



**BOARD OF TRUSTEES MEETING
OF
THURSDAY, FEBRUARY 7, 2013**

MINUTES

The Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Thursday, February 7, 2013 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

Chairman Alfred called the meeting to order at approximately 9:05 A.M.

1. ROLL CALL

Trustees Present

Stephen Alfred, Town of South Kingstown
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 (arrived at 10:50 a.m.)
Robert Hicks, New Shoreham School Department
Thomas Hoover, Town of Coventry (departed at 12:30 p.m.)
Lori Miller, Lincoln Public Schools
John Mainville, Town of Burrillville
Michael Petrarca, Central Falls School District
Melinda Thies, Bristol Warren Regional School District

Trustees Absent

John Ambrogi, Newport Public Schools
Scott Avedisian, City of Warwick
Bruce Keiser, Town of Jamestown

Others Present

Colleen Bodziony, Trust Director of Membership Services
Keith Demty, Trust Director of Employee Benefits Program
Thomas Dwyer, Trust President and Executive Director
Ian Ridlon, Trust General Counsel and Director of Legal Services
Shannon Ruff, Trust Senior Property and Casualty Insurance Underwriter
Heather Sheley, Trust Chief Financial and Administrative Officer
Joseph Pieksza, Audit Partner, Saslow, Lufkin & Buggy

4. New Business - Actions Items

Discussion of one New Business Item was taken out of order to accommodate the schedule of Mr. Pieksza, the Audit Partner from Saslow, Lufkin & Buggy. Prior to the discussion of the New Business Item, though, introductions were made by Mr. Dwyer. First, he introduced Shannon Ruff, Trust Senior Property and Casualty Insurance Underwriter. Next, he introduced Trustee Thomas Hoover, Town Manager for the Town of Coventry.

4a. 2011-2012 Audit Presentation and Acceptance (*Item Taken Out of Order*)

Mr. Pieksza began his presentation of the 2011-2012 Audit by giving a brief background about himself and Saslow, Lufkin & Buggy (“SL&B”). He said that the Memorandum to the Board dated January 31, 2013 from Mr. Dwyer and Ms. Sheley, The Trust’s Chief Financial and Administrative Officer, provided a good executive overview of the Audit. He then noted that he had presented the results of the Audit in detail to the Investment and Audit Committee at its most recent meeting, so he would be providing the Trustees only with an abbreviated review.

He then described briefly the scope of SL&B’s Audit. With respect to the Required Communications, he noted that 18 areas were examined and those were outlined within the Audit Report. He pointed out that there were no material weaknesses for any of these items, but there were comments with respect to them, as is usual.

Next, he provided the Trustees with information regarding the Discussion Items from the Audit. He concluded his report with the following comments:

- The report of the actuary was looked at extensively and was found to be in order;
- There were no issues relating to fraud or lack of independence;
- The opinion was “clean” or unqualified, which is the highest finding that can be given, and that the financial statements were issued in accord with the pronouncements of the Governmental Accounting Standards Board;
- The Trust has a very healthy Balance Sheet and the investment portfolio is healthy, as well;
- The Trust has followed sound accounting practices and no material audit adjustments were needed to The Trust’s financial records;
- There was an appropriate roll forward of unpaid losses; and
- The loss reserves analyses were consistent with the methodology of prior years, and Management’s recording level for the reserves for 2012 were prudent and within the actuarial recommended range of prudent estimates.

Chairman Alfred then asked Mr. Pieksza if he wished to direct comments to the Trustees outside of the presence of Trust staff and he declined. Chairman Alfred then offered the Trustees the opportunity to meet with the auditor outside of the presence of Trust staff. The Trustees declined the offer.

On a motion made by Trustee Mainville, seconded by Trustee Ceasrine, the Board voted unanimously to accept the 2011-2012 Audit Report as presented.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	absent	Melinda Thies	aye
Robert Hicks	aye		

Mr. Dwyer then indicated that, normally, there would be a presentation by Management of the financial benchmarks following the Audit Report, but that there would not be one at this meeting. He indicated that, because of other pressing matters, the lengthy agenda, and the extensive discussion of the benchmarks at the Joint Meeting of the Board and its Committees in October, the discussion of the benchmarks would be moved to the next meeting. Chairman Alfred also noted that the transition to a Risk Based Capital (RBC) benchmark methodology was a complicated one, and was taking some time to accomplish.

