

Minutes
Tennessee School Boards Risk Management Trust
Thursday, May 5, 2005

The trustees of the Risk Management Trust met at the Cools Spring Marriott Hotel on Thursday, May 5, 2005. Trust Chairman Patricia Gruenewald called the meeting to order at 10:05 a.m. In attendance were David Jones, Tony Tucker, Dawn Robinson, Darryl Deason, Mark Farley, Gordon Morris, Robert Stidham, Kristi Coleman, Dan Tollett, Alice Carnahan, John Wilburn, John Evans, John Conley, Bill Peerman, Jay Jumper and Keith Dennen. Gloria Sweet-Love was absent.

Ms. Gruenewald welcomed the trustees and expressed appreciation to each for making the effort to attend. She stated that the Board had come a long way and that there were still issues to be settled but that throughout all of it, the board was working for the children of Tennessee. She said that it was the board's responsibility to ensure that the Trust is well managed, provides good service and has the necessary funds to pay all claims. She said that the Trust was fortunate to have the same staff who has managed it so well through the years. She requested Gordon Morris to give the invocation.

Ms. Gruenewald called for the adoption of the consent agenda with the correction of page six of the minutes with reference to the law listed as 29-24-401 to be changed to 29-20-401.

ROBINSON/TUCKER: Motion to adopt the consent agenda with the noted correction. **CARRIED UNANIMOUSLY**

Overview of Meeting. Dr. Tollett thanked the trustees for attending and noted that Ms. Gruenewald's school board had received 3 awards from the US Department of Agriculture for the nutrition program in their school system.

He reported that the new election procedure had generated interest from the membership across the state. He said that the nominating committee had received six nominations for the four positions where terms were expiring. He announced that Darryl Deason would be moving to Rutherford County and therefore would not be a candidate to continue as a member of the Board of Trustees. He commented that the nominating committee reviewed the credentials of the candidates and determined that all are qualified.

He said that the staff has received 88 of the 100 school boards' signed intergovernmental agreements. He said that the rest were expected except those which have notified us they will seek bids.

Dr. Tollett said that at the request of TSBA, the state comptroller has been to trust offices performing an audit. The Trust's finance department is providing information as requested. He said that we have no expectation that anything unusual will be found since our books are audited annually.

Dr. Morris said that his board (Weakley Co.) is required to bid because it falls under the Financial Management Act of 1981. He said that the requirement was a detriment to

them. He said that his board had complimented the great service of the trust and said there was no need to bid. However, he said his board had no choice in that decision and that it is an ongoing struggle with their commission.

Mr. Evans said that when a board bids, it causes the quote from the Trust to be 25 to 30 percent higher than it would have been had the board not bid because the Trust could not include that system in the underwriting process with the rest of the pool.

Financial Report. Kristi Coleman presented the financial report as of March 31, 2005. She noted that the member contributions stand at \$34,521,916 with a very small amount outstanding. The reinsurance cost for both programs stands at \$9,594,928 with the majority of the cost attributable to liability coverage.

She reported that the rate on the checking account was 2.25% while the money market rate was 2.70%. The losses incurred as of March 31, 2005 were \$17,385,000 with a projection of \$23,180,000 for the year. She reported that the Trust made sponsorship payments to TSBA according to the agreement in the amount of \$121,875.

She said that claims handling expenses include the payments to TSBA for the two claims adjusters who remain on their payroll. One will transfer to the trust payroll in June and the other in December. The utility expenses include all bills from TSBA to date. The services and fees line item is higher than projected due to medical bill audits and legal expenses.

The net income as of March 31 was \$637,724.71 resulting in a reserve of \$14,678,421.13.

JONES/FARLEY: Motion to approve financial report as of March 31, 2005.
MOTION CARRIED UNANIMOUSLY

Legal Update. Mr. Dennen gave an update of issues between the Trust and TSBA. He said that the signing of the sponsorship agreement in November, 2004, formalized the relationship between the two entities and created certain obligations for TSBA. Trustees removed from the proposed agreement a non-disparagement clause because of a promise from the TSBA president of a new day and a new beginning. He said that unfortunately, that promise has not been fulfilled and that TSBA has not honored the agreement which it signed.

