



**SPECIAL BOARD OF TRUSTEES MEETING
OF
WEDNESDAY, JUNE 16, 2010**

MINUTES

The Board of Trustees of The Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Wednesday, June 16, 2010 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

Chairman Alfred called the meeting to order at approximately 11:08 A.M.

1. ROLL CALL

Trustees Present

Stephen Alfred, Town of South Kingstown
John Ambrogi, Newport Public Schools
Scott Avedisian, City of Warwick
Daniel Beardsley (*ex officio*), Rhode Island League of Cities and Towns
Jeffrey Ceasrine, Town of Narragansett
David Faucher, Town of Portsmouth
Frances Gallo, Central Falls School District
Robert Hicks, New Shoreham School Department
Lori Miller, Lincoln Public Schools
John Mainville, Town of Burrillville
Diane Mederos, Town of Bristol
Michael Petrarca, West Warwick Public Schools

Trustees Absent

Richard Brown, City of East Providence
Bruce Keiser, Town of Jamestown

Others Present

Thomas Dwyer, Trust President and Executive Director
Ian Ridlon, Trust General Counsel and Director of Legal Services
Ronald Slovak, Trust Chief Financial and Administrative Services Officer
William Thompson, Milliman
Stephen Zubiago, GHGRI General Counsel

2. Approval of Minutes of the Board Meeting of April 8, 2010 (Both Regular and Executive Session)

On a motion made by Trustee Ceasrine, seconded by Trustee Avedisian, the Board voted to approve the minutes, both regular and executive session, of the Board Meeting of April 8, 2010.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffry Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

On a motion made by Trustee Ceasrine, seconded by Trustee Faucher, the Board voted to keep the minutes of the Executive Session of the Board Meeting of April 8, 2010 sealed.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffry Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

3. Business Items

3a. Merger with the Governmental Health Group of Rhode Island

Prior to the meeting, the Trustees were provided with the following material from Mr. Dwyer:

- The Joint Merger Committee's Final Report
- The proposed Bylaw Changes
- The Due Diligence Report
- The Joint Merger Documents

The Trustees had also been previously provided correspondence detailing approval of the merger by the Board of the Governmental Health Group of Rhode Island ("GHGRI").

At the request of Chairman Alfred, Mr. Dwyer began the discussion by addressing the nine "Due Diligence Items of Note" set forth in the Due Diligence Report he had previously provided to the Trustees on May 28, 2010.

The first issue that he addressed was the "gap" between the underwriting and funding strategies. Chairman Alfred questioned when the Employee Benefits Committee, planned for creation in the proposed revision to The Trust Bylaws, would be able to establish the goals and procedures to be used in the underwriting process for the health and dental pools. Mr. Dwyer then elaborated on the interplay between the underwriting now performed by the Blue Cross Blue Shield and Delta Dental as claims administrators and the type of underwriting oversight or direct responsibility he envisioned for The Trust, adding that the first time this issue could be meaningfully addressed is for the policy year commencing July 1, 2011. He stated that, in the context of negotiating the provisions of any contract for health insurance on a going forward basis, Trust participation in the underwriting process will be a key issue.

Chairman Alfred expressed his position that it was important for specific tasks to be assigned to the Benefits Pool Committee and to Management, along with milestone dates for completing such work. Mr. Dwyer said he would work the Benefits Pool Committee to develop such a task list and timeline, and provide that information to the Board. Chairman Alfred also noted that before underwriting information was presented to the Board, he believed it should be vetted through the Underwriting Committee as well.

Mr. Dwyer next discussed the fact that the existing contract between the GHGRI and BC/BS was expiring on June 30, 2011. Based upon a question by Trustee Petrarca, there was a brief discussion relative to whether existing contracts with labor would require that the contract with BC/BS be renewed or whether a different health care insurer could be used, and whether one condition of membership in The Trust health and dental pools should be the flexibility allowed by employee collective bargaining language regarding health coverage providers. Chairman Alfred suggested that it might be wise in the future to consider multiple health pools as options for Members.

Mr. Dwyer then addressed the third issue in the Due Diligence Report which involved delinquent premiums owed to GHGRI by the Woonsocket Education Department (“WED”). Mr. Dwyer reported that the General Assembly had recently authorized the City of Woonsocket to, with voter approval, issue a deficit bond in the amount of \$12M, which presumably will give the WED the resources to pay its delinquent premium amounts.

