return Breakdown

EM returns driven by Taiwan and Korea year to date

Top 10 Benchmark Weights (%)



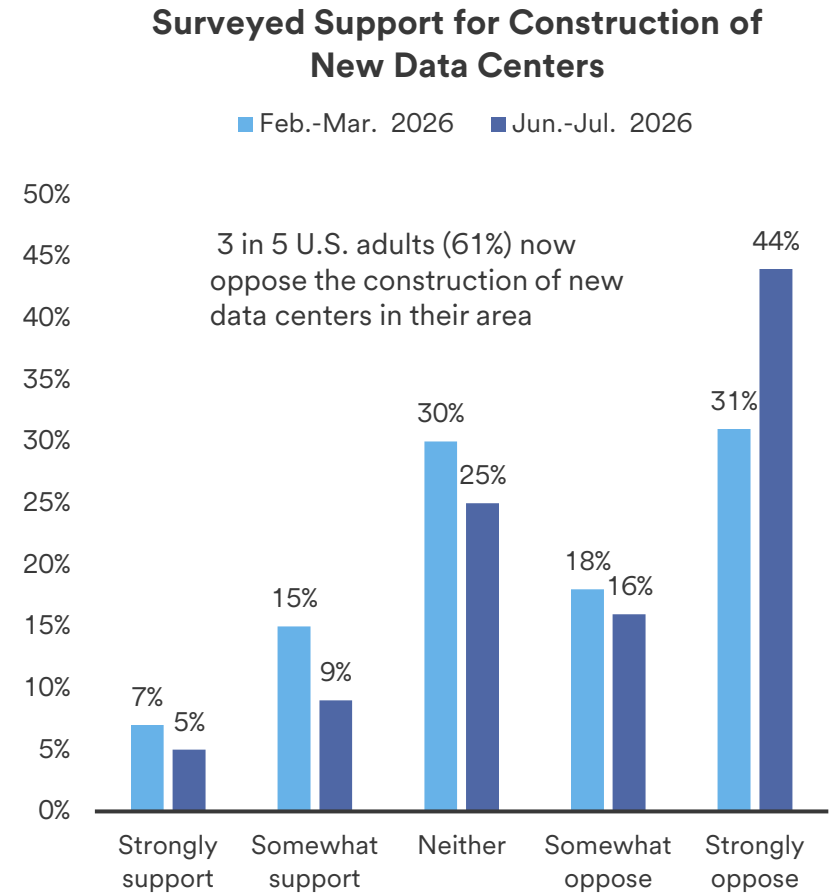
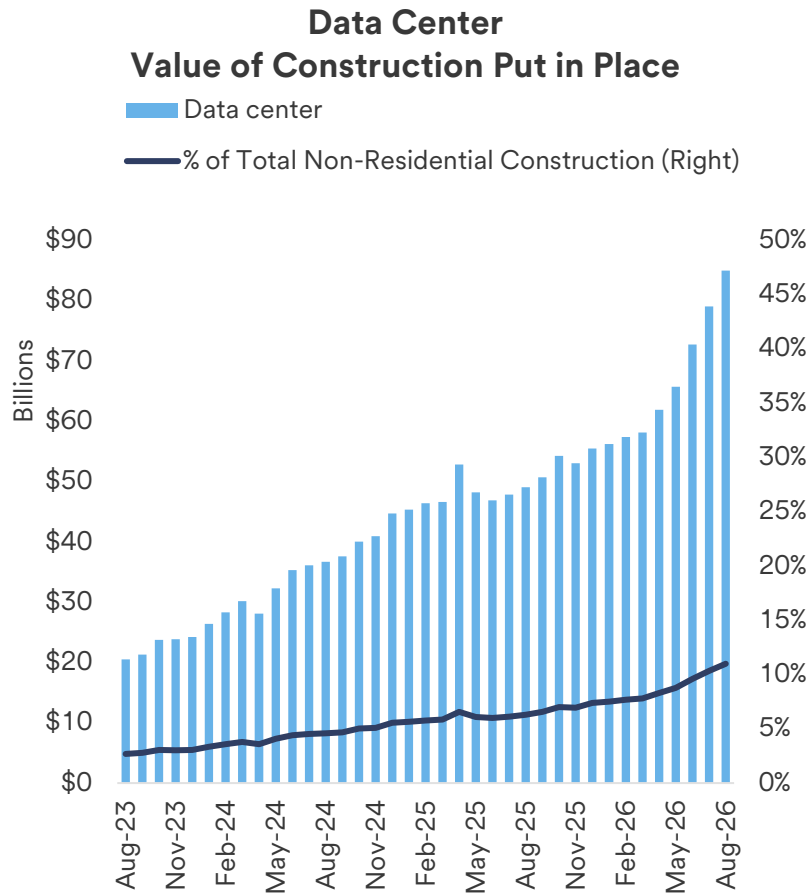
Contribution to Return



Source: MSCI, FactSet of 9/30/2026. EM returns proxied by iShares MSCI EM ETF

Data Center Construction Trend

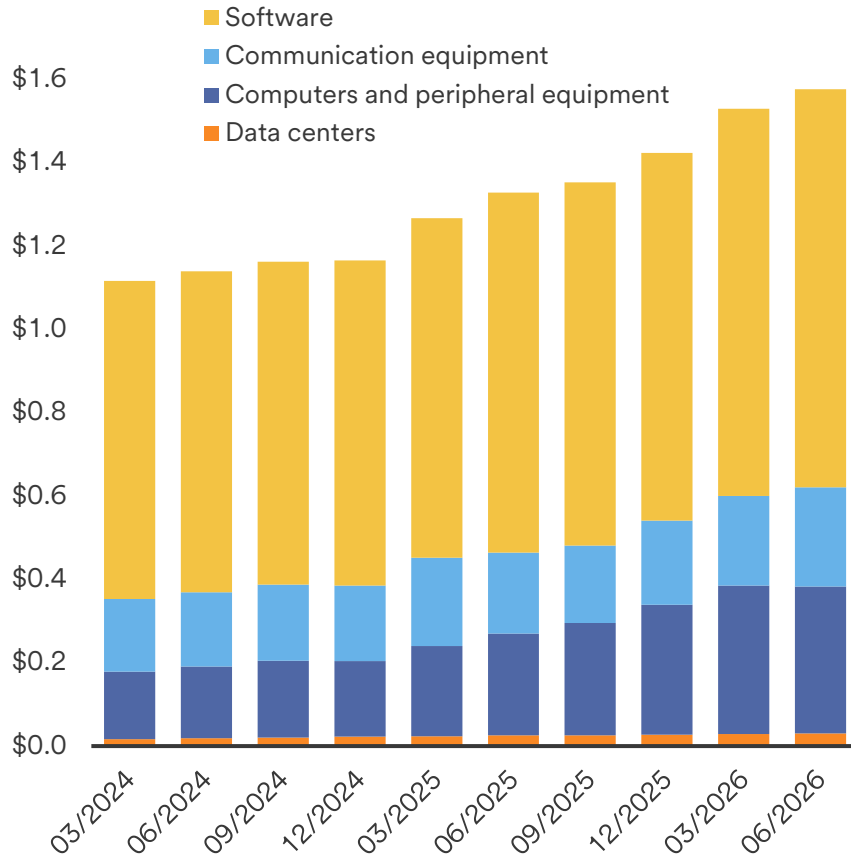
Private data center construction spending grew 73.2% YoY, but anti-data center sentiment has also increased