He said that the comptroller's office is performing an audit of the Trust at the request of TSBA and that he understood that the Attorney General was contacted by TSBA. He said that TSBA has not given the trust a reason why these offices were asked to investigate the Trust but the Trust had nothing to hide and welcomed the investigation.

Mr. Dennen said that TSBA's attorney Dan Elrod had sent him a letter dated April 29, 2005 which included the following proposal:

1. Trust members would elect the Board of Trustees; TSBA would not nominate or appoint Trustees. (*Mr. Dennen commented that the trust intergovernmental agreement already provides for this*).
2. TSBA would relinquish its right to approve amendments of Trust documents. (*Mr. Dennen said that the intergovernmental agreement already provides for this*).

3. The Trust would contract with TSBA to be the sole administrator. TSBA will employ and supervise staff dedicated to Trust activities. *(Mr. Dennen said that the trust already has an administrator who does this).*
4. TSBA would work with the Board of Trustees to ensure that the Trust is operated cost effectively and solely for the benefit of participating members. Third party contracts for services would be subject of competitive proposal and/or competitive negotiations. *(Mr. Dennen said that this Board has been doing a fine job of this for 18 years as shown by the reserve of over \$14,000,000 and net income as of March 31 of approximately \$637,000. He stated all contracts were entered into appropriately by the board and it should continue what it had been doing.)*
5. All parties will cooperate fully with inquires from the Attorney General's office and the Office of the Comptroller. *(Mr. Dennen said that cooperation by the trust with these offices was not optional but a legal requirement).*

Mr. Stidham asked where this proposal came from. Mr. Dennen said that he assumed that it came from the committee appointed by the TSBA president.

Ms. Robinson asked Mr. Conley if the proposal came from the committee he had appointed. Mr. Conley replied that the leadership of TSBA developed the proposal.

Ms. Robinson asked who that represented. Mr. Conley responded that it was he, Tammy Grissom and their attorneys.

Mr. Dennen said that TSBA has not fulfilled the following requirements of the sponsorship agreement which it signed:

1. Provided legislative updates with pending legislation which would affect the Trust.
2. Made IT person available for computer issues up to one half of the work week.
3. Allowed trust representative to appear at each TSBA meeting to promote the Trust.
4. Failed to promote the trust and harmed the trust through detrimental correspondence and communications.

Dr. Tollett said that if Stephen Smith knew legislative updates were required he would have sent them. In response to the comment by Mr. Elrod that he and Mr. Dennen had rejected the TSBA proposal, he said, "The comments were totally unfounded. We had no authority to reject it and we did not reject it." Mr. Dennen added that he would never accept or reject offers without instructions from the trustees.

Mr. Dennen stated that there has been a breach and it would be appropriate to put a notice of default on TSBA and tell them what they did wrong and ask them to cure it. He said the trust could ask TSBA to confirm that Mr. White has been advised not to make any further disparaging comments.

Mr. Stidham suggested that correspondence sent by TSBA to school boards requesting them not to renew trust agreements should also be listed as an item to be cured.

Mr. Tucker said that at the very least there should be a letter sent by TSBA with a positive statement of facts. He said that the agreement was a business agreement

made for the benefit of both parties. He stated he did not mind paying \$325,000 for services, but if we going to fight over it and we are going to have to be in the paper over it and we are going to have to go through all of this, the agreement is not working. He said that we are paying for cooperation and support and getting slapped in the face. We are a big business. We have \$35,000,000 in premiums. We are accountable. What is going on right now is not good for the trust and even worse for TSBA. TSBA has not honored the agreement they signed. Right now we have all lost.