Mr. Dwyer then followed up with several comments regarding the Audit. First, he noted that the auditors had suggested two areas in which The Trust could strengthen its operating efficiencies and financial safeguards. He advised the Board that he and Ms. Sheley were taking steps to address both of these suggestions, as described in the executive overview memorandum that Management had provided to the Board.

Second, he elaborated on the way Member Equity is accumulated and treated in the various pools. Because most of the Health Pool Member Equity balance is allocated on a Member-by-Member basis, Ms. Sheley distributed a schedule showing those amounts so the Board could be kept fully apprised of the aspect, which is different than the practices followed for the other risk-sharing pools. Mr. Dwyer elaborated on the concept and the differences, noting that, for the Health Pool, Member Equity is primarily of two kinds: Contributed Capital and Earned Equity. He said that there is also a “third” type of equity which is Forfeited Equity, created when a Member departs the Health Pool. Forfeited equity is shared among the Members of the Health Pool.

Ms. Sheley next discussed two schedules she had distributed showing Member Capital Contributions and Earned Equity projected to FY 2013. She noted that the schedules showed the correction of a small error in the allocation of interest between the Earned Equity component and the Contributed Capital component. Due to the small, non-material nature of the error, she said the correction would be made in The Trust’s Financial Statements for Fiscal Year 2012-2013.

Mr. Dwyer added that this interest allocation error also resulted in a very small error in the return of Member Equity to the East Greenwich Fire District, which departed the

Health Pool as of July 1, 2012. However, because the return of Contributed Capital and Earned Equity is accomplished over a three year period pursuant to the terms of the Equity Allocation Policy, he said the error would be remedied in the next year's distribution.

There were no questions and no further discussion.

2. Approval of Minutes of the Board Meeting of October 18 & 19, 2012 (Regular and Executive Session)

On a motion made by Trustee Ceasrine, seconded by Trustee Petrarca, the Board voted to approve the Minutes (both Regular and Executive Session) of the Board Meeting of October 18 & 19, 2012.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	absent	Melinda Thies	aye
Robert Hicks	aye		

3. Old Business - Action Items

3a. Restructuring the Health Pool's Membership Arrangements and Governing Provisions

Mr. Dwyer next addressed the issue of restructuring the Health Pool's Membership Arrangements and Governing Provisions. He reminded the Board that extensive discussion of this matter occurred at the October Board Meeting and general consensus was reached then, though a few items remained open for further examination and review. Accordingly, in follow-up to that October discussion, Management had prepared a set of additional and more specific recommendations on some key elements, which had also now been reviewed by the Employee Benefits Committee.

For context, Mr. Dwyer explained that the current Agreement for the Joint Negotiation and Purchase of Health Coverage would be replaced with a more "standard" membership participation agreement. This would rectify several issues of concern with respect to the current "membership" document, and would provide Members with additional rights such as controlling the amendment process and clarifying their rights and obligations vis-à-vis the other Members. He noted that the Board had already been provided with a detailed review of this approach by Mr. Ridlon.

He then asked the Board for more guidance on several elements:

- Confirmation of Its Willingness to Return to Members Their Contributed Capital

Mr. Dwyer explained the genesis of Contributed Capital component of Members' Equity, which dated back to the inception of the Health Pool by the Governmental Health Group of Rhode Island. He noted that the earliest Members of the Health Pool had used earned equity for their first year of participation as their Capital Contribution, but that subsequent Members actually made Capital Contributions payments as they entered the Health Pool.

For reasons discussed at length at the October Meeting, Mr. Dwyer said Management believes these Contributed Capital amounts can now be returned to Members in full without adversely affecting the fiscal stability of the Health Pool. The total amount expected to be available for distribution to Members of record as of July 1, 2013 would be about \$2 million, counting the Contributed Capital amounts now flowing into the Pool from the two newest Member participants, the City of Warwick and the East Providence School Department.

Mr. Dwyer noted that the existing Agreement for Joint Negotiation and Purchase of Health Coverage is still the controlling document, though, so any Board declaration returning these Contributed Capital amounts would need to be contingent on amendment of the Agreement by replacing it with a more standard membership participation agreement that allowed for such a return.

