



**MANAGEMENT COMMITTEE MEETING
OF
JUNE 15, 2007**

MINUTES

The Management Committee of the Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting on Friday, June 15, 2007, at 12:00 PM Noon at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

1. ROLL CALL

In attendance were Committee Chair Stephen Alfred and Committee members Wolfgang Bauer and Michael Petrarca. Absent were Committee members Robert Dooley and *ex-officio* member Daniel Beardsley.

Also present was Trust President and Executive Director Thomas E. Dwyer and Chief Financial and Administrative Services Officer Ronald F. Slovak.

2. MINUTES

Mr. Petrarca moved, seconded by Mr. Bauer, that the Minutes of the May 15, 2007 meeting of the Management Committee Meeting be approved. It was so voted unanimously.

3. 2007-2008 PROPOSED BUDGET

Prior to the meeting, the Committee had received from Mr. Dwyer the 2007-2008 proposed Budget and a detailed cover memo analyzing the financial information contained within the Budget and highlighting certain items of consequence. At the request of Mr. Alfred, Mr. Dwyer reviewed that memo and Messrs. Dwyer and Slovak answered questions from the Committee about the Budget. Matters covered during the review included:

- The projected financial position of The Trust as of both June 30, 2007 and June 30, 2008, with Mr. Dwyer noting that Members Equity (or surplus) is expected to grow to approximately \$15 million from its current level of about \$12.2 million. Mr. Dwyer identified factors key to the increase.
- The improving trends in the Workers' Compensation Pool with underwriting results alone now approaching the break-even point. When investment

results are factored in, Mr. Dwyer said the Pool should contribute significantly to Members' Equity.

- Trends in the Property/Liability Pool, with Mr. Dwyer noting that Loss Ratios are running higher than are desired in the current year. Brief discussion followed on the possible causes for this development and whether it was a trend or an aberration.
- Portfolio Results, both in terms of yield on investments and the expected large gain on the market value of The Trust's Portfolio in 2006-2007.

Considerable Committee attention focused on the financial impact on the Budget and on Trust operations in general from the expected departure from the Workers' Compensation Pool of the Warwick Public Schools, the largest participant in terms of premium volume and claims generated. Committee members questioned Mr. Dwyer about the adjustments contained within the Budget for this expected departure.

Mr. Dwyer also briefed the Committee on recent developments with reinsurance costs and coverage, indicating he was still awaiting a final quote for the catastrophic property reinsurance component of The Trust's reinsurance program. Compared with estimates of reinsurance costs used to develop The Trust's *pro forma* pricing for its Members, the formal quotes are producing savings of about \$325,000, he said. Mr. Dwyer explained how this change would impact Members and the financial position of The Trust moving forward.

Committee members then indicated that they wished to defer action on the Budget until the matter of staff compensation for 2007-2008 was reviewed.

4. 2007-2008 STAFF COMPENSATION

Prior to the meeting, the Committee had received a report dated June 11, 2007 from Mr. Dwyer setting forth his recommendations for staff compensation levels – both salary and fringe benefits – for the coming fiscal year.

Extensive Committee discussion ensued, with individual members expressing their concern about the continuing significant increases in the cost of health insurance coverage for Trust employees. Members commented that The Trust's effective employee co-pay share, which Mr. Dwyer had computed to be 4.4% of premium, should be increased and that the health insurance waiver/buy-back percentage should also be lower or frozen. Members advanced different theories about adjusting these provisions, the timeline for doing so, and the impact of such changes on overall employee salary levels.

Mr. Dwyer offered for Committee consideration options for phasing in changes to the fringe benefit package over time.

Mr. Bauer then moved, seconded by Mr. Petrarca, to approve the following approach to staff compensation levels:

1. For fiscal year 2007-2008, the compensation approach recommended by Mr. Dwyer in his June 11, 2007 memo be authorized, except that the health insurance waiver/buy-back level be frozen at the dollar amounts in effect for employees for 2006-2007;
2. For fiscal year 2008-2009, the effective employee co-pay share for health insurance be increased to 7.5% of premium, and for fiscal year 2009-2010, the co-pay share be increased to 10.0% of premium, with the further understanding that in each of these years in recognition of the negative impact of these co-pay increases on employee compensation that it is further intended that two-thirds ($\frac{2}{3}$) of any savings so generated be allocated to overall employee salary adjustments.

It was so voted unanimously.

The Committee then returned to the matter of the 2007-08 proposed Budget.

Mr. Petrarca moved, seconded by Mr. Bauer, to recommend approval of the 2007-08 proposed Budget as submitted by Mr. Dwyer. It was so voted unanimously.

5. ADJOURNMENT

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

The Meeting stood adjourned at approximately 1:45 PM.

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