



**Minutes of the January 20, 2010
Special Meeting of the Board of Directors**

A regular meeting of the Board of Directors of the Governmental Health Group of Rhode Island (GHGRI) was held on Wednesday, January 20, 2010 at the offices of The Rhode Island Interlocal Risk Management Trust, 501 Wampanoag Trail, Suite 301, East Providence, RI 02915.

ROLL CALL

Board of Directors

1)	Christina Collins	Town of Jamestown	Present
2)	Pauline Silva	Bristol Warren Regional School District	Present
3)	Lisa Cournoyer	Smithfield Schools	Present
4)	Lynne S. Dible	Town of Middletown	Present
5)	Michael Embury	Town of North Kingstown	Excused
6)	David P. Faucher	Town of Portsmouth	Present
7)	Douglas Fiore	Tiverton Schools	Present
8)	Laura Kenyon	Town of Hopkinton	Present
9)	Robin Kimation	Burrillville Schools	Excused
10)	Nancy Lalli	City of Newport	Excused
11)	Steven Lindberg	N. Smithfield Schools	Present
12)	Thomas Mainville	Town of Gloucester	Present
13)	James McDonald	City of East Providence	Present
14)	Robert Mushen	Town of Little Compton	Present
15)	Kathy Raposa	Town of East Greenwich	Present
16)	Giovanna Venditti	Central Falls Schools	Present
17)	Vacant	Woonsocket Education Department	Excused

Alternate Board Members

1)	Patricia Anderson	Town of Charlestown	Excused
2)	Richard Brown	City of East Providence	Excused
3)	John Day	Town of Bristol	Excused
4)	Harold "Ron" Devine	Little Compton Schools	Excused
5)	Jackie DiPetro	Town of Gloucester	Excused
6)	Ned Draper	North Kingstown Schools	Excused
7)	Frances Gallo	Central Falls Schools	Excused
8)	James Goncalo	Town of Tiverton	Excused
9)	David Krugman	Town of Richmond	Excused
10)	Jane Littlefield	Jamestown Schools	Excused
11)	John Mainville	Town of Burrillville	Present
12)	Randy Rossi	Town of Smithfield	Excused
13)	Marc Tanguay	Town of Middletown	Present

14)	Michael Saunders	Newport Schools	Excused
15)	Irene Scripsack	N. Smithfield Schools	Excused
16)	William Sequino	Town of East Greenwich	Excused
17)	Cheryl Silva	Town of Warren	Excused
18)	Louise Tetreault	Town of North Smithfield	Present
19)	Mark Dunham	Portsmouth Schools	Excused
20)	Vacant	Woonsocket Education Department	Excused

Others Present

Thomas Dwyer	RI Interlocal Risk Management Trust	Present
Ronald Slovak	RI Interlocal Risk Management Trust	Present
Fran Johannis	North Smithfield Schools	Present

CALL TO ORDER

President Faucher called the meeting to order at about 9:10 A.M. A quorum was declared to be present, with 14 of 17 voting members in attendance.

APPROVAL OF AGENDA

Ms. Kenyon moved, seconded by Mr. Fiore, to approve the Agenda as presented. It was so voted unanimously.

SECRETARY'S REPORT OF MINUTES

Ms. Silva moved, seconded by Mr. John Mainville, to approve the Minutes of the December 16, 2009 meeting as presented. It was so voted unanimously.

REVISED EQUITY ALLOCATION POLICY

Prior to the meeting, the Board had received a memo dated January 19, 2010 from Mr. Dwyer presenting a number of additional alternative amendments and refinements to the draft revisions to the Equity Allocation Policy currently under consideration by the Board. At the request of Chair Faucher, Mr. Dwyer guided the Board through a brief PowerPoint presentation highlighting and explaining these new amendments and refinements.

Extensive discussion ensued. Some Directors commented that the Equity Allocation Policy seemed to be becoming too complex; others questioned the appropriateness of the balance represented by various scenarios between forfeited equity and withdrawn equity upon a Member entity's departure from the Health Pool. Mr. Thomas Mainville expressed his view that it should be a paramount goal of the Directors to maintain the integrity of the Pool, and further, that without such integrity, he questioned the long-term viability of the Pool and the commitment by participating Members to the "pooling" concept. Discussion followed about ways to present a motion to that effect. Several Directors expressed conceptual support for Mr. Mainville's view.

