



**BOARD OF TRUSTEES MEETING
OF
WEDNESDAY, APRIL 6, 2011**

MINUTES

The Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Wednesday, April 6, 2011 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

Chairman Alfred called the meeting to order at approximately 9:12 A.M.

1. ROLL CALL

Trustees Present

Stephen Alfred, Town of South Kingstown
John Ambrogi, Newport Public Schools
Scott Avedisian, City of Warwick (departed at 10:45 a.m.)
Frances Gallo, Central Falls School District
Bruce Keiser, Town of Jamestown
Lori Miller, Lincoln Public Schools
John Mainville, Town of Burrillville
Diane Mederos, Town of Bristol
Michael Petrarca, West Warwick Public Schools (departed at 11:05 a.m.)

Trustees Absent

Daniel Beardsley (*ex officio*), Rhode Island League of Cities and Towns
Jeffry Ceasrine, Town of Narragansett
Peter DeAngelis, Town of Barrington
David Faucher, Town of Portsmouth
Robert Hicks, New Shoreham School Department

Others Present

Stephanie Banister, Trust Director of Technical Operations and Research
Colleen Bodziony, Trust Membership Services Manager
Keith Demty, Trust Director of Employee Benefits Program
Thomas Dwyer, Trust President and Executive Director
Russell Godin, Trust Property/Liability Claims Manager
Cynthia Olobri, Trust Interim Chief Financial Officer
Ian Ridlon, Trust General Counsel and Director of Legal Services

2. Approval of Minutes of the Board Meeting of February 3, 2011 (Both Regular and Executive Session)

On a motion made by Trustee Petrarca, seconded by Trustee Mederos, the Board voted to approve the Minutes, both regular and executive session, of the Board meeting of February 3, 2011.

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

3. Old Business – Action Items

3a. Trust Position and Policy vis-à-vis Open meetings and Open Records Laws

Ian Ridlon, Trust General Counsel and Director of Legal Services, reported that he has had continuing discussions with the Attorney General’s office regarding these issues, but that no determination yet been reached by that office. Mr. Ridlon indicated that he will continue to follow-up regarding the issues.

3b. Legislative Initiatives Update

3bi. IOD Case Management and Dispute Resolution through Workers’ Compensation Court

Prior to the meeting, the Trustees were provided with a memorandum dated April 2, 2011, from Thomas Dwyer, Trust President and Executive Director, regarding a legislative proposal to manage claims and disputes arising under R.I. Gen. Laws §45-19-1, the so-called Injured on Duty (“IOD”) statute, through the Workers’ Compensation Court. Mr. Dwyer provided the Trustees with a brief overview of the issue and the rationale for the proposed change to the existing practices. He said no Trustee has yet expressed any reservation about supporting this initiative, and gave the Trustees an opportunity to further comment on, or question, this proposal. The Trustees indicated their continuing support. Mr. Dwyer concluded by briefly outlining the involvement of the Workers’ Compensation Advisory Council in exploring the propriety of this proposal.

3bii. Other Initiatives

Mr. Ridlon next provided the Trustees with an update on various bills of interest pending before the Legislature. More specifically, he provided them with updates relative to the bills that are part of The Trust’s legislative initiative.

With respect to the clarification of the term “firefighter” for IOD purposes, he informed that Trustees that none of the legislators that had been approached, even those who had previously expressed some interest in it, would agree to sponsor the legislation. Accordingly, Mr. Ridlon indicated that this issue will be governed by the outcome of the North Providence case currently pending before the Rhode Island Supreme Court.

With respect to the bill addressing the payment of premiums for group life insurance plans by retired teachers, Mr. Ridlon indicated that sponsors had been found for the proposed legislation, and the bill had been introduced in the House of Representatives. He further noted that, while a hearing was held on the bill and it was held for further study, the House Committee that heard the bill was supportive in its questions and discussion.

Mr. Ridlon next provided a brief update on the status of the so-called “Judicial Fairness Initiative” bills. He noted that all of the bills had been introduced in both the House and the Senate, and that hearings were being scheduled on the bills in both chambers. He also briefed the Trustees on the Member entity Resolutions of Support that had been forwarded to date and reiterated that passage of any of these bills would be highly doubtful absent strong, unified support from all Trust Members.

Mr. Ridlon concluded by giving a brief overview of the Other Post Employment Benefit (OPEB) legislation. He informed the Trustees that these bills had also been introduced in both the House and the Senate, and that hearings were scheduled on the bills in both chambers. He expressed guarded optimism that the bills would pass as the Senate version had passed the previous session and, while the House companion bill never progressed, it was due almost exclusively to timing and not due to any concerns relative to the bill itself. Chairman Alfred then inquired about what role, if any, the State might take in administering these OPEB trusts. Trustee Avedisian commented on the matter and a brief discussion ensued.

