RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST
QUARTERLY BOARD OF TRUSTEES MEETING

Tuesday, January 29, 2008

Held at Trust Offices
501 Wampanoag Trail, Suite 301
East Providence, RI 02915

MINUTES

Chair Alfred called the meeting to order at approximately 9:10 A.M.

1. ROLL CALL

Trustees Present
Stephen Alfred, Town of South Kingstown
Jack Ambrogi, Newport Public Schools
Richard Brown, City of East Providence
Jeff Ceasrine, Town of Narragansett
Frances Gallo, Central Falls Schools
John Mainville, Town of Burrillville
Diane Mederos, Town of Bristol
Ed Mara, Bristol Warren Regional Schools
Mike Petrarca, West Warwick Schools
M. Richard Scherza, Cranston Public Schools

Trustees Absent
Scott Avedisian, City of Warwick
Bruce Keiser, Town of Jamestown
Lori Miller, Lincoln School Department
Daniel Beardsley (*ex officio)*, Rhode Island League of Cities and Towns

Others Present
Thomas Dwyer, Trust President and Executive Director
Colleen Bodziony, Trust Membership Services Manager
Ian Ridlon, Trust General Counsel and Director of Legal Services
Ron Slovak, Trust Chief Financial and Administrative Services Officer
Linda Grassini, Trust Benefits Program Operations Manager
Mike Riccitelli, Trust Underwriting Analyst
Glenn Saslow, Saslow, Lufkin & Buggy, LLP
David Roberts, Saslow, Lufkin & Buggy, LLP

2. Approval of Minutes of the Board Meeting of October 19 & 20, 2007 (Both Regular and Executive Session)

On a motion made by Trustee Petrarca, seconded by Trustee Scherza, the Board voted to approve the minutes of the Board meeting of October 19 and 20, 2007.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

Chairman Alfred then took the opportunity to introduce the new Trustees and welcome them officially.

3. Business Items

3a. 2006-2007 Audit Presentation and Acceptance

Prior to the meeting, the Trustees were provided with the results of the 2007 audit. The Trustees were also provided with the 2007 Audited Financial Statements and Supplemental Schedules. Chair Alfred introduced Messrs. Glen Saslow and Dave Roberts from the independent public accounting firm of Saslow Lufkin & Buggy, LLP and asked that they provide the Board with an overview of the firm's audit of The Trust's financial statements. Chair Alfred noted that Messrs. Saslow and Roberts had previously met with the Investment and Audit Committee to review the results of the 2006-2007 audit.

Mr. Saslow indicated that the audit was conducted in accordance with GAAP, and noted that there was no Management Letter this year. He also noted that Management restated The Trust's 2006 financial statements to reflect the impact of the restated December 31, 2005 financial statements of NLC-Mutual Insurance Company.

He pointed out that there was no internal control audit for The Trust as no such audit was required. He also stated that with the exception of the NLC adjustment, the audit was "pretty clean and no material conditions or exceptions were found".

With respect to the NLC adjustment, he explained that an audit of NLC-MIC for the year ending December 31, 2006 showed that NLC-MIC's financial statements were materially misstated at December 31, 2005. That resulted in an overstatement of The Trust's equity value in NLC-MIC as of June 2005 and 2006. The restatements were made, though, and now the information is accurate.

Finally, with respect to the audit, Mr. Saslow noted that Saslow Lufkin & Buggy, LLP had received full cooperation in its review from Trust management. He also stated that The Trust meets the requirements as a public entity risk pool and accounts for its activities in accordance with the Governmental Accounting Standards Board ("GASB") statements.

Before concluding, Mr. Saslow took the opportunity to provide the Trustees with information about accounting issues on the horizon. First, he noted the change to Risk Based standards that will be made next year. Second, he noted the combination of national and international standards (which he estimated to be about 8 to 9 years away). Finally, he discussed the impact of the so-called "subprime" crisis.