Mr. Jones reminded Mr. Conley of his comment the previous day that UCT harmed TSBA and caused them to be unable to perform services because TSBA received \$600,000 last year and \$325,000 this year. Mr. Jones said that RMT, not UCT, signed a contract with TSBA and everybody understood that \$400,000 of the \$600,000 was for salaries and services that TSBA no longer provide. Last year TSBA got a little more than \$200,000 with no strings attached and this year they are getting \$325,000. He said that the TSBA agreed to \$325,000 and signed a sponsorship agreement and now the TSBA leadership has misused numbers in an attempt to make RMT trustees look bad.

Ms. Robinson said that she shared this information last year with the TSBA finance committee. She said that she and other members of the TSBA Board of Directors knew that there would be no payment until the sponsorship agreements were signed. They had to figure out a plan for paying the bills with less income.

Dr. Tollett said that the Sponsorship Agreement was presented to TSBA with the understanding that there would be no payment until the agreement was signed. He said " It was their choice not to sign it in a timely manner."

Ms. Robinson asked if employees chose to be employed by the Trust when it became clear that TSBA was not going to renew the agreement and the Trust was forced to employ its own staff.

Mr. Dennen responded yes.

Ms. Robinson said that she wanted to be clear about that because when she read the letter from TSBA it appeared that the trust forced staff to take employment with the Trust. She asked John Wilburn if staff members were required to work for the trust.

Mr. Wilburn explained that he that interviewed all persons who applied for work with the trust and he made employment offers based on the interviews.

Ms. Robinson asked if TSBA could have employed them in another capacity if it chose to do that.

Mr. Dennen said that the May 3rd letter from TSBA contains a paragraph stating that the hiring of employees is one of the actions by Dr. Tollett that concerned them. He pointed out that there was no truth to that statement since the board of trustees made the unanimous decision to hire employees on his, not Dr. Tollett's recommendation.

He said that the TSBA leadership implied that the Trustees lacked the ability to oversee trust operations. He said that the fact that RMT has approximately \$14,500,000 in reserves and is operating this year at a positive \$600,000 says a lot about the leadership of the trust. The fact that the trust has 154 members including counties and utilities

districts says that trustees are doing a good job. He pointed out that Mr. Conley is an *ex officio* member of the board of trustees to maintain communication with the TSBA Board of Directors and help them to understand the positions of the trustees. He said that such understanding of the trustees' position is lacking and that one way to get them to consider it is to put a notice of default on them and let them ask themselves whether or not they wish to continue in this relationship.

Mr. Jones recalled that in 1987, thirteen school boards joined together and started this Trust. They were scared to death that the Trust would go broke. However, the Trust grew from 13 to 100 school boards. This growth occurred because of the effective oversight and management of the Trust. The Trust would not be where it is today without that. He said that the trustees are TSBA members and include three past presidents of TSBA. He said that the conflict should have never happened. He said that the Trust is a business and trustees are keeping their end of the agreement.

JONES/FARLEY: Motion to accept Mr. Dennen's recommendation to declare TSBA in default of the agreement; notify them of what is required of them to fix it and give them 30 days to do it.

Mr. Stidham, "Will you include in your motion that if nothing is done in thirty days, we will file a lawsuit?"

Ms. Gruenewald, "Yesterday the Unemployment Compensation Trust gave authority to the chairman to proceed with seeking a declaratory judgment so we would not have to meet again. Would you want to include that in your motion?"

Ms. Robinson: "I have a question about this motion. This is not a lawsuit against TSBA. This is to get a judge to say, 'this is the answer you are looking for.' Is this binding?"

Mr. Dennen: Yes!

Ms. Robinson: "If it falls against what the Trust believes or what TSBA believes it does not matter. We abide by the judge's decision. We are not suing TSBA. I want to make that perfectly clear."

Mr. Tucker, "We don't want to sue anybody."

Mr. Dennen: "We are not seeking damages. Basically, you would be asking a third party to be King Solomon."

Ms. Gruenewald: "But what if within thirty days they correct some of the areas that we have authorized?"

Mr. Jones: "All the areas, not some of the areas; all of the areas."

Mr. Stidham: "Now who is going to draw this up?"

Mr. Dennen: "I will draw up the letter."

Mr. Stidham: "The Chairman and Dan need to sign it and send it."

