RHODE ISLAND INTERLOCAL
The Trust
RISK MANAGEMENT TRUST

BOARD OF TRUSTEES MEETING
OF
FRIDAY, APRIL 12, 2013

MINUTES

The Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Friday, April 12, 2013 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

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

1. ROLL CALL

Trustees Present
Stephen Alfred, Town of South Kingstown
John Ambrogi, Newport Public Schools
Scott Avedisian, City of Warwick
Daniel Beardsley (*ex officio)*, Rhode Island League of Cities and Towns
Jeffry Ceasrine, Town of Narragansett
Peter DeAngelis, Town of Barrington
David Faucher, Town of Portsmouth
Robert Hicks, New Shoreham School Department
Thomas Hoover, Town of Coventry
John Mainville, Town of Burrillville

Trustees Absent
Bruce Keiser, Town of Jamestown
Lori Miller, Lincoln Public Schools
Michael Petrarca, Central Falls School District
Melinda Thies, Bristol Warren Regional School District

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

2. Approval of Minutes of the Special Board Meeting of February 28, 2013 (Regular and Executive Session)

On a motion made by Trustee Beardsley, seconded by Trustee Ceasrine, the Board voted to approve the Minutes of the Special Board Meeting of February 28, 2013 for both the regular and executive sessions.

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

3. Old Business – Action Items

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

Chairman Alfred began the discussion by noting that no formal action could be taken on the proposed changes to the Agreement for Joint Negotiation and Purchase of Health Coverage as the Agreement was still being circulated for comment among the Members and the comment period had not yet closed. He did, however, ask the Trustees if anyone had comments regarding the proposed changes, and they did not.

He then inquired of Trust staff about a proposed change to the Equity Allocation Policy that is attached to the Agreement as Exhibit "A". Specifically, he questioned how the term "Surplus Equity Amount" was defined and when it was calculated (i.e. during the year before the audit or at the end of the policy year). Mr. Demty responded that it was not specifically defined, but that it was explained in the bullet point following the first use of the term in the document.

Chairman Alfred next asked for a clarification of what the term "Subscriber/Member Enrollee" meant. Mr. Dwyer noted that Trust staff had thoroughly discussed that definition internally and found it to be appropriate, but conceded that it could be further clarified by expressly stating that the term does not include spouses and children, but is only the employee.

Chairman Alfred next raised another query regarding the provision on "Exclusivity" as it pertains to health insurance coverage provided to a Member entity's employees. Mr. Dwyer and Mr. Demty explained that the provision was maintained from the current version of the Agreement to provide the Pool with some continued flexibility. Specifically, Mr. Demty indicated that there had been circumstances in which certain Members had needed to provide insurance plans other than Blue Cross Blue Shield to small groups of their employees as a result of existing contractual obligations. He noted, though, that the Pool does not currently have any Members who have that continuing responsibility.

Finally, Chairman Alfred asked about Section 5A of the Agreement dealing with development of premiums, and indicated that it seemed to read that the Board would need to approve the specific rate for each Member. It was explained that provision was written as it was to comply with the relevant By-Law provision, but Mr. Dwyer indicated that the document could be revised to clarify that the Board only approves the methodology, as opposed to the specific rates, as it does with the other Pools.

Mr. Dwyer then concluded the discussion by noting that the only one comment he had received regarding the proposed changes was from the Town of Portsmouth and the indication was that the proposed changes were acceptable. He also noted that the Employee Benefits Committee was supportive of the proposed changes, and that no one on the Committee had heard any negative comments regarding the proposed changes.

3b. Merger/Affiliation with WB Community Health

Chairman Alfred next introduced for discussion the on-going issue of the potential for a continuing relationship with WB Community Health ("WBCH"). Mr. Dwyer briefly discussed what he believed to be the "open questions" regarding the relationship and then provided some other context for the discussion prior to summarizing his recommendations for moving forward. Within those recommendations, he addressed the issues of potentially providing the opportunity for municipalities to join a Trust self-insured pool, what solicitation, if any, should occur with respect to municipalities and school departments, and under what circumstances it might be appropriate to collaborate with WBCH in various areas such as legislative advocacy.

