RHODE ISLAND INTERLOCAL
The Trust
RISK MANAGEMENT TRUST

**THE FOURTEENTH ANNUAL JOINT MEETING
OF THE
BOARD OF TRUSTEES AND ITS COMMITTEES
OF
OCTOBER 16-17, 2009**

**MINUTES**

The Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened its Fourteenth Annual Joint Meeting of the Board of Trustees and its Committees on Friday, October 16, 2009 and October 17, 2009 at the Newport Harbor Hotel and Marina in Salon B&C on 49 America's Cup Avenue in Newport, Rhode Island.

Chairman Alfred called the meeting to order at approximately 8:38 A.M., October 16, 2009.

**1. ROLL CALL**

**Trustees Present**
Stephen Alfred, Town of South Kingstown
John Ambrogi, Newport Public Schools
Scott Avedisian, City of Warwick (October 16, 2009 only, until 10:35 a.m.)
Daniel Beardsley (*ex officio)*, Rhode Island League of Cities and Towns
Richard Brown, City of East Providence
Jeffry Ceasrine, Town of Narragansett
Frances Gallo, Central Falls School District (arrived at 9:00 a.m. October 16, 2009)
Bruce Keiser, Town of Jamestown
Lori Miller, Lincoln Public Schools (October 17, 2009 only)
John Mainville, Town of Burrillville (left at 10:15 a.m. October 17, 2009)
Diane Mederos, Town of Bristol
Michael Petrarca, West Warwick Public Schools

**Trustees Absent**
Scott Avedisian, City of Warwick (October 17, 2009 only)
Edward Mara, Bristol Warren Regional School District
Lori Miller, Lincoln Public Schools (October 16, 2009 only)

**Others Present**
Brian Ahern, Trust Loss Prevention Manager
Stephanie Banister, Trust Director of Technical Operations and Research
Colleen Bodziony, Trust Membership Services Manager
Joseph Balducci, Cranston Public Schools, Trust Investment and Audit Committee
Keith Demty, Health Benefits Advisor (October 17, 2009 only and left at 10:15 a.m.)
Thomas Dwyer, Trust President and Executive Director
David Faucher, GHGRI President (October 17, 2009 only and left at 10:15 a.m.)
Russell Godin, Trust Property/Liability Claims Manager
Phil Gorgone, P-Solve (October 16, 2009 only)

Linda Grassini, Trust Benefits Program Operations Manager
Robert Hicks, South Kingstown School Department, Trust Risk Management Committee
Jeffrey Kadison, Practical Actuarial Solutions (October 16, 2009 only)
Denise Lapolla, Trust Workers' Compensation Claims Manager
Alan Lord, Town of South Kingstown, Trust Investment and Audit Committee
Mike Lynch, P-Solve (October 16, 2009 only)
Debby Maynard, Trust Executive Assistant
Col. Stephen McCartney, City of Warwick Police Department, Trust Risk Management Committee
Ian Ridlon, Trust General Counsel and Director of Legal Services
Ronald Slovak, Trust Chief Financial and Administrative Services Officer
Ronald Tarro, Town of Barrington, Trust Investment and Audit Committee
William Thompson, Milliman (October 17, 2009 only and left at 10:15 a.m.)

**2. Approval of Minutes of Board Meeting of June 25, 2009 (Regular and Executive Session)**

On a motion made by Trustee Avedisian, seconded by Trustee Ceasrine, the Board voted to approve the minutes of the Board Meeting of June 25, 2009.

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

On a motion made by Trustee Brown, seconded by Trustee Ceasrine, the Board voted to approve the minutes of the Executive Session of the Board meeting of June 25, 2009.

| Trustee | Vote | Trustee | Vote |
|---|---|---|---|
| Stephen Alfred | aye | John Mainville | aye |
| Jack Ambrogi | aye | Edward Mara | absent |
| Scott Avedisian | aye | Diane Mederos | aye |
| Richard Brown | aye | Lori Miller | absent |
| Jeff Ceasrine | aye | Michael Petrarca | aye |
| Frances Gallo | 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 6, 2009, summarizing the actuarial results as of June 30, 2009, 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 news from the actuary's Loss Reserve Study was favorable, but not by the margins anticipated by Management. For the Property/Liability Pool, the results were such that a very minor reserve "strengthening" is occurring. Conversely, though, for the Workers' Compensation pool, there can be a reduction in IBNR reserves. 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 began by stating that PY2009 looks likely to be unprofitable and is an aberration of the trend established by the prior 4 years. He noted that, while this was cause for concern, it was not cause for alarm.

Mr. Dwyer then presented a brief overview of the last seven years and observed that the workers' compensation loss ratio trends appear to be changing significantly for the policy years 2005 through 2008, and might be profitable for each of those 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.