The discussion regarding the WED’s delinquency then merged into the discussion of the fourth issue raised in the Due Diligence Report relative to the return of equity and contributed capital to which the WED is entitled under the terms of GHGRI’s existing Equity Allocation Policy. Mr. Dwyer elaborated on the subject, concluding by indicating that, ultimately, any return of Members’ Equity to the WED would not have a material impact on the finances of the Health Pool.

The Trustees then engaged in a relatively lengthy discussion of the collectability of the delinquent premiums and the accrued interest. Trustee Ambrogi then asked what steps could be taken to ensure that a similar circumstance to the WED’s would not occur again. Messrs. Dwyer and Faucher described the existing provisions requiring timely payment, interest fees, and catch-up plans should delinquencies begin to develop. But Mr. Dwyer added that the WED experience has highlighted the need for certain changes to strengthen the existing policy to preclude a recurrence with another Member, and that he will bring such changes to the Board attention in the near future.

Mr. Dwyer next gave a brief overview of the projected financial positions of the Health and Dental Pools. In sum, Mr. Dwyer indicated that it was projected that both Pools should have slight gains for the Policy Year 2010-2011. Chairman Alfred reiterated the need for underwriting goals for these Pools and stressed that milestones must be established and met.

Mr. Dwyer next discussed the operational support services that would be necessary to operate the Pools for the 2010-2011 Policy Year. He noted that he did not expect GBS Insurance Agency (GBSIA) to be providing support services to the Pools after June 30, 2010, but further noted that he believed the consultants he had identified and used in the past, together with existing Trust staff, should be able to handle the operations for the coming Policy Year.

Mr. Dwyer then discussed the fact that GBS Insurance Agency had not allowed him the opportunity to conduct a full “due diligence” review of its services in support of the Healthy and Dental Pools’ operations. He gave a brief timeline of the events leading up to that roadblock,

and, at the request of one Trustee, explained what he believed the reasons were that prompted GBSIA to refuse to allow the level of access and inspection that he sought. Further discussion ensued on the implications of that declination.

The next issue discussed involved the fact that GHGRI had not secured a so-called Section 115 Ruling from the IRS. This ruling would allow the organization to remain exempt from Federal taxes as a quasi-governmental entity rather than simply as a private non-profit organization. Mr. Dwyer advised the Board that he did not expect this would be an issue going forward as The Trust has such a ruling. Since GHGRI dissolves as a result of the merger, the IRS ruling question becomes moot, he said.

The final issue from the Due Diligence Report that Mr. Dwyer discussed related to the new health reform laws. There was a discussion among the Trustee regarding the potential impact, and it was generally agreed that there would be little, if any, impact on the Pools.

i. Authority to Enter Into Joint Merger Documents

A motion was made by Trustee Avedisian, seconded by Trustee Petrarca, to grant The Trust President and Executive Director and other Trust Officers authority to execute the Joint Merger Documents on behalf of The Trust with the Governmental Health Group of Rhode Island.

Chairman Alfred reiterated during a discussion following the motion that this merger would establish one corporation with the liabilities of the various Pools ultimately resting with The Trust. He noted that the Joint Merger Committee had recommended such a model after thoroughly studying the options for a multiple corporation model, but indicated that he still had strong reservations about having the one corporation model.

Thereafter the discussion concluded and the Board voted unanimously to approve Trustee Avedisian's motion.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

Trustee Ambrogi commented that he wished to commend and thank Trustee Avedisian for his work leading and chairing the Joint Merger Committee, and that he also wished to commend Mr. Dwyer and staff on their work in helping to bring the merger about. Other Trustees indicated their concurrence.

ii. Adoption of Bylaw Changes

Prior to the meeting, Mr. Dwyer presented the Trustees with proposed changes to The Trust's Bylaws that would need to be made to effectuate the merger and allow the continued operation of the Pools. Those proposed changes were identified and explained in a package forwarded to the Trustees by Mr. Dwyer on May 20, 2010.

Chairman Alfred indicated that he believed the proposed changes should be amended with respect to the section that addressed how applications for membership in the Trust's Benefits Pools should be reviewed. A brief discussion of the rationale followed.

