



**THE SIXTEENTH ANNUAL JOINT MEETING
OF THE
BOARD OF TRUSTEES AND ITS STANDING COMMITTEES
OF
OCTOBER 13-14, 2011**

MINUTES

The Board of Trustees of The Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Thursday, October 13, 2011 and Friday, October 14, 2011 at the Kirkbrae Country Club, 197 Old River Road, Lincoln, Rhode Island.

Chairman Alfred called the meeting to order at approximately 9:25 a.m. on October 13, 2011.

1. ROLL CALL

Trustees Present

Stephen Alfred, Town of South Kingstown
John Ambrogi, Newport Public Schools (October 13th only)
Scott Avedisian, City of Warwick
Jeffrey Ceasrine, Town of Narragansett
Peter DeAngelis, Town of Barrington
David Faucher, Town of Portsmouth
Robert Hicks, New Shoreham School Department
Bruce Keiser, Town of Jamestown (October 13th only and departed at 3:10 p.m.)
John Mainville, Town of Burrillville
Diane Mederos, Town of Bristol (departed at 10:25 a.m. on October 13th; present on 14th)
Michael Petarca, West Warwick Public Schools

Trustees Absent

John Ambrogi, Newport Public Schools (October 14th only)
Daniel Beardsley (*ex officio*), Rhode Island League of Cities and Towns
Frances Gallo, Central Falls School District
Bruce Keiser, Town of Jamestown (October 14th only)
Lori Miller, Lincoln Public Schools

Others Present

Brian Ahern, Trust Loss Prevention Manager
Joseph Balducci, Trust Investment and Audit Committee
Stephanie Banister, Trust Director of Technical Operations and Research
Shawn Brown, Trust Employee Benefits Committee (October 13th only and departed at 3:10 p.m.)
Paul Brouillette, Trust Loss Prevention Specialist (October 14th only)
Colleen Bodziony, Trust Membership Services Manager
Lynne Dible, Trust Employee Benefits Committee (October 13th only and departed at 3:10 p.m.)
Keith Demty, Trust Director of Employee Benefits Program
Paul Dutra, Trust Property/Liability Claims Specialist and Supervisor (October 14th only)
Thomas Dwyer, Trust President and Executive Director
Jim Evans, Albert Risk Management Consultants (October 13th only and arrived at 3:00 p.m.)

Douglas Fiore, Trust Employee Benefits Committee (October 13th only and departed at 3:10 p.m.)
 Russell Godin, Trust Property/Liability Claims Manager
 Jeffrey Kadison, Practical Actuarial Solutions (October 13th only and departed at 12:00 p.m.)
 Laura Kenyon, Trust Employee Benefits Committee
 Denise Lapolla, Trust Workers' Compensation Claims Manager
 Alan Lord, Trust Investment and Audit Committee (departed at 10:10 a.m. on October 14th)
 Michael Lynch, P-Solve Asset Solutions (October 14th only)
 Tom Mainville, Trust Employee Benefits Committee
 Debby Maynard, Trust Executive Assistant
 Col. Stephen McCartney, Trust Risk Management Committee (departed at 11:25 a.m. on October 14th)
 Kathleen Raposa, Trust Employee Benefits Committee (departed at 3:10 p.m. on October 13th)
 Ian Ridlon, Trust General Counsel and Director of Legal Services
 Benjamin Scungio, Esq., Co-Chair of the Uniform Public Schools Benefit Board
 (October 13th only, arrived at 1:00 p.m. and departed at 2:15 p.m.)
 Heather Sheley, Trust Chief Financial and Administrative Services Officer
 William Thompson, Milliman (October 13th only)

2. Adoption of Minutes of Board Meeting of June 30, 2011

On a motion made by Trustee Avedisian, seconded by Trustee Mederos, the Board voted to approve the minutes of the Board Meeting of June 30, 2011.¹

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

3. Business Items

3.a. Actuarial Reports

3.a.i. Property and Casualty Pools

1. Management Overview of IBNR & Actuarial Indications

Mr. Dwyer presented Management's analysis of the loss trends for the Workers' Compensation and Property and Liability Pools. He began by giving background information regarding the different types of revenue and reserves. He then discussed the way in which reserves and investment income allocations change over time while premiums paid in to The Trust for a particular policy year remain constant. Next, he identified the operating ratios of each policy year as of June 30th of the past seven years. He noted that the concept of reserve strengthening is not a positive thing in terms of Members' Equity, despite the sound of its name.

For each Pool, Mr. Dwyer reviewed its performance over time and noted important trend factors.

¹ See page 12 of these Minutes for a subsequent amendment to the adoption of the Minutes of the June 30, 2011 meeting.

2. Report from Actuary – Loss Reserve Analysis ending June 30, 2011

The Trust's actuary, Jeffrey Kadison of Practical Actuarial Solutions, then gave a presentation summarizing his findings regarding the adequacy of The Trust's loss reserves and setting forth his recommendations regarding the amount of Incurred But Not Reported (IBNR) Reserves appropriate for The Trust as of June 30, 2011.

He began with a discussion of the Workers' Compensation Pool, including the Injured-on-Duty (IOD) Program. He followed that with a more extensive report on the Property/Liability Pool. For the various lines of coverage, Mr. Kadison discussed such items as: the current fund year estimates, prior year changes, loss level drivers, claims closing rates, unusual activity, changes in trends, and loss ratios compared to premium and to exposures.

