

Minutes
Tennessee School Boards Risk Management Trust
December 2, 2005

The trustees of the Risk Management Trust met at the Loew's Vanderbilt Plaza Hotel on Friday, December 2, 2005. Trust Chairman Tony Tucker called the meeting to order at 9:00 a.m. In attendance were Trustees Robert Stidham, Patricia Gruenewald (by telephone), Dawn Robinson, David Jones, Mark Farley, Joe Treece, Billy Joe Evans and Larry Griffin. Kristi Coleman, Dan Tollett, John Wilburn, and John Evans were also present.

Mr. David Jones led the Invocation.

Chairman Tucker asked if there were changes to the minutes or agenda.

Dr. Tollett requested the addition of discussion on the possibility of obtaining legislative and legal services in connection with the Comptroller's report. He suggested that trustees discuss the possibility of another takeover attempt through legislation.

Mr. Tucker stated he wanted to reduce the time being spent on the trust's relationship with TSBA. He said that the trustees must concentrate on doing a good job in governing the trust and hope TSBA concentrates on its business. Hopefully, our next meeting will be free of the distractions we have been facing.

JONES/ROBINSON: Motion to adopt the consent agenda.
MOTION CARRIED

Dr. Tollett said that the staff is grateful to have trustees who are so willing to put in the time and effort to do what needs to be done. He reported on the activities on the General Jackson and said that it worked out well. Participant comments were very favorable. He said that both the "InTrust" newsletter in its new format and the website should provide information that is current, informative and as positive as possible about the trust. He stated the property appraisal program is set to begin January 1st.

Financial Report. Ms. Coleman presented the financials as of 9/30/05. She informed the board that on a quarterly basis, sometimes even monthly, the rates on the short-term funds with the bank are negotiated. Financials reflect the checking account over performing projections for the year because interest rates have gone up. On the long-term investments, we are currently looking at ways to maximize investment income and reduce fees that are incurred on the portfolios. She stated that in terms of overall revenues, the trust is where it should be at this time of year. Expenses are right on target, except for sponsorship, where no payments are reflected due to TSBA unilaterally terminating the contract.

JONES/EVANS: Motion to accept the financial report.
MOTION CARRIED

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Counties in Trust. Dr. Tollett discussed issues regarding the counties being part of the Trust. He stated that he had not felt strongly about this before, but under the current circumstances, there are many reasons to maintain unity and move forward as a Trust.

Mr. Stidham said that he had mixed emotions about this and that some school board members had expressed a concern that school boards would have a hard time if they were to be assessed because of county governments.

Billy Joe Evans asked, "Do you think there would be a problem if there was no assessment?"

Mr. Stidham said that a lot of school board members have mentioned the concern.

Ms. Gruenewald said the board had previously announced plans to split the trust, and that she still believed that the board should honor that decision.

Ms. Robinson said that during the Fall District meetings that surprisingly many people approached her by saying "Why are you going to split the schools and other governmental entities? That is going to make our costs go up." She said that part of our problem has been that we have not taken a strong stand because we were not sure of how the performance of the governmental entities would compare to our school boards.

Mr. Jones said that he believed what has caused most of the problem has been misinformation. He said that after looking at the numbers, if we did not have this outside influence, we would not even think about this split. It would not even be an option. He suggested that trustees must make whatever decision is best for the Trust.

John Evans said that there is a common belief that counties have a higher risk than schools but he said that underwriting is underwriting and there is a premium for every risk. In the history of this program we have had three instances of people being killed with guns in schools. We have not had that with county governments. We cannot say that schools are that much less of a risk than counties. There are some differences: schools have a tremendous property load so their biggest payment in claims is on property. Counties have had a few jail claims; a few hot pursuit claims and occasionally vehicle claims. The premium is determined by their historical risk.

Ms. Robinson reminded trustees that TSBA is no longer sponsoring the Trust. The delegates voted that they did not want to recognize or honor the agreements. The vote at the delegate assembly divided right down the middle--half of delegates said they want TSBA to sponsor the Trust and honor its agreements. The other half said the agreements should not be honored. The rules have changed. When we said we were going to split these governmental entities, TSBA was part of the Trust. Now they do not want to have anything to do with the Trust. Under the old rules we wanted to be just school boards, but we did not change the rules."