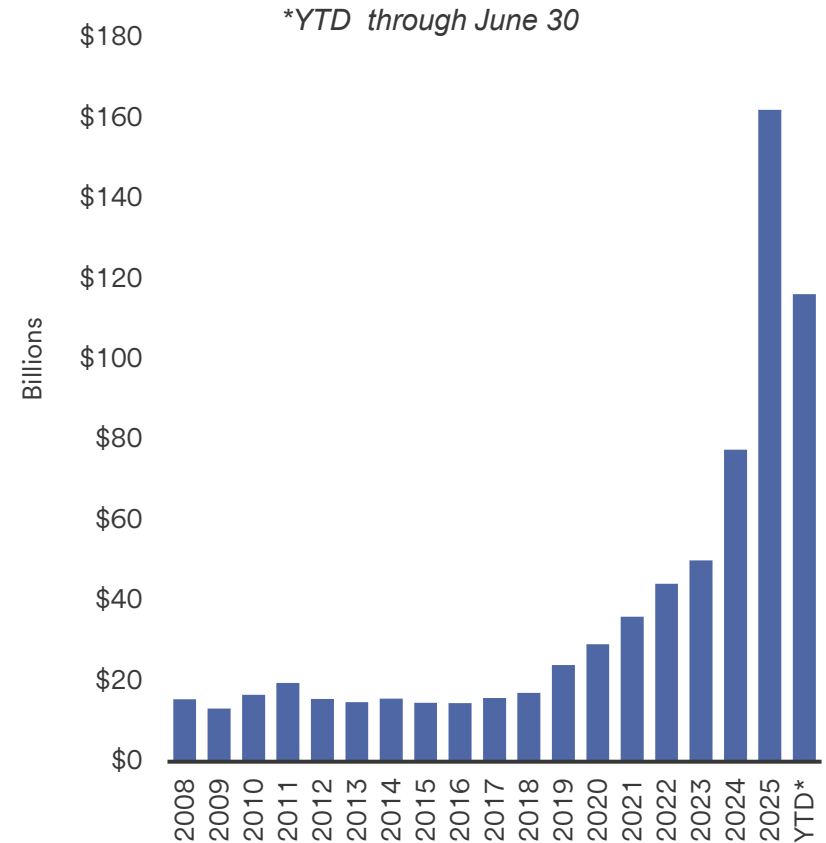
Source: (Left) U.S. Census Bureau, as of October 1, 2026, (Right) Annenberg Public Policy Center's W38 IOD National Survey, Artificial Intelligence – Topline Report, as of August 10, 2026

U.S. Investment in AI

Private Investments in AI-related Categories



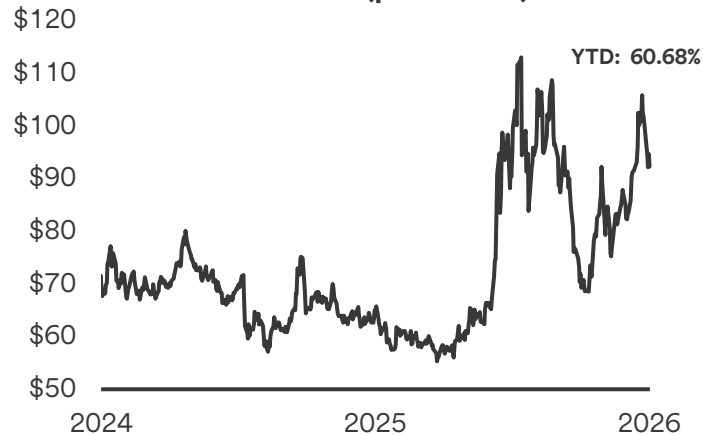
U.S. Imports of Computer and Electronic Products from Taiwan



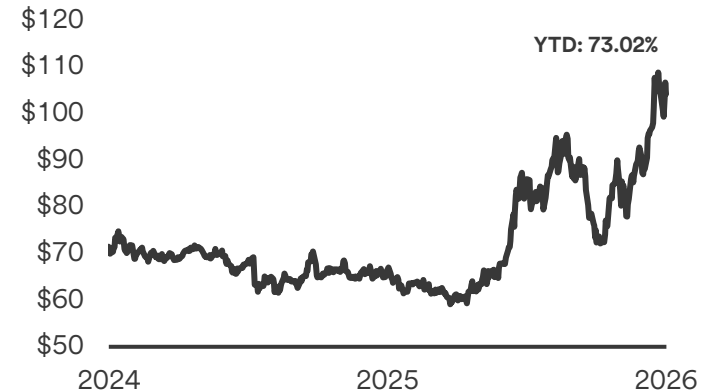
Source: FactSet, U.S. Bureau of Economic Analysis, U.S. Census Bureau, as of 7/31/2026.

Energy Prices

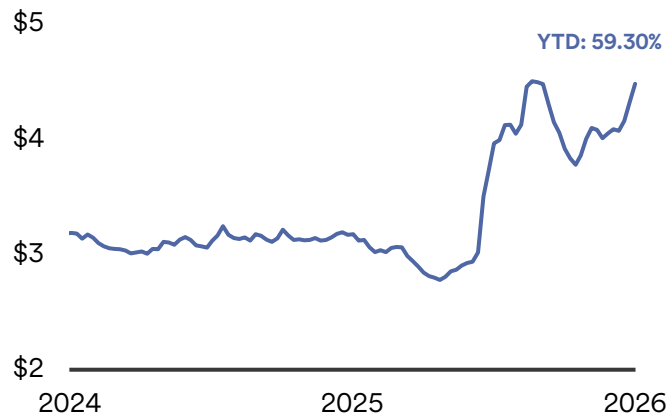
WTI Crude Oil (per barrel)



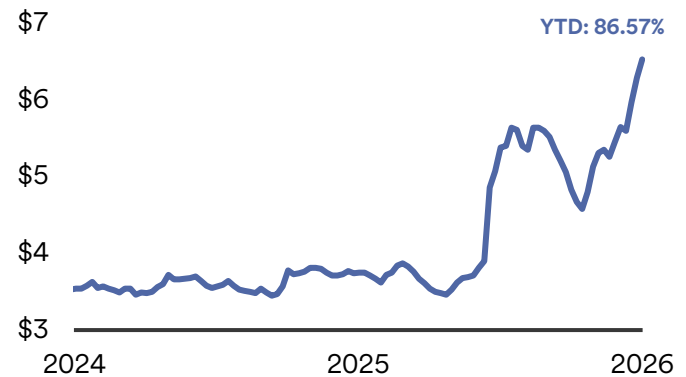
BRENT Crude Oil (per barrel)



Retail Gasoline (per gallon)