During the discussion of average case reserves for the Workers' Compensation Pool, Chairman Alfred asked about the number of claims each adjuster was handling. In the ensuing discussion, Denise Lapolla, The Trust's Workers' Compensation Claims Manager, and Mr. Kadison commented that case loads were slightly below the industry average. Ms. Lapolla said lower caseloads allowed adjusters to better manage these cases and also noted the additional work for some cases now required as a result of Federal law and regulations mandating the calculation of Medicare Set Asides (MSA) for an injured worker at the time of worker's claim settlement.

There was also a discussion regarding the so-called IOD program. It was noted that the number of claims exceeding the threshold at which wage reimbursement is paid to the Member is showing a sharp upward trend. Mr. Dwyer said this trend was a significant new and unexpected development, and is negatively affecting the amount of reserves which must be held to fund potential prior year losses. Management intended, he said, to carefully analyze these trends and might be proposing changes to the program in response. Brief discussion followed among the Trustees and Management regarding the way the State Retirement Board is handling public safety officer disability applications, and the impact that recent legislative changes in the most recent State budget law may have on future handling.

With respect to the presentation regarding the Property/Liability Pools, Mr. Kadison discussed the severity, as opposed to the frequency of claims, over the last several years, noting especially the trends for Policy Years 2008 for Liability claims, and for Policy Years 2009, 2010, and 2011 for Property claims. Brief discussion ensued regarding these issues.

The presentation then concluded.

Break at 10:25 a.m. and meeting resumes at 10:40 a.m.

3.a.ii. Employee Benefits Pools

1. Management Overview of IBNR & Actuarial Indications

Keith Demty, Trust Director of Employee Benefits Program, gave an overview of Management's perspective of the financial position of the Health and Dental Pools in light of the actuarial findings of Milliman, Inc., as of June 30, 2011.

He first discussed the IBNR Reserve calculated by the actuary for the two Pools and then commented about the Claims Fluctuation Target (CFT) level, also calculated by the actuary for the Health Pool. Mr. Demty stressed that the CFT is not a true reserve booked to The Trust's Financial Statements, but a projection of the amount of Members' Equity or Surplus which The Trust should hold, in the opinion of the actuary, to protect against adverse claims deviations over a two year period at a 95% confidence level.

Discussion followed among the Trustees, Committee members, and Management about the basis the reason this particular CFT standard was selected with Trustee Faucher and Employee Benefits Committee member Brown offering their observations as key individuals involved in the management and policy setting activities of the Governmental Health Group of Rhode Island (GHGRI), the predecessor organization which started the Health Pool before it was folded in 2010 into The Trust. Mr. Dwyer explained that the CFT was initially a policy of the GHGRI.

Further discussion ensued about the appropriateness of the CFT as a financial benchmark. Mr. Demty reviewed its advantages and shortcomings. Mr. Dwyer added that Management, along with Milliman, was conducting research and preparing material to submit to both the Employee Benefit Committee and the Board in the coming months on other financial benchmarks which might be considered for the Health and Dental Pools. Discussion continued regarding the issues that were being faced by a similar Health Pool in another state over the amount of surplus it was holding.

Mr. Demty next provided as a “takeaway” that both the Health and Dental Pools were in good shape and were better positioned than they had been in the past. He commented further on the implications of the improving financial position for both Pools on rates to be developed for the coming year, and on trends evident in claims activity for the current year.

2. Report from Actuary – Loss Reserve Analysis ending June 30, 2011

Actuary William Thompson of Milliman led a discussion of the IBNR claim reserve that he had calculated for the Health and Dental Pools. He explained his methodology, and compared IBNR levels as of June 30, 2010 and June 30, 2011.

He then explained the Claim Fluctuation Target level that he had calculated for the Health Pool and amplified on the prior discussion about those risks that were covered and not covered by the Target level calculation.

Mr. Demty pointed out that Management, in consultation with the Employee Benefits Committee, had elected not to ask the actuary to calculate a CFT for the Dental Pool as the financial risk is much narrower and limited than for the Health Pool. For working purposes, Mr. Demty said Management would simply add a 4% factor to the Dental Pool CFT calculation as of June 30, 2010. From time to time, he said, Management plans to ask the actuary for updated Dental Pool CFT calculations, but it is not believed that an annual calculation is necessary.

There were no questions from the Trustees regarding these issues and the discussion concluded.

3.b. Projected Financial Position

Mr. Dwyer gave a brief overview of the Trust’s Projected Financial Position. He cautioned the Trustees, though, that the projections were based upon unaudited numbers. That being said, though, he believed that there would be very little change once the audit was completed.

Heather Sheley, Trust Chief Financial and Administrative Services Officer, then gave a more detailed report regarding the Statement of Operations. Of note was that, while Member Equity in the Property and Casualty Pools was up slightly from last year, the Member Equity in the Health and Dental Pools was up from approximately \$5.5M last year to nearly \$13.9M this year. In addition, of the \$12.9M attributable to the Health Pool, only \$1.6M was contributed capital. The consolidated Member Equity was expected to be nearly \$30.9M.

Ms. Sheley then discussed Net Investment Income, unrealized gains and losses for FY 2011, unrealized gains and losses for FY 2005 through FY 2011, and concluded by noting the volatility of the investment portfolio. Mr. Dwyer then noted that unrealized gains and losses are not budgeted, but they are built into the Multi-Year Funding Outlook that is used for underwriting purposes.