Mr. Ridlon commented that The Trust was also monitoring a number of other bills, notably ones pertaining to health insurance and regionalization of services.

There were no further questions or comments regarding The Trust’s legislative initiatives or legislative activities in general.

4. New Business – Action Items

Mr. Dwyer formally introduced Cynthia Olobri, Trust Interim Chief Financial Officer, to the Board.

4a. Report of the Underwriting Committee

Underwriting Committee Chairman Petrarca opened the discussion by highlighting the work of the Underwriting Committee over the past three months in developing *pro forma* premium rates and projections for the coming policy year commencing July 1, 2011.

On behalf of the Underwriting Committee, Ms. Banister discussed the Underwriting Strategies and Pricing for the Policy Year 2011-2012. She began by discussing the Pro Forma Premium Distributions relative to the membership as a whole, taking into account the implementation of the Trust Ownership Participation Shares (TOPS) Program. She then stated the goals had been to keep the Workers’ Compensation Pool revenue target constant and increase the revenue target for the Property/Liability Pool.

Ms. Banister then discussed the issues of floors and caps and identified variations in the floors and caps being utilized in the model this coming year for the Workers’ Compensation Pool. She stated that the expected revenue slightly exceeds the premium target of Multi-Year Funding Outlook presented to the Board in February. She next discussed the issue of when the caps are overridden and then discussed the concept of the sensitivity adjuster. Ms. Banister also commented that final Member premium levels may also be impacted by a proposed change in National Compensation Council Insurance payroll rates currently pending before the Department of Business Regulation (DBR. She further explained the way in which Management planned to deal with changes in the rates, if approved by DBR. Ms. Banister concluded her remarks by noting that, after application of the TOPS dividend and bonus, 48% of Members are experiencing net Workers’ Compensation premium discounts.

Ms. Banister then discussed the allocation of costs by exposure trends for the Property/Liability Pool. She described the floors and caps as applied to the Property/Liability premiums, and noted that, even with the application of the cap, the premium revenue target of the Multi-Year Funding Outlook would be exceeded slightly. This was followed by an explanation of capped premiums “lost” and floor premiums “gained”.

Ms. Banister next detailed modifications to the underwriting approach for the upcoming year. She began the discussion by noting the sizeable increase in property values resulting from the recent Trust-wide appraisal by CBIZ. She then explained that, to temper the increase and “phase in” the resultant premium increases, a cap on the amount of the appraised values used in the model would be applied for the next five (5) years. She concluded her presentation by stating that, after application of the TOPS dividend and bonus, 45% of Property/Liability Pool Members will experience a net premium increase of 5% or less and 34% of the Members will experience no change or a net decrease.

Chairman Alfred then commented that it was very important for Members to review the CBIZ appraisal reports provided to them by The Trust and to bring any potential problems to the attention of Trust staff. Mr. Ambrogi added that Member chief executive officers may not be aware of the existence of these appraisal reports, and encouraged Management to take additional steps to bring these reports to the attention of the CEOs. Management responded that they would do so.

Mr. Alfred also commented about an analytic report he had received from Ms. Banister which he found most helpful in reviewing his municipality’s claim trends. He encouraged Management to seek ways to make this type of information routinely available to Members, stating that he believed it to be a very useful risk management tool and one that would also help Members understand the impact of their losses on their premium. There followed a brief discussion about this topic. Trust staff noted that this type of data, and other kinds as well, is provided to Members whenever they seek more information about their loss patterns, and Management always tries to encourage Members to take an active interest in their loss trends and loss activity.

To conclude the discussion, Mr. Dwyer noted that the Underwriting Committee also was recommending to the Board a specific Member-by-Member distribution methodology for The Trust Ownership Participation Shares (TOPS) Dividend declared by the Board at \$1 million at its February meeting.

On a motion made by Trustee Avedisian, seconded by Trustee Ambrogi, the Board voted unanimously to accept the report of the Underwriting Committee as presented and, more specifically, to accept the recommendations of the Committee relative to pro forma pricing and the TOPS Dividend Distribution Methodology.