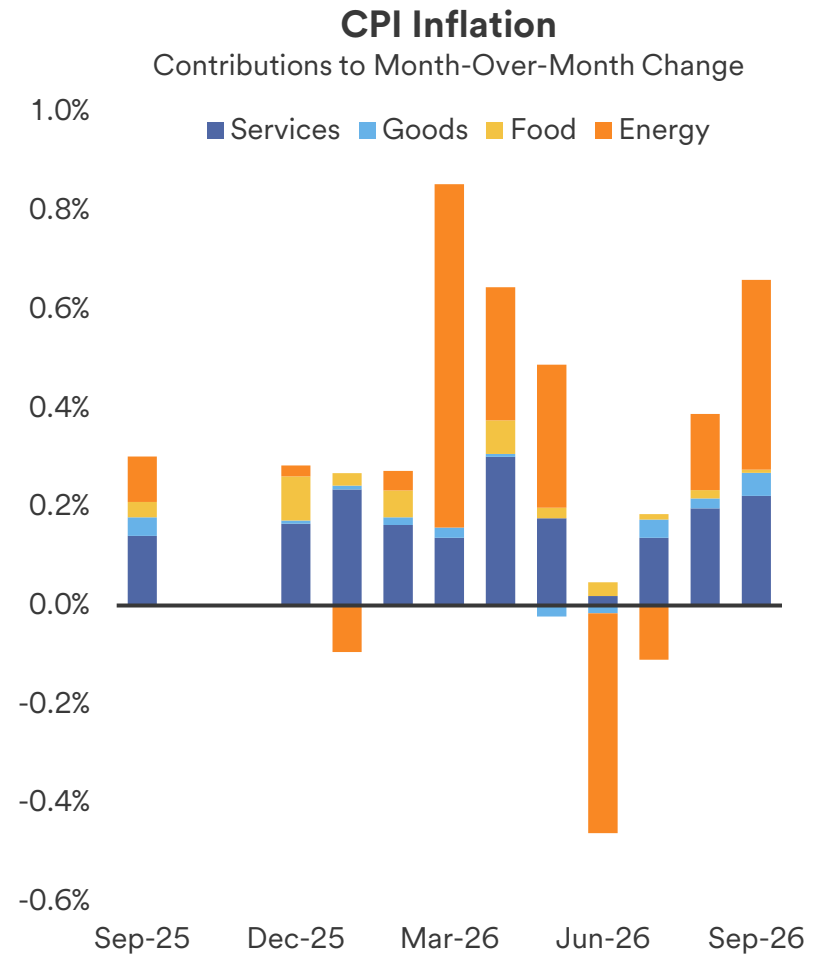
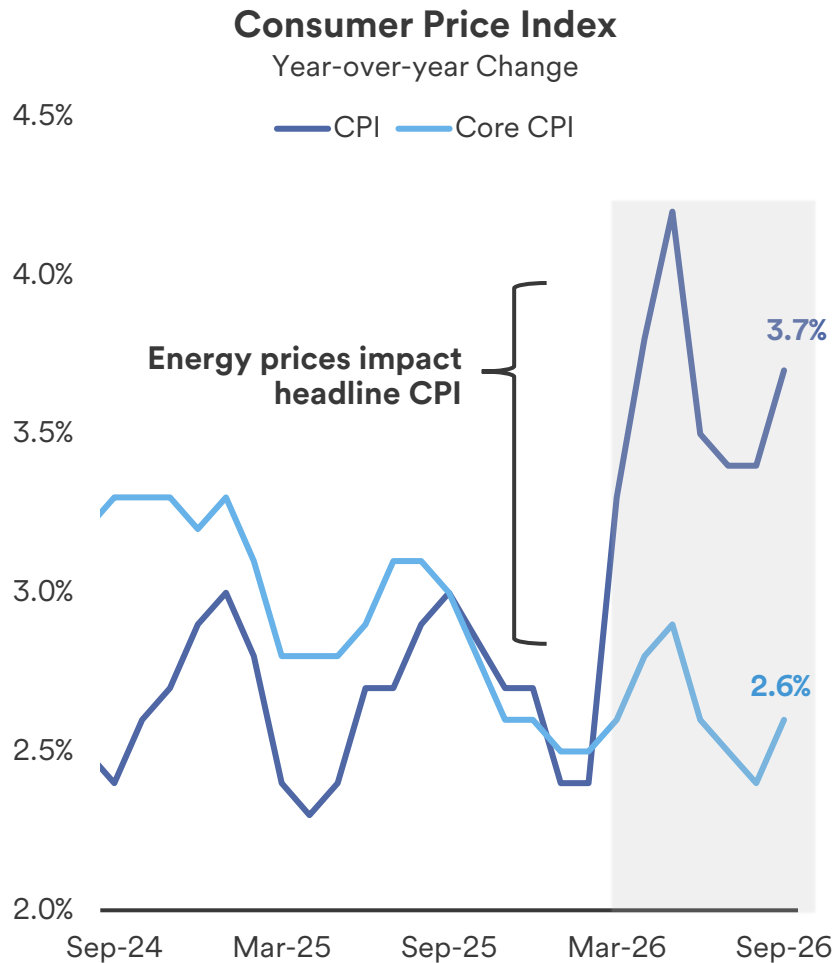


Average Retail Price US Diesel



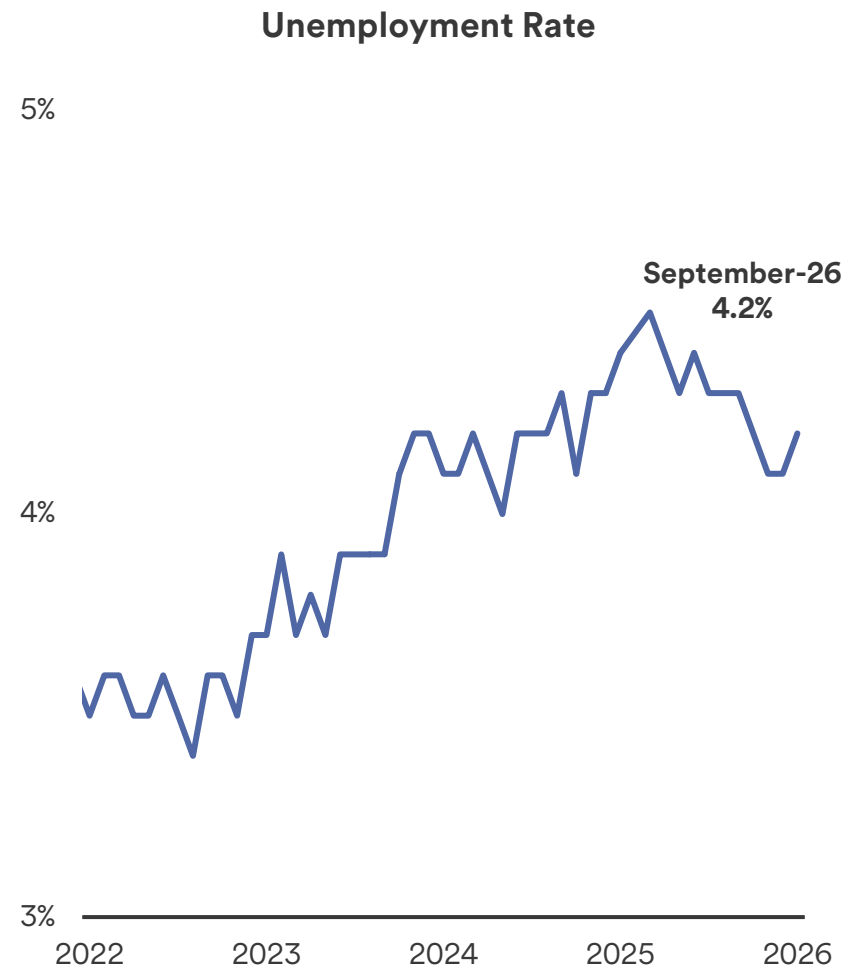
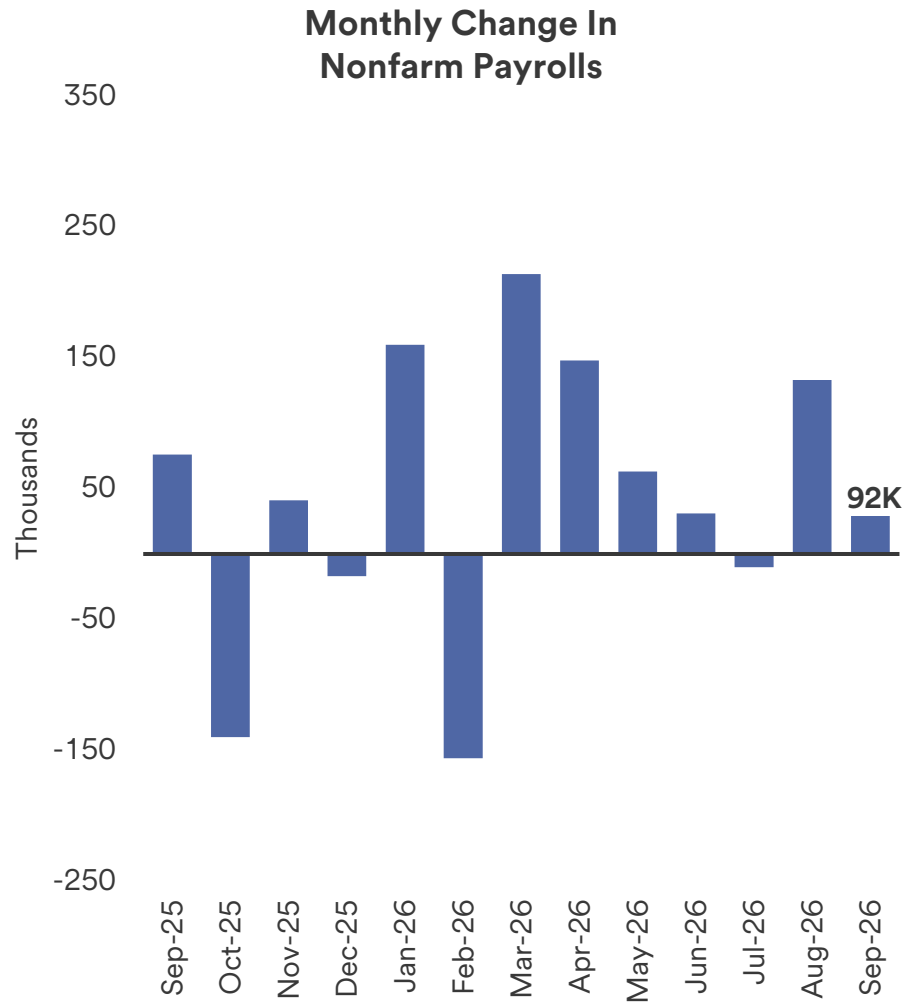
Source: Bloomberg Finance L.P. Retail Gasoline and Diesel, as of September 25, 2026. All others as of September 21, 2026.