Mr. Demty then gave a brief analysis of the Stop Loss Reinsurance Loss Ratio. Mr. Dwyer noted that the money that came out of the account was the “carrying charge” owed to the Property Casualty Pool Member Equity and not “profit sharing” that cannot take place until the account had been in operation for over five (5) years.

Next, Mr. Demty discussed the analysis of Frequency and Distribution of High Claim Activity. In doing so, he noted the possibility that one claim could exceed the \$1M retention level. Mr. Dwyer reminded the Trustees, though, that the Stop Loss Reinsurance would begin to pay at the \$1M mark, but that the Property Casualty Pool Member Equity would not be implicated unless the claim reached the \$2M mark. There followed a brief discussion regarding the Stop Loss Insurance program utilized by WB community Health. The discussion then concluded and there were no questions from the Trustees.

3.f. Legislative Agenda (item taken out of order)

Mr. Ridlon began the discussion by commenting that Management was planning to once again advocate at the General Assembly session beginning in January 2012 for a number of statutory changes which would lessen the liability and insurance burden on local government. He then proceeded to review these proposed changes, all of which had been previously endorsed by the Board in past legislative sessions, to ensure that that Board remained in support of them for the coming session.

Mr. Ridlon first discussed the proposed legislation that would allow for retired teachers and other municipal workers to be treated equally with respect to participating in group life insurance programs. As in the past, the Trustees supported this proposed legislative change and there was no discussion regarding it.

Mr. Ridlon next updated the Trustees on the proposed legislation that would allow for local governmental entities to join together to operate Other Post Employment Benefit (OPEB) Trusts. He detailed what had happened with the proposed legislation in the previous legislative session, noting that he had been told by the House Speaker’s Counsel that the bill should be included as part of the pension reform that was to be addressed in the Fall. However, it has become clear that the Legislature does not want to address this issue as part of pension reform despite the efforts of Trust Management to bring it to the attention of the General Treasurer and the Governor’s Office. Again, though, the Trustees expressed their support for this proposed legislative change.

Mr. Ridlon then engaged in a discussion of the Judicial Fairness Initiative. Mr. Ridlon updated the attendees on the progress of the Initiative in the last legislative session, and discussed the support that it received from Trust Members. By consensus, Trustees indicated their continuing support for this Initiative. Mr. Dwyer commented that he was hopeful the State Attorney General would actively support the Initiative this year, which also benefits State government and State taxpayers. He briefly recounted the substance of the meeting that he and Mr. Ridlon had earlier with the Attorney General and the Chief of the Attorney General’s Civil Division.

Mr. Ridlon next moved to a series of legislative issues involving the IOD statute.

He began first by updating the Trustees on the proposed legislation that would move the case management and dispute resolution of IOD claims to the jurisdiction of the Workers’ Compensation Court. He noted that, while Trust Management would again work directly through the General Assembly

to secure passage of such legislation, it was more likely that any successful action on the legislative front would come through the Workers' Compensation Advisory Council's task force that was created to study the issue and which is being co-chaired by Mr. Dwyer. Trustees indicated they had no objection to The Trust continuing to advocate for such a change through those venues deemed appropriate.

Mr. Ridlon then addressed the issue of the interplay between the IOD statute and the Accidental Disability Retirement statute, followed by an extensive discussion by the Trustees, Committee members and Mr. Ridlon regarding Article 12 of the recently passed State Budget law and the ramifications that the new Article 12 scheme could have upon municipalities. That was followed by a discussion of whether the Trustees felt that more changes to the current scheme should be proposed, or whether the system should be allowed to work for a period of time to assess its benefits and drawbacks. Ultimately, the Trustees directed Trust Management to prepare a memorandum setting forth its recommendation on how to proceed based upon costs to be incurred, any potential changes to the attachment points for our Members who participate in the Trust's IOD program, and how long injured public safety officers were receiving IOD benefits both before and after any appeal of a Retirement Board decision relating to an award of a disability pension.

There was no further discussion of legislative matters.

Break at 12:00 p.m. and meeting resumes at 1:10 p.m.

3.c. Uniform Health Insurance Benefit Plan Designs

Mr. Dwyer began by explaining that this matter was scheduled for Board discussion in order for the Board to provide guidance to Management about whether it favored uniform employee benefit packages for the local governmental sector workforce, and the manner by which and degree to which it wished Management to seek such arrangements.

For context, Mr. Dwyer provided the attendees with background information regarding the legislation that created the Uniform Public Schools Benefit Board two years ago, and then addressed the 2011 legislative changes that made the plan designs chosen by the Board of an advisory rather than mandatory nature. He proceeded to detail the involvement of various Trustees, Committee members and Trust Staff in support of the work of the Board, and concluded by introducing Benjamin Scungio, Esq., the Co-Chair of the Uniform Public Schools Benefit Board, who had been invited to the meeting to offer his perspective on the work of the Board.

Mr. Scungio gave the attendees a brief overview of his experience and how he came to co-chair the Board. He provided history on the role of the Board's Technical Review Committee and the outside consultant (Milliman) used on a *pro bono* basis to support the work of the Board. He explained how the Board had reached its conclusions with respect to the Benefit Plans it selected, and how it ultimately voted to select those plans.

