



**THE THIRTEENTH ANNUAL JOINT MEETING
OF THE
BOARD OF TRUSTEES AND ITS COMMITTEES
OF
THE RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST**

**Newport Harbor Hotel and Marina
Newport, Rhode Island
October 17 and 18, 2008**

MINUTES

Chairman Alfred called the meeting to order at approximately 8:35 A.M., October 17, 2008.

1. ROLL CALL

Trustees Present

Stephen A. Alfred, Town of South Kingstown
John H. Ambrogi, Newport Public Schools (October 17, 2008 only)
Scott Avedisian, City of Warwick
Richard M. Brown, City of East Providence
Jeffrey Ceasrine, Town of Narragansett
Bruce R. Keiser, Town of Jamestown
John P. Mainville, Town of Burrillville
Edward P. Mara, Bristol Warren Regional School District
Diane C. Mederos, Town of Bristol
Lori A. Miller, Lincoln Public Schools
Michael R. Petrarca, West Warwick Public Schools (October 17, 2008 only)
M. Richard Scherza, Cranston Public Schools

Trustees Absent

John H. Ambrogi, Newport Public Schools (October 18, 2008 only)
Daniel L. Beardsley (*ex officio*), Rhode Island League of Cities and Towns
Frances Gallo, Central Falls School District
Michael Petrarca, West Warwick Public Schools (October 18, 2008 only)

Others Present

Brian T. Ahern, Trust Loss Prevention Manager
Colleen M. Bodziony, Trust Membership Services Manager
Donna Brasley, Practical Actuarial Solutions (October 18, 2008 only)
Linda J. Celona, North Providence School Department, Trust Risk Management Committee
Joseph A. Balducci, Cranston Public Schools, Trust Investment and Audit Committee
Thomas E. Dwyer, Trust President and Executive Director
James W. Evans, Albert Risk Management Solutions (October 18, 2008 only)

Russell F. Godin, Trust Property/Liability Claims Manager
Phil Gorgone, Punter Southall (October 17, 2008 only)
Linda A. Grassini, Trust Benefits Program Operations Manager
Robert A. Hicks, South Kingstown School Department (October 17, 2008 only),
Trust Risk Management Committee
Jeffrey P. Kadison, Practical Actuarial Solutions
Denise C. Lapolla, Trust Workers' Compensation Claims Manager
Alan R. Lord, Town of South Kingstown, Trust Investment and Audit Committee
Mike Lynch, Punter Southall (October 17, 2008 only)
Debra P. Maynard, Trust Executive Assistant
Col. Stephen M. McCartney, City of Warwick Police Department,
Trust Risk Management Committee
Ian C. Ridlon, Trust General Counsel and Director of Legal Services
Ronald F. Slovak, Trust Chief Financial and Administrative Services Officer
Mark R. Stoughton, Trust Information Services Manager
Ronald D. Tarro, Town of Barrington, Trust Investment and Audit Committee

**2. APPROVAL OF MINUTES OF BOARD MEETING OF JUNE 24, 2008
(REGULAR AND EXECUTIVE SESSION)**

On a motion made by Trustee Petrarca, seconded by Trustee Mainville, the Board voted to approve the minutes of the Board meeting of June 24, 2008.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambroggi	aye	Ed Mara	aye
Scott Avedisian	aye	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	aye
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

3. BUSINESS ITEMS

3.a. Loss Trends Review

i) Management Overview of IBNR & Actuarial Indications

Prior to the meeting, Mr. Dwyer provided the Board with a memorandum dated October 7, 2008, summarizing the actuarial results as of June 30, 2008, and related financial implications. Mr. Dwyer explained that the actuarial review is conducted each year to determine the actuarial range for the Incurred But Not Reported (IBNR) reserve. Within that range, Management selects an amount which is then recorded as claims reserves in The Trust's Financial Statements. Mr. Dwyer said that the actuarial results are far more favorable than anticipated by Management and indicate on a preliminary basis that the Members' Equity position will increase approximately 10% from \$18.2 million to approximately \$20.3 million.

Mr. Dwyer then presented an analysis of loss ratios by policy year. Utilizing a PowerPoint presentation, Mr. Dwyer first focused on the Workers' Compensation Pool. He observed that the workers' compensation loss ratio trends appear to be changing significantly for the policy years 2005 through 2008, and by means of several graphs, showed the potential that the Workers' Compensation Pool might be profitable for each of the last three policy years depending on how

claims develop in relation to the actuary's estimate of the IBNR reserve which he said he believed are extremely conservative.

Next, Mr. Dwyer discussed the profitability of the Property/Liability Pool, again examining trends by policy year dating back to the inception of The Trust and pointing out factors that caused operating ratios and loss and income levels to change from year to year. He explained that a large contributing factor to the growth in Members Equity over the last ten years or so has been The Trust's ability to close many pending claims at levels well below those projected by the claims staff and the actuary. He concluded by indicating that, assuming typical favorable developments over time, even recent policy years 2007 and 2008 should be profitable.