Mr. Deason: "Are the three areas legislative updates, technical assistance by the IT person and presentations at TSBA meetings?"

Mr. Dennen: "I think as a show of sponsorship you should ask that a joint letter be sent out expressing the sponsorship by TSBA of this trust."

Mr. Tucker: "Let's authorize the Executive Committee, instead of the Chairman, to make the decision."

Ms. Robinson: "I know I shouldn't be wearing my TSBA hat, but the TSBA board meets the second weekend in June. Could we make it 45 days so TSBA won't have to call a special meeting?"

Mr. Tucker: "Let's make it 60 days."

Mr. Morris: "I suggest that we send a letter as Keith has recommended, but hold off on the portion about the declaratory judgment. It is simple to have a telephone conference to confirm that declaratory judgment if TSBA were to reject the proposal."

Ms. Gruenewald: "Would you like to amend the motion to say that."

Mr. Morris: "Yes, I would like to do that."

Mr. Jones: "My motion includes both."

Ms. Gruenewald: "You want to amend the motion that we not mention the declaratory judgment in the letter."

Mr. Morris: "Right, if TSBA doesn't fix the problem then have a telephone conference. It can be done just as quickly and just as effectively and it does not send something that might be interpreted as a threat."

Ms. Gruenewald: "Ok, we have heard the amendment that Gordon is proposing is there a second."

Mr. Deason: "I second it."

Mr. Stidham: "This agreement was signed, both sides agreed and signed on the dotted line. This should have been over. Everybody associated with it agreed. Now it is just going back and forth. After a while you need to have somebody to stand up and say folks if you can't settle it among yourselves we are going to settle it and be done with it. I am tired of hearing about it."

Mr. Tucker: "Look at it this way, I can understand where Gordon is coming from and I can understand the threat. But I think that as far as this board is concerned and as far as I am concerned, for whatever reason, if it is not done or voted to be done at the June meeting and we receive notice of it, then we have that phone call meeting. At that time I am going to vote to do that."

Mr. Deason: "I will too!"

Mr. Jones: "My motion did not include putting a threat in the letter. We are putting what he says in the letter, but if that does not work, then the Executive Committee has the power to let Mr. Dennen go forward with requesting a declaratory judgment. I will amend my motion to clarify that we don't put it in the letter, but the executive committee has the power."

Mr. Morris: "Now am I assuming what you are saying is equivalent to having a telephone conference."

Mr. Jones: "No we don't need to do that. We are giving the Executive Committee power to make the decision."

JONES/TUCKER: Motion to authorize Mr. Dennen to write a letter addressing legislative updates, the IT person, appearance of trust representatives at meetings and requiring that a joint letter signed by TSBA and the Trust be sent out to the membership recognizing TSBA's sponsorship of the trust. The letter to TSBA gives them 60 days from May 5th to correct the issues. Declaratory judgment will not be mentioned in the attorney's letter but if the issues are not corrected at that time, the Executive Committee will determine if declaratory judgment will be filed and whether payment will be made.
MOTION CARRIED UNANIMOUSLY

Mr. Tucker, "I have one question, if we see a good faith effort, is that what we are looking for?"

Mr. Deason: "I guess I have a little issue with the letter thing, the other three things I understand because they are in direct conflict with the agreement. I am not sure the letter is in direct conflict."

Mr. Jones: "The letter is to clear up everything that has been told all over the State. It will just say that we are together."

Mr. Deason: "I agree the letter needs to go out. I am not sure that it's in the same vein as those other three things."

Mr. Jones: "I think it is even more."

Mr. Stidham: "I do too!"

Mr. Jones: "It's important. It clears things up. People will say they have settled their differences. I think we are showing people around the state that we are ready to move on. We are ready to get this over."

Mr. Farley: "The IT person and the other things didn't hurt the Trust. The letter TSBA sent hurt the Trust. We will probably end up losing members because of it. It is the most important thing. If we are going to pay TSBA to sponsor us, they need to sponsor us. They need to be behind us 100%. You can't take our money and smack our faces."