Mr. Fiore raised a question about whether the Equity Allocation Policy should treat differently the amount of equity a departing Member entity could withdraw from the Health Pool if that departure was to be mandated by State or Federal law or regulation, as opposed to being voluntary. Further discussion on this point ensued with Directors commenting that such a mandate did not seem imminent. Mr. Dwyer observed that, should such a mandate occur, the Equity Allocation Policy could be revised by the Board at any time to address that special situation.

In response to one of the alternative amendments presented by Mr. Dwyer, several Directors raised the importance of maintaining the Claims Fluctuation Reserve as a part of the formula for distributing equity to departed Member entities.

After further discussion, Mr. Thomas Mainville moved, seconded by Mr. Lindberg, to set as a guiding principle that any amendment to the Equity Allocation Policy be done in such a way that it maintains the integrity of the Health Pool by preserving the Claim Fluctuation Reserve as established from time to time by the actuary as a threshold criteria for determining the amount of funds a departed Member is entitled to withdraw from the Pool.

In Favor: Silva; J. Mainville; Venditti; Kenyon; Raposa; McDonald; T. Mainville; Collins; Mushen; Dible; Lindberg; Faucher; Cournoyer

Opposed: Fiore

The motion passed – 13 in favor; 1 opposed.

Continued discussion focused on whether the Member contributed capital component of equity should be treated separately from the equity created by the accumulation of premium revenue in excess of operating and claims costs (i.e. retained earnings). Several Directors commented that since equity from capital contribution has significantly different characteristics than retained earnings, it should be treated differently. Some Directors observed that Members upon joining GHGRI generally held the expectation that at some point in time they would be able to receive their contributed capital back, ideally with interest, although there were no guarantees issued to that effect.

Mr. John Mainville then moved, seconded by Ms. Kenyon, to treat the Members' Capital Contribution as a separate component of the Equity Allocation Policy to be credited annually with interest at a rate to be determined by the Board and to be available in full for withdrawal by a departed Member, irrespective of the level of the Claims Fluctuation Reserve to the total Health Pool Surplus.

In Favor: Unanimous

Opposed: None

The motion passed – 14 in favor; 0 opposed

Directors next deliberated about the portion of retained earnings that a departed Member should be able to withdraw from the Health Pool. The various scenarios presented by Mr. Dwyer were reviewed to determine their merits and demerits. Alternative variations on those scenarios were suggested by individual Directors. To illustrate the workings of these scenarios and to ensure a

better understanding by the Board of the proposals, Mr. Dwyer worked through these alternatives using a white board to show the calculations and time lines for pay-out schedules.

Mr. John Mainville next moved, seconded by Ms. Cournoyer, to amend the Equity Allocation Policy such that a departed Member would be allowed to withdraw 50% of its equity, less its Contributed Capital with interest; and further that such calculation of Equity be based on the audited results of the fiscal year in which the Member last participates; and further that such withdrawal may be subject to a delayed pay-out schedule as the Board may later determine at this meeting to be appropriate for inclusion in the Equity Allocation Policy.

Mr. Fiore then offered an amendment to Mr. Mainville's motion to allow a Member who departs the Health Pool before July 1, 2010 to withdraw 100% of its equity rather than 50% of its equity as proposed in Mr. Mainville's original motion. The amendment failed to garner a second, and thus died.

Chair Faucher then returned to the original motion and called for a vote on that motion without the amendment.

In Favor: Silva; J. Mainville; Venditti; Kenyon; Raposa; McDonald; T. Mainville; Collins; Mushen; Dible; Lindberg; Faucher; Cournoyer

Opposed: Fiore

The motion passed – 13 in favor; 1 opposed.

At approximately 11 AM, Director Dible and Alternate Director Tanguay left the meeting due to a prior commitment.

Board discussion then turned to whether the funds that a departed Member would be entitled to withdraw under the Equity Allocation Policy be paid immediately or over a deferred payment schedule. For a number of reasons, several Directors suggested that the Capital Contribution component and the share of retained earnings component be paid on different schedules – one more immediate, and one at a later date. The rationale for each approach was examined in depth.

Mr. McDonald then moved, seconded by Mr. Fiore, to specify in the amended Equity Allocation Policy that the Member's Contributed Capital (with accumulated interest) be paid to the departed Member over a three year period in equal installments beginning the first December 31st following the Member's departure (i.e., six months later) and continuing on each successive December 31st for the next two years.

