



**MANAGEMENT COMMITTEE MEETING
OF
JUNE 22, 2006**

MINUTES

The Management Committee of the Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Thursday, June 22, 2006 at 12:35 P.M. at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

In attendance were Committee Chair Stephen Alfred and Committee members Ralph Malafronte, Wolfgang Bauer, and Cindy Brown. *Ex-officio* member Daniel Beardsley was absent.

Thomas Dwyer, Trust President and Executive Director, and Ronald F. Slovak, Trust Chief Financial and Administrative Services Officer, were also in attendance.

1. ADOPTION OF MINUTES

On a motion made by Ms. Brown and seconded by Mr. Malafronte, the minutes of the Committee's meeting of January 19, 2006 were approved by the unanimous affirmative votes of Committee members Alfred, Bauer, Brown and Malafronte.

2. STAFF COMPENSATION FOR 2006-2007

At the outset of this discussion, Mr. Slovak excused himself from the meeting.

Committee members indicated that they had reviewed Mr. Dwyer's memo of June 14, 2006 in which he proposed a staff compensation package for the 2006-07 fiscal year. The memo contained Mr. Dwyer's recommendation for an overall salary adjustment for staff as well as his recommendation that no changes be made in the employee benefit program for the coming year.

Mr. Dwyer briefly highlighted salient parts of his memo. Individual Committee members then expressed their views of the reasonableness of Mr. Dwyer's proposal.

By consensus, the Committee determined that it preferred to wait to act on Mr. Dwyer's recommendations until it received the results from a compensation survey and study being conducted by an independent consultant comparing The Trust's compensation package, both salary and benefits, with that of other pools and area insurance sector organizations. That study had been scheduled for delivery to the Committee earlier, but had been delayed for a

number of reasons, Mr. Dwyer explained. He said a draft version of the report was ready, and a final version should be complete within the next few weeks. Mr. Alfred added that the consultant, Jim Evans of Albert Risk Management Consultants, had offered to meet with the Committee at this meeting to verbally summarize key findings, but that Mr. Alfred had advised Messrs. Evan and Dwyer that it would be better to have the Committee receive the full report and have time to digest it before engaging in a Committee discussion of the matter.

Mr. Malafronte moved, seconded by Ms. Brown, to table further discussion on the 2006-2007 staff compensation package until the results of the consultant's survey and report could be considered by the Committee and to direct the Executive Director to furnish that report as soon as possible along with any recommendations that the Executive Director might care to make about implementing the findings of the compensation study. It was so voted unanimously.

Mr. Alfred noted that even though the compensation component of the 2006-2007 Proposed Budget was based on the salary and benefit recommendations set forth in Mr. Dwyer's June 14th memo, no action should be taken by management to adjust staff salaries in the coming year until the Committee revisited this topic. Mr. Dwyer acknowledged that he understood this to be the Committee's intent and said he would act accordingly.

At this point, Mr. Malafronte left the meeting in order to keep a prior engagement.

3. 2006-2007 PROPOSED BUDGET

Prior to the meeting, Messrs. Dwyer and Slovak had presented the Committee with the 2006-2007 Proposed Budget along with an explanatory memo dated June 8, 2006 highlighting various aspects of the Budget and commenting on the projected closing financial position of The Trust on June 30, 2006 and June 30, 2007, as reflected in the Budget document.

Mr. Dwyer pointed out that the Budget represents the third step in The Trust's annual financial planning, the first being the Multi-Year Funding Outlook presented to the Board and the Underwriting Committee in January and the second being the *pro forma* underwriting scenarios and projection presented again to the Board and the Underwriting Committee in March and April. Committee members indicated that they had reviewed the Budget document and were generally satisfied with its contents.

Mr. Bauer expressed his concern that, notwithstanding the fact that the Workers Compensation Pool continues to operate at a large deficit, spending levels in certain line items in the Pool's Indirect Cost component were increasing in 2006-2007 compared to current year levels. Mr. Dwyer responded that the increase noted by Mr. Bauer is somewhat misleading. Since Indirect Costs are apportioned, he said, between both risk sharing Pools (Workers Compensation and Property/Liability) on the basis of staff time allocated to each Pool, a shift in the respective share of staff time assigned to each Pool compared to the current year can result in a larger increase in one Pool and an offsetting smaller increase or even decrease in the other Pool. As a whole, Mr. Dwyer noted, Indirect Costs show only a very small increase from one year to the next. Mr. Dwyer further explained that staff time attributed to the

Workers Compensation Pool is greater in the coming year than in the present because a dedicated Workers Compensation Claims Manager has been added to The Trust's personnel complement.

At this point, Mr. Slovak rejoined the meeting.

Mr. Alfred added that the one line item in the combined Indirect Costs budget that showed a substantial increase is for The Trust's office rental costs which have risen as a result of new five year lease agreement replacing the old one which had just expired.

After further discussion, Mr. Bauer moved to reduce several line items in the Indirect Cost category of the Workers Compensation Pool Budget by \$5,000. There being no second for the motion, it died.

Ms. Brown then moved, seconded by Mr. Bauer, to approve the Proposed 2006-2007 Budget as summarized below and to recommend that Budget to the full Board of Trustees for approval. It was so voted unanimously.

<u>Income</u>	
Gross Premium and Other Income	\$22,847,445
Reinsurance Premium Ceded	<u>-\$8,180,700</u>
Net Premium and Other Income	\$14,666,745
Expenses, Including Loss Fund	-\$18,324,550
Underwriting Results	<u>-\$3,657,805</u>
<u>Investments</u>	
Investment Income	\$1,474,000
Investment Management Fees	<u>-\$144,218</u>
Net Investment Income	\$1,329,782
Operating Results	<u>-\$2,328,023</u>

4. JOINT MEETING OF THE TRUST'S BOARDS AND ITS COMMITTEES

Due to the length of the meeting, discussion of this matter was deferred until a subsequent meeting.

5. ADJOURNMENT

There being no further business before the Committee, the Committee voted unanimously to adjourn the meeting.

The Meeting stood adjourned about 1:30 P. M.

Respectfully submitted,



THOMAS E. DWYER
President and Executive Director

Pursuant to § 5. 31 of the Trust Bylaws, my signature below attests to my consent that all matters and actions taken by the Management Committee at this meeting were properly before it.

Stephen A. Alfred