Chairman Alfred queried about the impact of the NLC restatement on our surplus. Mr. Dwyer emphasized that the restatement did not impact the year-end results. Rather it impacted only the starting position and the resultant change occurring during the course of the year. The Member Equity as of June 30, 2007 was $18,131,466. The equity is now at its highest point in The Trust's history. However, it was noted that in Fiscal Year 2000, the equity would have been higher than it presently is because The Trust was recording its reserves at the "high end of the actuarial range" as opposed to its current practice of utilizing an actuarially selected best estimate. Mr. Dwyer noted that Member Equity has grown 126% in the last three years and, at $18.1 million, it matches the projection provided to the Board at the October 2007 meeting.

Chairman Alfred then inquired about the impact of changing from using the "high point" of the actuarial range for reserves to the actuarially selected best estimate. Mr. Dwyer indicated that, if we currently booked IBNR at the high end, the current surplus would be reduced by approximately $3.0 million.

On a motion made by Trustee Mainville, seconded by Trustee Petrarca, the Board voted unanimously to accept the 2006-2007 audit report as presented.

Trustee	**Vote**	**Trustee**	**Vote**
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

Next, Mr. Slovak, The Trust's Chief Financial and Administrative Services Officer, presented five charts comparing The Trust's financial performance as indicated by the June 30, 2007 Statements against insurance industry benchmarks. Both Messrs. Slovak and Dwyer commented on the implications of each of these charts on The Trust's operations and The Trust's financial capacity. Charts were presented for the following measures:

- Premium to Surplus
- Loss Reserves to Surplus
- Liabilities to Liquid Assets
- Two Year Overall Operating Ratio
- Surplus to Self-Insured Retention

In addition, Mr. Slovak presented two other charts showing the historical change in loss reserve components and surplus levels over the last five years.

3b. Welcome Back Reserve Status

Mr. Slovak next provided the Trustees with a report regarding the status of the Welcome Back Reserve. He explained that the report reflected the credit for investments of the exit capitalization fees and indicated the years elapsed since the entity's departure.

Mr. Slovak further stated that the Welcome Back Reserve Policy requires Trust management to annually update the Board on the amount of Members' Equity associated with the Welcome Back Reserve. He provided the Board with an Annual Status Report showing the Welcome Back Reserve account at $132,500 as of June 30, 2007. The total Member Equity as of that same date was $18,131,466 which means that the Welcome Back Reserve constituted 0.73% of the Member Equity. Chairman Alfred then noted that the Welcome Back Reserve constitutes a part of the Fund Balance and cannot be segregated.

On a motion made by Trustee Scherza, seconded by Trustee Petrarca, the Board voted unanimously to accept the Welcome Back Reserve Status Report as presented.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

3c. Report of the Underwriting Committee

Trustee Petrarca gave a brief overview of what the Underwriting Committee does and noted that the Committee was pleased with the information that it had been provided with at its most recent meeting. However, he noted that the Committee always proceeds cautiously in determining premium levels and expected losses. Finally, he noted that the Committee had reviewed the Underwriting Objectives and Issues for 2008-2009 that had been prepared by Management, and found them to be well done.

i) Review of Management's Multi-Year Funding Outlook

Working off a PowerPoint presentation, Mr. Dwyer, on behalf of the Underwriting Committee, reviewed management's Multi-Year Funding Outlook for the fiscal years 2008 through 2012. Mr. Dwyer stated that, in an earlier meeting, the Committee had reviewed this Outlook in depth and examined Management's projections of the Loss Fund needed to support the operations of the two Trust risk sharing pools. Prior to that meeting, Mr. Dwyer had furnished to the Committee a memorandum dated January 17, 2008 analyzing the trends evident in the Outlook. That memorandum was also furnished to the Trustees in advance of this meeting.