Mr. Scungio next offered several suggestions for a better process to follow in the future if the State wishes to revive the concept of mandatory uniform benefits plans for the local governmental sector. Specifically, he made the following recommendations:

- If a new board were to be formed to address this question, its members should not be "stakeholders";
- The State should provide funding to allow for adequate study and consideration of the issues by knowledgeable experts;

- The board should not be comprised of “half management” and “half union” representatives as it would likely result in a voting deadlock if all board members participate;
- Knowledgeable people with experience in designing and implementing benefit plans should be among the decision makers;
- Rather than use a legislatively created committee to address the question, perhaps it would be better addressed through the Office of the Health Insurance Commissioner; and
- The new State Health Exchange being created by Federally mandated health care reform might be a better vehicle through which to create uniform benefit plans for the public sector.

There followed a brief discussion among the attendees and Mr. Scungio about the absence of opposition from local governmental sector officials, managers and administrators to the legislative amendment that made the work of the Board advisory rather than mandatory.

Mr. Scungio also discussed the theoretical remaining obligations of the Board which include formulating additional plans and studying the viability and benefits of having joint purchasing groups involved in negotiations to secure the benefit plans. This was followed by a brief discussion regarding the role of the “collaboratives” in the process.

Several Trustees and Committee members commented on the impact mandated uniform benefit plans might have on existing collective bargaining agreements, and those that will be negotiated in the future.

Mr. Dwyer briefly elaborated on the way in which the state Health Exchange might be used to create uniform benefit plans for the local governmental sector, and the benefits to both employers and employees that might be able to be achieved from such an approach.

The discussion then shifted to the interplay between employee health benefit plan obligations, pension reform, and OPEB liabilities. Several Trustees suggested that State mandated changes to employee health benefits plans offered by local government are unlikely to be passed by the General Assembly while local governmental pension reform remains an open, unresolved issue. Accordingly, the Board consensus was that it would likely not be a productive use of Trust time and resources to advocate for legislation that would create uniform health benefit plans for local government employees.

To bring the matter to a close, Chair Alfred directed Management to develop a simple statement in draft form articulating a proposed Trust position on uniform employee health benefit packages, and to present this proposed statement to the Board for its further consideration at its next meeting. He asked Management to prepare the statement in light of the comments and tenor of the discussion that just occurred.

3.d. Employee Benefits Programs Arrangements Post June 30, 2011

3.d.i. Report from Management

1. Merger/Affiliation with WB Community Health

Mr. Dwyer provided the attendees with a brief background of the discussions that he and Mr. Demty had with WB Community Health (WB) regarding a proposed merger of operations. Mr. Dwyer informed the Trustees that the WB Board had indicated that it wanted to participate in a joint Request For Proposals (RFP) for Third Party Administrator services for the Health Pool, but did not want to entertain merger discussions or even consider participating in a formal study relative to the feasibility and benefits of a

merger. Mr. Dwyer indicated that it was his and Mr. Demty's recommendation that WB not be permitted to participate in the RFP process with the Trust unless it consented to participating in a formal study regarding a merger. Mr. Dwyer further noted that the Employee Benefit Committee had made the same recommendation.

Mr. Dwyer then informed the Trustees that a subcommittee of the WB had recently met and felt that the informal proposal submitted to it by BCBSRI for third party administrative services beyond June 30, 2011 was not acceptable. Accordingly, the subcommittee voted to retain a consultant, hopefully in conjunction with The Trust, to prepare for the RFP process.

Mr. Dwyer noted that he did not see any benefit in allowing the WB to participate with The Trust in the RFP process without a consideration of a merger as it would allow the WB to capitalize on The Trust's time, money and expertise without a ongoing commitment to work together with The Trust in the future on other ways to better manage health care costs for the benefit of local government. Without an ongoing commitment aimed at a joint venture of some form, Mr. Dwyer said he believed that The Trust should then pursue an arrangement with a third party administrator that might be more favorable than one obtained by WB or other collaborative type programs. He reiterated his view that, due to The Trust's programs, services, and resources, The Trust is in a better position to argue for more favorable treatment from third-party administrators than WB or other collaboratives. As such, he commented that it would be disingenuous for The Trust to participate in the process jointly and then "seek a better deal". Trustee Faucher added that the recommendation of the Employee Benefits Committee not to allow the WB to participate with The Trust unless it would participate in a merger study was unanimous.

Alan Lord, Chair of the Investment and Audit Committee, and also a member of the WB Board, expressed his belief that the WB had not totally ruled out participating in a merger study at some point, but that it was not interested in doing so at this time, especially because a majority of the members were generally happy with the WB program. He also confirmed that the WB subcommittee was not impressed with BCBSRI's informal proposal. He concluded, though, by indicating that participating in an RFP was the likely course of action to be favored by the full WB Board when it meets.

There followed a discussion regarding the cost of retaining a consultant to assist in the drafting of the RFP and to provide analytical expertise and guidance through the process. Mr. Dwyer indicated that Bob Dooley, Executive Director of the WB, had indicated that it was willing to share the cost of the consultants evenly. Though such a division would be to WB's advantage as it insured more lives and was a bigger program, Mr. Dwyer nonetheless endorsed an even cost split of the consultants' costs, adding only that if one of the organizations (either The Trust or the WB) wished to have special provisions inserted in the RFP meeting only its needs, the costs for that aspect should be borne by the benefitting organization.