There followed a series of inquiries about the advisability of The Trust creating a self-insured program, the administrative costs associated with establishing and maintaining such a program, and the timing of when such a program could be available. This discussion was followed by an extensive discussion regarding how aggressive The Trust should be in marketing such a program and to which entities it would market the program. During the course of that discussion, Trustee Faucher indicated that the Employee Benefits Committee strongly supported the recommendations outlined by Mr. Dwyer.

Mr. Demty also noted that time was of the essence with respect to making a decision on the issue as there were at least two municipalities that were currently in the process of making decisions regarding their health insurance programs and both had inquired of The Trust whether it would be proving a self-insured program. After a brief discussion regarding what these municipalities were looking for specifically, Chairman Alfred took the opportunity to provide some background on how the two models had developed in the two organizations. He then expressed a concern about the two organizations competing and not providing information and assistance to each other when their Members are all municipalities and school departments in the State. Trustee Faucher and Trustee Avedisian commented on the tenor of the discussion that the two organizations had previously engaged in.

Trustee Ceasrine asked if the issues could be split and considered separately. He suggested that first the Board should decide whether it was interested in Trust staff preparing information regarding the feasibility, cost, and other program details, and then consider how it would be marketed and to whom. This was followed by more discussion regarding the time frame for any action to be taken. When queried about how long it might take to establish a self-insured program, Mr. Demty responded that the conceptual model could be completed within two to three weeks.

More discussion followed regarding those municipalities which might be interested in a Trust self-insured program and whether it would be appropriate at any time to discuss a Trust program with municipalities which were currently members of WBCH. At least one Trustee voiced strong support for creating a competitive atmosphere. Mr. Dwyer noted that, while competition can be a good thing, it was important to remember that Pools such as The Trust were created to compete with the commercial market and not each other. In bigger states, he observed, it tends to work better to have competing pools than in a small state such as Rhode Island. Trustee Ceasrine then asked whether The Trust wanted to be proactive or reactive to the demands of the "market". There followed several brief comments and the discussion concluded.

On a motion made by Trustee DeAngelis, seconded by Trustee Hoover, the Board voted as follows to direct Trust Management to prepare a document describing the framework for a Member specific self-insured health insurance program option for presentation to the Board for its review and to allow Management in the interim to discuss such a program with interested local governmental entities:

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

3c. Legislative Update

Ian Ridlon, Trust General Counsel and Director of Legal Services, next provided the Trustees with a brief update on the progress of The Trust's legislative agenda. He discussed generally meetings that he had with legislative leaders and updated the Trustees on the status of the various bills that had been introduced.

Mr. Ridlon then gave an explanation of the recent activity involving proposed changes to the statutory scheme that moved appeals of decisions from the State Retirement Board to the Workers' Compensation Court. Specifically he discussed the changes that were being proposed by organized labor that would, in essence, greatly extend the existing 18 month time frame for requiring injured public safety officers to file applications for accidental disability pensions. Trustee Beardsley also provided background information from the perspective of the disability subcommittee of the Retirement Board on which he sits. There were several questions from Trustees regarding the impact that such changes could have on the amount of time that an injured public safety officer would be entitled to remain in the Injured-On-Duty ("IOD") program. Mr. Ridlon indicated that he was working with counsel for several of the public safety unions to try to craft language that would resolve the issues that the unions were concerned about, while at the same time not imposing undue burdens on the municipalities. As the discussions were still ongoing, Mr. Ridlon advised the Trustees that he would continue to keep them updated on the progress of the discussions and any subsequent proposed legislative changes. There were no further questions and the discussion concluded.

4. New Business – Action Items

4a. Report of the Underwriting Committee Regarding Property and Casualty Pools

Mr. Dwyer began his presentation by informing the Trustees that a detailed presentation had been provided to the Underwriting Committee and that the Committee had approved the underwriting methodology. Accordingly, he said his presentation to the Trustees would be more summary in nature than the detail provided to the Committee. He indicated, though, that he would certainly be willing to expand any of the points presented if requested.

Thereafter, on behalf of the Underwriting Committee, Mr. Dwyer presented the set of underwriting strategies and pricing parameters which the Committee had approved for Policy Year 2013-2014 at its March 29, 2013 meeting.