Implications of the Energy Shock



Source: Bureau of Labor Statistics and Bloomberg Finance L.P., as of September 2026. October and November 2025 data not published due to government shutdown.

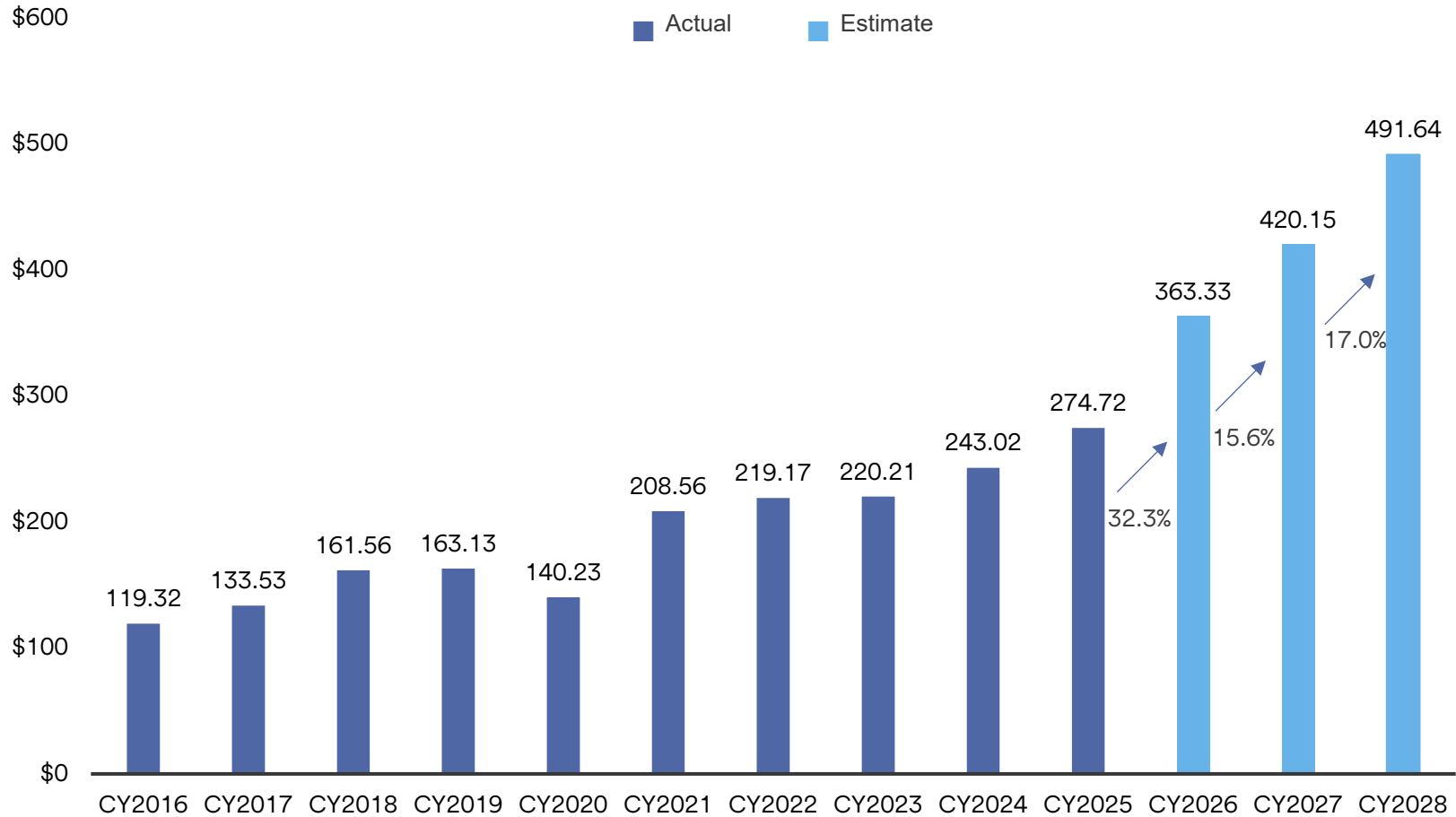
Stable Labor Market



Source: Bloomberg Finance L.P. and Bureau of Labor Statistics as of September 2026.

S&P 500 Calendar Year EPS

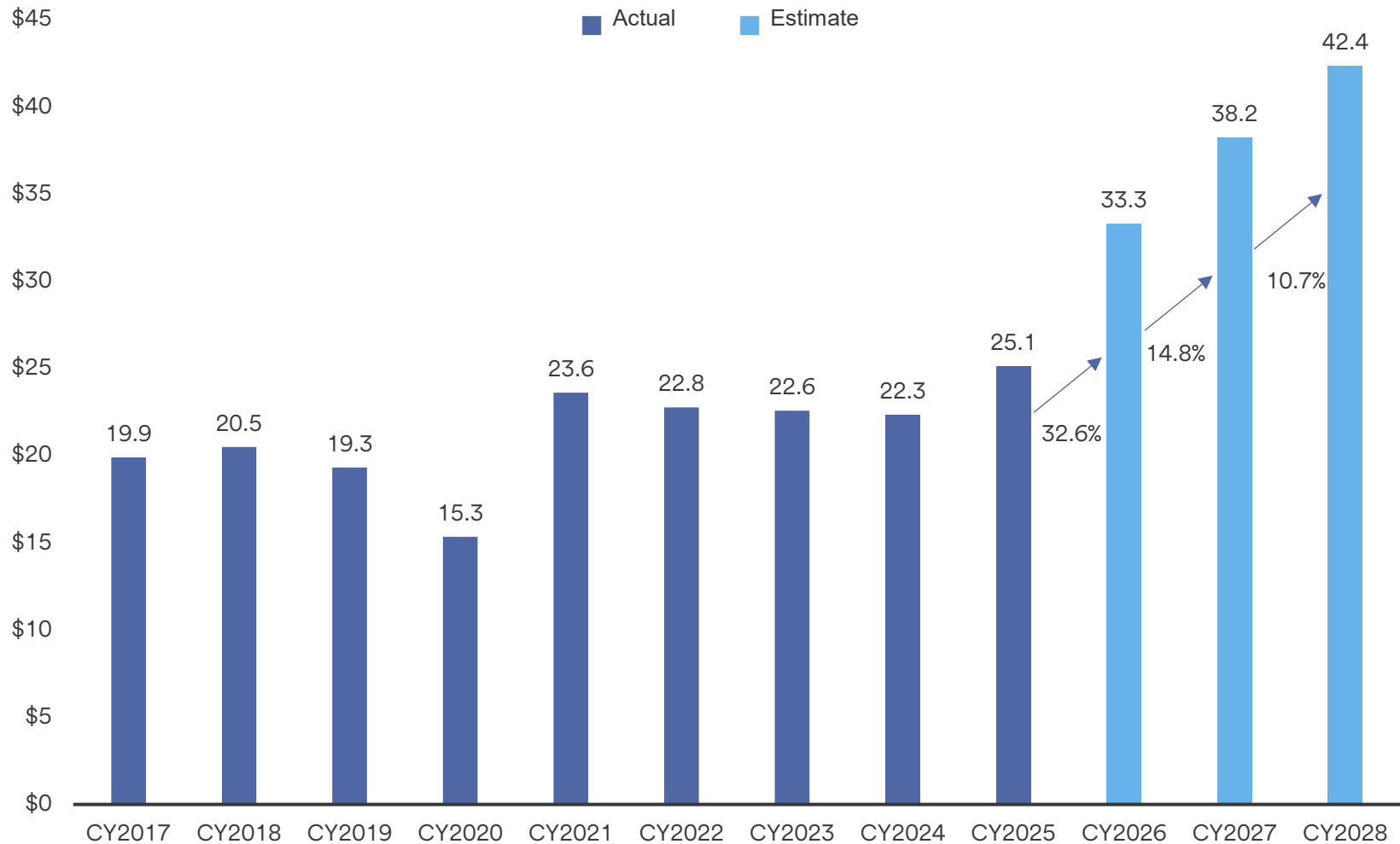
S&P 500 Calendar Year EPS Actuals & Estimates