Chairman Alfred inquired whether such a declaration would be reflected as a financial liability against Fiscal Year 2012-2013 or Fiscal Year 2013-2014. Ms. Sheley and Mr. Dwyer said it would be counted in The Trust's Fiscal Year 2012-2013 Financial Statements assuming the Board declared it this year, even if the amounts are not paid to Members until Fiscal Year 2013-2014.

There followed a brief discussion of what would happen in the event that a Member chose not to accept the proposed changes to the Agreement for Joint Negotiation and Purchase of Health Coverage. This was followed by a series of questions and a discussion regarding how the return would impact Member budgets for Fiscal Year 2013-2014 and whether distributions could be made accurately prior to the completion of the fiscal year audit. The pending questions were resolved to the satisfaction of the Trustees.

- Use of Risk-Based Capital (RBC) as the Target Measurement for Earned Equity Withdrawals

Mr. Dwyer said the Board had seemingly reached consensus at its October Meeting that a RBC measurement was a more appropriate benchmark than the current Claims Fluctuation Target (CFT) for determining the amount of Earned Equity a Member departing from the Health Pool could withdraw. The question left open, he said, was the precise measurement level.

Mr. Dwyer and Ms. Sheley referred the Board to a schedule showing the impact on Earned Equity with RBC measurements at several different points: 200%; 269%; 336%; and 403%. The schedule also compared those amounts with an Earned Equity distribution scenario using the CFT.

Mr. Dwyer provided the Trustees with some historical background regarding the Health Pool's current Equity Allocation Policy and discussed how earned equity was calculated utilizing the CFT. He then summarized the rationale for switching to a RBC measurement, and described the meaning of various RBC levels. In particular, he pointed out that a RBC of 200% is considered the "Company Action Level". That is to say, in the typical regulated commercial market, if an insurer's RBC calculation were to drop below 200%, the State regulator would step in and require the insurer to submit a remedial financial plan. At a RBC of less than 100%, the regulator would take over the operations of the insurer. He reiterated that while The Trust is not subject to regulation as are other insurance companies within the state, Management nonetheless believes that these standards are reasonable and appropriate ones for The Trust to use in measuring its financial position.

Mr. Dwyer next emphasized a distinction between using Management's recommendation of a 200% RBC level to calculate the amount of Earned Equity a departing Member could withdraw versus underwriting calculations for Member premium levels, which would be set much higher at between 325% and 400%. Chairman Alfred noted the importance of this distinction and inquired whether a policy statement would be created clarifying the benchmarks for both underwriting and calculation of withdrawn earned equity. Mr. Dwyer said such a policy should indeed be created, and he anticipated so doing once the Board provided guidance.

Chairman Alfred indicated that the Board needed to approve such policies and suggested that the Board be provided, again if necessary, with the study conducted by actuarial and health benefits consultant Milliman regarding RBC measurements, which was presented in detail at the October Meeting.

Chairman Alfred directed the remaining discussion to the issue before the Board of whether it was comfortable with the recommendation that the RBC be set at 200% for purpose of the withdrawn earned equity calculation. There followed a discussion of what would happen with respect to departing Members' withdrawn equity if the RBC level dropped below 200% and the impact of such a drop on Members' Equity overall.

The discussion then shifted to the time frame in which the Board would need to act to effectuate the change to be a part of the revisions to the "membership" document. Chairman Alfred noted that any delay now could impede the progress of Trust staff completing its work with respect to the proposed changes and circulating the proposed revisions to the affected Member-entities in the Health Pool. He concluded his comments by reminding the Board that issues relating to the Health Pool also impact the other pools as The Trust is one organization with multiple pools.

➤ Reconfiguring the Way Liquidated Damages are Determined

Mr. Dwyer began by explaining the current arrangement for calculating liquidated damages as set forth in the Agreement for the Joint Negotiation and Purchase of Health Coverage and the ramifications if a Member leaves the Health Pool. He noted certain problems with the current Agreement in terms of its enforceability, and explained the rationale behind the changes recommended by Management and as further modified by the Employee Benefits Committee. He summarized the Employee Benefits Committee recommendation as:

- for a Member departing the Health Pool before 36 months of participation, it would forfeit all of its earned equity and would pay a liquidated damages fee equal to one month's premium;
- for a Member departing the Health Pool after 36 months, it forfeits 50% of its earned equity, but it would not be required to pay any liquidated damages fee.