He began by discussing the Pro Forma Premium Distributions relative to the membership as a whole, taking into account The Trust Ownership Participation Shares (TOPS) Program dividend for Member-entities in the Workers' Compensation Pool. He noted that, on a consolidated basis, 38% of the membership was experiencing a 10% or greater increase in premium. For the Workers' Compensation Pool, Mr. Dwyer noted that 24% of the membership was experiencing a 10% or greater increase in premium.

He next discussed the results for the Property/Liability Pool. With respect to this Pool, he stated that 51% of the membership was experiencing a 10% or greater increase in premium. He further indicated that these increases of this magnitude could be reasonably expected over the course of the next several years due in large part to the rising cost of catastrophic property reinsurance and the more frequent and severe property losses lately being experienced by the Pool. Although he noted that The Trust has a strong surplus that can offset some losses and costs, the Property/Liability Pool is not keeping pace with structural changes in the Pool's overall financing.

Mr. Dwyer next addressed the changes to the Workers' Compensation underwriting model for PY 2013-2014. He noted that the payroll classification rates had been increased to reflect rising loss trends, adding that the percentage of increase is quite similar in average percentage increased those proposed to the Department of Business Regulation ("DBR") by the National Council on Compensation Insurance ("NCCI") for private insurers writing business in the state.

He next discussed changes to The Trust IOD program that will become effective July 1, 2013, notably the increase in the Member specific attachment point from its current level of $100,000 to $150,000. Chairman Alfred then raised several concerns about allocation of IOD costs among the participating Member entities, and asked that Management mark this for further study in the next underwriting cycle. There followed a brief discussion regarding the issue.

Mr. Dwyer next addressed the two principal Loss Sensitive Techniques used in the model: the NCCI Experience Modifier and The Trust's proprietary Sensitivity Adjuster. He noted that NCCI was changing the formula used to calculate the Modifier for the first time in many years. That change, he said, is not yet effective in Rhode Island, though it is anticipated that the DBR will so approve it for use sometime on or after July 1, 2013. In any event, The Trust is not obligated to use that formula, and will not do so for Policy Year 2013-2014, but may do so in a later year after further consultation with The Trust's actuary and with the Underwriting Committee. Mr. Dwyer concluded by noting that the Sensitivity Adjuster used by the actuary was intended to be revenue neutral and places a greater emphasis on large losses than the NCCI model does.

He next summarized the floors and cap levels being utilized in the underwriting of Member premiums. He also discussed the occasions when the caps are overridden.

For the Property/Liability Pool, Mr. Dwyer reviewed salient aspects of the underwriting model for the coming year. The phase-in of the higher property values resulting from a Trust-wide reappraisal of Member's insured properties undertaken several years ago is now almost complete, he said. As a result, only a few Members are still negatively affected by this aspect. The phase-in of the weighted values for vehicles of different types is now complete as of the coming policy year. He next discussed the allocation of costs by exposure and by class of Member, explaining the way Management attempts to "smooth" the changing trends in over a period of time to avoid severe and sudden premium fluctuations which would otherwise occur in Member premiums.

He next addressed funding problems related to the Property Insurance program. Specifically, he indicated that the costs, which are comprised of losses and reinsurance premiums, are far outstripping the premiums collected from Members by about $3 million. Because property losses are reported to The Trust promptly and paid relatively quickly, there is no investment income, like there is for other insurance lines, to fill that gap. He stressed that this funding gap needs to be closed in the years going forward to maintain the Pool's fiscal integrity.

He next described the floors and caps applied to the Property/Liability Member premiums, and noted that revenue expected from the recommended model would achieve slightly more than the premium revenue target in the Multi-Year Funding Outlook. He concluded by noting that this was the third consecutive year of extraordinary property losses. There were no questions from the Trustees and there was no further discussion.

On a motion made by Trustee Avedisian, seconded by Trustee Hicks, the Board voted unanimously to accept the report of the Underwriting Committee as presented relative to pro forma pricing for the Property and Casualty Pools.