Source: FactSet, as of 9/30/2026.

MSCI ACWI ex US Calendar Year EPS

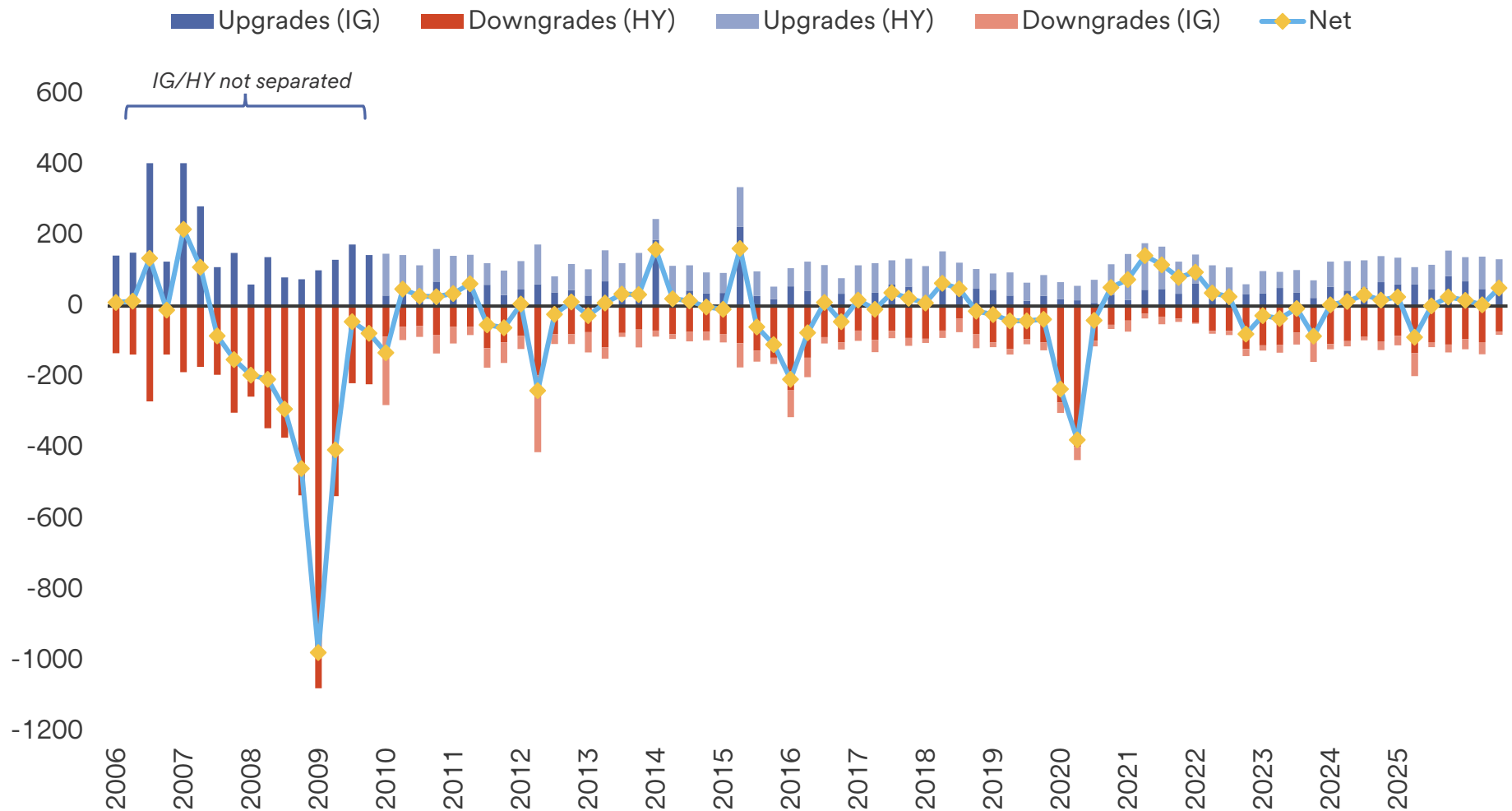
MSCI ACWI ex US Calendar Year EPS Actuals & Estimates



Source: Bloomberg Finance L.P., as of 9/30/2026.

Corporate Ratings Trend

Moody's Ratings Changes



Source: Bloomberg Finance L.P., as of September 30, 2026.