There followed a very brief discussion regarding what options might be available to Members if a TPA other than BCBSRI was chosen. In response to concerns expressed by Trustee Petrarca about losing the benefit of "power in numbers" if The Trust and the WB did not jointly bid, Mr. Demty offered his perspective on the pros and cons of a joint RFP process versus two separate RFP processes.

There followed an extensive discussion of whether The Trust should take the position that the WB's participation in a formal merger study was a condition precedent to it participating jointly in an RFP with The Trust. Several Trustees expressed concern that The Trust was forcing itself on the WB. Chairman Alfred noted the value of local government having available two different collaborative type models – The Trust's model and the WB model – from which to pick in securing employee health benefit insurance, though he observed that this could still be accomplished via a merger in the future. He also said that The Trust could create a model similar to the WB model, but expressed concerns regarding having competing pools in a state the size of Rhode Island.

After a brief final discussion of why the WB might not be interested in merging at this time, the discussion concluded.

On a motion made by Trustee Petrarca, seconded by Trustee Hicks, the Board voted as follows to engage in a joint Request For Proposals for Third Party Administrator services for the Health Pool with WB Community Health and share the costs of retaining a consultant to assist in the process equally, but not have as a requirement of such a joint process that WB Community Health commit to participate in a formal study and review of the merits of a merger or some other form of affiliation with The Trust on a going forward basis.

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

Break at 3:10 p.m. and meeting resumes at 3:30 p.m.

2. 2011-2012 Blue Cross/Blue Shield Contract Status

Mr. Dwyer next provided the attendees with a brief update on Management's activities in finalizing the BCBSRI contract extension for the period from July 1, 2011 through June 30, 2012, with an option to extend for one more year beyond that through June 30, 2012.

Of note was the fact that Mr. Dwyer had thought that BCBSRI would have insisted on re-implementing in the contract extension the Quality Based Claims Initiative fee that it abandoned during the last contract year (2010-2011) in the face of opposition from the Trust, but that it had not proposed that this fee be re-introduced.

He also informed the Trustees that certain of the provisions agreed upon by The Trust and BCBS in negotiations for the contract extension had not yet been incorporated into the current proposed version of the contract extension drafted by BCBSRI. He said he believed the failure to incorporate these provisions in the contract was inadvertent on the part of BCBSRI since the provisions had been agreed to in writing by the parties, and that Management would resolve these issues before executing the document formally extending the contract.

3.d.ii. Report from Employee Benefits Committee

1. Health Pool Third Party Administrative Contract Effective July 1, 2012

Mr. Demty then discussed the need to have a consultant for the RFP process. He reported that several consultants submitted proposals to The Trust to assist The Trust in the RFP process and that a working committee comprised of three representatives from WB, Trustee Faucher as Chair of The Trust Employee Benefits Committee, and he and Mr. Dwyer determined that the actuarial and benefits consulting firm of Milliman appeared to be best-suited for this work. He noted that the working committee interviewed all four consultants who submitted written proposals.

Mr. Demty offered to ask Mr. Thompson (from Milliman) to step out of the room so that the Trustee could discuss the matter privately, but they declined. There was no further discussion.

On a motion made by Trustee Faucher, seconded by Trustee Mainville, the Board voted to accept the recommendation of the working committee and appoint Milliman to act as the consultant for The Trust to assist in conducting the RFP process for the retention of Third Party Administrator services for the Health Pool.

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

Next Mr. Demty presented information regarding the anticipated RFP process, focusing on the benefits expected to be achieved from such a process. Among the issues discussed were where Health Pool dollars were being spent, considerations regarding an RFP, potential cost savings that could be achieved through an RFP, and a discussion of how a change in a TPA might impact Members. Of particular note was the discussion regarding prescription drug carve-outs. Within that discussion, there were numerous questions by Trustees regarding the pros and cons of prescription drug carve-outs and coverage options.

There followed a discussion of claims discounts and how they are impacted by geographic region. Among the significant questions from the Trustees was whether the discount applies based upon where the claim arises or where the service in question is performed. Mr. Thompson indicated that discounts may be analyzed both in terms of the residence of the claimant and the treatment locale for the claimant.

Mr. Demty concluded the presentation with a brief discussion regarding the ability and desire of Members to switch carriers, summarizing comments received by Management from senior Member managers and officials at “focus” groups held by The Trust over the summer to discuss the possibility of seeking alternative third-party administrators for medical claims and prescription drug carve-out services.

There were several final questions and comments regarding prescription drug rebates and carve-outs, and the discussion concluded.

On a motion made by Trustee Ambrogi, seconded by Trustee Ceasrine, the Board voted to authorize Trust Management to begin the RFP process for Third Party Administrator services for the Health Pool.

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

2. Dental Pool Third Party Administrative Contract Effective July 1, 2012

Chairman Alfred next summarized materials previously presented to the Trustees regarding the whether it was advisable to undertake a formal RFP for Third Party Administrator services for the Dental Pool when the current contract with Delta Dental expires on June 30, 2012. He noted that Management was recommending that The Trust engage in negotiations with both BCBSRI and Delta Dental, but that it do so without engaging in the RFP process.

By consensus, The Trustees indicated they concurred with the approach recommended by Management. There was no further discussion.

3. Life Insurance Program

Mr. Dwyer indicated that his report regarding an extension of the Life Insurance Program contract with the Standard was the same as had been previously provided to the Trustees. Although he offered to summarize and highlight information in the report, the Trustees declined the offer. A brief discussion ensued regarding other carriers and the likelihood that they could provide better rates.