In Favor: Unanimous

Opposed: None

The motion passed – 13 in favor; 0 opposed¹

¹ Due to the departure earlier of one voting Director and alternate, the number of voting members present had dropped to 13 from 14.

Directors continued to discuss not only the payment schedule for the retained earnings component of Surplus eligible for withdrawal but whether that amount should be reduced in some fashion to recognize the relationship of total Health Pool Surplus to the Claims Fluctuation Reserve. Several Directors noted that the GHGRI Board had traditionally considered the Claims Fluctuation Reserve a threshold funding level which Surplus must first exceed before the Board declared a dividend. The Claims Fluctuation Reserve, Chair Faucher observed, was also an important benchmark for assessing the overall adequacy of the Health Pool's Surplus level. Discussion ensued about the value of the CFR in ensuring the Health Pool's financial stability and integrity since it represents the actuary's view of potential adverse claims development over a two year period at a confidence level and stop-loss insurance attachment point set by the Board.

Mr. McDonald observed that the ratio between the Surplus and the Claims Fluctuation Reserve could be artificially manipulated by the Board by declaring a dividend, thereby reducing the size of the Surplus that would otherwise result. Discussion continued on whether that was a matter worth addressing in the Equity Allocation Policy.

Discussion also occurred about whether in the calculation of the Surplus the amount representing the combined sum of the capital contributed by Members should be excluded. Mr. John Mainville stated that he believed that it should be excluded because, under the terms of the Equity Allocation Policy, it is being treated essentially as a special reserve to be returned at some point to the Members irrespective of operating results, even though that is not the technical way that it is accounted for in the GHGRI books.

Ms. Raposa then moved, seconded by Ms. Cournoyer, to specify in the amended Equity Allocation Policy that three conditions apply to the retained earnings equity share eligible to be withdrawn by the Member:

1. That first payment of the equity share not be made until 18 months has elapsed from the date the Member ceases participation in the Pool.
2. That payments continue every 12 months thereafter until the total amount paid to the Member equals the Member's 50% equity share, less Contributed Capital with interest, to which it is entitled under the terms of the Policy; and with the further understanding that the aforementioned Member's 50% equity share and Contributed Capital with interest is fixed based on the audited Financial Statements for the fiscal year in which the Member last participated in the Pool.
3. That each payment be reduced by the percentage which Health Pool Surplus less the total amount of Contributed Capital for all Members, both as of the fiscal year immediately preceding the fiscal year in which the payment is being made, exceeds the latest actuarially developed Claims Fluctuation Reserve.

Mr. John Mainville submitted an amendment, seconded by Mr. McDonald, to Ms. Raposa's motion as follows:

- eliminate the provision in Condition 2 that payments continue every 12 months, substituting instead a provision that only one payment be made at 18 months subsequent to the last day of the Member's participation in the Pool, and
- make that one-time payment subject to Condition 3, with the added provision that the calculation of GHGRI Surplus for the purpose of the Equity Allocation Policy would ignore any dividend that the Board might declare for the year in question

Chair Faucher then called for a vote upon the amendment:

In Favor: Unanimous
Opposed: None
The amendment passed – 13 in favor; 0 opposed

Chair Faucher then called for a vote upon the original motion as amended:

In Favor: Unanimous
Opposed: None
The amendment passed – 13 in favor; 0 opposed

At this point, the Board concurred that it had addressed all the critical elements of an amended Equity Allocation Plan. Chair Faucher reviewed with the Board the next steps necessary before the Board could act formally to adopt the revisions, namely: drafting of the final language implementing the Board's votes, review of that language, circulation of the proposed revisions to the chief executive officers (CEO) of all GHGRI Member entities, and then final Board action on the revisions at least 30 days subsequent to the circulation of the revisions to the CEOs.

The Board indicated that it wished to review the final language before the changes were circulated to the CEOs. Mr. Dwyer agreed to try to have this language ready for review at the next Board meeting on January 27, 2010.

ADJOURNMENT

There being no further business before the Board, Mr. Faucher declared the meeting adjourned at about 11:45 A. M.

Respectfully submitted,



Thomas E. Dwyer
Acting Secretary on behalf of Secretary Shawn Brown