Chairman Alfred asked about the expenses associated with claims, particularly with respect to lost time. Denise Lapolla, The Trust Workers' Compensation Claims Manager, noted that there have been more lost time claims because nearly 40% of the claims in question involved surgeries. Jeff Kadison noted that, in light of that fact, case reserves were much greater than in the past. He also stated that he believed Denise and her staff were being very conservative in their reserving, which is good.

Next, Mr. Dwyer discussed the profitability of the Property/Liability Pool, again examining trends by policy year for the last 15 years and pointing out factors that caused operating ratios and loss and income levels to change from year to year. Mr. Dwyer noted that five (5) of the most recent seven (7) years continue to be profitable; however, the margin is shrinking in comparison to the highly profitable nine (9) year period preceding that. He also noted that, while operating percentages normally fall from year to year, as of June 30, 2009, the ratios are relatively stable and, in the case of PY 2008, are increasing. This includes, though, the reserve strengthening of nearly $900K in PY 2008.

Jeff Kadison noted that, in PY 2009, there was a high percentage of property claims. With respect to those claims, they do not need nearly as much IBNR because the claims are, essentially, closed out quickly compared to liability claims.

Mr. Dwyer continued by noting that he believes both PY 08 and PY 09 will ultimately turn out to be profitable. While he noted that there were no guarantees, the likelihood of significant reserve takedowns based on The Trust's typical experience with older years as they mature makes it probable. Mr. Dwyer then gave a very brief overview of historical operating percentages and profitability.

Mr. Dwyer next presented his analysis of Members' Equity, comparing FY 08 with the expected closing position for FY 09. He noted that the Investment Return was the biggest factor in the decrease in Member Equity. He also noted the impact of the TOPS divided on the Equity Analysis, reminding the Board that a TOPS dividend was not expected when the FY 09 budget was prepared. Despite the fact that this was a very difficult year on a number of fronts, Mr. Dwyer was pleased to report that the Member Equity stood at $16.8M.

Investment and Audit Committee Chair Alan Lord asked a number of questions about the budget, in particular whether structural budget deficit were being created and how the FY 09-10 Budget was tracking. Regarding the FY 09-10 Budget, Mr. Dwyer stated that it was too early to tell how it was faring as only three months of claims activity had occurred. He also offered his reasons for believing that "structural problems" did not exist in the Budget. Chairman Alfred then inquired whether PY 09's results signaled that there may need to increase premium levels to avoid shortfalls. There followed an extended discussion among Board and Committee members and Mr. Dwyer about the meaning and implications of claims activity in recent years on premium projections for coming years. Mr. Dwyer stressed that it is important to watch subsequent claim development levels to assess whether the recent results were an aberration or a trend.

**ii) Projected Closing Financial Position as of June 30, 2009**

Concluding his PowerPoint presentation, Mr. Dwyer indicated that, preliminarily, the Member's Equity for the year ending June 30, 2009 is being estimated by Management at about $16.8M. Mr. Dwyer noted that the estimate for this fiscal year was still unaudited, and was subject to change. However, he stated that did not believe it would change significantly.

**iii) Report from Actuary – the Loss Reserve Analysis ending June 30, 2009**

Prior to the meeting, the Board received a copy of the detailed actuarial report as of June 30, 2009, prepared by The Trust's actuary, Jeffrey Kadison of Practical Actuarial Solutions, along with a detailed memorandum dated October 6, 2009, 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 estimated results, he noted that the ultimate loss ratio, including IOD was estimated at 109.9% for the selected loss level and 121% for the high end estimate. He proceeded then to discuss 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. Specifically, he noted that the average claim cost was increasing at 11% per year which exceeded the industry average of 6% per year.

Mr. Kadison next discussed that fact that Lost Time Claims as a percentage of total claims for PY 09 was at slightly over 40% which exceeds the industry average of 35%. However, he noted that the industry average is heavily weighted by the private sector information and, therefore, might not really be a good measure.

Mr. Kadison then discussed Estimate Ultimate Loss ratios by fund year and noted that 2004 particularly stood out as it was the year that premiums were significantly decreased so that we could remain competitive. The result was a loss of profitability. The following years tracked much better, though.

There followed a general discussion regarding Mr. Kadison's comments regarding case reserves for PY 08 and PY 09 which appear very conservative. Both Risk Management Committee member Hicks and Chairman Alfred observed that there have been various signs indicating that Management is not only more conservative but also more accurate with its reserving.

Specifically Chairman Alfred noted that reserve take-downs for prior years have not been as great recently as they have been in the more distant past.

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. He noted that he continues to be wary of early positive indications in this line of coverage because loss development is typically very slow with a program such as the IOD program that operates on an "excess" basis.