Mr. Dwyer stated that the Outlook indicated that Members' Equity should remain relatively high for the five year period covered by the Outlook. He also noted that the five year Outlook premium revenue growth projections for the Workers Compensation Pool of approximately 3.7% annually and for the Property/Liability Pool of approximately 7.2% annually signal a reversal in the underwriting environment with Workers Compensation Pool changes now becoming more moderate than Property/Liability Pool changes. According to Mr. Dwyer, by judiciously using some of the significant Members' Equity surplus now held by The Trust, Member premium levels should be able to be kept relatively stable over the coming five year period, absent unexpectedly high loss development or unexpectedly sharp rises in reinsurance costs.

Overall, Mr. Dwyer indicated that the Outlook contained positive news on virtually all fronts. Specifically, he indicated that the Outlook forecasts the Workers' Compensation Pool will end the year in positive territory.

Mr. Dwyer's presentation included:

- Projected Loss Fund amounts for both pools;
- Estimated changes in prior years ultimate loss levels;
- Anticipated reinsurance costs;
- Projected administrative costs; and
- Portfolio returns

During the course of the presentation, Mr. Dwyer noted that the increase in Property/Liability premiums was due, in large part, to the increase in exposure.

He concluded with an explanation of the investment returns and discussed the Market Value Changes. This was followed by a brief discussion among the Trustees about the Outlook generally.

ii) Underwriting Objectives and Issues for 20089-2009

Chair Alfred next summarized the specific Underwriting Objectives and Issues being addressed by the Underwriting Committee and management during the coming months. A written report on these items had been provided to the Trustees prior to the meeting.

On a motion made by Trustee Ambrogi, seconded by Trustee Mainville, the Board voted unanimously to accept the Multi-Year Funding Outlook Report and the Report on Underwriting Objectives and Issues for 2008-2009 as presented.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

3d. Life Insurance Program Renewal with Underwriting Partner

Prior to the meeting, Linda Grassini, the Trust's Benefits Program Operations Manager, provided the Trustees with a memorandum dated January 22, 2008 regarding Management's recommendation relative to the renewal of The Trust's Life Insurance Program. Ms. Grassini provided the Trustees with an overview of the process by which management evaluated the recommendations made by the consulting life insurance actuary, Stu Rubinstein. Based upon Mr. Rubenstein's advice, management chose to renegotiate contract renewal terms with Standard Insurance Company ("Standard") rather than undertake an expensive and time consuming RFP which did not portend a more favorable outcome.

Ms. Grassini indicated that an increase in the cost of the program was both necessary and inevitable based on loss experience over the three most recent years during which Standard was underwriting the program. She advised that Standard initially proposed a much higher increase, but after negotiations, lowered its proposal to a 6% increase for a two-year term. Chairman Alfred clarified that this increase was a 6% total increase and was not per annum.

Chairman Alfred also raised the issue of Members insuring retirees. He stated that, because the cost is based upon demographics, the costs are driven up by Members who insure their retirees. Ms. Grassini confirmed that the loss ratios are dramatically higher for the retirees which significantly impacts costs. Chairman Alfred then initiated a brief discussion about whether premium increases necessary in the coming years should be allocated evenly or whether there should be proportionately higher increases for those Members who provide insurance for both their current employees and retirees as opposed to their current employees only.

Mr. Dwyer indicated that, if Management's recommendation was approved, the cost of the program, as a whole, would increase by 6%, but among the participating Members the premium increases would vary by underwriting factors such as the demographics of the insured lives, the proportion, if any, of retirees covered, and each Member's own loss experience. He also said that management would be reexamining the surcharge added to the premium rate to cover the cost of The Trust's overhead in managing the program and

as a contribution to Members' Equity (or surplus). If any change appeared to be warranted from existing levels, Mr. Dwyer said he would re-approach the Board with a recommendation.