Throughout the presentation, Trustees and Committee members asked a number of questions about the data and its implications.

ii) Projected Closing Financial Position as of June 30, 2008

Utilizing a PowerPoint presentation, Mr. Dwyer indicated that, preliminarily, the Member's Equity for the year ending June 30, 2008 is being estimated by Management at about \$20.3 million. He also discussed how this position compared to the historical position of The Trust, and presented two slides summarizing the performance of the The Trust's investments over the last fiscal year.

Mr. Dwyer reiterated, however, that this estimate for this fiscal year was still unaudited, and was subject to change.

iii) Report from Actuary – the Loss Reserve Analysis ending June 30, 2008

Prior to the meeting, the Board received a copy of the detailed actuarial report as of June 30, 2008, prepared by The Trust's actuary, Jeffrey Kadison of Practical Actuarial Solutions, along with a detailed memorandum dated October 7, 2008, from Mr. Dwyer summarizing key aspects of the report.

Using a PowerPoint presentation entitled "Review of Loss Reserves," Mr. Kadison provided an explanation of the actuarial report using exhibits to illustrate the major trends he found in his analysis of Trust loss data and claims experience.

Mr. Kadison first discussed the Workers' Compensation loss ratios. For the current policy year, he noted that the ultimate loss ratio to the standard premium was estimated at 70.3% which is better than breakeven. For the prior policy years' period, actual loss emergence was approximately \$2 million, which was lower than the anticipated by nearly \$300,000.

Mr. Kadison next discussed the loss level drivers and reviewed industry-wide loss experience relative to that of The Trust's claims experience. He stressed that claim frequency is decreasing but claim severity is increasing. He also presented a series of slides examining factors that contributed to underwriting losses especially during the period covering policy years 2000 to 2004. He noted that there were many pricing discounts provided during that time frame.

Trustee Petrarca inquired whether Lost Time issues are made worse by certain provisions in some Union contracts governing whether and how an injured employee is compensated and when he may return to work. Mr. Kadison responded that they certainly create disincentives to returning.

Mr. Kadison also responded to a question posed earlier by Mr. Hicks, a member of the Risk Management Committee, regarding how the “mix” of increased premiums and decreased claim levels impacted the improved profitability of the Workers’ Compensation Pool.

He concluded the discussion of workers’ compensation trends by noting that he anticipates that PY 2008 will move below the breakeven line and will be profitable.

Mr. Kadison then gave a brief overview of actuarial implications from his analysis of the claims trends in The Trust’s Injured On-Duty (IOD) program, which is now 10 years old. For the current year’s estimated results, Mr. Kadison stated that reported loss and Allocated Loss Adjustment Expense (ALAE) levels were favorable. With respect to prior fund year Estimates of Ultimate Losses, he stated that there was a favorable loss emergence of about \$242,000 at his June 30, 2008 best estimate compared to the prior June 30, 2007 estimate.

Mr. Kadison then turned to the Property/Liability Pool. He discussed the results from the current policy year noting mixed trends among the various individual lines of coverage. With respect to Property claims in particular, he indicated that though loss levels have decreased by 10% from fiscal year 2007, they still remain high in comparison to much of The Trust’s history.

Mr. Kadison then discussed Prior Fund Year Estimated Ultimate Losses. For the prior year’s period, he stated that the “pleasant surprises” exceeded the “unpleasant surprises” for GL and PO. Selected and high estimates decreased by \$680,000 and \$1.2 million, respectively, from June 30, 2007 estimates.

3.b. Report of the Investment and Audit Committee

As chair of the Investment and Audit Committee, Alan Lord highlighted key aspects of the Committee’s work this past year and plans for the coming year. He noted that Punter Southall had also provided the Committee and the Board with additional detail in an Executive Summary describing The Trust’s investments generally for the fiscal year ending June 2008.

Mr. Lord informed the Board that the Committee looks at how the portfolio performs against the benchmarks. For example, while the Equity portfolio was down 11%, it outperformed the Standard & Poor benchmark which was down 13%. In addition, the three year trend was up 6.4% as opposed to the S&P benchmark which was up only 4.4%.

Mr. Lord also informed the Board that the Committee is seeking to move away from Columbia as one of The Trust’s fixed income investment managers within the next six months. However, this would require a change to the Investment Policy. He noted that the Committee would be seeking approval for that change.

He next reassured the Board that The Trust has very little exposure to subprime mortgages or credit default swap issues.

Addressing the Committee’s function in terms of The Trust’s financial audit, he reported that the Committee had recommended during the course of the year and the Board approved a two year extension of the audit contract with Saslow, Lufkin & Buggy as independent auditors. He briefly summarized the basis for this recommendation.