Mr. Ridlon reiterated that the agreed-upon return of Contributed Capital would likely make any liquidated damages "exit" fee enforceable if it was reasonable and indicated that both the option proposed by Management and the slightly revised option recommended by the Employee Benefits Committee were reasonable under all circumstances.

There was no further discussion regarding the provisions relating to the departure of Members.

➤ Change in the Way Equity is “Earned”

Mr. Dwyer raised one other issue, asking the Board whether it wished to change the way Member Equity is “earned” from a quantitative approach to a qualitative one, or a blended approach. He said the Employee Benefits Committee had recommended not making such a change.

Mr. Dwyer briefly described the pros and the cons of each type of approach, and also compared and contrasted the approaches currently used by The Trust in the Health Pool and in the declaration of Trust Ownership Participation Shares (“TOPS”) for the Property and Casualty Pools. He noted that Trustee Hicks had expressed a view at the Employee Benefits Committee Meeting that shifting to an entirely qualitative based methodology would create, essentially, a self-funded model.

There were no further questions or comments from the Trustees.

On a motion made by Trustee Petrarca, seconded by Trustee Hicks, the Board voted as follows to accept the recommendations of Management relating to restructuring the Health Pool’s membership arrangements and governing provisions as modified by the Employee Benefits Committee relative to provisions regarding liquidated damages assessed against departing Members:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	absent	Melinda Thies	aye
Robert Hicks	aye		

A question was raised seeking clarification about whether the recommendation to use a RBC level of 200% for computation of the withdrawn earned equity amount was part of the Motion or whether it would be considered separately. Chairman Alfred indicated that the motion included that recommendation for a 200% level, but that it is also understood that the Trustees will have another opportunity to reconsider this vote after Management provides the Board with supplementary information: the draft Health Pool Membership Participation Agreement, a revised Equity Allocation Policy showing the 200% RBC level as the new benchmark, a draft Health Pool Financial Benchmarks Policy and another copy of the Milliman RBC study. After that occurs, the Board could either convene a special meeting to further discuss the issue if it deems that necessary, or it could indicate that it was comfortable with approving the draft Health Pool Membership Participation Agreement as finally presented.

3b. Status Review of Merger/Affiliation Discussions with WB Community Health

Mr. Dwyer next updated the Trustees on the developments relating to discussions with WB Community Health (“WB”). He provided the Trustees with some background regarding the initial discussions that the joint committees had had, and described the letter The Trust had sent as a follow-up to those discussions. He then noted that the WB had not yet had the opportunity to meet regarding the letter and respond to it.

Chairman Alfred then expressed some concern over the content of the letter in that he believed it might be misconstrued by some to mean that The Trust Board had authorized certain actions identified in the letter. Mr. Dwyer noted that the letter was not intended to be a position statement of the Board, but were rather discussion points being presented by the “task force” of The Trust. Mr. Ceasrine, the sole task force Trustee present, confirmed that the task force had not meant the letter to convey the impression that the Board had endorsed these points or that the Board, or even the task force, was proposing the creation of a “competing” pool. Other Trustees commented on their understanding of the letter as well.

There followed a brief discussion about the impact of having competing pools in a state the size of Rhode Island.

Mr. Dwyer indicated that a clarifying letter could be sent addressing the Chairman’s concerns and promised to do so in consultation with the task force. There was no further discussion regarding this topic.

(Mr. Faucher joined the meeting at 10:49 a.m.)

3c. Status Report on Development of Other Post Employment Benefit Program

Mr. Dwyer noted that there was little to report with respect to the development of an Other Post Employment Benefit (“OPEB”) program. He stated that, due to other obligations, development of the program had been pushed back slightly. However, he indicated that some work had been done to date, and that we had received documents from the South Carolina pool that it had developed for its OPEB program that were extremely helpful and could be used as models.

Chairman Alfred then inquired about the number of municipalities and municipal entities that currently had OPEB programs. Mr. Dwyer indicated that he believed that only 8 or 9 municipalities had actually established any type of OPEB trust. Trustee Hoover indicated that he had spoken with the General Treasurer’s office about whether the State would become involved in establishing a municipal OPEB program similar to the MERS system. There followed a brief discussion about whether the State would, in fact, become involved in establishing a program, and the consensus was that, if it did, it would be within the next 12 months. In any event, there was no suggestion that The Trust delay its efforts to ready an OPEB program in the event that the Board ultimately approves its creation.