John Conley left the meeting at this point.

Investment Report. Mr. Peerman stated that the Federal Reserve raising the interest rates is a positive event for the Trust because the Trust will earn more than we thought through money market investment.

He said that in this next fiscal period we are going to get closer, if not beyond the benchmark and earn more interest income without subjecting ourselves to the kind of volatility that would be experienced if we did that today. He said that for the Trust it is a good thing when rates go up because that means the trust will earn more money in the future and put an already very stable financial condition into an even better condition.

Mr. Peerman said that all of the issues that have occurred this past year had absolutely no impact on the investments. He said that Kristi, Dan, and Alice have done a magnificent job of shielding his people from those concerns and letting them do the job they are paid to do.

Mr. Jumper stated that since 1995, the portfolio has outperformed the index with less risk. We have experienced less volatility than the market. He said that the ultimate objective was to get better than market returns with less risk.

Mr. Jumper stated that going forward the philosophy is to stay short, wait till rates go up and then lock in those rates, which benefits the Trust over the long term. This should happen over the next twelve months.

Recess. Ms. Gruenewald recessed the meeting for lunch at 12:00 p.m.

Ms. Gruenewald called the meeting back to order at 1 PM. She Called on John Wilburn to address proposed changes in the coverage document.

Changes in Coverage Document. Mr. Wilburn suggested minor changes in the coverage document to effectively tighten up some of the definition in the policy. He addressed each with an explanation. The changes accompany these minutes. The language is more restrictive and affects the governmental entities more than the schools.

STIDHAM/ROBINSON: Motion to approve coverage document changes.
MOTION CARRIED UNANIMOUSLY

Proposed Budget. Ms. Coleman presented the 2005-2006 proposed budget. She stated the projected premium contributions of \$38,700,000 were based on a 12% projected increase overall for both programs, while the reinsurance was projected to remain the same. The investment income was projected to earn \$1,503,492 including checking and short /long-term investment accounts, resulting in a total projected revenue of \$40,203,492.

Ms. Coleman stated that the projected expenditures including operating expenses, general program expenses, contracted services and investment fees would be \$36,668,361. She mentioned specific areas including projected claims payments (losses incurred) of \$24,339,000, reinsurance costs of \$9,600,000 and TSBA sponsorship of

\$325,000. With the projected revenue and expenditures, this would result in a projected net income of \$3,535,131.

MORRIS/JONES: Motion to approve proposed 2005-2006 operating budget as presented. **MOTION CARRIED UNANIMOUSLY**

David Brooks presented graphs showing loss efforts with both the governments and the schools. The county governments in property/casualty from Sept'02 till Mar'05 have paid in premiums of \$8,400,000 and the Trust has paid out claims of \$8,168,000. The county governments in workers compensation starting in Sept'02 till Mar'05 have paid in premiums of \$7,822,000 and the Trust has paid out claims of \$6,763,000. The quoted premiums paid are strictly loss fund dollars. The governments combined programs ratio stands at \$15,991,000 in premiums paid and \$15,163,000 in claims paid.

He reviewed information concerning the schools for the same time frame. The schools property/casualty from Sept'02 till Mar'05 have paid in premiums of \$17,847,000 and the Trust has paid out claims of \$16,516,000. While the schools in workers compensation, within the same time frame, have paid in premiums of \$21,042,000 the Trust has paid out claims of \$19,699,000. The schools combined program ratio stands at premiums paid of \$37,558,000 and claims paid of \$37,546,000.

He stated that a ratio comparison of the property/casualty with governments versus schools, within the same time frame, showed the governments stood at 102.83% and the schools at 108.06%. While in workers compensation, the comparison ratio reflected governments at 86.46% and the schools at 93.62%.

A pool ratio comparison results in the governments at 94.82% and the schools at 99.97%. This shows that the governments have put some funds into the program but the schools are really tight.

He stated the reason that the governments are outperforming the schools is due to the fact that our loss control has been in the governments since 2002. The governments are buying into the loss control process. Since July 2002 there have been 600 meetings in these 47 accounts. We have trained 7,000 of their employees, conducted annual management meetings and organized safety committees in every county and utility district.