Mr. Kadison then turned to the Property/Liability Pool. He discussed the current fund year estimated results, noting that the Ultimate Loss ratios were 95.6% and 102.1% for the selected and high end estimates respectively, and he highlighted certain aspects of claims activity by line of coverage.

Mr. Kadison next discussed Prior Fund Year Estimated Ultimate Losses. For the prior year's period, he stated that the "pleasant surprises" exceeded the "unpleasant surprises" for the General Liability and Public Officials' lines of coverage. He then noted that the automobile liability, general liability, and public officials' liability lines of coverage showed a high level of variability.

Mr. Kadison closed his presentation by commenting on property claims. He indicated that PY 09 was "a very tough year" with a very sharp increase in losses. Mr. Dwyer noted, though, that it is to be expected. In speaking with our various reinsurers, they have all indicated that The Trust has been "very lucky" to date with our low level of loss experience in comparison to property losses in other pools.

In response to a question by Chairman Alfred, there followed a brief discussion regarding subrogation with respect to property claims. This was followed by Mr. Kadison concluding his report.

**3.b. Report of the Investment and Audit Committee**

As Chair of the Investment and Audit Committee, Alan Lord presented the Committee's Report. He began by highlighting key activity at the Committee's quarterly meetings. Specifically, he noted that the Committee received updates from The Trust's investment advisor, P-Solve (formerly Punter Southall) and noted that they 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 2009. He stated further that the Committee received updates from Trust staff on financial results, it met with The Trust's money managers, and it reviewed the annual financial audit.

Mr. Lord next indicated that Interest Income from The Trust's Investment Portfolio for FY 09 amounted to approximately $1.9M. He emphasized, though, that this was distinct from yearly change in the Portfolio's market value, where unrealized losses amounted to about $1.6M at year's end. This was "good news", he said, in that earlier in the fiscal year the unrealized losses had reached as high as $4.1M.

Mr. Lord then briefly touched on issues from the past fiscal year. He noted that it was a period of unprecedented turmoil and cited some of the specific causes. Notwithstanding that, he stated that the Committee had begun to implement a number of significant changes to its investment strategy and he described certain key elements of that change.

With respect to the 2008 Fiscal Year Audit, he noted that there was a "clean opinion" and no management letter was issued. Ron Slovak, Trust Chief Financial and Administrative Services Officer, noted that the Fiscal 2009 Audit is still in progress and everything seems to be proceeding smoothly. It was anticipated that the final report would be available at the December meeting of the Investment and Audit Committee, and at the January meeting of the Board of Trustees.

Finally, with respect to the Investment Policy, Mr. Lord stated that it had been revised and updated with the concurrence of the Board. An important part of the revision was the addition of Policy Supplements that makes the Policy more flexible and the reporting of performance results easier and more meaningful.

Mr. Slovak then took the opportunity to discuss in greater detail the investment results that been alluded to by Mr. Lord earlier. He informed the Board, in response to a question, that unrealized gains and losses are not budgeted.

Next, Mike Lynch, from P-Solve, gave a report on the Trust's Portfolio. He first noted that this was a highly unusual, unprecedented and exciting year in terms of investment activity. He presented an executive summary which highlighted:

- For the fiscal year, the Total Portfolio returned -0.2% (net of fees);
- The managed Portfolio (which excludes the Liquidity Pool) gained 0.3%;
- The bond portfolio gained 7%, which was greater than the Policy index;
- Galliard and PIMCO widely outperformed their benchmarks while Columbia trailed its benchmark;
- The Equity Portfolio returned -26.4% which was slightly behind its benchmark, but very good for the volatile period faced by equities;
- The Liquidity Pool exceeded its benchmarks; and
- The portfolio meets all of the holdings required by the Investment Policy.

Mr. Lynch then detailed the portfolio activity for FY 09. He also stated that fixed income investments managed by Galliard and PIMCO comprise about 2/3 of the portfolio. He described the transition away from Columbia as a fixed income investment manager, and the reasons for it.

Mr. Lynch next presented a brief description of the evolution of The Trust's portfolio. Specifically, he discussed asset allocation from 1997 through 2009.

Mr. Lynch then discussed the results from The Trust's Equity Pool. While highly unfavorable due to the unprecedented drop in the financial markets, the results were nonetheless in line with the Policy and the S&P 500 and Equity Universe Median. In light of the exceptional volatility and uncertainty in the equity markets, this was actually a good result, he commented.

With respect to The Trust's Liquidity Pool, the results were good for this fiscal year, and the three (3) year period ending June 30, 2009, he said.