3d. Status Report – 2013 Legislative Initiatives

Mr. Ridlon, Trust General Counsel and Director of Legal Services, next briefed the Board regarding the status of the legislative initiatives that had been approved by the Board at the Joint Meeting of the Board and its Committees in October. He began by detailing the results of his meeting with Senate President Paiva-Weed and then updated the Board on the status of certain bills that were being introduced at the request of The Trust and its Members. Specifically, he discussed bills relating to the following: limitations on suits against public officials in their individual capacities absent a showing that they acted outside of the scope of their authority or in a manner that was malicious, willful, or wanton; restoring the balance between a public entity's obligations to retired teachers and retired municipal employees with respect to group life insurance; and allowing for the administration of claims and the adjudication of disputes related to injured-on-duty claims in the Workers' Compensation Court.

Mr. Ridlon also indicated that several bills, including those involving the subject matter of the Judicial Fairness Initiative, had already been introduced in the Senate and that certain other related bills had been introduced in the House of Representatives. He concluded his report by noting that he had met with several other groups in support of legislation that they were seeking to introduce that would, ultimately, also benefit Trust Members. There were no questions or comments from the Trustees.

4.b. Property and Casualty Pools 2013-2014 Underwriting and Related Items

Trustee Petrarca, Chair of the Underwriting Committee, next gave an overview of the actions undertaken by the Committee at its meeting two days prior. He began by noting that the underwriting for the Property and Casualty Pools is just beginning, and that the underwriting for the Health and Dental Pools has been largely completed.

Since a comprehensive review of 2013-2014 underwriting had been presented by Management to the Underwriting Committee, Mr. Dwyer said his presentation would be a more general one. He did, however, offer to meet with any Trustee to address questions and to forward all of the supporting documentation to the Board for its review. Having said that, he proceeded to utilize a Powerpoint presentation to demonstrate the 2013-2014 Expected Losses for the Property and Casualty Pools for the following lines of coverage:

- Public Safety Injured-on-Duty;
- Workers' Compensation;
- Auto Liability;
- Auto Physical Damage;
- General Liability;
- Sewer Back-Up Liability;
- Public Officials' Liability; and
- Property

For each line, he commented on the salient factors upon which the estimates were made and also on the trends the data showed.

Mr. Dwyer next presented the Property and Casualty Pools Multi-Year Funding Outlook covering the fiscal year period from 2013 through 2017. In particular, he focused the presentation on the implications of that Outlook on PY 2013-2014 underwriting calculations.

In his presentation, Mr. Dwyer reviewed Management's expectations regarding major revenue and cost components:

- Premium Targets
- Investment Returns
- Reinsurance Costs
- Prior Policy Years' Ultimate Loss Changes

Of specific note, Mr. Dwyer observed the following during his presentation:

- The greater percentage of net expected losses attributed to the Workers' Compensation Pool as opposed to the Property/Liability Pool occurs because a larger percentage of the Property/Liability losses are ceded to the reinsurers.
- The Workers' Compensation Pool has been experiencing significant reductions in prior policy years reserve levels for several June 30th valuation periods now. The same is not true for the Property/Liability Pool.
- Approximately 92% of income is generated from premium revenue. The impact of floors and caps on premium levels was also discussed.
- Reinsurance catastrophic property costs continue to climb and are the most significant reinsurance cost element.

This review was followed by a brief discussion of Member Equity. As a result of the overall analysis, Management recommended that a dividend be declared for the Workers' Compensation Pool, but not the Property/Liability Pool.

Mr. Dwyer also presented a "score card" tracking Management's estimate of Member Equity projections with actual results over time. Of note was that the audited results showed better results than what had been projected for the Property and Casualty Pools in almost every year. Mr. Dwyer concluded his presentation by advising that Management continues to expect the actual results in the coming years to be better than those projected.

Chairman Alfred next noted that there were three areas of the report that needed to be addressed by the Board. The first related to increasing the attachment points for the Injured-on-Duty program. The second related to the TOPS Dividend. He noted that the recommendation to award a dividend of \$450,000, together with a 10% bonus payable to Members of Record in the Workers' Compensation Pool was justified based upon the reserve take downs for that Pool. The third issue related to the underwriting goals and objectives.