Two years ago the loss control group started with 20 school systems, then in November a new loss control person was hired. In seven months time, loss control has been initiated in 110 school systems. We have been in every one of those school systems at least once. We have had 500 meetings in these schools and we have trained over 15,000 of their employees. We have had management meetings and we will have a safety committee up and running in every school system by the end of the year.

The issues we are trying to address are student accident, protective equipment, crisis prevention intervention and law enforcement liability. We are feeling good about what is going on and receiving only positive feedback from everyone we meet with.

Ms. Robinson said that one of the big issues at the NSBA Law Conference was the liability of the SRO's. She stated her school board is attempting to develop a policy, but they have not gotten any direction on it from the State, concerning who was in charge

and what the duties were of a SRO. She said it would be helpful for her board to have some direction in writing this policy.

Ms. Gruenewald requested that Mr. Brooks develop an appropriate policy, let the trustees review it and then possibly send it out to the member systems.

Dealing with Counties. Dr. Tollett stated that from Mr. Brooks' presentation it was evident that non-educational entities have not harmed the Trust. He said there was no economic reason to separate the trust. The reason to separate would be because of identity and/or control.

He stated that Trustees asked the staff to bring a proposal to separate the trust. He said there is no truth to the statement that the non-educational entities are driving us out of business. He said that trustees should separate the trust only if trustees consider it to be important to have an exclusively educational Trust.

He presented a separation option which he said reflected an orderly, responsible method for separation. He said that if a member left the trust voluntarily, that member had no claim to any of the trust equity. However, if trustees chose to expel non-education members who had done nothing wrong, they would need to protect the interests of both the school boards and the governmental entities and split off so we would have sister organizations, not competitors.

Mr. Evans stated the reasons we have the counties in the program are:

1. A way to quote the counties so we can quote the schools.
2. Reinsurance can be bought as a package for the two and a better rate can be reached due to the volume.
3. When a series of claims involve a single occurrence the deductible is the same for several claims as it is for one. For example, a major tornado hit twelve school systems in West Tennessee and only one deductible was paid for all twelve systems. If the counties/schools would split without combining the reinsurance package, then the retention would be \$100,000.00 for schools and \$100,000.00 for county governments.

Mr. Evans reviewed proposed Articles for the Bylaws of the Trust. He stated this could not be accomplished by July 1, 2005 but would have to be done over a period of time. He suggested having the actuaries compute the equity for the non-educational entities in the program with the understanding that the number would need to be adjusted as necessary until the development of the claims that have already been incurred are complete. He said that this would take four or five years to determine this.

He proposed that on June 30, 2006 a second intergovernmental agreement be created to include only the non-educational entities in a trust to be called TPET (Tennessee Public Entity Trust). There could be a third intergovernmental agreement to create financial stability for a period of two years after July 1, 2006. He said that the third intergovernmental agreement could include a joint purchase agreement for reinsurance for both organizations.

Considerable discussion took place.

Stidham/Robinson: Motion to start the process of separating the trust according to what has been presented.

Patricia Gruenewald	<u>Yes</u>
Tony Tucker	<u>No</u>
Robert Stidham	<u>Yes</u>
Darryl Deason	<u>Yes</u>
Mark Farley	<u>Yes</u>
Dawn Robinson	<u>Yes</u>
David Jones	<u>No</u>
Gordon Morris	<u>Yes</u>

Motion Carried 6-2

Proposed Policies. Dr. Tollett informed the trustees that the policies included were the same as the ones adopted at the last meeting except for Section 3000-Financial Operations.

Mr. Stidham addressing Section 2000-Employees, Subsection 2110-Salary Administration, suggested that a policy is needed to provide that an employee not receiving a raise should be told why they are not receiving one.

After discussion, it was decided that Dr. Tollett would bring such a policy for review at the next meeting.