Mr. Lynch concluded his presentation by discussing portfolio considerations for FY 09 and beyond. Specifically, he discussed the fact that the new portfolio mangers were in place as of September 30, 2009, and The Trust's holdings in PIMCO related funds. He ended with a slide showing the portfolio allocation as of September 30, 2009.

Break at 10:35 a.m. and meeting resumes at 10:55 a.m.

**3.c. Report of the Risk Management Committee**

**i) Report of Committee Activity**

Trustee Mederos presented the Report of the Risk Management Committee. Specifically, she highlighted the activity of the Committee over the past year. Among the noteworthy activities were:

- The development of a Model Policy Governing Employee Health Care Information;
- A pilot program for Pre-Screening of Adverse Employment Actions;
- Enactment of recommendations from the "peer review" of The Trust's Loss Prevention Department including an increase in the number of safety enhancement grants from 10 to 20; and
- Completion of the Solicitation of the Workers' Compensation defense counsel.

She next thanked the members of the Risk Management Committee and the participating Trust staff for all of their hard work. She concluded by introducing the "Supervisor's Management Institute" that would be further explained by Brain Ahern, The Trust's Loss Prevention Manager.

**1) Supervisory Management Institute**

Mr. Ahern then provided a brief overview of the program and distributed a draft booklet containing a sample Curriculum for the Institute. He began by noting that Trustee Brown had made a suggestion at a Risk Management Committee meeting that The Trust create a loss prevention program that would properly train supervisors and those who would aspire to supervisory roles. It was from this suggestion that the Supervisor's Management Institute ("SMI") was born.

The "faculty" for the Institute would likely consist, Mr. Ahern said, of Trust employees, Trust Member officials, and outside consultants with expertise in the particular areas of concern. There was also discussion of making this a "certificate" program in conjunction with the Department of Education or through Roger Williams University. Mr. Ahern concluded by noting that this program was not intended to replace The Trust's other loss prevention programs and training. Rather it would be a more targeted and in-depth training opportunity.

Chairman Alfred indicated his support of the program, noting that it would be helpful on a number of levels and would also provide a training resource for supervisors in communities that did not have the funds to send supervisors to other programs. There followed general comments of approval from the other Trustees. The discussion concluded after the topic of whether to require a discounted tuition was vetted. Trustee Brown thought that the most effective methodology would be to require a tuition that could be fully or partially refunded upon successful completion of the course.

Mr. Ahern next addressed the Police Officer Job task Analysis Project, one of the topics that had been listed in the Agenda as an informational item. He reviewed the rationale for the Project, and reminded Trustees and Committee members that The Trust, with the Risk Management Committee's approval, had helped fund the Project with a $10,000 grant.

Though The Trust was most pleased with most all of the results of the Project, one Trust goal was not achieved, Mr. Ahern said. The Project was not able to generate a list of suitable transitional duty assignments. Mr. Ahern was told that this was very difficult for Project's advisory task force and consultant to address because of the diversity of interest among police departments. However, he indicated that The Trust might be able to develop a list of transitional duty assignment based upon our independent review of the study.

There followed a discussion among Trustees and Committee members about the issue of transitional duty. Trustee Beardsley noted that the issue will probably result in legislative changes as the Retirement Board is processing applications from injured public safety officers who could likely do light duty, but the police departments are contending that there is nothing available. Colonel McCartney noted that some pressure needed to be put on the medical community to be more cognizant of light duty opportunities, and further noted that some of this resistance at the local police department level was driven by requirements in the collective bargaining agreements. There followed some brief discussion about other possible legislative actions.

**ii) New Complications in Claims Settlement Practices**

Mr. Dwyer introduced this topic by advising that there were certain changes coming with respect to the procedures required by the Centers for Medicare and Medicaid Services ("CMS") that could have a significant impact on our administration of claims and about which he thought Trustees and Committee members should be aware. Russ Godin, The Trust's Property/Liability Claims Manager, and Denise Lapolla, The Trust's Workers' Compensation Claims Manager, then gave a PowerPoint presentation regarding these changes. Their presentation amplified on material they had supplied to the Trustees and Committee members prior to the meeting in a memo dated October 5, 2009.

Their presentation covered:

- The legislative history of the Medicare Secondary Payer (MSP) program;
- The differences between the way in which the MSP program impacts liability claims versus workers' compensation claims;
- The manner in which The Trust is addressing these requirements, including the contractors The Trust is utilizing to processing information and data in conformance with new Federal legislative and regulatory requirements; and
- Penalty fines ($1,000 per day per claim) to be imposed if The Trust does not comply with these requirements.

In response to a question from Trustee Ambrogi, Mr. Godin described how Gould & Lamb, one of The Trust's key contractors in the MSP compliance program, would be compensated for its services.

