

Unapproved Minutes
Tennessee Risk Management Trust
June 26, 2009

Trustees of the Tennessee Risk Management Trust met June 26, 2009 at the Tennessee Risk Management Trust offices. Attending the meeting was: Chairman Mark Farley, Trustees Denise Brown, Billy Joe Evans, Frank Lacey, Joe Treece; program manager John Evans of Next Generation Underwriters; Buck Wiley of Merrill Lynch Investments; John Wilburn Trust Administrator; Tom Meares and Alice Carnahan Finance. Trustee Dawn Robinson, David Jones, Paul Ward, Larry Griffin was unavailable to attend.

Chairman Mark Farley called the meeting to order at 10:00 a.m.

Billy Joe Evans gave the invocation.

Chairman Farley requested a roll call of trustees attending:

Mark Farley-present
Denise Brown-present
Billy Joe Evans-present
Frank Lacey-present
Joe Treece-present

Chairman Farley asked for any revisions in the consent agenda. Mr. Farley remarked there would be a change in the order of the agenda since one of the Trustees had to leave the meeting early, but all agenda topics would be covered.

LACEY/EVANS: Motion to approve the consent agenda, which included the February 23, 2009 minutes. **Motion Carried Unanimously.**

Trust Administrator's Preliminary Remarks. Mr. Wilburn reviewed the day's agenda topics, he expressed the importance of the agenda at this time concerning the approval of the budget. He informed the Board that we have an upcoming audit which would be performed by Cole & Reed, the audit firm previously used for the last few years.

Mr. Wilburn also called for the election of Chairman and Vice-Chairman for the upcoming year.

EVANS/BROWN: Motion to re-elect Mark Farley as Chairman and Dawn Robinson as Vice-Chairman for 09-10 policy year. **Motion Carried Unanimously**

Health Insurance Proposal. Mr. Wilburn reviewed in detail, a memo regarding health insurance for the Trust. The initial quote indicated a rate increase of 23.86% to renew as expiring or a total of \$99,084 for the coming year.

Mr. Wilburn stated that due to the increased cost of coverage that he had requested quotes from other carrier's as well alternative plans from the current carrier of BC/BS. He directed the Trustees attention to the supplied materials revealing a comparison of the quotes received. He was advised by the Trusts' broker the rate increase to change to another plan would equal or exceed the plans from BC/BS. With this in mind he indicated his preference would be to remain with the current carrier. In an effort to hold down premiums, he suggested that the deductible be increased from \$2000.00 to \$3000.00, and that the HRA contribution be increased by a similar amount. This would keep the out of pocket cost the same for plan participants while reducing the overall premium cost for the Trust.

EVANS/TREECE: Motion to approve the health care proposal as presented and stated in the June 17, 2009 memo. **Motion Carried Unanimously**

Proposed 2009/2010 Budget. Mr. Wilburn stated the current member contributions should remain relatively stable or perhaps there could be a slight increase inasmuch as there was a 100% renewal for the schools and no net loss of membership in the OPE program. Two members failed to renew, but two new members were added to the program.

Mr. Meares reviewed the current interest and investment income for the upcoming year and stated that the board should know that the proposed stated investment income figures are extremely conservative. Investment income was budgeted at 1.5% versus 4% for the current year.

John Wilburn reviewed the proposed salary increases for the coming year and explained that this reflected not only a salary increases, but also funds for an additional employee should the need arise.

A lengthy discussion followed regarding the proposed salary increase for the coming year. While the board recognizes the value of the current employees and their contribution to the success of the Trust, in the current weakened economy it would be very difficult to support the request for the proposed increases, especially when many state workers and teachers are not scheduled for an increase for the coming year.

There was also lengthy discussion regarding the budget proposal for incurred losses for the coming year. In December, an actuarial review indicated a possible increase to surplus of approximately one million dollars, but there is the potential for increased claim

cost due to several serious losses in recent months as well as the previously noted decrease in investment income.

It was noted that the cost of the program is not so much in the area of administrative cost, but, in the cost of claims.

EVANS/LACEY: Motion to approve budget with percentage revision of the salary line item to 2.5% increase. **Motion Carried Unanimously**

Financials as of 5/31/2009. Mr. Wilburn stated the program is running extremely close to the current budget, the only recognizable variance would be in the investments which are down \$1.8 million dollars from what was budgeted, any other variances are easily explainable and they are within 10% of the budgeted amount.

TREECE/BROWN: Motion to approve the financial report. **Motion Carried Unanimously**

2009/2010 Membership Approval. John Evans presented the board with a revised listing from the listing that was provided in the manuals. Currently we have 101 school systems.

EVANS/TREECE: Motion to approve 2009-2010 membership as presented. **Motion Carried Unanimously**

Mr. Treece left the meeting at this time.

Marketing. Mr. Evans stated that during visits to member systems, the Trust gets outstanding reviews about the service. He indicated that the Student Accident program remains to be an extremely important part of the program.

Mr. Evans addressed excess renewals, and provided the board with documentation concerning reductions in excess cost. He had spoken with each of the excess partners who had indicated they would work with the Trust in reducing cost. He pointed out that our markets appreciate their relationship with the Trust. Overall cost for excess coverage decreased approximately 7%.

The coverage document was discussed by John Wilburn and John Evans. They seek not to change the coverage, but rather to add clarifying language to certain parts of the agreement, and those clarifications will be included in the coverage document for a board vote in October.

Investments. Buck Wiley, of Merrill Lynch presented the Trust portfolio as of May 29, 2009. The value of the portfolio stands at approximately \$44 million. Considering the economy, performance has been good, especially on the long term investments. The Trusts' portfolio is as diversified as it can be under the investment guidelines for the Trust. The portfolio is under the four investment managers ranging from extremely short term investments managed by Black Rock, two of the more traditional for fixed income both of which are managed by Lord Abbott and TIPS which is managed by Black Rock and is a good hedge long term. His recommendation is to be conservative and spread you risk out. At this time no changes are recommended.

Wiley concurs that the budgeted increase of 1.5% for investment earning for the coming year would be appropriate.

Other business. Mr. Wilburn reviewed with the board the policy with regard to meeting attendance. It was noted that Trustee Larry Griffin had missed four consecutive meetings, and the by-laws call for automatic removal. It was pointed out that this was very unfortunate in that all absences were due were due to health related issues. Mr. Wilbur will advise Mr. Griffin of the meeting requirements.

The next will be in October, but the exact date was not set. The Trustees will be advised of the date and time of the next meeting.

LACEY/EVANS: Meeting adjourned 11:50 a.m.


Mark Farley, Trust Chairman


John Wilburn, Trust Administrator