On a motion made by Trustee Scherza, seconded by Trustee Mara, the Board voted unanimously to accept the recommendation of Management to renew the Group Term Life Insurance Program with Standard Life Insurance for a two-year period with a maximum 6% rate increase and to accept other recommendations from management regarding Member renewal pricing.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

3e. Open Meetings/Open Record Considerations vis-à-vis The Trust's Operations

In response to the Board's request at its October 2007 meeting, Mr. Ridlon, General Counsel and Director of Legal Services for The Trust, provided the Trustees with a memorandum dated January 22, 2008, regarding the obligations under the Rhode Island Open Meetings Act (the "OMA") and the Access to Public Records Act (the "APRA") and how The Trust complies where applicable. In addition, Mr. Dwyer provided the Trustees with a memorandum dated January 22, 2008, regarding the practical implications of The Trust's continued voluntary compliance with the OMA.

Mr. Ridlon began by giving an outline of what the requirements were under the two Acts. He then briefly discussed The Trust's compliance with the OMA, and noted that The Trust was arguably not subject to the APRA. He then noted that, despite The Trust's decision to voluntarily comply with the OMA, it was an unsettled issue whether the various Committees of The Trust should also be obligated to comply. Mr. Ridlon stated that, by amending The Trust's By-Laws, the advisory nature of the Trust's Committees would be clarified. This would support the legal position that the Committees would not be subject to the OMA.

There was an extended discussion among the Trustees about the propriety of the Committees not complying with the OMA. Many points were raised about the merits of voluntary compliance and the practical reasons for not complying if it is not legally required. There was also a brief discussion about the potential penalties for noncompliance in the event that compliance was legally required.

On a motion made by Trustee Ambrogi, seconded by Trustee Mara, the Board voted as follows to direct Management to propose By-Law amendments to clarify and support the position that Committees of The Trust are not subject to the Open Meetings Act.

Trustee	Vote	Trustee	Vote
Stephen Alfred	nay	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	nay
Bruce Keiser	absent		

3f. Applicability of Exit Capitalization Fee to Returning Members

Prior to the meeting, Mr. Dwyer provided the Board with a memorandum dated October 10, 2007 regarding the imposition of a second Exit Capitalization Fee on returning Members who again depart The Trust. This matter had been deferred from the October 2007 meeting.

Mr. Dwyer began by giving the new Trustees a brief explanation of the background of the Exit Capitalization Fee and its purpose. He then noted that The Trust's By-Laws do not address the issue of whether the Fee would apply to returning Members who once again decide to leave The Trust. Chairman Alfred expressed a concern that the Welcome Back Fund was created to encourage Members to come back to The Trust and that its use would defeat the purpose of the Exit Capitalization Fee if it was waived for returning Members. Mr. Dwyer noted that the point was well made, but indicated that the Welcome Back Reserve was simply a marketing tool that had never been used and could be eliminated if necessary.

There was further discussion among the Trustees about whether the elimination of the Fee would encourage a "revolving door" of Members. Concerns were also raised that waiving the Fee would encourage Members to "shop around" annually without repercussions.

Ultimately, Trustee Scherza suggested that the Trustees again defer consideration of the issue. Chairman Alfred then directed Staff to provide the Trustees with additional information relative to the interaction between the use of the Welcome Back Reserve and the Exit Capitalization Fee. Accordingly, the matter was tabled until the next meeting.

3g. New Member Approval – SORICO Holding Corporation

Prior to the meeting, Mr. Dwyer and Colleen Bodziony, Membership Services Manager, provided the Board with a memorandum dated January 11, 2008 regarding an application for Trust membership made by SORICO Holding Corporation. The Trustees were informed that the Underwriting Committee had endorsed the membership application at its January 22, 2008 meeting.