There followed a brief discussion of the difficulties that might be involved with getting the necessary reporting information from plaintiffs. Ms. Lapolla indicated that those difficulties were the primary reason that the start date for the new reporting requirements keeps getting moved back. There were no further questions and the presentation concluded.

**3.d. Claim Activity Litigation**

**Notice of Intent to Seek to Convene into Executive Session**

On a motion made by Trustee Keiser, seconded by Trustee Petrarca, 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 Swift v. City of Pawtucket and Harrington v. Town of Lincoln.

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

**Motion to Return to Open Session**

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

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

**Motion to Seal Minutes of the Executive Session**

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

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

**3.e. Board Governance**

Chairman Alfred indicated that there had been some resignations from the Board that had resulted in certain vacancies in several of The Trust's committees.

With respect to the Board itself, he noted that, at this time, he would not make any recommendation with respect to replacing Trustee Scherza on the Board.

**1) Management Committee**

Upon recommendation to the Board by Chairman Alfred, on motion made by Trustee Keiser, seconded by Trustee Mainville, the Board voted as follows to appoint Richard Brown to the Management Committee:

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

**2) Nominating Committee – At-Large Member**

Upon recommendation to the Board by Chairman Alfred, on motion made by Trustee Mainville, seconded by Trustee Brown, the Board voted as follows to appoint Diane Mederos as the Board's at-large member of the 2010 Nominating Committee:

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

Mr. Alfred also advised the Board that, per The Trust Bylaws which assign to him the responsibility to name the chairs of Trust committees, he was naming Ms. Mederos as Chair of the 2010 Nominating Committee and Mr. Brown as Chair of the Risk Management Committee, replacing Mr. Scherza.

The meeting adjourned for the day at 12:05 p.m.

**October 17, 2009**

Chairman Alfred reconvened the meeting at 8:30 a.m. on October 17, 2009.

**3.f. GHGRI/Trust Merger Prelude**

Prior to the meeting, Mr. Dwyer provided the Trustees and committee members with a memorandum dated October 8, 2009, regarding the potential merger between GHGRI and The Trust. Mr. Dwyer gave a brief overview of what had occurred with respect to the potential merger between GHGRI and The Trust. He indicated that he was very impressed by what GHGRI had been able to accomplish to date, especially in light of the fact that it was done with, essentially, only volunteers. He specifically commended the work of Dave Faucher and Shawn Brown of the GHGRI.

Mr. Dwyer next introduced Bill Thompson, a Principal and Consulting Actuary of Milliman, the company that provides actuarial services to GHGRI; Keith Demty, Health Benefits Advisor and former Vice President and Underwriter at BC/BS; and Dave Faucher, President of GHGRI. He then thanked Ron Slovak and Jean Violet for all of their work. He stated that they had been working exceptionally hard and putting in extra hours handling the GHGRI financial and accounting records on an interim basis since July 1$^{st}$.

Mr. Dwyer commented that should the merger be consummated, he expected that additional staff would be necessary to handle appropriately the various administrative functions associated with operating a health and dental program; however, he said he was not yet able to quantify staffing levels and types of positions that he might recommend.

**i) Overview of GHGRI Program**

Mr. Thompson then gave a presentation noting that his goal was to give some perspective on what is happening at GHGRI. He began by giving some background on who Milliman is and what it does for GHGRI. He next discussed GHGRI's total equity level and the sufficiency of its claim reserves, explaining in particular the reserving philosophy underlying his and GHGRI's approach to the establishment of the Incurred But Not Reported (IBNR) claims reserve.

Mr. Thompson next detailed GHGRI's equity allocation methodology. In response to a question from Chairman Alfred, Mr. Thompson stated that the allocation was based on employee-participants, whether the coverage was provided at the family, individual, or some other level. There followed a brief discussion of how a member entity's performance impacted equity allocation.

Mr. Thompson next discussed the Member Contingency Reserve ("MCR"). He also addressed timing issues relative to allocations. He explained that his determination of the appropriate size of the MCR hinged upon, among other things, the amount of stop loss coverage that was chosen, the number of covered lives, and the confidence level the GHGRI Board wanted for its reserves.

He next discussed the long term focus of GHGRI. In this context, he focused on opportunities he saw for GHGRI, including underwriting and rating independence from Blue Cross Blue Shield or Rhode Island, and membership growth to a size where GHGRI could effectively help shape health care management and program development. Mr. Faucher indicated that these opportunities could be realized if The Trust becomes involved, but cannot if GHGRI continues with its volunteer staff.