Mr. Dwyer then summarized the changes to the Investment Policy being proposed by the Committee and management. He advised that these revisions implement two primary changes. The first is that it allows the move away from Columbia as investment manager to an alternative investment mechanism utilizing two mutual funds – the PIMCO All Asset Institutional Fund and

the Vanguard Short-Term Investment Grade Fund. The second is that it updates the Policy and addresses some necessary reformatting issues. Chairman Alfred then noted that, at the June Board meeting when this was first addressed, the Board expressed its full confidence in the work of the Committee and indicated it would likely approve the final set of Investment Policy changes recommended by the Committee.

On motion made by Trustee Ceasrine, seconded by Trustee Mainville, the Board voted unanimously to accept the Revised Investment Policy as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Ed Mara	aye
Scott Avedisian	aye	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	aye
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

Mike Lynch and Phil Gorgone from Punter Southall then highlighted certain aspects of the Annual Investment Portfolio Review. Mr. Lynch stated that, for the fiscal year, The Trust gained 3.4%. He stated that the performance of the fixed income managers was mixed, with PIMCO outperforming, and Galliard and Columbia underperforming to various degrees. The Equity Pool and the Liquidity Pool also outperformed their respective benchmarks.

Messrs. Lynch and Gorgone next discussed the changes in the allocation of assets in the portfolio over time. They noted that the overall philosophy has been diversity and a well-balanced approach to various segments of the marketplace. This philosophy translates into decreased volatility. In discussing the charts entitled "Guideline Monitor Summary" for the different investment pools, Mr. Gorgone stressed that three year universe is a much better and more representative measure of the pools' performances than one year performance results especially since the current market conditions are so unprecedented.

Mr. Lynch then discussed portfolio considerations for PY 09. Highlights included updating and modernizing the Investment Policy, reviewing the fixed income portfolio asset allocation and diversification strategies, continuing to monitor the Fixed Income Portfolio for exposure to imperiled securities, monitoring Columbia's investment activities to determine the best time to transition to new strategies, evaluating strategies to maximize returns on liquid assets, and considering further diversification in the Equity Pool.

Mr. Dwyer then asked Punter Southall representatives to update the Board on recent developments in The Trust's Investment Portfolio in the wake of the turmoil in the financial markets since early September 2008. Messrs. Lynch and Gorgone accordingly described key changes and summarized recent realized and unrealized losses. As of September 30, 2008, they advised that the value of The Trust's Portfolio had fallen to \$38.4 million. Along with Mr. Slovak, they reported that they are evaluating value and activity levels daily for the types of securities held by The Trust in its Portfolio, and are regularly in contact with The Trust's investment managers to determine the best strategies in these unprecedented times. Punter Southall representatives informed the Board that they could not guarantee that the losses suffered by the Portfolio in the last two months could be recouped by the end of the fiscal year.

Messrs. Lynch and Gorgone also addressed The Trust's exposure to subprime mortgages in particular and mortgage back securities in general. In response to a question from Mr. Dwyer,

Mr. Gorgone indicated that The Trust's exposure to credit default swaps, another problem area of late for the financial markets, was very limited; he said the PIMCO Moderate Duration Fund is the only Trust portfolio using them, and for a very specific purpose. He also noted that Galliard had some subprime exposure, but it was very limited. He added that though The Trust portfolio overall is over-weighted in mortgage backed securities related to benchmark indices, now that these securities are government backed under the "bail-out" provisions of the Federal program, they are much safer and performance has accordingly rebounded.

Relative to the financial crisis's impact on giant insurer AIG, Mr. Dwyer then addressed the issue of The Trust's affiliation with that company. He noted that Trust reinsurers Lexington (catastrophic property reinsurance) and Hartford Steam Boiler (equipment breakdown reinsurance, also known as boiler and machinery insurance) were AIG entities, but were not affiliated with AIG's investment arm. In fact, the insurance arms of AIG remain their most profitable. Mr. Dwyer said he, The Trust's insurance brokers, and the Trust's independent insurance consultant are all monitoring the financial stability and solvency of these companies as the financial crisis widens and develops. To satisfy AIG's outstanding financial obligations, there is speculation that the profitable insurance operations of AIG may be sold, he said. Both companies have recently been slightly downgraded in their rating by A.M. Best, though each still remain "A" rated. Consequently, at this point, Mr. Dwyer said The Trust is not seeking to find new reinsurers to replace either of these companies for The Trust's business.

Mr. Dwyer pointed out to the Trustees that were the reinsurers to become insolvent and unable to play claims, The Trust would still be obligated to its Members to make them whole for those claims. Chairman Alfred added that this was one of the primary reasons that The Trust should maintain a significant amount of Member Equity.