Asset Class Performance Summary

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REITs	Emerging Markets Equity	Core Fixed Income	Emerging Markets Equity	REITs	REITs	REITs	Domestic Small Cap	REITs	REITs	Domestic Small Cap	Emerging Markets Equity	Cash Equivalent	Domestic Large Cap	Domestic Large Cap	REITs	Cash Equivalent	Domestic Large Cap	Domestic Large Cap	Emerging Markets Equity
35.06%	39.42%	5.24%	78.51%	27.95%	8.28%	19.70%	38.82%	28.03%	2.83%	21.31%	37.28%	1.87%	31.43%	20.96%	41.30%	1.46%	26.53%	24.51%	33.57%
Emerging Markets Equity	Listed Infrastructure	Cash Equivalent	High Yield	Domestic Small Cap	Core Fixed Income	Emerging Markets Equity	Domestic Large Cap	Listed Infrastructure	Domestic Large Cap	High Yield	Developed ex U.S. Equity	Core Fixed Income	REITs	Domestic Small Cap	Domestic Large Cap	Listed Infrastructure	Developed ex U.S. Equity	Domestic Small Cap	Developed ex U.S. Equity
32.14%	16.91%	2.06%	57.51%	26.85%	7.84%	18.22%	33.11%	15.40%	0.92%	17.49%	25.03%	0.01%	28.66%	19.96%	26.45%	-4.87%	18.24%	11.54%	31.22%
Developed ex U.S. Equity	Developed ex U.S. Equity	Asset Allocation	Developed ex U.S. Equity	Emerging Markets Equity	Listed Infrastructure	Developed ex U.S. Equity	Developed ex U.S. Equity	Domestic Large Cap	Core Fixed Income	Domestic Large Cap	Domestic Large Cap	High Yield	Domestic Small Cap	Emerging Markets Equity	Listed Infrastructure	High Yield	Domestic Small Cap	Asset Allocation	Domestic Large Cap
26.34%	11.17%	-22.80%	31.78%	18.88%	6.37%	17.32%	22.78%	13.24%	0.55%	12.05%	21.69%	-2.26%	25.52%	18.31%	14.88%	-11.22%	16.93%	10.62%	17.37%
Listed Infrastructure	Asset Allocation	High Yield	Listed Infrastructure	Domestic Large Cap	High Yield	Domestic Large Cap	Asset Allocation	Asset Allocation	Cash Equivalent	Emerging Markets Equity	Listed Infrastructure	Listed Infrastructure	Listed Infrastructure	Asset Allocation	Domestic Small Cap	Core Fixed Income	Asset Allocation	Listed Infrastructure	Asset Allocation
25.80%	8.16%	-26.39%	29.31%	16.10%	4.38%	16.42%	14.72%	7.47%	0.05%	11.19%	18.39%	-3.99%	25.13%	12.19%	14.82%	-13.01%	15.06%	9.53%	15.37%
Domestic Small Cap	Core Fixed Income	Listed Infrastructure	Domestic Large Cap	High Yield	Domestic Large Cap	Domestic Small Cap	Listed Infrastructure	Core Fixed Income	Asset Allocation	Listed Infrastructure	Asset Allocation	REITs	Developed ex U.S. Equity	Developed ex U.S. Equity	Asset Allocation	Developed ex U.S. Equity	High Yield	High Yield	Listed Infrastructure
18.37%	6.97%	-33.41%	28.43%	15.19%	1.50%	16.35%	13.54%	5.97%	-0.79%	10.87%	15.20%	-4.04%	22.01%	7.82%	11.87%	-14.45%	13.46%	8.20%	14.36%
Domestic Large Cap	Domestic Large Cap	Domestic Small Cap	REITs	Listed Infrastructure	Asset Allocation	High Yield	High Yield	Domestic Small Cap	Developed ex U.S. Equity	REITs	Domestic Small Cap	Asset Allocation	Asset Allocation	Core Fixed Income	Developed ex U.S. Equity	Asset Allocation	REITs	Emerging Markets Equity	Domestic Small Cap
15.46%	5.77%	-33.79%	27.99%	12.44%	1.39%	15.58%	7.42%	4.89%	-0.81%	8.63%	14.65%	-4.66%	20.25%	7.51%	11.26%	-15.86%	11.36%	7.50%	12.81%
Asset Allocation	Cash Equivalent	Domestic Large Cap	Domestic Small Cap	Asset Allocation	Cash Equivalent	Listed Infrastructure	REITs	High Yield	Domestic Small Cap	Asset Allocation	REITs	Domestic Large Cap	Emerging Markets Equity	High Yield	High Yield	Domestic Large Cap	Emerging Markets Equity	Cash Equivalent	High Yield
14.46%	5.00%	-37.60%	27.17%	12.07%	0.10%	13.23%	2.86%	2.50%	-4.41%	7.33%	8.67%	-4.78%	18.42%	6.17%	5.36%	-19.13%	9.83%	5.25%	8.50%
High Yield	High Yield	REITs	Asset Allocation	Developed ex U.S. Equity	Domestic Small Cap	Asset Allocation	Cash Equivalent	Cash Equivalent	High Yield	Core Fixed Income	High Yield	Domestic Small Cap	High Yield	Cash Equivalent	Cash Equivalent	Emerging Markets Equity	Core Fixed Income	REITs	Core Fixed Income
11.77%	2.19%	-37.73%	24.09%	7.75%	-4.18%	12.09%	0.07%	0.03%	-4.64%	2.65%	7.48%	-11.01%	14.41%	0.67%	0.05%	-20.09%	5.53%	4.92%	7.30%
Cash Equivalent	Domestic Small Cap	Developed ex U.S. Equity	Core Fixed Income	Core Fixed Income	Developed ex U.S. Equity	Core Fixed Income	Core Fixed Income	Emerging Markets Equity	Listed Infrastructure	Developed ex U.S. Equity	Core Fixed Income	Developed ex U.S. Equity	Core Fixed Income	Listed Infrastructure	Core Fixed Income	Domestic Small Cap	Cash Equivalent	Developed ex U.S. Equity	Cash Equivalent
4.85%	-1.57%	-43.38%	5.93%	6.54%	-12.14%	4.21%	-2.02%	-2.19%	-8.79%	1.00%	3.54%	-13.79%	8.72%	-4.06%	-1.54%	-20.44%	5.01%	3.82%	4.18%
Core Fixed Income	REITs	Emerging Markets Equity	Cash Equivalent	Cash Equivalent	Emerging Markets Equity	Cash Equivalent	Emerging Markets Equity	Developed ex U.S. Equity	Emerging Markets Equity	Cash Equivalent	Cash Equivalent	Emerging Markets Equity	Cash Equivalent	REITs	Emerging Markets Equity	REITs	Listed Infrastructure	Core Fixed Income	REITs
4.33%	-15.69%	-53.33%	0.21%	0.13%	-18.42%	0.11%	-2.60%	-4.90%	-14.92%	0.33%	0.86%	-14.57%	2.28%	-5.12%	-2.54%	-24.95%	2.21%	1.25%	2.27%

Bloomberg US Aggregate
ICE BofA US High Yield

Russell 1000
Russell 2000

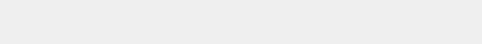
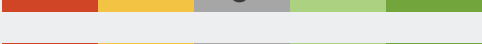
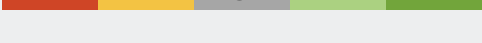
MSCI EAFE (Net)
MSCI EM (Emerging Markets) (Net)

FTSE Nareit All Equity REITs
FTSE Global Core Infrastructure 50/50 (Net)

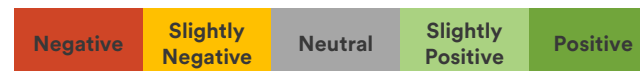
ICE BofA US Treasury Bill (3 M)

Asset Allocation based on weighted average return of indices for a 60/40 Model, detailed information on the model constituents is available in the disclosures at the end of this presentation.

Source: FactSet, as of 8/31/2026. Net total return is calculated by MSCI using the companies' country of incorporation and maximum withholding tax rate applicable to institutional investors to determine the relevant dividend withholding. Net return comprises of price returns and net dividends, which incorporate impact of taxes on dividends. **Past performance does not guarantee future results.**

Asset Class	Our Q4 2026 Investment Outlook	Comments
U.S. Equities		- U.S. equities remained resilient through the quarter despite renewed U.S.-Iran tensions and rising Treasury yields, supported by strong earnings in energy and AI-related companies. - Concentrated returns within AI-related names and a near-zero equity risk premium warrant caution. - Small caps benefited from market broadening and improving earnings but retreated from August highs as long-term rates rose.
Large-Caps		
Small-Caps		
Non-U.S. Equities		- Non-U.S. valuations remain attractive relative to U.S. equities, especially in emerging markets. Higher oil prices, central-bank tightening, and geopolitical and fiscal uncertainty are headwinds. - Developed-market earnings remain positive, while worsening fiscal outlook in Europe is a negative. - Emerging-market earnings and margins continue to improve but concentrated semiconductor exposure supports neutral stance.
Developed Markets		
Emerging Markets		
Fixed Income		- Long-term Treasury yields rose through the quarter end as energy-related inflation concerns and higher rate-hike expectations weighed at both short and long ends of the yield curve. Uncertainty around the Fed path supports a neutral duration stance. - Absolute yields are attractive across credit sectors, especially after the recent run-up in yields through September. - Even with some widening, investment-grade and high-yield spreads are near historical lows; returns are expected to be driven primarily by carry.
Core Bonds		
Investment Grade Credit		
High Yield Credit		
Listed Real Assets		- Listed real estate remained sensitive to rising real yields: solid year-to-date results were offset by weaker recent performance. Attractive income and data-center demand provide support. - Listed infrastructure lagged as utilities pulled back, but valuations and long-term power demand remain constructive. - We maintain neutral allocations while monitoring rates and data-center development constraints.
Listed Real Estate		
Listed Global Infrastructure		

● Current outlook ○ Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (September 30, 2026) and are subject to change.