Mr. Dwyer indicated that, while Mr. Thompson spoke only of the health program, there is also a dental program that has been launched. Mr. Faucher stated that the previous dental program was fully insured, but the present program is self-funded. It is expected that this will result in substantial savings for the members. Mr. Dwyer noted that, at this time, not all GHGRI members participate in the dental program, but Mr. Faucher indicated that GHGRI's governing document requires the members to migrate over to the program at the expiration of their current program.

Mr. Dwyer then provided a brief synopsis of the second meeting of the Joint Merger Committee. There were no questions or comments.

Chairman Alfred next raised the issue of GHGRI's historical loss ratios and questioned whether recent loss trends will lead to the need for a substantial rate increase in the coming fiscal year. Should that materialize, he expressed a concern that GHGRI members and the public sector community at large might believe the rate increase was precipitated by administrative costs associated with the merger or by The Trust's assumption of the responsibility for the health program. There followed an extended discussion about rate projections, with Mr. Faucher noting that significant rate increases had already occurred within the GHGRI program in past years.

Messrs. Lord and Brown inquired about a series of issues including IBNR reserve, staffing costs if the merger occurred, and investment income. In response to a question from Mr. Lord, Mr. Slovak indicated that GHGRI's audited financial statements for the year ended June 30, 2009 should be available in December.

Mr. Hicks inquired whether special purpose and small municipal and school members of The Trust would be able to participate in the health program. Mr. Dwyer indicated that they could.

This was followed by a discussion relative to the timing of the merger. Chairman Alfred inquired of Ian Ridlon, Trust General Counsel, whether the targeted date of January 1, 2010 was feasible. Mr. Ridlon responded that it was, but that it was a very aggressive date due to the amount of work and due diligence remaining. Upon ensuring discussion, it was agreed, however, that there was no "magic" about the January 1, 2010 date.

Chairman Alfred next initiated a discussion of how the GHGRI program could be integrated into The Trust and inquired whether other alternatives to a direct merger were being explored. Chairman Alfred stressed the importance of identifying what all of the issues were so that the Board could review them. It was noted that the Joint Merger Committee was carefully reviewing these matters. Mr. Ridlon briefly outlined several discussed several merger or integration options under consideration internally and by the Joint Merger Committee. Mr. Brown then asked how each of the options would impact the issues remaining with the two BC/BS contracts. Mr. Ridlon responded and the discussion concluded.

There followed a colloquy between Chairman Alfred and Mr. Dwyer regarding what information could and would be provided regarding the merger and when it would be provided. It was anticipated that much of the information would be available to the Board in advance of a special Board meeting to be convened to consider subject, possibly in December 2009. However, there was a consensus that the merger could occur later than January 1, 2010 if pertinent information was still in need of gathering and assessment.

Break at 10:15 a.m. and meeting resumes at 10:25 a.m.

Mssrs. Mainville, Thompson, Demty and Faucher left during the break.

**3.g. Member Services and Satisfaction Survey – Review of Results**

Prior to the meeting, the Trustees and committee members were provided with a memorandum dated October 13, 2009, from Mr. Dwyer and Ms. Bodziony regarding the Results of the Membership Services Satisfaction Survey. Also provided was an analysis of the results. Working from a PowerPoint presentation, Ms. Bodziony began by stating that there was a broad based response from membership and a relatively high response rate given industry standards for direct mail surveys.

Ms. Bodziony's presentation examined the responses from Member officials to virtually every question in the survey. Most encouraging, she said, was the very favorable responses received from the member officials about the high quality and comprehensiveness of The Trust's programs and services and the excellent responsiveness of The Trust's staff to Member's request and needs.

Although most of the information presented was self-explanatory, some results were interpreted further by Ms. Bodziony. For example, the number of Members who ranked the Drug & Alcohol Program as important was deceptively low because many schools and special purpose districts do not use the program. Another example pertained to the Trust Judicial Fairness publication, which was ranked as valuable or very valuable by just over 50% of the Members and by 15% who ranked it as not valuable at all. Mr. Ridlon explained that the Judicial Fairness publications were not meant to be informative per se, but rather were intended to explain to the Members why The Trust needs their support in securing passage of the legislation. Regardless, there was discussion of how the program could be publicized better.

Among some of the highlights in Ms. Bodziony's presentation of the survey results were:

- More than 95% of those responding indicated that one of their primary reasons for maintaining membership was Immediacy of Access to Trust Staff and Services, Member Service and Support, and Reliability.
- Ninety Eight (98%) of Members expressed complete satisfaction with The Trust.

**i) Potential New Program and Service Initiatives**

Mr. Dwyer reviewed the survey results regarding potential new programs and services initiatives in which the Members expressed interest.

He noted that the survey results showed that Trust Health Related Initiatives ranked highest for new insurance risk management services that Members would like to see. He commented that The Trust was already addressing this Member interest.