By consensus, the Trustees indicated that they concurred with Management's plan to negotiate with The Trust's current carrier for a contract renewal while simultaneously continuing to explore other options for the future, and while also not ruling out the possibility of issuing a full-scale Request for Proposal if satisfactory terms and conditions cannot be achieved via negotiation.

3.e. Property/Liability Pool Reinsurance Considerations

3.e.i. Property Coverage Matters

1. Current and Future Catastrophic Property Reinsurance Considerations

Stephanie Banister, Trust Director of Technical Operations and Research, presented the attendees with information regarding current and future catastrophic property reinsurance considerations. She began the presentations by providing an overview of The Trust's current Property Reinsurance structure with an emphasis on changes occurring since the 2010-2011 Policy Year. She noted that catastrophic property reinsurance rates have more than doubled over the most recent seven year period. She concluded her presentation by recommending several actions Trust Management was planning to take in the coming year to explore other structures for catastrophic property reinsurance.

Next, Jim Evans, of Albert Risk Management Consultants, offered his perspective as an independent consultant on The Trust's coverage. He expressed concern that the Trust's reinsurance broker may not have sufficiently "scoured the market" in developing coverage options for The Trust for the current year.

He endorsed Management's plans to seek alternatives for the coming policy year and suggested that The Trust consider bringing in another broker to market The Trust's program in order to ensure that true "competition" results among the invited reinsurers. He also recommended that The Trust consider different forms of retention and look at increasing self-insured retention levels. Chairman Alfred indicated that it would be helpful if the entire process was begun earlier in the policy year, and suggested further study be conducted about the frequency of claims at various levels of reinsurance.

There followed a brief discussion regarding why some insurers do or do not use catastrophic storm modeling in evaluating risks and how modeling impacts rates. That was followed by a brief discussion regarding the financial capacity of reinsurers to assume different levels of risk.

Chairman Alfred summarized the Board's deliberations as confirming that Trust Management should move forward to explore other options for catastrophic property reinsurance in 2012-2013 along the lines discussed during the meeting. He also commented that his sense from the discussion is that the Trustees continue to prefer to secure Trust-wide coverage for catastrophic losses at the \$500 million level, but a reduction in that level should also not be automatically eliminated, pending further review by Management and the Board.

The meeting adjourned for the day at 5:20 p.m.

The meeting continued at 8:45 a.m. on October 14, 2011.

2. Flood Coverage for NFIP Eligible Structures in Flood Zones A and V

Mr. Dwyer provided the attendees with general background on The Trust's coverage for structures located in National Flood Insurance Program (NFIP) Flood Zones A and V, and then he identified a Member-to-Member inequity which had developed in The Trust's administration of its coverage vis-à-vis NFIP coverage and The Trust's catastrophic reinsurance agreements.

To illustrate the inequity, he gave examples of how the program was intended to work versus how it actually worked when The Trust staff adjusted Member losses for the March 2010 flood claims.

Assuming Trustees concur that this inequity in the administration of the coverage needs to be corrected, Mr. Dwyer said Management would meet with affected Members to explain the change, and henceforth, in future losses, adjust claims in accord with the new practice regarding the treatment of the so-called "buffer layer" of NFIP covered loss (or the Member assumed equivalent of the NFIP coverage).

Brief discussion ensued. The Board then indicated by consensus that it was satisfied with Management's proposal to revise its administration of the manner in which the "buffer layer" coverage is treated in a flood loss and to communicate that change to the affected membership.

2. Adoption of Minutes of Board Meeting of June 30, 2011 (revisited)

During the Board's earlier discussion regarding The Trust's Self Insured Retention (SIR) levels, it was determined that the Minutes of the June 30, 2011 Board Meeting reflected the identical SIR for property coverage with that for liability, which was incorrect. Accordingly, the issue was brought to the attention of the Trustees so that the Minutes could be corrected.

On a motion made by Trustee Avedisian, seconded by Trustee Mederos, the Board voted to approve the minutes of the Board Meeting of June 30, 2011 with a change reflecting that The Trust's Self Insured Retention (SIR) was increased to \$750,000 effective July 1, 2011 for casualty (liability and workers' compensation) reinsurance only and not for property coverage.

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

3.e.ii. Liability Coverage Matters

1. Extra Policy Limits Coverage

Mr. Dwyer provided the attendees with detailed background information regarding why Trust Management had deemed it prudent to investigate the feasibility and necessity of obtaining Extra Contractual Obligations/Excess Policy Limits Coverage (“ECO/EPL Coverage”). Mr. Ridlon then gave a brief presentation regarding the number of Members that would possibly benefit from such coverage, and whether there was a consensus among Trust defense counsel regarding whether such coverage would be beneficial in relationship to its relatively modest cost. Several comments were offered by Trustees regarding the impact that having such coverage might have on settlement decisions, and the discussion concluded.

On a motion made by Trustee Mederos, seconded by Trustee Hicks, the Board voted to table indefinitely further discussion of Extra Contractual Obligations/Excess Policy Limits Coverage (“ECO/EPL Coverage”).

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

3.g. Investments

3.g.i. Report from the Investment and Audit Committee

Alan Lord, Chair of the Investment and Audit Committee, gave a brief overview of the charge of the Investment and Audit Committee and highlighted its key activities over the past year. He noted that there were two issues that the Committee wanted to address.