Mr. Lord inquired what impact the situation might have on reinsurance premiums. Messrs. Dwyer and Kadison stated that it would be difficult to tell at this time.

3.c. Report of the Risk Management Committee

Trustee Scherza, Chair of the Risk Management Committee, first thanked The Trust staff for all of its hard work throughout the year. He next summarized the activities of the Risk Management Committee during the year and highlighted its accomplishments, as follows:

■ Discussion of the Recreational Use Statue

He noted that the Committee started the year reviewing the Recreational Use Statue and that the legislative proposal introduced last year was unsuccessful and was not expected to be re-introduced this coming year.

■ Review of Independent Management Studies of Loss Prevention and Claims Departments

He noted that the Committee examined two independent management audit reports of the both The Trust's Loss Prevention and Claims Departments that were conducted by outside agencies on behalf of The Trust's re-insurer, NLC Mutual Insurance Company, and noted that both independent audits were highly complimentary of Trust staff.

■ Law Enforcement Initiatives

He stated that the Committee reviewed loss trends relating to strip-search, vehicle

pursuits, and use-of-force claims. In addition, the Committee was kept abreast of the initiative to develop SWAT-Team Standards for police tactical team training certification, and he noted that these Standards were completed and warmly received and adopted by the RI Police Officers Commission on Standards and Training (POST).

■ Model Policy Development

He also reported that the Committee reviewed two Model Policies for Trust Members:

1. Due to recent Federal Court decisions broadening the scope of conduct constituting sexual harassment, staff developed, and the Committee reviewed, a Model Policy on Harassment for Members.
2. The Committee also reviewed model procedures developed for the Public Safety Injured-On-Duty (IOD) claims reporting.

He concluded his comments by noting that the Committee worked and is working on numerous other projects that staff would report on later in the meeting.

3.c.i. Litigation Management Statement

Prior to the meeting, the Board was provided with a copy of a memorandum from Ian Ridlon, The Trust's General Counsel and Director of Legal Services, to the Risk Management Committee dated September 18, 2008, regarding proposed changes to The Trust's Litigation Management Statement. Attached to the memorandum was a red-lined version of the proposed changes. The Board was also informed that the Risk Management Committee reviewed and endorsed the proposed changes and was recommending to the Board that it adopt the proposed changes.

Mr. Ridlon presented the proposed changes to the Litigation Management Statement. He noted that the Statement had not been updated in several years, and that a number of the changes were non-substantive in nature. Those changes were intended to reflect the fact that Trust claims were now handled in-house rather than by a third-party administrator. Another such change simply clarified the relationship between appointed counsel, The Trust, and its Members.

There were three basic substantive changes that were addressed by Mr. Ridlon. The first change involved the elimination of the "categories" of cases. This change was intended to provide assigned counsel with more flexibility in terms of resolving claims. The second change dealt with the prohibition of Trust defense counsel acting in a manner adverse to any Trust Members. The prohibition was broadened to include any municipal entity or sub-entity regardless of whether such entity was a Member. The rationale for the change was that it would eliminate any appearance that counsel was adverse to our Members or potential Members, and would also anticipate any conflict of interest argument that might arise if a new Member were to join The Trust. The third substantive change would require Trust counsel to meet periodically with each other and The Trust's general Counsel to discuss changes in the law, strategies, and other issues.

Chair Alfred commented favorably on the change to the "prohibited engagements" portion of the Statement.

On motion made by Trustee Brown, seconded by Trustee Mederos, the Board voted unanimously to accept the revised Litigation Management Statement as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambrogi	aye	Ed Mara	aye
Scott Avedisian	aye	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	aye
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

3.c.i (1) Workers' Compensation Defense Counsel Review

Mr. Ridlon informed the Board that Management was recommending that a limited RFP be issued for the solicitation of Workers' Compensation counsel, and that the Risk Management Committee had approved the recommendation. Mr. Ridlon stressed that this was not the result of the Trust or its Members being dissatisfied with the current counsel, but rather was precipitated by the fact that The Trust has only one firm that handles this work, and does not have any secondary firms as it does with Property/Liability.

Mr. Ridlon noted that Management was recommending that a small committee be established to assist in evaluating the counsel who respond to the RFP. In addition to The Trust's Workers' Compensation Claims Manager Denise Lapolla, Mr. Dwyer, and Mr. Ridlon, Lori Miller, Board and Risk Management Committee member, has been asked and has agreed to serve on the committee. Ms. Lapolla will also be suggesting a fifth committee member drawn from the membership at large.

Trustee Ambrogi asked about the rates charged by our defense counsel generally. Mr. Ridlon responded that they were well below market rate. Mr. Dwyer added that, while the rates were below market, the legal representation provided to our Members has always been excellent based upon Member feedback.