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

4b. Reports of the Employee Benefits Committee and Underwriting Committee Regarding Revisions to Health Pool Underwriting for 2013-2014

4bi. Access to Care Adjustment for New Shoreham

Mr. Demty began the discussion seeking approval for a modification to the underwriting methodology as it relates to the calculation of the Health Pool premium for the Town of New Shoreham and New Shoreham School Department. He explained that their claims experience has historically been considerably better than that of the overall Trust Health Pool, due in large part, in the view of both Management and consulting Health Pool actuaries at Milliman, to the fact that employees who live on the island have less access to higher cost care and more care options than do others who live on the mainland. This "lack of access" to comparable health care options on the mainland could translate into more favorable claim trends between 10% and 20%, he said.

Accordingly, Mr. Demty recommended that the Health Pool underwriting model be recalibrated to incorporate a 15% downward adjustment in the community claims component of the calculation for New Shoreham. He commented further on the way such a change will impact the New Shoreham's underwriting results and premium levels.

There were no questions from the Trustees, nor was there any further discussion.

On a motion made by Trustee Ambrogi, seconded by Trustee Ceasrine, the Board voted unanimously to accept the recommendations of Trust Management relative to an Access to Care Adjustment in the Health Pool premium for the Town New Shoreham and New Shoreham School Department.

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

4biii. Backstop Account Policy: Options for Alternative Funding Structure ***(taken out of scheduled Agenda order)***

Mr. Dwyer began the discussion by noting that, at a previous meeting, the Chairman had asked Management to develop other options for Board consideration for funding the Backstop Account in light of the Health Pool's strong financial position and the recent infusion of secondary capital into the Backstop Account the Property/Casualty Pools to fund a shortfall that resulted from an unexpected very high value claim. Mr. Dwyer said such options had been developed and presented to the EBC at its most recent meeting.

Trustee Faucher, as the Chairman of the EBC, informed the Board that the consensus of the EBC was that it wanted to express its appreciation for the Property/Casualty Pools providing financial support for the Backstop Account, and that it felt that the Health Pool was now sufficiently strong financially to independently support the program. He also said the EBC believed it would be fair and reasonable, even though not required under the terms of the Backstop Account Policy, for the Health Pool to reimburse the Property and Casualty Pools for the secondary capital it recently provided to the Backstop Account, net of carrying charges paid over time by the Health Pool to the Property and Casualty Pools.

Brief comments were made by several Trustees about the satisfactory nature of such a reimbursement and restructuring of the Backstop Account.

On a motion made by Trustee Avedisian, seconded by Trustee Faucher, the Board voted unanimously to accept the recommendations of the Employee Benefits Committee:

1) to have the Health Pool effective July 1, 2013 assume full funding obligations for the Backstop Account, including the obligation to provide secondary capital from the Health Pool's own reserves should the Backstop Account's balances be insufficient at any point in time to cover losses for which it is responsible; and

2) To have the Health Pool as of the end of the 2012-2013 Fiscal Year reimburse the Property and Casualty Pools for the secondary capital it supplied to the Backstop Account to cover Backstop Account losses paid, net of the carrying charges paid by the Health Pool to Property and Casualty Pools.

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

Mr. Dwyer then noted that the formal Backstop Policy would be revised and then forwarded to the EBC and the Board for approval.

4c. Trust Ownership Participation Shares Dividend Declarations/Distribution Methodologies

Chairman Alfred indicated to the Trustees that materials relating to the calculation and distribution of the Trust Ownership Participation Shares ("TOPS") had been previously disseminated and that the Underwriting Committee had reviewed the material and recommended approval of the TOPS dividend to Members of the Workers' Compensation Pool. There were no questions regarding the issue, nor was there any discussion.

On a motion made by Trustee Ceasrine, seconded by Trustee Mainville, the Board voted unanimously to accept the recommendations of Trust Management relative to the TOPS Dividend Allocation Methodology for the Fiscal Year Commencing July 1, 2013, as approved by the Underwriting Committee.

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

4cii. Health Pool

Mr. Dwyer began the discussion by indicating that exceptionally favorable claims trends over the first eight months of the current policy year is prompting Management to recommend a special Members' Equity TOPS Dividend to Member entities in the Health Pool. Mr. Demty then provided the Trustees with a Powerpoint presentation addressing certain issues related to the growing size of the Health Pool's Members Equity and the recommendation referenced by Mr. Dwyer.