The first issue was the underperformance of the equity investments versus the benchmarks in the Investment Policy.

The second issue was the need to revise the Investment Policy to include investment parameters and guidelines for the funds of the Health and Dental Pools. Chairman Alfred noted that it was important for the Board to understand the need for different guidelines for funds from the Property/Liability Pools and the Employee Benefit Pools. He explained that the money comes in and goes out very differently between the two sets of pools and, accordingly, the investment of such funds needs to be handled differently.

1. Investment Policy Revisions Regarding the Health and Dental Pools

Ms. Sheley highlighted for the Trustees the proposed changes to the Investment Policy to allow for inclusion of the Health and Dental Pools. There was extensive discussion regarding asset allocation, especially in light of recent wild fluctuations in the markets. There was also a discussion regarding the performance of equities generally and how that might impact the ability of the Health and Dental Pools to pay claims.

Mr. Lord expressed his concern about adding equities as an allowed class of securities in which the funds of the Health and Dental Pool could be invested, but he added that he also understood the reasons the Investment and Audit Committee, the investment advisor, and Management supported allowing that type of flexibility in the Investment Policy. Chairman Alfred reiterated that concern. Mr. Dwyer pointed out that the proposed Investment Policy does not mandate investments be made in equities; rather it allows such investments if deemed prudent and to a target weight of 10% of the Portfolio. He added that Management intends to move most cautiously into equity investing for the Health and Dental Pool, especially given the state of the equity market currently. Michael Lynch, of P-Solve Asset Solutions, The Trust's Investment advisor, indicated that, as the Health and Dental Pools continue to accumulate funds and built appropriate reserves, the proposed Policy change will allow it to take greater risks without jeopardizing its ability to pay claims. Better returns, it was noted, reduce the amount which must be raised from Health and Dental Pool participating entities. There was no further discussion.

On a motion made by Trustee Faucher, seconded by Trustee Mainville, the Board voted as follows to accept the recommendation of the Investment and Audit Committee to adopt the proposed changes to the Trust Investment Policy to incorporate the Employee Benefits Pools.

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

2. Risk Scenario Charts and Other Investment Informational Reports

Mr. Dwyer asked Mr. Lynch to explain the intent and value of new analytical charts, namely the Risk Scenario Charts, which his firm was now routinely providing to the Investment and Audit Committee and Management to help in guiding The Trust's investment strategy and tactical decision-making. Mr. Lynch reviewed those Charts by explaining the way the Charts show the range of impacts that changes in interest rate levels, credit spreads, or other economic trends such as bull markets or stagflation can have on the Portfolio.

Presenting various charts and graphs, he also summarized the performance of The Trust's Investment Portfolio for the past year, and characterized the year as a good one with a nearly 8% overall Investment Portfolio return. Importantly, he noted, overall performance had beaten the Policy Benchmark. While equities had trailed slightly the Policy Benchmark, the Equity Portfolio nonetheless returned 27% for the fiscal year, he said.

Ms. Sheley next discussed the actions that had been taken in response to concerns that The Trust's Equity Investment Pool was underperforming against the S&P over the past two quarters. She outlined the various options that she and the Investment and Audit Committee considered to improve returns, and also reported that her research into the historic performance of the Equity Pool showed that over the past 40 quarters only twice did the Pool not meet or exceed its benchmark. It thus appears, she said, that recent performance is an aberration, and Management and the Committee accordingly concluded that no changes needed to be made in the Equity Pool parameters and guidelines. Rather, the Committee will continue to monitor the situation and work with P-Solve to determine whether the asset allocation will need to be changed in the future.

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

3.k. Board Governance – Committee Appointments (taken out of order)

Upon recommendation to the Board by Chairman Alfred, on motion made by Trustee Mederos, seconded by Trustee Faucher, the Board voted unanimously to appoint Peter DeAngelis to the Nominating Committee.

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

Chairman Alfred also advised the Board that he was appointing Mt. DeAngelis as Chair of the Nominating Committee.

3.h. Risk Management

3.h.i. Risk Management Committee Report

Trustee Mederos, Chair of the Risk Management Committee, presented the highlights of the work of the Committee over the past year. Specifically noted were the following:

- The Supervisory Management Institute continues to be successful and was offered for a second time;
- The Drug and Alcohol Consortium was operating well with a new TPA, and on-site testing is now being offered to Members;
- Defensive Driving initiatives were continuing, such as: development of a model cell phone policy; utilization of the University of Rhode Island Driving Simulators for Member employee training; and guidance to Members whose communities employ the Opticom system to control traffic at an intersection when emergency vehicles are entering it;
- Committee review of the independent claims operational audit;
- Development of Social Media Policies for Members to use and adapt; and
- The expansion of the Pre-Screening of Adverse Employment Actions Program to all Members of the Property/Liability Pool.

Ms. Mederos concluded her report by thanking Trust Staff for their hard work and dedication.

1. Police Accreditation Support – Report and Recommendation

Brian Ahern, Trust Loss Prevention Manager, provided an overview of the potential for Trust involvement in the creation of an In-State Police Accreditation Program.