Chairman Alfred indicated that the objective of this process was simply to diversify our Workers' Compensation Defense Counsel. Mr. Tarro inquired whether the Revised Litigation Statement would be applicable to Workers' Compensation Defense Counsel as well, and Mr. Ridlon indicated that it would.

By consensus, the Board indicated it supported the concept of a limited RFP for other workers' compensation defense counsel and the process described for selection; no formal vote was necessary to undertake this process as the Risk Management Committee had already approved the recommendation.

Trustee Ambrogi departed at approximately 11:00 A.M.

3.c.ii. Report of Committee Activity

Mr. Ahern then followed-up by identifying and highlighting aspects of several other risk management projects being addressed by Management and the Risk Management Committee. Three of these projects were further described in memoranda that Mr. Ahern had submitted to the Board with its Meeting Agenda packet:

- Development of a model policy governing employee health care information
- A law enforcement mental health policy project, including a review of the use of TASERS

- A police officer job task analysis being conducted under the auspices of the Rhode Island Police Training Academy

Mr. Ahern also discussed the issue of sidewalk liability. He noted that Melody Alger has authored a Risk Advisor for our Members that was well received, and that she had made a presentation to our adjusters as well.

Chairman Alfred inquired about the number of departments using TASERS. Colonel McCartney responded that fewer than half of the departments in the state were using them. There followed a brief discussion of some of the factors that were involved with the choice of whether or not to use TASERS.

Mr. Ahern concluded his portion of the report by noting that Trust-sponsored dispatcher training programs were under consideration in light of recent claim activity alleging negligence on the part of dispatchers in handling emergency calls, and that the evaluation of the e-learning program was proceeding toward the issuance of an RFP.

Chairman Alfred inquired about whether POST was beginning to develop training standards for part-time officers. Colonel McCartney, who is POST Chair, responded that POST was really overwhelmed at the Academy now, and that there was no short-term plan to develop such standards unless they could increase staffing. There followed a brief discussion about the status of part-time officers vis-à-vis insurance coverage.

3.c.iii. Claim Trends Reviewed

Russ Godin, The Trust's Property/Liability Claims Manager, gave a presentation on the results of a study that he and Mr. Ahern had undertaken relative to Public Officials' Liability. He noted that the claims had been broken down into four categories.

The highlights of the presentation included:

- The number of employment related claims constitute approximately 42% of all Public Officials' Liability claims.
- There has been a significant spike in claims against Zoning and Planning Boards by developers in recent years.
- School Departments have more claims arising from administrative decisions, but the municipalities tend to have the more severe claims.

Chairman Alfred noted that this presentation was important to get Members thinking about these areas of potential liability and beginning to formulate plans to reduce the risk of liability. Mr. Hicks noted that Members should begin to participate in more of the trainings offered by The Trust. Chairman Alfred stated that more model policies dealing with disciplinary issues would be helpful, and Trustee Scherza noted that it would be beneficial to provide supervisor training for new supervisors. Trustee Avedisian stated that there should be an emphasis on including members of the various boards and commissions as opposed to simply municipal employees.

Thereafter, there was a brief discussion regarding the types of trainings that would be helpful and what could be done to encourage greater participation. Mr. Dwyer indicated that several pools offer premium credits for participation in such trainings. Trustee Scherza inquired whether we could create "Member Scorecards" to keep track of participation. Mr. Kadison noted that deductibles could also be increased to address the issue of Members who chose not to participate

in these programs. Mr. Dwyer noted that some of these suggestions were reflected in existing Trust programs, such as *WorkSmart21*.

Chairman Alfred concluded the discussion by suggesting that the attendees consider all these ideas and be prepared to make further suggestions and recommendations when the meeting resumes.

The session was then closed for the day at 12:02 P.M.

The session resumed at 8:35 A.M. on October 18, 2008.

After a quick inquiry by the Chair of the attendees, there were no additional suggestions about public officials' liability training ideas.

3.d. Claim Activity Litigation

Notice of Intent to Seek to Convene into Executive Session

On a motion made by Trustee Scherza, seconded by Trustee Mederos, the Board, after a unanimous roll call vote, convened into Executive Session pursuant to the Rhode Island Open Meetings Act, Rhode Island General Laws 42-46-5 (a)(2), in order to discuss litigation matters related to the cases of Station Nightclub Fire Plaintiffs v. Town of West Warwick, Thomas v. Cranston Public Schools, and Fonseca v. City of East Providence.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambrogi	absent	Ed Mara	aye
Scott Avedisian	aye	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	absent
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

Motion to Return to Open Session

On a motion by Trustee Avedisian, seconded by Trustee Brown, the Board voted as follows to conclude the Executive Session and resume the public meeting:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambrogi	absent	Ed Mara	aye
Scott Avedisian	aye	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	absent
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

Motion To Seal Minutes of The Executive Session

On a motion by Trustee Avedisian, seconded by Trustee Brown, the Board voted as follows to seal the Minutes of the Executive Session until such time as the matters taken up had been resolved:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambrogi	absent	Ed Mara	aye
Scott Avedisian	aye	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	absent
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

Mr. Dwyer next took the opportunity to inform all gathered about the exemplary work of The Trust staff and its service providers relative to the recent fire/suicide claim at the Lincoln High School. Mr. Godin then gave a brief factual summary of the work. He praised the facility manager and the staff at the Lincoln High School for all of their efforts and working in a “true partnership” with The Trust. Ms. Lapolla then briefly described some of the workers’ compensation issues that arose from the incident.