CERMA Performance & Asset Allocation

As of September 30, 2026

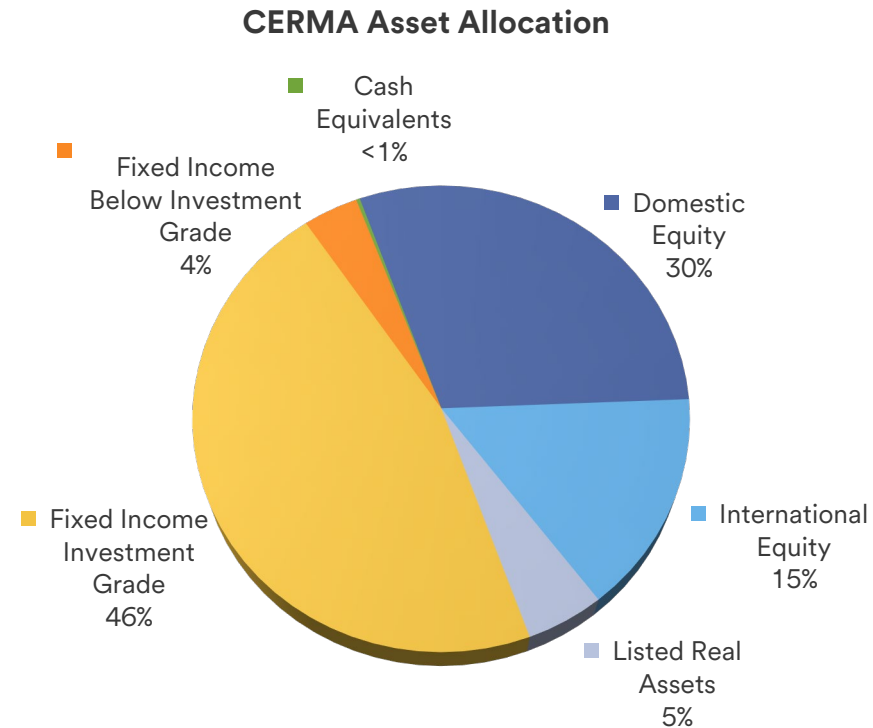


Investment Committee Tactical Decision Timeline

Year		Tactical Asset Allocation Changes
2025	February	Removed tactical overweight to REITs, returning International Equity allocation to strategic weight
	April	Adopted tactical underweight to Equity with overweight to Fixed Income
	July	Removed tactical underweight to Equity, rebalancing back to strategic weights across asset classes
2026	January	Added tactical overweight to Domestic Small-Cap Equity, sourcing from Fixed Income
	May	Removed the tactical overweight to Domestic Small-Cap Equity, rebalancing back to strategic weights across asset classes

CERMA Market Value: \$46,763,890

Asset Class	Range	Target	9/30/26 Allocation
Equity Assets			
Domestic Equity	10%-50%	30%	30.3%
International Equity	1%-35%	15%	15.1%
Listed Real Assets			
Listed REITs	0%-23%	2.5%	2.4%
Listed Infrastructure	0%-23%	2.5%	2.4%
Fixed Income Assets			
Investment Grade	26%-66%	46.25%	45.7%
Below Investment Grade	0%-23%	3.75%	3.7%
Cash Equivalents	0%-20%	0%	0.3%



Account Performance

	Market Value 9/30/2026	3 Month	Year to Date	1 Year	Since Inception 8/1/2026
CERMA Performance	\$46,763,890	-%	-%	-%	-0.85%
Benchmark Performance ¹	-	-%	-%	-%	-0.91%

Account Reconciliation

1 Year	Market Value As of 8/31/2025	Net Flows	Return On Investment	Market Value As of 9/30/2026
CERMA Total	\$-	\$47,232,710	\$(468,820)	\$46,763,890

1. Customized benchmark makeup: 30% Russell 3000 Index, 15% MSCI AC World ex USA (Net), 2.5% FTSE NAREIT All Equity REITS, 2.5% FTSE Global Core Infrastructure 50/50 Index (Net), 46.3% Bloomberg U.S. Aggregate, 3.8% ICE BofA U.S. High Yield Index.

Factors to Consider for 6-12 Months

Monetary Policy (Global):



- The Fed raised rates by 25 bps in September, its first increase since July 2023.
- The “dot plot” showed one additional hike in 2026 with risks skewed towards more increases in 2027.
- Global monetary policy became more synchronized, with the Fed, ECB, and Bank of Japan raising rates in September.

Economic Growth (Global):



- Global growth remained uneven as elevated price pressures, higher borrowing costs, and geopolitical uncertainty continued to weigh on activity.
- U.S. economic activity remained resilient, supported by consumer spending and increased business investments.
- Near-trend growth remains our base case.

Inflation (U.S.):



- Core inflation remained sticky, with limited improvement across underlying measures and continued pressure across core goods and services.
- Oil-price volatility increased uncertainty around headline inflation.
- Risks remain to the upside, while a gradual return toward the Fed’s target remains our base case.

Financial Conditions (U.S.):



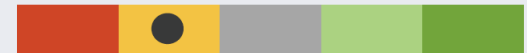
- Financial conditions tightened as Treasury yields and interest-rate volatility increased, although corporate fundamentals and investor demand remained supportive.
- Risks remain balanced, with strong capital markets offset by heavy Treasury supply, expanding fiscal deficits, and rising term premia.

Consumer Spending (U.S.):



- Consumer spending remained resilient given steady employment conditions and wealth gains.
- Slower job creation and moderating wage and income growth may weigh on household purchasing power.
- Risks remain skewed to the downside, although continued spending growth remains our base case.

Labor Markets (U.S.):



- Labor-market conditions remained broadly balanced, although hiring momentum continued to slow across several sectors.
- Moderating wage growth warrants attention.
- Risks remain skewed toward gradual softening and additional slack, although a material rise in unemployment is not our base case.

Corporate Fundamentals:



- Earnings growth expectations continued to improve across global equities with double-digit growth expected across U.S. and international equity benchmarks, providing a tailwind to equities.
- In the U.S., AI related capex spend, M&A activity, strong buyback activity and high profit margins are positives.

Valuations:



- Valuations across U.S. equities and credit markets reflect resilient growth, strong earnings growth and profit margins.
- Equity market valuations look attractive relative to history due to a strong earnings growth backdrop.
- Recent spread widening makes credit attractive.

Political/Policy Risks:



- Conflict with Iran and the ongoing geopolitical uncertainty remain center stage with implications for global interest rate and inflation outlook.
- Ongoing fiscal challenges in France amid rising global bond yields along with upcoming midterm elections in the U.S. also warrant attention.



Current outlook



Outlook one quarter ago

Stance Unfavorable
to Risk Assets

Negative

Slightly
Negative

Neutral

Slightly
Positive

Positive

Stance Favorable to
Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (9/30/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