Paul Dutra, Trust Property/Liability Claims Specialist and Supervisor, next gave a detailed presentation regarding the value of an In-State Police Accreditation Program, and discussed the frequency and severity

of claims against accredited versus non-accredited police departments. Mr. Dutra identified a number of reasons for The Trust support of the program, stressing that Trust involvement would enable it to be better positioned to encourage its Member police departments not only to participate, but also to continue to utilize the benefits that such a program would offer. Col. Stephen McCartney, a member of the Trust Risk Management Committee and City of Warwick Police Chief, provided his thoughts regarding the value of an in-state accreditation program and the importance of Trust involvement in the program.

Prior to the meeting, the Trustees had been provided with a memorandum dated September 26, 2011, from Mr. Dwyer containing Trust Management's recommendations with respect to the Program. Contained within the memorandum were a number of "demonstration criteria" that Management proposed police departments meet in order to qualify for financial assistance from The Trust to offset the costs of their participation in the Program. There was a brief discussion regarding whether it was necessary to condition financial support upon the accomplishment of these goals. Col. McCartney and Mr. Dutra both stated that compliance would not be burdensome and carried great benefits. Certain of the Trustees expressed concerns, however, that The Trust might be inappropriately imposing additional requirements to a program that was being developed by the Police Chiefs Association. The discussion concluded.

On a motion made by Trustee Avedisian, seconded by Trustee Ceasrine, the Board voted unanimously to follow the recommendation of the Risk Management Committee to provide financial support to Member police departments choosing to participate in the In-State Accreditation Program currently being developed and that the level of The Trust's financial support be \$1,000 per participating Property/Liability Pool Member department with \$500 offsetting the department fee and \$500 contributed directly to the Program, and with the caveat that items 4.a. through 4.e. in Mr. Dwyer's memorandum dated September 26, 2011 to the Risk Management Committee be set forth as guidelines rather than conditions.

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

3.h.ii. Informational Report Regarding the Newport Cliff Walk

Mr. Ahern presented the Trustees with a detailed report regarding ongoing discussions with the City of Newport about improvements to the Cliff Walk to reduce its liability exposure there in light of the Rhode Island Supreme Court's recent ruling finding that the protections of the recreational use statute were no longer available to the City for an injury that occurred on the Walk.

Mr. Ahern explained the nature of the various recommendations made by The Trust's Loss Prevention Department to the City. A discussion followed regarding the steps that Newport has taken to implement the recommendations. Mr. Dwyer described Management's action plan in following up with the City to ensure that proper risk management steps have been taken such that The Trust could continue to provide liability coverage for the Cliff Walk.

Trustees indicated that they were in accord with the steps being taken by Trust Management regarding this matter.

3.i. Trust Goals and Objectives – July 2011 through June 2013

Chairman Alfred noted that the Management Committee had been working with Mr. Dwyer to update a set of Trust-wide Goals and Objectives for the coming two year period. He noted that this draft set had been provided to all Trustees and Committee members by Mr. Dwyer, and encouraged them to review the same and provide their thoughts and other input either to Mr. Dwyer or to members of the Management Committee. He advised that the Committee would be finalizing those Goals and Objectives in the near future.

3.j. New Member Approval – Little Compton School Department

Colleen Bodziony, Trust Membership Services Manager, provided the Trustees with the background information regarding the application of the Little Compton School Department for membership in The Trust’s Property/Liability Pool. She noted that the Department’s application for membership had been reviewed and endorsed by the Underwriting Committee, as required by The Trust Bylaws

On a motion made by Trustee Petrarca, seconded by Trustee Ceasrine, the Board voted unanimously to accept the Little Compton School Department as a Member participant in The Trust’s Property/Liability Pool.

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

4. Operations and Funding Reports

4.a. Property and Casualty Pools

Mr. Dwyer distributed to the Board the revised Operations and Funding Report for the Property/Liability and Workers’ Compensation Pools. The Operations and Funding Report was shown for both Pools as of August 31, 2011. Mr. Dwyer also distributed to the Board the Report showing the 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. There were no questions from the Trustees regarding the Reports, though an error in the time period covered for one chart was noted.

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

With respect to the Health Pool, Mr. Demty noted that there were three new Members and all had good loss rates to start.

In response to a request from Mr. Dwyer, Mr. Demty briefly explained The Trust’s assistance to several Member entities in securing substantial Drug Subsidy reimbursements from the Federal government.

Mr. Demty then concluded by giving a brief review of the operations of the Dental Pool.

There were no questions from the Trustees.

On a motion made by Trustee Mederos, seconded by Trustee Ceasrine, the Board voted unanimously to accept the Operations and Funding Reports as presented with the changes made during the presentation to reflect accurate dates.

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

5. Informational Items

Informational Items were placed on file.

Thereafter, Chairman Alfred noted that the Trustees had been provided with a memorandum regarding Claims Activity of Note from Mr. Dwyer and Russell Godin, Trust Property/Liability Claims Manager. Mr. Godin then provided the Trustees with an overview of the Storm Deluge Claims from 2010, and updated them on the related reinsurance issues. Chairman Alfred, on behalf of the Board, thanked Mr. Godin and the rest of the staff for their diligence and excellence in handling these claims.

Chairman Alfred next raised the issue of tree damage as a result of the recent claims arising from Tropical Storm Irene. There followed a brief discussion regarding how such claims are adjusted and the issue of municipal tree wardens was addressed.

There were then no further comments or discussion.

6. Adjournment

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

The meeting then stood adjourned at approximately 11:50 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