On a motion made by Trustee Ceasrine, seconded by Trustee Petrarca, the Board voted unanimously to amend the Bylaw changes proposed by Trust Management relative to Section 2.2 to require that the Employee Benefits Committee forward its recommendations on applications for membership in The Trust to the Underwriting Committee for its consideration.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffry Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

Chairman Alfred next indicated that he believed the proposed changes should be amended to clarify the respective responsibilities of the Underwriting Committee and the Employee Benefits Committee relative to the underwriting of the Health and Dental Pools. Specifically, he suggested that the Employee Benefits Committee should forward its underwriting recommendations to the Underwriting Committee before they were passed along to the Board. A brief discussion of the rationale for the change followed.

On a motion made by Trustee Petrarca, seconded by Trustee Mainville, the Board voted unanimously to amend the Bylaw changes proposed by Trust Management relative to Section 5.3.5 to require that the Employee Benefits Committee forward its recommendations on underwriting, rating, and pricing of Member premiums to the Underwriting Committee for its consideration.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffry Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

On a motion made by Trustee Ambrogi, seconded by Trustee Mederos, the Board voted unanimously to approve the Bylaw changes proposed by Trust Management incorporating the amendments to Sections 2.2 and 5.3.5 previously voted upon.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffry Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

iii. Appointment of Benefits Pool Committee of the Board

Upon recommendation to the Board by Chairman Alfred, on motion made by Trustee Mederos, seconded by Trustee Mainville, the Board voted unanimously to appoint the following persons to the Benefits Pool Committee: Dave Faucher, Scott Avedisian, Lynne Dible, Doug Fiore, Nancy Lalli, Robert Mushen, Kathy Raposa, Giovanna Venditti, Laura Kenyon, David Krugman, Tom Mainville and Cheryl Silva.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

Upon recommendation to the Board by Chairman Alfred, on motion made by Trustee Avedisian, seconded by Trustee Ceasrine, the Board voted unanimously to appoint Shawn Brown to the Investment and Audit Committee.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

3b. Health Pool Stop Loss Insurance for Policy Year 2010-2011

Prior to the meeting, the Trustees were provided with a memorandum dated June 11, 2010, from Mr. Dwyer regarding the Health Pool Stop Loss Insurance Coverage for Policy Year 2010-2011 and the Excess Health Claims Backstop Account.

Mr. Dwyer gave a brief overview of the existing stop-loss reinsurance that is purchased by GHGRI. He then outlined the proposal that was more fully detailed in the Due Diligence Report and appended to the memorandum cited above. Mr. Dwyer said that the program should remain in place for a minimum of five (5) years to allow loss experience to develop and settle out. He noted that the proposal would benefit not only Members of the Health and Dental Pools by reducing reinsurance costs, but also the Members of the Property/Casualty and Workers' Compensation Pools in that The Trust would be diversifying its risk and gaining a new income stream.

Chairman Alfred then stated that he agreed with the recommendation in concept, but believed there were issues that still needed to be more fully developed. Two key issues he identified were the rationale for utilizing the equity from the Property/Casualty and Workers' Compensation Pools to "backstop" the Health Pool claims as opposed to funds from the Health Pools' Members'

Equity position and how lost investment revenue would be compensated for should that equity be used.

There followed extensive discussion among the Trustees regarding these issues and the significance of the risk that was being backstopped. Mr. Dwyer noted that actuary Bill Thompson of Milliman had studied the issue and concurred with the recommendation.

Should the Board endorse this approach to stop-loss coverage, Mr. Dwyer said that Management would formulate a detailed policy addressing the issues identified by the Board and spelling out the respective obligations of the Health Pool and the equity balance of the property and casualty pools. That policy would be presented to the Board for its approval or amendment, he said. The discussion concluded with Mr. Thompson sharing his observations of the risk associated with adopting the recommendation, and Mr. Dwyer indicating that he believed pursuing the proposed course of action was prudent.

On a motion made by Trustee Ambrogi, seconded by Trustee Faucher, the Board voted unanimously to approve the recommendation of Trust Management relative to Stop Loss Insurance for the Health Pool and the creation of an Excess Health Claims Backstop Reserve Account, and to require that Trust Management report back to the Board with the details of the way in which the Backstop Reserve Account would work.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

4. Adjournment

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

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Robert Hicks	aye
Jack Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Richard Brown	absent	Diane Mederos	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
David Faucher	aye	Michael Petrarca	aye
Frances Gallo	aye		

The meeting then stood adjourned at approximately 12:35 P.M.

Respectfully Submitted,



Ian C. Ridlon
Corporate Secretary