Mr. Stidham said that no one has been against this more than he, but at this time based on what has been said he was ready to make a motion that we do not split.

Mr. Jones said, "Our trust and our word mean a lot, but I also go back to what Dawn said the only reason we started talking about this was because of TSBA's criticism of us across the state. TSBA said that we spent four million dollars because of governmental

entities--which is not true. Then we planned to split them off and TSBA said that we are going to split them off and give them part of that money. We get criticized no matter how we do it, so we just need to do what is right. What is right is to keep the schools and the county governments together."

STIDHAM/TREECE: Motion to keep the Trust together with both counties and school systems. **MOTION CARRIED**

Building Options. Dr. Tollett reviewed a memorandum listing four options concerning the offices at 101 French Landing as a result of TSBA's notice of intent to sell or lease their portion of the building.

- Option 1. Offer to sell the Trust portion of the building to TSBA.
- Option 2. Join TSBA in their decision to sell the building.
- Option 3. Offer to purchase TSBA's portion of the building from TSBA.
- Option 4. Do nothing and allow TSBA to attempt to lease their portion.

EVANS/ROBINSON: Motion to adopt both Options 1 and 2. **MOTION CARRIED**

Chairman Tucker recessed the meeting for a break at 10:45. He called the meeting back to order at 11:00 AM.

Discussion of Sponsorship. The trustees were presented with a copy of a letter from TSBA President John Conley stating that TSBA determined that the Trust was no longer operating in the best interest of their members. The letter made no specific complaints to document their charge. The letter said that TSBA would accept no further payments from the Trust. They returned a check for \$81,250---the sponsorship payment for last quarter.

STIDHAM/TREECE: Motion to send a letter of notice of default to TSBA. **MOTION CARRIED**

There was discussion concerning the exploring of sponsorship agreements with other statewide organizations.

ROBINSON/JONES: Motion to request Dr. Tollett to investigate sponsorship with other statewide organizations. **MOTION CARRIED**

Budget Request. Dr. Tollett said that since TSBA notified the RMT of its intent to terminate the sponsorship with the Trust, we no longer will be able to use their publications or their meetings for distribution of information and materials. He said that it was important to find other ways to communicate the successes of the Trust. He recommended the employment of a communications coordinator for the Trust effective January 1.

EVANS/TREECE: Motion to approve employment of a communications coordinator at a salary not to exceed \$50,000 annually. **MOTION CARRIED**

Other Business. Trustees discussed the possibility of obtaining legal and legislative services on the behalf of the Trust to deal with issues related to the Comptroller's report and possible legislation regarding the Trust.

GRIFFIN/JONES: Motion to authorize the administrator to obtain legal and legislative services as necessary at a cost not to exceed \$60,000 and to encourage the UCT to join in the effort by appropriating a similar amount. **MOTION CARRIED**

GRIFFIN/GRUENEWALD: Motion to change the name of the Trust to Tennessee Risk Management Trust.

JONES/STIDHAM: Motion to amend the motion to continue using the current name but after July 1, 2006 to permit the shorter name of Tennessee Risk Management Trust to also be used. **MOTION CARRIED AS AMENDED.**


Dr. Tollett asked the trustees to discuss the possibility of having informational meetings around the state. It was agreed that the meetings should be open to both school boards and county governments. Locations were discussed including Cleveland, Cookeville, Jackson, Knoxville and Nashville.

GRIFFIN/JONES: Motion to have informational meetings across the state for school boards and county governments. **MOTION CARRIED**

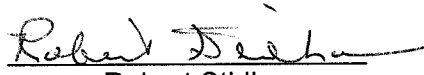
JONES/EVANS: Motion to have the next Trust meeting on Friday, March 10th at 1:00 p.m. **MOTION CARRIED**

ROBINSON/EVANS: Motion to adjourn. **MOTION CARRIED**

The meeting was adjourned at 11:51 a.m.



Dan Tollett
Trust Administrator



Robert Stidham
Vice-Chairman