Ms. Robinson brought the Trustees attention to Section 2200, Sub-Section 2271, last paragraph. After discussion, it was determined the last sentence would be revised to say, **“An employee will receive payment for unused annual leave upon retirement, resignation or termination with proper notification of two weeks where applicable.”**

Tucker/Jones: Motion to approve policies with changes to Section 2200, Sub-Section 2271. **CARRIED UNANIMOUSLY**

Appreciation of John Evans. Ms. Gruenewald said that she wanted to take time to express appreciation to John Evans and Next Generation Underwriters. She said that this Trust would not be where it is today if it were not for his guidance in helping to develop this Trust. She said that John makes a living as a program manager and that no one here works for nothing. She further stated that this is the United States of America where people are allowed to make a profit. She said that the statements suggesting that he had done things in a devious way and over charged the Trust were wrong. She thanked him for being very responsible to the Trust.

Mr. Evans expressed his appreciation for Ms. Gruenewald’s kind words. He stated that his company works hard for this Trust and would never break the trust that exists between this body and his company.

He related the following story to the Trustees. Just over a year ago, Dr. Tollett received a call from the Virginia School Boards Association asking if they might visit the Trust.

Dr. Tollett, John Evans and Harry Ward from the VSBA met. Mr. Ward said that he had asked NSBA who he should talk to about insurance programs for schools. NSBA said that the Tennessee program was one of the three best managed and most successful in the nation. Mr. Evans said he felt this program deserved that distinction because of what we have done together and the approach we have taken.

Property Assessment. Mr. Evans said that two companies expressed interest in doing a property appraisal for the trust. He said that a third one which has dealt with the Tennessee Municipal League might be interested. He asked if the Trustees preferred a flat cost amount or a specific amount for each building.

Mr. Stidham expressed that he would like to see a flat cost. Mr. Evans said that he would get 3 bids by the next meeting.

Appreciation to Dan Tollett. Ms. Gruenewald said that she would be remiss if she did not thank Dan. His vision many years ago was to establish the Risk Management and Unemployment Trusts to help school systems save money so that in the long run children would benefit. She said that he had been a good administrator of the Trust through the years whether he worked for TSBA or solely as the Trust Administrator. She said that the Trust is a tribute to his diligence, dedication and faith in the process. She said that even though we have gone through some hard times, we are certain that Dan and John are dedicated to providing good services for us and have provided good services despite statements to the contrary.

Ms. Robinson stated that the trust has benefited our communities and our school systems. She said that boards have saved money that can be used for teachers or books or other things which benefit children.

Dr. Tollett stated that it is good that this board of trustees is very active in the governance of this program. He said that he was grateful that the trustees knew and understood the things going on in the program. He stated that the trustees have stepped up and make courageous and responsible decisions.

Claims Management System. Mr. Wilburn discussed the proposal for a new claims management system. After reviewing said that the STARS program best meets the trust's needs. He stated that it is a user-friendly system and that the STARS staff provides excellent support. The annual fee for the first year would be \$114,000.00 (which includes conversion) with an annual fee in the second/third year of \$48,000.

The only additional charge in this program is EEI reporting to the State, which is a requirement. This would be done through a company known as Median at a cost of \$1,000.00 setup fee and \$300.00 a month for making reports to the State.

He said that the advantages with STARS far outweigh any system he has seen and certainly outweigh what we currently have.

Stidham/Tucker. Motion to approve purchase of Stars and Median program.
CARRIED UNANIMOUSLY

On the Job Injury Benefit Program. Mr. Evans described an On the Job Injury Benefit Program as follows: It gives a fair way to do workers compensation which is fair for the employer and the employee. Employees are sent to general practitioners who may refer them to specialists. Courts are involved only if an employee sues under the Tort Liability Act. When boards buy workers compensation the board opts to come under the Workers Compensation Act, and must pay according to the state statues. In exchange, the board gets the protection that an employee can't sue for that same injury under the Tort Liability Act because they have been compensated according to statue. When a board changes over it becomes open to lawsuits from employees because the board doesn't pay statutory workers compensation. The employee must prove that the employer was negligent. Boards still make medical payments for employees injured on the job, but indemnity payments are seriously monitored.