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

The TOPS distribution and allocation methodology, presented by Management and approved by the Board, is as follows:

- 1) Basis for Declared Amount:
 - a) Payable to Members of Record as of July 1, 2011
 - b) Based on Financial Results as of June 30, 2010
 - c) Available Only to Members Participating in Respective Pools as of June 30, 2010, the date used in fixing the dividend amount to be returned to Members from Members' Equity
- 2) Declared Amount of \$1 Million Allocated as Follows:
 - a) \$500,000 for Workers' Compensation Pool Participants
 - b) \$500,000 for Property/Liability Pool Participants
- 3) Share Determinations:
 - a) For Workers' Compensation Pool Participants
 - i) Each Participating Member's shares shall be determined by the percentage its premium for Policy Years 2005, 2006, 2007, 2008, 2009 and 2010 represents as a part of all Member premiums for those same six years.
 - b) For Property/Liability Pool Participants
 - i) Each Participating Member's shares shall be determined by the percentage its premium for all policy years represents as a part of all Member premiums for all policy years since Pool inception.
 - (1) For the purpose of the Property/Liability Pool TOPS dividend calculation, premium shall exclude premium for excess (or additional limits) liability coverage or specially placed facultative coverage to the extent practical.
 - c) For Workers' Compensation and Property/Liability Pool Participants
 - i) No Participant's TOPS dividend shall exceed 20% of the Participant's Current Year (2010-2011) premium for the respective Pool.
 - ii) Minimum TOPS share dividends shall be \$25 per Participant Member.
- 4) Other Distribution Particulars shall be in accord with the Board's approved Trust Ownership Participation Shares Policy.

4b. Uniform School Benefit Plans – Status and Impact

Prior to the meeting, the Trustees were provided with a memorandum dated April 1, 2010, from Mr. Dwyer and Keith Demty, Trust Director of Employee Benefits Program, regarding Uniform School Benefits Packages. Mr. Dwyer offered an overview of the existing legislation and the actions that Uniform School Benefits Board had taken pursuant to that legislation. He noted that the Board had approved uniform plans as required by the statute, but indicated that proposed legislation was being considered in the current General Assembly session that would make implementation of the plans optional as opposed to mandatory. There followed a brief discussion of the impact that the change would have upon certain Trust Members, and a discussion of the likelihood that the legislative change would be made.

Mr. Dwyer then informed the Board that Trust Staff would be briefing its School Member Health Pool participants about the issues involved. He further indicated that Trust Management would be engaging in discussions with Blue Cross/Blue Shield of Rhode Island relative to the issue of whether it would design plans that complied with the statutory mandate if it remained.

4d. Claims: Settlement Authority and Activity of Special Note (*Taken Out of Order*)

Notice of Intent to Seek to Convene into Executive Session

On a motion made by Trustee Avedisian, seconded by Trustee Miller, 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 Jackson v. Town of West Warwick, Berman v. City of Newport, and pending litigation relative to a Member Claim.

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

Motion to Return to Open Session

On a motion by Trustee Mederos, seconded by Trustee Keiser, 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>
Stephen Alfred	aye	Robert Hicks	absent
Jack Ambrogi	aye	Bruce Keiser	aye
Scott Avedisian	absent	John Mainville	aye
Jeffry Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	absent	Lori Miller	aye
David Faucher	absent	Michael Petrarca	aye
Frances Gallo	aye		

Motion to Seal Minutes of the Executive Session

On a motion by Trustee Mederos, seconded by Trustee Keiser, 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>
Stephen Alfred	aye	Robert Hicks	absent
Jack Ambrogi	aye	Bruce Keiser	aye
Scott Avedisian	absent	John Mainville	aye
Jeffry Ceasrine	absent	Diane Mederos	aye

Peter DeAngelis	absent	Lori Miller	aye
David Faucher	absent	Michael Petrarca	aye
Frances Gallo	aye		

4c. Competitive Insurance Environment (*Taken Out of Order*)

Prior to the meeting, the Trustees were provided with a memorandum dated April 2, 2011, from Mr. Dwyer, Colleen Bodziony, Trust Membership Services Manager, Mr. Demty, and Linda Grassini, The Trust Benefits Program Operations Manager, regarding the competitive insurance environment. Ms. Bodziony began the discussion by noting that four (4) Members of the Property/Liability Pool had provided the Trust with Notices of Intent to Withdraw. She noted that, in all four cases, budget issues were driving the decisions, and there was no dissatisfaction with The Trust coverage or its service.

Specifically, she noted that Smithfield Public Schools historically has sought competitive proposals for its coverage every three years. In the case of Cranston Public Schools, the extreme budget difficulties led to a School Committee directive that the coverage be put out to bid. Finally, with respect to the Town of Johnston and the Johnston School Department, she emphasized that the rationale for the Notices was purely economic in that Johnston officials believe they might be able to obtain cheaper insurance if the two entities were consolidated for the purpose of obtaining one insurance policy.