He also observed that more than 60% of the Members supported a having Long Term Disability Insurance program available from The Trust. About 40% of the survey responses sought a Trust program relating to management of Other Post-Employment Benefits ("OPEB"). He then inquired of the Board wished to pursue the development of a Long Term Disability Insurance Program and/or an OPEB program.

With respect to the latter, Mr. Dwyer indicated that Mayor Avedisian has asked him to convey to the Board the Mayor's strong support for the establishment of such a program. Mr. Dwyer also indicated that some of our sister pools in other states are already doing this successfully.

Messrs Lord and Beardsley commented on relevant State legislation pertaining to OPEB and the role of the State Treasurer in helping local government comply with this new accounting standard. Chairman Alfred noted that he supports the idea, but wondered whether we have the available resources to be studying this while at the same time trying to effectuate a merger with GHGRI.

Mr. Dwyer acknowledged that Trust resources would be stretched if it tried to implement an OPEB program and a Long Term Disability program while it also worked to effectuate a merger with the GHGRI by early 2010. Nonetheless, he explained that he raised these two new program opportunities with the Board to determine whether Management should pursue them as time allows.

By consensus, the Board indicated that it believed these options should be pursued, though not implemented without further consultation with and approval by the Board, and only as time allows. Mr. Alfred stressed that effectuating the merger with the GHGRI should be Management's top and first priority.

**3.h. Life Insurance Program**

Prior to the meeting, the Trustees and committee members were provided with a memorandum dated October 6, 2009, from Mr. Dwyer and Ms. Grassini, The Trust Benefits Program Operations Manager, regarding the Life Insurance Program. The memorandum detailed both a status report for PY2008-2009, and provided preliminary program recommendations for PY 2010-2011.

Unlike customary practice when the Life Insurance Program Report is treated as simply an informational item on the Board's Agenda, this year it was placed under "New Business", Mr. Dwyer said, because The Trust's contract with its underwriting partner, Standard Insurance Company, expires on June 30, 2010. Thus, the future direction of the program subsequent to June 30, 2010 needed Board attention.

**i) Report on Operations for 2008-2009**

Working from a PowerPoint presentation, Ms. Grassini discussed the Loss Ratio history for the nine years that The Trust has had a group life insurance program. In particular, she discussed the four year period that The Trust has operated the program in partnership with Standard. For that time period, she noted that the program has essentially broken even in terms of losses compared to premium. However, that analysis does not include Standard's administrative costs, nor does it reflect investment income that Standard generates from The Trust's premium payments.

Ms. Grassini next briefly discussed the Claims Fluctuation Reserve (CFR) Account that The Trust has with The Standard. Essentially, this program would allow The Trust to have a share of the "profits" if the loss experience is favorable. Based upon the experience to date, though, it does not appear that the balance will be positive and, while the Trust will not be required to reimburse The Standard, neither will it be entitled to any premium refund. Much of this negative balance is attributable to the fact that we insure an older group that includes retirees. If the program insured only active employees, The Trust would have a positive CFR balance, she said.

**ii) July 1, 2010 Renewal Direction**

Next, Ms. Grassini and Mr. Dwyer discussed Management's recommendations for the July 1, 2010 renewal and the procedure to be followed.

Pending direction from the Board, she said Management would take the following steps:

- Together with our consulting life insurance actuary, perform a detailed review of Program loss experience and Member demographics to determine fairness of Standard's rates

- Meet with Standard to review our findings and obtain a renewal proposal, preferably for a two or three-year term. If the Standard renegotiation does not yield acceptable rates, terms and conditions, then issue RFP to multiple insurers

- Determine necessity of changes to Member rates based on changing loss conditions and Member demographics

- Adjust Member rates based on final insurer master pricing and recommendations of actuary

- Determine the need to adjust the current 12% surcharge added to Standard's underwriting rates

She said Management would report the results of all of the actions above and present its recommendations to the Board for approval at its January or March meeting.

Mr. Dwyer further explained that The Trust has been generally satisfied with The Standard and does not expect that it would be likely to get better rates if it went out to bid.

In response to question from Mr. Lord, Mr. Dwyer said Standard's A.M. Best financial stability rating was "A" or excellent. However, Mr. Dwyer indicated that, as recent experience has shown in the financial marketplace at larger, these types of third-party ratings may not be truly indicative of the financial solvency of the companies being rated.

There then followed a brief discussion about the use of banded rates and percentage changes in premium levels.

Chairman Alfred concluded the discussion by indicating that the Board consensus was in support of Management's recommendation to proceed with the life insurance renewal for July 1, 2010 following the process outlined by Management.