Chairman Alfred then commented on the recent fire claim at the South Kingstown Town Hall. He praised the Trust and its vendors for the outstanding work that they did and the minimal disruption that they were able to maintain throughout. He concluded by stating that, when one is on the receiving end of Trust services, it is very easy to appreciate how good the service really is.

Trustee Miller of Lincoln Public Schools took one final opportunity to thank Trust staff and praise the work done in relation to the high school claim.

3.e. Board Governance

Upon recommendation to the Board by Chairman Alfred, on motion made by Trustee Ceasrine, seconded by Trustee Brown, the Board voted as follows to appoint Mayor Scott Avedisian as the Board’s at-large member of the Nominating Committee:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	aye
Jack Ambrogi	absent	Ed Mara	aye
Scott Avedisian	abstain	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	absent
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

Chair Alfred then named Trustee Avedisian as Chair of the Nominating Committee.

3.f. Workers’ Compensation Program – Brainstorming for the Future

Prior to the meeting, the Board had been provided with a memo dated October 10, 2008 from Mr. Dwyer describing the need for Board level “brainstorming” about the workers’ compensation

program and providing background information about membership loss in the Workers' Compensation Pool. He highlighted parts of that memo, and briefly reviewed a recent half-day brainstorming session Management held on this same topic with The Trust's independent insurance consultant Jim Evans of Albert Risk Management Consultants. Out of that meeting came several recommendations and suggestions for review and consideration. He then asked Colleen Bodziony, the Trust's Membership Services Manager, to give the Board an overview of the competitive environment in the Workers' Compensation arena.

She noted that she is routinely told that Members are reluctant and sad to leave, but must do so because pricing is paramount over service. She indicated that she has been told repeatedly by Members that they need more competitive pricing through avenues such as multi-line bundling discounts. In short, Members want help to be able to stay in the Pool.

Ms. Bodziony also offered her assessment of the competitive posture of the Beacon Mutual Insurance Company ("Beacon") in terms of its pricing, dividend program, and evolving relationships with other entities that have been created under the same enabling statute as The Trust and with Blue Cross/Blue Shield.

At the invitation of Ms. Bodziony, Trustee Miller presented a narrative of the issues that Lincoln Public Schools faced last year when it elected to continue to purchase Workers' Compensation insurance from The Trust.

Chairman Alfred inquired if the increasing profitability of the Workers' Compensation Pool was a result of losing "bad" Members. Mr. Kadison said that it was, but only to a limited extent. Major factors impacting improving loss trends, he opined, are The Trust's good loss prevention work through programs such as WorkSmart21, much improved management of workers' compensation claims, and higher pricing.

Mr. Evans then summarized the work of the staff at the brainstorming meeting and initiated and led the ensuing Board level brainstorming discussion. He began by noting that there are two prongs to competition: pricing and relationships. With respect to the latter, he noted that, as demonstrated by Ms. Miller's and Chairman Alfred's earlier testimonials, The Trust is not just an insurer.

He emphasized that competition is not bad, noting that The Trust was established to create an alternative market, but not to be a sole source provider. He suggested that The Trust's primary focus should be to capitalize on its strengths which he enumerated as:

- A strong track record of serving our Members well with special benefits such as Trust Ownership Participation Shares (TOPS) dividends when circumstances allow.
- A loyal base as Members which are extremely satisfied with the service that The Trust provides.
- A comprehensive, in-depth understanding of the municipal market since our experience is specific to this market. As a result, our rating system is more accurate and our loss prevention programs are more tailored.
- The availability of collateral offerings (e.g. Property/Casualty insurance, Life insurance, a Drug and Alcohol Consortium, a unique Injured-on-Duty (IOD) Program, etc.)

Mr. Evans further suggested that the ensuing discussion should be guided by five principles:

1. The Trust's mission is to make a market, not be the market;
2. Make sure that everyone in the Pool is treated equally;
3. "Membership has its privileges";
4. Have an objective of long term viability and profitability; and
5. Use financial resources prudently.

Chairman Alfred indicated that the second factor was the primary concern from his perspective.