CERMA Detailed Performance



CERMA Asset Allocation and Performance

September 30, 2026

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Fund	46,763,890	100.00	N/A	N/A	N/A	N/A	N/A	N/A	-0.85	08/01/2026
<i>Blended Benchmark</i>			<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.91</i>	
Equity	21,243,958	45.43	N/A	N/A	N/A	N/A	N/A	N/A	N/A	08/01/2026
<i>Russell 3000 Index</i>			<i>1.41</i>	<i>12.42</i>	<i>15.13</i>	<i>22.26</i>	<i>12.64</i>	<i>14.73</i>	<i>1.88</i>	
Domestic Equity	14,174,115	30.31	N/A	N/A	N/A	N/A	N/A	N/A	1.90	08/01/2026
<i>Russell 3000 Index</i>			<i>1.41</i>	<i>12.42</i>	<i>15.13</i>	<i>22.26</i>	<i>12.64</i>	<i>14.73</i>	<i>1.88</i>	
Schwab US Large-Cap ETF	13,511,490	28.89	2.18	12.44	15.08	22.67	13.12	15.15	2.21	08/01/2026
S&P 500			2.30	12.75	15.74	22.89	13.79	15.33	2.37	
PIMCO RAE US Small Cap Fund	335,874	0.72	-5.19	14.70	18.89	18.33	11.72	12.75	-4.30	08/01/2026
<i>Russell 2000 Value Index</i>			<i>-4.91</i>	<i>16.96</i>	<i>20.77</i>	<i>17.93</i>	<i>7.80</i>	<i>9.40</i>	<i>-4.92</i>	
<i>Russell 2000 Index</i>			<i>-7.23</i>	<i>13.71</i>	<i>16.20</i>	<i>17.72</i>	<i>6.34</i>	<i>9.84</i>	<i>-4.33</i>	
Columbia Small Cap Growth Inst3	326,751	0.70	-12.71	13.84	18.83	23.87	5.20	15.54	-3.90	08/01/2026
<i>Russell 2000 Growth Index</i>			<i>-9.39</i>	<i>10.71</i>	<i>12.05</i>	<i>17.55</i>	<i>4.72</i>	<i>9.90</i>	<i>-3.75</i>	
<i>Russell 2000 Index</i>			<i>-7.23</i>	<i>13.71</i>	<i>16.20</i>	<i>17.72</i>	<i>6.34</i>	<i>9.84</i>	<i>-4.33</i>	
International Equity	7,069,843	15.12	N/A	N/A	N/A	N/A	N/A	N/A	0.25	08/01/2026
<i>MSCI AC World ex USA (Net)</i>			<i>0.48</i>	<i>14.22</i>	<i>20.00</i>	<i>20.54</i>	<i>9.55</i>	<i>9.25</i>	<i>0.13</i>	
Fidelity International Index	3,024,584	6.47	0.06	10.15	15.20	18.63	9.55	9.18	-1.47	08/01/2026
<i>MSCI EAFE (net)</i>			<i>0.81</i>	<i>10.33</i>	<i>15.69</i>	<i>18.40</i>	<i>9.32</i>	<i>9.07</i>	<i>-1.12</i>	
Janus Henderson Overseas Fund	1,149,103	2.46	0.35	15.50	20.88	19.50	10.42	11.27	25.32	08/01/2025
MFS International Diversification Fund	1,544,426	3.30	1.62	10.73	14.80	17.99	8.15	9.53	18.23	08/01/2025
<i>MSCI AC World ex USA (Net)</i>			<i>0.48</i>	<i>14.22</i>	<i>20.00</i>	<i>20.54</i>	<i>9.55</i>	<i>9.25</i>	<i>24.09</i>	
Fidelity Emerging Markets Index Fund	1,351,730	2.89	-2.38	23.17	28.78	23.79	8.77	8.80	4.01	08/01/2026
<i>MSCI EM (net)</i>			<i>-0.37</i>	<i>23.38</i>	<i>29.22</i>	<i>24.09</i>	<i>8.94</i>	<i>9.09</i>	<i>2.79</i>	

Investment performance figures are based on preliminary data and are subject to change upon finalization.



Returns are net of mutual fund fees and are expressed as percentages.

CERMA Asset Allocation and Performance

September 30, 2026

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Listed Real Assets	2,214,915	4.74	N/A	N/A	N/A	N/A	N/A	N/A	N/A	08/01/2026
Listed REITs	1,101,065	2.35	N/A	N/A	N/A	N/A	N/A	N/A	-8.41	08/01/2026
FTSE NAREIT All Equity REITS			-6.06	7.93	5.61	10.97	2.38	5.35	-8.28	
Cohen & Steers Inst Realty Shares	1,101,065	2.35	-5.99	7.17	4.41	11.15	2.92	6.23	-8.48	08/01/2026
FTSE NAREIT All Equity REITS			-6.06	7.93	5.61	10.97	2.38	5.35	-8.28	
Listed Infrastructure	1,113,850	2.38	N/A	N/A	N/A	N/A	N/A	N/A	-7.21	08/01/2026
FTSE Global Core Infrastructure 50/50 Index (Net)			-6.65	3.31	4.13	12.78	6.23	6.63	-7.15	
NYLI CBRE Global Infrastructure	556,273	1.19	-7.46	1.46	1.65	12.53	5.91	7.03	-7.22	08/01/2026
Lazard Global Listed Infrastructure Inst	557,577	1.19	-7.84	-0.33	4.63	13.30	9.63	9.19	-7.07	08/01/2026
FTSE Global Core Infrastructure 50/50 Index (Net)			-6.65	3.31	4.13	12.78	6.23	6.63	-7.15	
Fixed Income	23,144,142	49.49	N/A	N/A	N/A	N/A	N/A	N/A	N/A	08/01/2026
Blmbg. U.S. Aggregate			-3.51	-2.91	-1.84	4.06	-0.64	1.14	-2.24	
Investment Grade	21,390,683	45.74	N/A	N/A	N/A	N/A	N/A	N/A	-2.39	08/01/2026
Blmbg. U.S. Aggregate			-3.51	-2.91	-1.84	4.06	-0.64	1.14	-2.24	
Baird Aggregate Bond Inst	6,946,358	14.85	-3.45	-2.72	-1.73	4.48	-0.40	1.51	-2.22	08/01/2026
PGIM Total Return Bond R6	4,501,904	9.63	-3.75	-2.74	-1.63	4.99	-0.12	1.93	-2.37	08/01/2026
Voya Intermediate Bond	3,117,618	6.67	-3.84	-2.89	-1.85	4.84	-0.25	1.75	-2.47	08/01/2026
Nuveen Core Bond Instl	4,512,639	9.65	-3.46	-2.45	-1.37	4.70	-0.21	1.62	-2.23	08/01/2026
iShares Core US Aggregate Bond ETF	2,312,165	4.94	-3.53	-2.84	-1.86	4.05	-0.64	1.11	-2.25	08/01/2026
Blmbg. U.S. Aggregate			-3.51	-2.91	-1.84	4.06	-0.64	1.14	-2.24	
Below Investment Grade	1,753,458	3.75	N/A	N/A	N/A	N/A	N/A	N/A	-1.50	08/01/2026
ICE BofA US High Yield Index			-1.81	0.04	1.39	7.94	3.56	4.95	-1.53	
NYLI MacKay High Yield Corp Bond Fund	876,287	1.87	-1.79	0.07	1.34	6.71	3.52	4.74	-1.35	08/01/2026
Artisan High Income Institutional	877,171	1.88	-1.30	0.03	1.14	7.93	4.42	6.11	-1.46	08/01/2026
ICE BofA US High Yield Index			-1.81	0.04	1.39	7.94	3.56	4.95	-1.53	
Cash Equivalents	160,875	0.34	N/A	N/A	N/A	N/A	N/A	N/A	0.61	08/01/2026
First American US Treasury	160,875	0.34	0.92	2.70	3.70	N/A	N/A	N/A	0.61	08/01/2026

Investment performance figures are based on preliminary data and are subject to change upon finalization.

Returns are net of mutual fund fees and are expressed as percentages.

Asset Allocation Summary

	40/60 Model	50/50 Current	60/40 Model	70/30 Model
Equity	40.0%	45.0%	54.0%	63.0%
US Large Cap Equity	22.8%	28.5%	34.2%	39.9%
US Small Cap Equity	1.2%	1.5%	1.8%	2.1%
Int'l Developed Equity	8.4%	10.5%	12.6%	14.7%
Emerging Market Equity	3.6%	4.5%	5.4%	6.3%
Listed Real Assets	4.0%	5.0%	6.0%	7.0%
REITs	2.0%	2.5%	3.0%	3.5%
Listed Infrastructure	2.0%	2.5%	3.0%	3.5%
Fixed Income	60.0%	50.0%	40.0%	30.0%
Core Bonds	55.5%	46.3%	37.0%	27.8%
High Yield	4.5%	3.8%	3.0%	2.3%
Intermediate-Term Assump. (5 Years)				
Expected Return	5.8%	6.1%	6.5%	6.8%
Standard Deviation	7.4%	8.5%	9.8%	11.1%
Return / Standard Deviation	0.79	0.72	0.66	0.61
Long-Term Assump. (30 Years)				
Expected Return	6.0%	6.3%	6.6%	6.9%
Standard Deviation	7.4%	8.5%	9.8%	11.1%
Return / Standard Deviation	0.82	0.74	0.68	0.62

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.

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REPORTS

SUBJECT: Report from Executive Director – Rob Kramer, Executive Director

BACKGROUND AND STATUS:

This time is reserved for Rob Kramer, Executive Director, to report to the Board of Directors regarding any general program management activities.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

None.