**3.i. Trust Office Space Options**

Prior to the meeting, Mr. Dwyer and Ron Slovak, The Trust's Chief Financial and Administrative Services Officer, provided the Trustees and Committee members with a memorandum dated October 8, 2009, regarding Office Space Needs and, more particularly, the possibility of The Trust owning that space rather than leasing it.

Mr. Slovak indicated that the investigation of new space is very preliminary. He briefed the Board on the status of our current office space arrangement, noting that our current lease for about 11,000 square feet of space expires in April 2011.

Based on work previously done when The Trust last explored owning its own office space, it was decided then that The Trust should seek at least 15,000 square feet. Mr. Slovak said that his recent contact with the two commercial brokers has indicated that it would cost between $2.5M and $2.9M to acquire a building that would provide that type of space.

Mr. Dwyer indicated that the October 8th memorandum sets forth a number of questions that The Trust should consider answering or providing some direction about before Management moves much further forward. These questions were briefly reviewed, but Board consensus on them did not emerge.

Chairman Alfred indicated that, if we are spending between $225,000 and $250,000 per year on rent, it makes sense to own our own space and thus add equity to the organization. Other Trustees and Committee members offered similar comments.

By consensus, the Board directed Management to continue to pursue the option of having The Trust own its own office space, either through acquisition of an existing building or through purchase of land and construction of a new building. To that end, the Board encouraged Management to contact local governments directly and the State Economic Development Commission to try to identify suitable land parcels or buildings. Also discussed was the possibility of using a Trust-owned building in a broader context as a “local government center” in which space might be rented to affiliated local governmental organizations and generally available for meetings and events held by municipalities, school systems, and special purpose districts.

Further discussion on the specific type of office space arrangement suitable for The Trust was deferred until a later meeting date and subsequent reports from Management about this topic.

**3.j. 2010 Legislative Agenda – Outlook for Trust Initiatives**

Prior to the meeting, Mr. Ridlon provided the Trustees and committee members with a memorandum dated October 9, 2009, regarding the 2010 Legislative Agenda and Outlook. Mr. Ridlon began the discussion by giving an update on the failure of the Judicial Fairness Initiative to gain any traction in the General Assembly. He also indicated that, while there has been universal support of the Initiative, only twelve (12) Members of the entire Trust passed resolutions of support that could be provided to the Legislature. Mr. Ridlon indicated that he would begin garnering support for the Initiative as early as feasible and encouraged those present to make similar efforts. Chairman Alfred suggested that, perhaps, the Initiative should be split up into its component parts. Mr. Ridlon welcomed the suggestion and will move forward with that this term.

Mr. Ridlon then gave a brief summary of the Workers’ Compensation/Pension Offset issue and indicated that it had stalled for reasons wholly unrelated to its merits. Its passage next term would seem likely, though. He also updated the Board on the lack of a sponsor for the proposal to impose the same requirements on retired teachers participating in group life programs as are imposed on other municipal retirees. He indicated that he would try to secure a sponsor as early in the next two months as possible.

Mr. Ridlon concluded by indicating that he would continue to monitor the proposed legislation dealing with teacher health care benefit programs and the annual push to eliminate the protections afforded to cities and towns by the Recreational Use Statute.

By consensus, the Board indicated its agreement with approach outlined by Mr. Ridlon to the coming 2010 legislative session.

**4. Operations and Funding Report**

Mr. Dwyer distributed to the Board the Operations and Funding Report as of August 31, 2009 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 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 Brown, seconded by Trustee Petrarca, the Board voted unanimously to accept the Operations and Funding Report as presented.

| Trustee | Vote | Trustee | Vote |
|---|---|---|---|
| Stephen Alfred | aye | John Mainville | absent |
| Jack Ambrogi | aye | Edward Mara | absent |
| Scott Avedisian | absent | Diane Mederos | aye |
| Richard Brown | aye | Lori Miller | absent |
| Jeff Ceasrine | aye | Michael Petrarca | aye |
| Frances Gallo | 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) Investment and Audit Committee: September 16, 2009
ii) Risk Management Committee: September 24, 2009

**b. Summary Report on Police Officer Job Task Report**

Mr. Ahern discussed this matter during the Report of the Risk Management Committee.

**c. Quarterly Investment Performance Report**

The past quarter's Investment Performance for the period ending June 30, 2009, as prepared by Punter Southall & Co. LLC, The Trust's investment advisor, was presented to the Board as an informational item.

**d. Legal Assistance for Adverse Employment Actions**

A memorandum prepared by Ian Ridlon, Trust General Counsel, dated October 9, 2009 regarding this issue was presented to the Board.

**6. Adjournment**

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

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

The meeting then stood adjourned at approximately 12:10 P.M., October 17, 2009.

Respectfully Submitted,

Ian C. Ridlon
Corporate Secretary