There followed an extensive discussion among Board and Committee members, staff and consultants about pricing models in terms of profitability and sustainability, the accuracy or lack thereof of the NCCI payroll rates for the Rhode Island local government sector since The Trust holds the vast majority of this data for the last 20 years, and the use of agents in the marketing of workers' compensation insurance to local governmental entities.

Mr. Evans next indicated that The Trust should experiment with issues such as multi-line discounts, longevity credits, and TOPS dividends. He also stated that The Trust should revisit the role pricing "floors" and "ceilings" play in its premium quotes to Members.

There followed an extensive discussion about the level of service that The Trust provides and how that is not factored into decisions when there is a disparity in pricing between The Trust and competitors. Ms. Miller noted that pricing is always the primary consideration because at the financial town meetings citizens do not see the service that The Trust provides. She continued by stating that what really impresses people are things like dividends, even if they are small.

The discussion continued regarding how service could be injected into the pricing model so that it could be considered. Linda Celona of the North Providence School Department and a member of The Trust's Risk Management Committee indicated that Trust service is not only unparalleled, it is essential.

There ensued a discussion about the revival of the TOPS dividend program, with Chairman Alfred indicating that he would rather see that than a reduction in pricing which would then need to be raised again. Although the discussion was interspersed with other options and suggestions, the issue of the dividend continued to resurface. Trustee Miller and Ms. Celona reiterated that dividends are the key, and Ms. Bodziony noted that it provided the added benefit of allowing us to get in front of our membership with good news.

Chairman Alfred concluded the discussion by directing staff to provide the Board with a list of priorities to better the Pool. He noted, though, that the overriding theme must be equity.

Mayor Avedisian and Colonel McCartney departed.

There was next a brief discussion of whether the Workers' Compensation program was providing too many services or had administrative costs that could be reduced. Ms. Lapolla responded that the Program was already "barebones" in terms of administrative costs, while still providing the outstanding service that Members expect, and Mr. Kadison added that The Trust's expense ratio reflecting its administrative costs is quite low in comparison with private sector insurers. The Trustees then uniformly noted that the services provided were necessary.

Chairman Alfred concluded this review by indicating that the staff had been given its charge to build off this discussion a list of priorities for further consideration by the Board and the appropriate Board committees.

3.g. Member Services and Satisfaction Survey – Board and Committee Input

Ms. Bodziony briefly discussed the need for a Member survey, amplifying on the memo that she and Mr. Dwyer provided to the Committee prior to the meeting about this subject. Along with that memo dated October 10, 2008, Ms. Bodziony provided the draft version of the two Member Surveys.

She stated that two separate and distinct membership surveys have been prepared: one targeted for the chief executive officers (CEO), the chief financial officers (CFO), and the official Member-designated Trust contacts where those individuals are different than either the CEOs or the CFOs; and one targeted to governing board members.

Ms. Bodziony asked Trustees and Committee members for input on the content of the survey instruments, such as: whether the right questions were being asked, whether other questions should be added, whether some should be dropped or re-phrased or formulated. Attendees indicated they found the questions appropriate, comprehensive and clear.

There followed a brief discussion of the “vehicle” for transmitting these surveys. Ms. Bodziony replied that it would be done both on-line and through regular mail. There followed a brief discussion of the length of the survey, and it was ultimately concluded that it was appropriate in that it would only take approximately 10 minutes to complete. There was then a discussion of incentives to get people to respond. Mr. Tarro suggested that they should be targeted to the community as opposed to only the person responding.

Ms. Bodziony and Mr. Dwyer said they would take these suggestions under consideration as they finalized the survey and its distribution.

3.h. 2009 Legislative Agenda

At the request of Chair Alfred, Mr. Dwyer introduced the matter by advising the Board that Management was proposing, as set forth in more detail in a memo dated October 10, 2008 provided to the Board as part of the meeting’s Agenda packet, that The Trust advanced two legislative objectives in the coming 2009 General Assembly session: one pertaining to The Trust’s Judicial Fairness Initiative, and the other pertaining to statutory provisions regarding the interplay between Workers’ Compensation benefits and disability retirement income.

He explained that Management was not proposing that The Trust move forward in the coming session with its long-sought changes clarifying certain points of the enabling statute which allows The Trust to exist and define its nature and scope of operations. He added, however, that other entities organized now under the same enabling legislation might be seeking changes, as they have in the recent past, so Trust Management would closely monitor that possibility.

3.h.i. Judicial Fairness Initiative Outlook

Since Mr. Ridlon had previously updated the Board on this matter at the last meeting, he gave only a brief status of the Initiative. He indicated that the Judicial Fairness Committee would be reconvened shortly to help map out strategy in preparation for the coming legislative Session. Mr. Ridlon also advised that the Legislators who had sponsored the bills last year would be contacted again in the hope that the proposed legislation could be introduced in the session earlier than last year. He briefly discussed other ideas for advancing the Initiative, and asked for further advice and input from the Trustees and Committee members at any time.