He began by addressing the changing trends in claims over the last two years. He indicated that the analysis of the claims showed results that were so favorable through the first eight months of Policy Year 2012-2013 that Management was initially concerned that BCBSRI may have missed reporting some of the claims. When it was verified that it had not, Management began to analyze the impact of the trend on the growing surplus. Mr. Demty did caution, though, that the extremely favorable claims trend was not expected to continue into subsequent policy years.

He then detailed for the Trustees the calculation of the estimated Member Equity for the Health Pool as of June 2013 relative to the Risk Based Capital (RBC) target. He indicated that it was expected that the projected surplus would be approximately $14.5 M greater than the high end RBC target, leading Management to propose this special "one time" dividend distribution.

Mr. Dwyer next described the methodology by which the Special Earned Equity Declaration would be calculated. On several occasions during the course of that explanation, Chairman Alfred inquired as to why certain figures and thresholds had been employed. Mr. Dwyer responded to the inquiries by explaining the theory behind each. He also noted while different criteria and higher or lower thresholds could have been used, the ones chosen by Management represented its best judgments in creating a methodology that was reasonable. He encouraged the Board to consider adopting changes to the methodology that it believed would be better, more reasonable, or more equitable.

Mr. Dwyer specifically detailed the calculations for the proposed fixed and variable components of the Earned Equity Distribution. He also described when those distributions were proposed to be made. Utilizing the City of Warwick situation as the example, he provided the Trustees with an illustration of how the distribution would work.

Chairman Alfred then asked if any Trustees had questions regarding the methodology that was proposed to be employed. Trustee Hicks indicated that he felt that the methodology was at odds with being a fully insured program, especially in light of the fact that estimates of the TOPS Dividends for each qualifying Member entity were being based upon the results of a single policy year that had not yet been completed. Mr. Dwyer responded that there were unusual circumstances that precipitated this, and that it was not expected that it would occur again.

Mr. Demty added the fact that this distribution was fundamentally different than the Equity Allocation Policy for the Health Pool and that utilized by the other Pools in that it is qualitatively based and not quantitatively based. He stated that, due to the extraordinary results seen by some Members, he believed that this philosophical change was appropriate under the circumstances.

Trustee Faucher also noted that the Pool was already taking a conservative approach by utilizing more than $8M of surplus over the next six years to stabilize premiums and, therefore, could be more aggressive with the use of the Special 2012-2013 Policy Year TOPS Dividend.

Chairman Alfred noted his concern that the Equity being slated for distribution was not truly "earned" in that the policy year was not yet complete and audited. But he also acknowledged that the growing size of Members' Equity in light of RBC target levels argued for a special return of surplus funds to the Members. He also expressed a reservation about whether the methodology properly balanced the interests of smaller sized entities against larger sized entities in the Pool.

Extensive discussion among Trustees and Management followed regarding the appropriateness of the dividend calculation methodology and alternative approaches which could be employed.

At the suggestion of Mr. Dwyer, the discussion then turned to the issue of distributing the Earned Equity. Mr. Dwyer explained Management's recommended approach, and the suggestions which had also been made by the Employee Benefits Committee to the distribution procedure. He stressed that Management had designed a procedure to give Members maximum flexibility in the way in which they utilized the Dividends, whether from the return of the Capital Contribution, from the Special 2012-2013 Policy Year Earned Equity TOPS Dividend, or from a premium deferral.

Mr. Dwyer distributed to the Trustees two documents which described in detail the methodology for calculating the 2012-2013 Earned Equity Dividend and the distribution procedures. He pointed out and explained certain changes to the distributed documents compared to the draft versions earlier provided to the Board, and he noted that the distribution procedures document applies to the Dental Pool as well as the Health Pool. There was no further discussion relative to the issue of distribution.

Mr. Dwyer then summarized the Board action that Management was seeking and believed would be appropriate: first, conditional approval or rejection of the return of Health Pool Member's Contributed Capital (subject to Member comment and the approval of the changes to the Agreement for Joint Negotiation and Purchase of Health Coverage); second, approval, modification, or rejection of the methodology chosen for the Special 2012-2013 Earned Equity TOPS Distribution; and third, approval, rejection or modification of the distribution option for the Employee Benefits Pool.