Prior to addressing each of those, he asked for a staff explanation of the issue relating to catastrophic property reinsurance, specifically that which related to flood coverage. Beyond the rising cost, he said Management had noted that there might be some variance in the reinsurance being provided to The Trust compared with the coverage being provided to the Members through The Trust's Property Policy, resulting in The Trust potentially accepting greater liability than anticipated. He indicated that he understood staff was addressing the issue, but noted that if it was not addressed satisfactorily, the underwriting would need to be adjusted. Mr. Dwyer advised that the Chairman had aptly summarized the issue. There were no other comments, questions or concerns.

On a motion made by Trustee Ceasrine, seconded by Trustee Petrarca, the Board voted unanimously to adopt the underwriting models for the Property/Liability and Workers' Compensation Pools as presented including, specifically, the recommendation to increase the attachment point in the Injured-on-Duty program to \$150,000 per individual officer per policy year and the recommendation to declare a \$450,000 TOPS Dividend plus a 10% bonus payable to Members of Record in the Workers' Compensation Pool as of July 1, 2013, provided they were also Members of Record as of June 30, 2012, the base date for calculating the Dividend amounts.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

4.c. Health and Dental Pools 2013-2014 Underwriting Parameters

Mr. Demty next presented the Underwriting parameters for the Health and Dental Pools for the coming year. Specifically, he addressed the proposed final premium adjustments and the rationale behind the recommendations, noting that the assumptions and methodology had been reviewed with the Employee Benefits Committee and the Underwriting Committee. He noted that the Health and Dental Pools were performing quite well. He then gave a brief overview of the basis for the reductions in premium for the Dental Pool, and discussed the breakout of the projected premiums for the Health Pool.

Next, he discussed the so-called “Backstop Account” which provides internal stop-loss insurance protection for the Health Pool, noting that it had a zero balance to start the 2012-2013 fiscal year as a result of the high loss stemming from one claim last year that reached nearly \$2 million. He described modifications to the Account’s funding and projected loss ratios that Management had incorporated into the underwriting assumptions for the coming fiscal and policy year. Management had also secured, he added, an external, private market stop-loss insurance quote for comparative purposes. That quote turned out to be significantly higher in cost than even the very significant increase in Backstop Account fees that Management was already using in its underwriting projections for the 2013-2014 fiscal year.

He then discussed the Member Equity balances for the Health and Dental Pools, noting that, through the first six months of this fiscal year, the surplus exceeded \$8.5 million.

This was followed by a discussion of the likely RBC levels if the projections held true to form and Management’s recommended “draw down” of equity was used to offset rates in the coming fiscal/policy year. Mr. Demty concluded by noting that Management was recommending that any return of equity to Members be done over multiple years to prevent rate instability. He presented a schedule showing the levels of those returns over that period, and he commented that Management believed that schedule to be based upon conservative estimates.

In response to a request from Chairman Alfred, Mr. Dwyer further addressed Management’s proposal for rejuvenating the Backstop Account going forward. He gave a brief background on the Account’s history and the long term loss ratios and profit margins of both private, commercial stop-loss insurance and the internal Backstop Account mechanism. He explained changes Management was proposing to the Account – higher funding levels and higher expected loss ratios – and the impact of those changes on expected results at the end of the initial five year financial projection period for the Account. Mr. Demty elaborated on those points, noting that the Employee Benefits Committee had considered having the Health Pool be solely responsible for its stop-loss program, but that there was no provision in the current Backstop Account arrangement that would allow that. He then demonstrated by use of a table Management’s analysis of the way the Property and Casualty Pools could be “made whole” for the losses they have now funded under the current Backstop Account policy.

Chairman Alfred raised a number of concerns related to the projections and the equity of having one Pool with half the equity of the other Pool “back stopping” the risk of the larger Pool. There followed an extended discussion about other options. It was ultimately concluded that the Employee Benefits Committee and Management should examine an option by which the Property and Casualty Pools are immediately relieved of their obligations to the Backstop Account in favor of that responsibility being fully assumed on a going forward basis by the Health Pool. There was no further discussion.