Mr. Evans asked if this would be something the trustees would be interested in offering to the membership. He stated there currently was no plan to lay out for the trustees review and would take a little bit of time to develop but could be ready to offer as an option to members July 1.

Robinson/Jones: Motion to adopt the On the Job Injury Benefit Program as an option to offer to members starting July 1.
CARRIED UNANIMOUSLY

Trust Administrator Performance Agreement. Ms. Gruenewald reviewed the proposed performance agreement for the Trust Administrator. She said that the objectives as approved would be used for evaluation at the May 2006 meeting.

Ms. Gruenewald asked if any trustee had objectives to add or change.

Ms Robinson suggested that we develop a brochure promoting the trust that could be given to board members. She suggested that it be listed as an additional objective.

Tucker/Morris: Motion to approve proposed Trust Administrator Performance Objectives with the addition of an objective of developing and a plan for distribution of a trust brochure. **CARRIED UNANIMOUSLY**

Election of Officers. Ms. Gruenewald called for election of officers. She said that it had been a pleasure to serve as Chairman of the Trust. She said that she loved each one there and felt that the group had become closer during this past year. She said that it would work out and that we should keep hoping and praying and working toward that. She stated that the trustees have been doing that and that they have kept on the high road.

She stated that she and her husband have decided this would be her last year to serve as Chairman and that it was time for someone else to serve in that position. She opened the floor for nominations for Chairman.

Mrs. Gruenewald honored. The trustees and staff gave Ms. Gruenewald a standing ovation.

Mr. Tucker said that it had been an honor to serve with Ms. Gruenewald.

Ms. Robinson said that she had seen Ms. Gruenewald sit in TSBA board meetings agonizing and being torn apart at things she was hearing that she knew to be untrue and through all that she has taken the high road. She thanked her for her leadership over this past year.

Other participants expressed appreciation to Ms. Gruenewald.

Ms. Gruenewald thanked everyone and stated that she looked forward to serving with the trustees and getting to speak her mind without having to preside.

Jones/ Robinson: Motion to elect Tony Tucker, Chairman and Robert Stidham, Vice Chairman.
CARRIED UNANIMOUSLY

Dr. Deason Honored. Ms. Gruenewald said that Dr. Darryl Deason would be leaving the board as trustee because he will be moving out of his district. She expressed appreciation for his service to the Trust.

Dr. Deason said that he did not know a kinder, sweeter Christian woman than Ms. Gruenewald. He said that she has been wonderful through all of this because she has kept us on the high road.

Gordon Morris Honored. Ms. Gruenewald said that Dr. Morris had completed his term on the Trust. She expressed appreciation for his contributions. She acknowledged that it has been hard representing both the Trust and the TSBA Board of Directors. She said that although we may have had disagreements he has tried to do what is right. She thanked him for his service.

Dr. Morris said that it is ok to disagree, but it is best to disagree agreeably. He said that is what we have done. He expressed appreciation for the opportunity to serve the trust. He complimented the quality of service that trustees have performed for the schools of Tennessee

It was decided that the next meeting would be Friday, October 14, 2005. (Mr. Stidham requested it would be an afternoon meeting.)

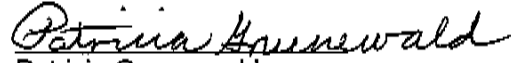
Approval of Liability Quotes. Mr. Evans said that he had two quotes for the third party liability for the Trust. Both companies are A rated companies and the coverage is identical. He said that he is negotiating in the range of a five percent increase to a three percent decrease but trying to get to a bottom line. He requested authorization for the administrator and chairman to accept the low bid when they come in since trustees will not meet again until October.

Jones/Farley: Motion to authorize the Administrator and Chairman to approve the low bid for third party liability coverage once bids are presented. **CARRIED UNANIMOUSLY**

There being no further business, Ms. Gruenewald adjourned the meeting at 5:20 p.m..



Dan Tollett
Trust Administrator



Patricia Gruenewald
Chairman