4cii(2) Return of Member Capital Contributions *(vote taken out of scheduled Agenda order)*

On a motion made by Trustee Avedisian, seconded by Trustee Faucher, the Board voted unanimously to accept the recommendations of the Employee Benefits Committee with respect to the return of Member Capital Contributions subject to the final approval of the new Membership Participation Agreement for the Health and Dental Pools and the subsequent execution thereof by the Membership.

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

4cii(1) 2012-2013 Policy Year Special Earned Equity Declaration *(vote taken out of the scheduled Agenda order)*

Trustee DeAngelis inquired whether an Earned Equity Distribution could be made prior to the results of the Policy Year being audited. There followed a brief discussion that it was not a legal issue, but rather whether such a practice was prudent financial management. Trustee Ambrogi asked whether there was enough surplus to account for unexpected issues over the last four months of the Policy Year. Mr. Demty noted that there were sufficient reserves to cover any reasonable unexpected issue. There was no further discussion.

On a motion made by Trustee Faucher, seconded by Trustee Avedisian, the Board voted as follows to accept the recommendation of the Employee Benefits Committee with respect to the methodology for, and distribution of, a 2012-2013 Policy Year Special Earned Equity Declaration as set forth in a document entitled "Health Pool Members Earned Equity Declaration for the 2012-2013 Policy Year:

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

4bii. "Banking" Savings from 2013-2014 Underwriting Year to Later Underwriting Year *(vote taken out of scheduled Agenda order)*

On a motion made by Trustee Avedisian, seconded by Trustee Faucher, the Board voted unanimously to approve a set of Provisions and Procedures Governing Earned Equity Distributions and Premium Reserves for Member entities in the Employee Benefits Pools as recommended by the Employee Benefits Committee and by Management.

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

4d. Financial Benchmarks

Chairman Alfred began the discussion of the proposed revisions to The Trust's existing Financial Benchmark Policy by indicating that the specifics of the changes had been vetted and thoroughly discussed previously at prior meetings of both the Board and the Employee Benefits Committee. It was noted that at some of those prior meetings, The Trust's consulting actuaries had presented their findings about the value and applicability of the Benchmarks to The Trust operations. Management had subsequently taken these concepts and benchmarks and set them forth in the revised Policy pending before the Board.

In light of past discussions, Trustees indicated they had no questions and were prepared to vote on the proposed revisions.

On a motion made by Trustee Avedisian, seconded by Trustee Hicks, the Board voted unanimously to approve the revised Financial Benchmark Policy as presented by Management.

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	Thomas Hoover	aye
John Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Jeffry Ceasrine	aye	Lori Miller	absent
Peter DeAngelis	aye	Michael Petrarca	absent

David Faucher	aye	Melinda Thies	absent
Robert Hicks	aye		

5. Operations and Funding Reports

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 March 2013. Mr. Dwyer also distributed to the Board the Report showing the Composite Adjusted Loss Ratio on a consolidated basis for both Pools.

Mr. Demty distributed and provided the Self-Funded Cost vs. Funding Analysis for the Health and Dental Pools for the period ending March 31, 2013.

In presenting the loss trends for the Property and Casualty Pools, Mr. Dwyer advised the Board that Management had adjusted The Trust's loss reserves upward by about $900,000 as of the March Report to reflect additional possible financial exposure to The Trust from losses sustained by Members from Super Storm Sandy that might not be reimbursed by the catastrophic property excess insurers. He said there were two separate issues prompting this adjustment.

The first issue, he explained, arises because the catastrophic property insurers have taken the position that they are not responsible for coverage for the Town of New Shoreham dock damaged in the Storm. These reinsurers maintain that they were not aware that The Trust covered docks for property damage since The Trust's Policy excludes them. However, The Trust allows such docks to be covered by means of a Policy Endorsement, Mr. Dwyer said, and Management reports those docks to the catastrophic insurers as insured properties on the list it submits each year to the reinsurers for coverage. Accordingly, The Trust position is that the catastrophic reinsurers knew, or should have known, that docks were brought back into coverage. Mr. Dwyer noted that Management is currently trying to resolve this issue amicably, but believes it fiscally prudent nonetheless to record the amount as a potential direct Trust liability because of the uncertainty associated with the question and the significant dollar amount involved.