On a motion made by Trustee Petrarca, seconded by Trustee Faucher, the Board voted to approve the independent underwriting methodology for the Health and Dental Pools as presented by the Underwriting Committee and the Employee Benefits Committee.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

Thereafter, Trustee Faucher made a motion, seconded by Trustee DeAngelis, that the Employee Benefits Committee and Management bring another proposal back to the Board which would relieve the Property and Casualty Pools of their obligations to the Backstop Account in favor of that responsibility being fully assumed on a going forward basis by the Health Pool. With respect to the Motion, the Board voted as follows:

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

4d. Backstop Account Status Report and Recommendations for Change

Mr. Dwyer next gave a brief overview of the significant nearly \$2 million claim that resulted in the depletion of the Backstop Account. He described the efforts that Trust Management was making to determine the reason for the late reporting to The Trust of the claim's very high cost and Management's efforts to determine whether the claim had been properly handled by Blue Cross Blue Shield of Rhode Island (BCBSRI) as The Trust's third-party Health Pool claims administrator.

Mr. Dwyer also noted that The Trust had commissioned an independent audit of Policy Year 2011-2012 claims, including this significantly high claim.

Chairman Alfred inquired as to why the size of the claim early in the fiscal year did not alert The Trust staff internally as to the potential magnitude of the ultimate claim. Mr. Dwyer responded that The Trust would have no reason to suspect it would grow so astronomically and so late as many claims start significantly and then end abruptly once the patient's medical treatment is discontinued or scaled back as the patient's condition is either corrected or stabilized, or the patient expires. There followed a brief discussion of the role of the BCBSRI claims manager, and then the discussion ended.

4.e.i. Election of Board Officers

Trustee Hicks, Chair of the Nominating Committee, presented his report and recommended that Stephen Alfred be elected as Chair of the Board of Trustees and that Michael Petrarca be elected as Vice-Chair of the Board of Trustees.

On a motion made by Trustee Hoover, seconded by Trustee DeAngelis, the Board voted unanimously to close the nominations and elect the slate as proposed by Trustee Hicks of Stephen Alfred as Chair and Michael Petrarca as Vice-Chair of the Board of Trustees.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

4.e.ii. Election of Trust Officers

Trustee Hicks next recommended as the slate of Trust Officers, Thomas Dwyer as President, Heather Sheley as Treasurer, and Ian Ridlon as Secretary.

On a motion made by Trustee Hoover, seconded by Trustee Ceasrine, the Board voted unanimously to elect Thomas Dwyer as President, Heather Sheley as Treasurer, and Ian Ridlon as Secretary.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

4.e.iii. Committee Reappointments or Reassignments

On a motion made by Trustee Petrarca, seconded by Trustee Faucher, the Board voted unanimously to accept the recommendation of Chairman Alfred and assign Trustee Hoover to the Risk Management Committee.

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	aye
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffrey Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

(Trustee Hoover then departed the meeting at 12:30 p.m.)

4.f. Employee Performance Review

Chairman Alfred recommended that this item be tabled until a future meeting. The Board was in concurrence.

5. Operations and Funding Reports

5a. Property and Casualty Pools

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 December 2012. Mr. Dwyer also distributed to the Board the Report showing the Composite Adjusted Loss Ratio on a consolidated basis for both Pools. Mr. Dwyer and Mr. Godin, Trust Director of Claims, very briefly discussed the key factors for the spike in the Adjusted Loss Ratios for the Property/Liability Pool.

There were no questions from the Trustees regarding the Reports.

5b. Employee Benefits Pools

Mr. Demty distributed and provided a report showing the Self-Funded Cost versus the Funding Analysis for the Policy Period July 1, 2012 through June 30, 2013. Included therein was the Loss Ratio Summary for the Health and Dental Pools and a comparison of the periods from July through December 2012 to July through December 2011.

There were no questions from the Trustees regarding the Reports.

6. Informational Items

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

- a) Quarterly Investment Performance Report thru September 30, 2012; and
- b) Town of Charlestown Participation in Group Life Program

7. Adjournment

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

<u>Trustee</u>	<u>Vote</u>	<u>Trustee</u>	<u>Vote</u>
Stephen Alfred	aye	Thomas Hoover	absent
Jack Ambrogi	absent	Bruce Keiser	absent
Scott Avedisian	absent	John Mainville	aye
Jeffry Ceasrine	aye	Lori Miller	aye
Peter DeAngelis	aye	Michael Petrarca	aye
David Faucher	aye	Melinda Thies	aye
Robert Hicks	aye		

The meeting then stood adjourned at approximately 12:40 P.M.

Respectfully Submitted,



Ian C. Ridlon
Corporate Secretary