On a motion made by Trustee Mainville, seconded by Trustee Mara, the Board voted unanimously to accept SORICO Holding Corporation as a Trust Member effective January 31, 2008.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

3h. Annual Reorganization

Trustee Scherza, Chairman of the Nominating Committee, presented his report and recommended that Stephen A. Alfred be elected as Chair of the Board of Trustees and that Michael Petrarca be elected as Vice-Chair of the Board of Trustees.

i) Election of Board Officers: Chair and Vice Chair

On a motion made by Trustee Ambrogi, seconded by Trustee Mainville, the Board voted unanimously to close the nominations and elect Stephen Alfred, Chair, and Michael Petrarca, Vice-Chair, of the Board of Trustees.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

ii) Election of Trust Officers: President, Treasurer and Secretary

Trustee Scherza next presented his report on a proposed slate of Trust Officers. On a motion made by Trustee Ambrogi, seconded by Trustee Mainville, the Board voted unanimously to elect Thomas E. Dwyer, President; Ronald Slovak, Treasurer; and Ian Ridlon, Secretary.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye

Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

iii) Committee Appointments or Reassignments

On a motion made by Trustee Scherza, seconded by Trustee Mara, the Board voted unanimously to accept Chairman Alfred's recommendation to appoint John Mainville to the Management Committee.

Trustee	**Vote**	**Trustee**	**Vote**
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

On a motion made by Trustee Petrarca, seconded by Trustee Ambrogi, the Board voted unanimously to accept Chairman Alfred's recommendation to appoint Jeff Ceasrine to the Underwriting Committee.

Trustee	**Vote**	**Trustee**	**Vote**
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

On a motion made by Trustee Mara, seconded by Trustee Mainville, the Board voted unanimously to accept Chairman Alfred's recommendation to appoint Diane Mederos to the Risk Management Committee.

Trustee	**Vote**	**Trustee**	**Vote**
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

4. Operations and Funding Report

Mr. Dwyer distributed to the Board the Operations and Funding Report for The Trust's two pools: Workers' Compensation and Property/Liability. The Operations and Funding Report was shown for both the Property/Liability and Workers' Compensation Pools as of November 30, 2007. Mr. Dwyer also distributed to the Board the Report showing the Adjusted Loss Ratio on a consolidated basis for the Property/Liability Pool, the Workers' Compensation Pool and Member Programs.

Chairman Alfred suggested that it was not necessary to get into the level of detail that normally accompanied this report for fear that certain claims might be identifiable from the materials. Mr. Dwyer indicated that he believed it was important to discuss the "drivers" of the trends, but agreed that the information could be more generic in the future.

On a motion made by Trustee Scherza, seconded by Trustee Mainville, the Board voted unanimously to accept the Operations and Funding Report.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

5. Informational Items

a) Minutes of Committee Meetings

The following Minutes of various Committee meetings were presented to the Board as informational items:

i)	Investment and Audit Committee	December 12, 2007
ii)	Nominating Committee	January 14, 2008
iii)	Underwriting Committee	January 22, 2008

Reports on the following items were provided to the Board as informational matters:

b) Smoke Shop Use of Force Amicus Curiae Brief

c) Claim Activity of Significance – Warwick Fire Truck Loss

d) West Warwick Housing Authority Clyde Tower Coverage Restriction Removed

e) Quarterly Investment Performance Report thru September 30, 2007

f) Drug and Alcohol Consortium Annual Statistical Report

On a motion made by Trustee Brown, seconded by Trustee Petrarca, the Board voted unanimously to file the Reports of Informational Items.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

6. Adjournment

On a motion made by Trustee Petrarca and seconded by Trustee Mainville, the Board voted unanimously to adjourn the meeting.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Diane Mederos	aye
Scott Avedisian	absent	Edward Mara	aye
Richard Brown	aye	Lori Miller	absent
Jeff Ceasrine	aye	Michael Petrarca	aye
Frances Gallo	aye	M. Richard Scherza	aye
Bruce Keiser	absent		

The meeting then stood adjourned at approximately 11:20 A.M.

Respectfully Submitted,

Ian C. Ridlon
Corporate Secretary