3.h.ii. Workers' Compensation/Pension Offsets

Mr. Ridlon provided the Board with a brief overview of the issue, highlighting key parts of an explanatory memo dated October 8, 2008 that Management had provided to the Board as part of the meeting Agenda packet. He stressed that the change in the way that the Employee Retirement System of Rhode Island is now interpreting the workers' compensation offset provisions of R.I. Gen. Laws §45-21-31 will make it much harder for the Trust (through its Members) to settle Workers' Compensation cases. The Trust believes that the plain language of R.I. Gen. Laws §45-21-31, could support the position that ERS has taken, but it may be inconsistent with the intent of the statute, and is most definitely in conflict with existing practice. Accordingly, Trust Management has presented the following three options:

1. Propose an amendment to R.I. Gen. Laws §45-21-31 so that it conforms to current practices;
2. Address the issue to the State Treasurer and request that he issue a clarification in our favor to ERS; and
3. Seek judicial redress.

It was noted that these were not necessarily alternatives, but could be undertaken on parallel tracks. Mr. Ridlon then briefly discussed the pros and cons of the various approaches.

Chairman Alfred stated that he wanted to develop a better understanding of why this was happening, and why it was happening now. Ms. Lapolla then gave a brief overview of the Medical Set Aside (MSA) issue, explaining what it was, and how it impacted settlements of Workers' Compensation claims.

A discussion ensued among several Trustees and staff contrasting the financial impacts of resolving these claims using workers' compensation system versus the disability pension system.

Ultimately, Chairman Alfred stated that there was adequate time available to further study the issue. He asked Trust staff to prepare an analysis of the issue for the Investment and Audit Committee to consider at its next meeting with a subsequent report to the Board.

Trustee Mainville departed.

4. OPERATIONS AND FUNDING REPORT

Mr. Dwyer distributed to the Board the Operations and Funding Report as of August 31, 2008 for The Trust's two pools: Property/Liability and Workers' Compensation. Mr. Dwyer also distributed to the Board the Report showing the Adjusted Loss Ratio on a consolidated basis for the Property/Liability, the Workers' Compensation Pool and special Member programs. Mr. Dwyer briefly noted that the ratios reported were the same as those presented in the Loss Trends Review, but without IBNR. He commented that the Loss Ratios for the Workers' Compensation Pool are continuing to trend downward.

He also identified key developments recently occurring in claim activity that explain the changes in the trend lines during the last several months.

On a motion made by Trustee Mederos, seconded by Trustee Brown, the Board voted unanimously to accept the Operations and Funding Report as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	absent
Jack Ambrogi	absent	Ed Mara	aye
Scott Avedisian	absent	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	absent
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

5. INFORMATIONAL ITEMS

a. Minutes of Committee Meetings

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

- i) Management Committee: June 24, 2008
- ii) Investment and Audit Committee: September 10, 2008
- iii) Risk Management Committee: September 26, 2008

b. Workers' Compensation Performance Reporting and Ranking

Prior to the meeting, the Board received a memorandum dated October 9, 2008, from Mr. Dwyer and Denise Lapolla, The Trust's Workers' Compensation Claims Manager, regarding The Trust's Workers' Compensation Performance Reporting and Ranking. There were no questions or discussions regarding this informational item.

c. 2007-2008 Life Insurance Status Report

Prior to the meeting, the Board received a memorandum dated October 7, 2008, from Mr. Dwyer and Linda Grassini, The Trust's Benefits Program Operations Manager, regarding the status of the Life Insurance Program. Chairman Alfred inquired whether there had been any changes in the Program since the update. Ms. Grassini indicated that the City of Warwick (with 448 employees) is a new Member. He then inquired whether all of the software issues that had been identified had been resolved. Ms. Grassini responded that they had. There were no other questions or discussions regarding this informational item.

d. Quarterly Investment Performance Report

The past quarter's Investment Performance for the period ending June 30, 2008, as prepared by Punter Southall & Co. LLC, The Trust's investment advisor, was presented to the Board as an informational item.

6. ADJOURNMENT

On a motion made by Trustee Kempen, seconded by Trustee Mara, the Board voted unanimously to adjourn the meeting.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Steve Alfred	aye	John Mainville	absent
Jack Ambrogi	absent	Ed Mara	aye
Scott Avedisian	absent	Diane Mederos	aye
Richard Brown	aye	Lori Miller	aye
Jeff Ceasrine	aye	Mike Petrarca	absent
Fran Gallo	absent	Rick Scherza	aye
Bruce Keiser	aye		

The meeting then stood adjourned at approximately 11:30 A.M., October 18, 2008.

Respectfully Submitted,



Ian C. Ridlon
Corporate Secretary