The second issue, Mr. Dwyer said, relates to coverage for properties located in Flood Zones A and V that are not eligible for National Flood Insurance Protection (NFIP) insurance, and also arises from Member damage sustained in Super Storm Sandy. Under the Property Policy issued by The Trust, such properties are treated as though they are outside of the Flood Zone, and the normal coverage terms and limits apply, Mr. Dwyer said. The catastrophic reinsurers, though, did not issue their policy documents with terms and conditions which matched the coverage specified in The Trust document issued to its Members. When the formal catastrophic property insurance documents were received by The Trust in December 2012 and after Super Storm Sandy had occurred, this difference in conditions was noted by Trust Management and immediately brought to the attention of the issuing broker. At the time, the broker indicated that the coverage it had secured was better than what The Trust sought. After further review, Management concurred that while the coverage may have been better in some circumstances for The Trust as an institution or for NLC Mutual Insurance Company ("NLC-MIC") as an interim layer property reinsurer, it was not better for our Members in certain circumstances, such as that which occurred with Super Storm Sandy, and did not fully reinsure the policy that The Trust issues.

In response to this unexpected coverage change, Management secured a written commitment from the Broker that it could arrange to revert the catastrophic reinsurance agreements to the previous coverage parameters from the prior policy year, Mr. Dwyer said. However, to date, Mr. Dwyer said he has not seen evidence that this reversion to the prior coverage parameters is formally in place and therefore he is not confident that the catastrophic reinsurers will adjust certain Super Storm Sandy Flood Zone A and V losses under those prior terms and conditions.

Mr. Dwyer said the catastrophic property reinsurers have not yet questioned their responsibility for certain Flood Zone A and V losses which Management believes may be in jeopardy, but he nonetheless expects that to occur at some point. Accordingly, Management felt it prudent to adjust its loss reserves to account for this potential financial liability. Mr. Dwyer also noted that the interim layer reinsurer, NLC-MIC, is not challenging its responsibility for losses in the layer between The Trust's $500,000 self-insured retention and the $1 million attachment point at which the catastrophic reinsurers' obligations begin.

Mr. Faucher inquired what impact these changes would have on premiums for the coming years. Mr. Dwyer indicated that the preliminary analysis shows an increase in reinsurance premiums of approximately $300,000 more than Management projected at the time the Multi-Year Funding Outlook was presented to the Board in early February. He further stated that this issue would need to be addressed on a long term basis, though, and the solution may result in more limited coverage for Member properties.

Chairman Alfred then inquired what could be done to prevent accepting reinsurance in the future that does not mirror our coverage. Mr. Dwyer described the process followed by Management to check the reinsurance agreements against the terms and conditions of Trust-issued policies to ensure that gaps in coverage, if any, are identified and resolved in one way or another. Due to the customary lag between the issuance of excess and reinsurance coverage binders and the receipt of the formal excess and reinsurance agreements, it is not possible to conduct a detailed check prior to policy inception, Mr. Dwyer said, but Management does diligently review those agreements when received and immediately follows up with the brokers and reinsurers when problems are detected.

There were no further questions and there was no further discussion.

6. Informational Items

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

a) Wellness Initiative Report
b) Quarterly Investment Performance Report thru December 31, 2012
c) Drug and Alcohol Testing Consortium CDL Results for 2012
d) Claim Activity of Note

7. Adjournment

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

Trustee	Vote	Trustee	Vote
Stephen Alfred	aye	Thomas Hoover	aye
John Ambrogi	aye	Bruce Keiser	absent
Scott Avedisian	aye	John Mainville	aye
Jeffry Ceasrine	aye	Lori Miller	absent
Peter DeAngelis	aye	Michael Petrarca	absent

David Faucher	aye	Melinda Thies	absent
Robert Hicks	aye		

The meeting then stood adjourned at approximately 12:20 P.M.

Respectfully Submitted,

Ian C. Ridlon
Corporate Secretary