With respect to the Workers' Compensation Pool, Ms. Bodziony noted that only one Member had provided a Notice of Intent to Withdraw. She stated that the Pawtucket Housing Authority had been working with a broker from GenCorp and had, apparently, been provided with information regarding Trust coverage that was not accurate. She noted that there is no formal request for bids by the Pawtucket Housing Authority to date. Rather, it is simply seeking quotes and has requested its loss information from The Trust. Ms. Bodziony concluded her comments about the workers' compensation insurance marketplace by observing that the Beacon Mutual Insurance Company appears to be The Trust's only true "competitor", but she further noted that it no longer appears to be aggressively targeting the local governmental market.

Ms. Bodziony also reported on a recent presentation by Trust Management to the WB Community Health Board of Directors about The Trust's group life insurance program. She reminded the Board that the WB Community Health Board had been considering developing a group life insurance program, but she said the Board has now decided, apparently largely as a result of Management's presentation, that such an action is neither necessary nor prudent, and that The Trust's program effectively serves the needs of the local governmental sector.

Mr. Demty next reported on the competitive environment relative to the Health and Dental Pools. He informed the Trustees that the City of Central Falls, and the Town and Schools of New Shoreham will likely be joining the Pools shortly. He also noted that discussions have been ongoing with both the City of Warwick and the City of Pawtucket.

He said that several entities will be newly joining the Dental Pool effective July, 2011, reminding the Trustees that entities in the Health Pool are obligated by terms of the membership participation agreement to join the Dental Pool as their existing dental insurance contracts expire.

Next, Mr. Demty advised that the City of East Providence and the Town of Charlestown both notified The Trust of a potential intent to withdraw from the employee benefits pools. Both entities indicated that they needed to evaluate various alternatives, but were also considering

renewing with The Trust. Finally, he noted that the Portsmouth entities (The Town and the Public Schools) had also notified The Trust of their potential intent to withdraw. However, after evaluating the bids that were submitted to them from various insurers, the Town and the Public Schools determined that they would renew coverage with The Trust.

There were no questions from the Trustees and the discussion concluded.

5a. Operations and Funding Report – Property and Casualty Pools

Trustee Petrarca departed the meeting at this point about at 11:05 a.m.

Mr. Dwyer distributed to the Board the Operations and Funding Report for the Property/Liability and Workers' Compensation Pools. The Operations and Funding Report was shown for both Pools through February, 2011. Mr. Dwyer also distributed to the Board the Report showing the Composite Adjusted Loss Ratio on a consolidated basis for both Pools.

Mr. Dwyer briefly discussed several key factors for changes in the Adjusted Loss Ratios for both Pools. Of particular note was the significance of the recent property claims. There were no questions from the Trustees regarding the Reports.

On a motion made by Trustee Keiser, seconded by Trustee Mainville, the Board voted unanimously to accept the Operations and Funding Report for the Property and Casualty Pools as presented.

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

5b. Operations and Funding Report – Employee Benefits Pools

Mr. Demty provided a brief summary of the Cost and Funding Reports through February 2011 for the policy year ending June 30, 2011, for both the Health and Dental Pools. Also presented were comparative financial statistics for both Pools through similar points in time for the current year and the prior year.

He indicated that it appeared that the claims trends projected for the current year for the Health Pool at the time that the pro forma rating and premium analysis for the coming year was performed is proving so far to be accurate. Chairman Alfred indicated that the conclusion was true on a paid claims basis, but noted that the analysis did not include the run-out payments occurring after June 30, 2011. A brief discussion followed. Messrs Dwyer and Demty pointed out that the impact of the claims run-out payments should be minimal in that the Health Pool claims reserve contains an allowance for Incurred But Not Reported (IBNR) claims – the so-called run-out payments.

Mr. Demty then concluded his presentation with a brief discussion of the Cost and Funding Report for the Dental Pool.

There were no further questions or comments from the Trustees.

On a motion made by Trustee Keiser, seconded by Trustee Gallo, the Board voted unanimously to accept the Cost and Funding Reports for the Employee Benefits Pools as presented.

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

6. Informational Items

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

- a) **Quarterly Investment Performance Report thru December 31, 2010**
(1) NLC-MIC Equity Ownership Growth
- b) **2010 Annual Statistic Report for Drug and Alcohol Testing Consortium and TPA Update**
- c) **Opticom Follow-up Report**

7. Adjournment

On a motion made by Trustee Ambrogi, seconded by Trustee Keiser, 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	absent
Jack Ambrogi	aye	Bruce Keiser	aye
Scott Avedisian	absent	John Mainville	aye
Jeffry Ceasrine	absent	Diane Mederos	aye
Peter DeAngelis	absent	Lori Miller	aye
David Faucher	absent	Michael Petrarca	absent
Frances Gallo	aye		

The meeting then stood adjourned at approximately 11:15 A.M.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be 'Ian C. Ridlon', written in a cursive style.

Ian C. Ridlon
Corporate Secretary