

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF: _____)

Local Government Center, Inc.; et al. _____)

Case No: C-2011000036

AFFIDAVIT OF JILLIAN RIPLEY

I, Jillian Ripley, being duly sworn, state as follows:

1. I am over the age of 18 and believe in the sanctity of an oath. I give this affidavit based upon my personal knowledge.

2. I searched through pdf files of meeting minutes provided by the LGC in discovery in this action to determine the frequency of Maura Carroll's attendance or non-attendance at meetings of the LGC Board and Committees during the time prior to her becoming Interim Executive Director on September 4, 2009.

3. Based upon my review of the minutes, I determined that out of 344 meetings of the LGC Board and Committees held prior to the time Maura Carroll became Interim Executive Director, Maura Carroll attended only 92 of them, or 26.7%.

4. At many of these meetings, Maura Carroll was present but did not participate at all. For example, *See Minutes of Meetings of the LGC Board of Directors, May 4, 2004 and LGC Board of Directors Meeting on July 13, 2005*, true and correct copies of which are attached hereto as Exhibit A. At many others, her sole means of participating was to report on or discuss the activities of the Department of Legal Services and Government Affairs. For example, *See Minutes of Meeting of LGC Board of Directors, October 17, 2007*, a true and correct copy of which is attached hereto as Exhibit B; *Minutes of Meeting of LGC Board of Directors, December 13, 2007*, a true and correct copy of which is attached hereto as Exhibit C. At the

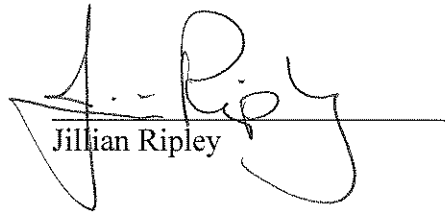
April 7, 2003 All Boards Meeting where the restructuring was voted upon, Ms. Carroll is described as NHMA Legal Counsel and the minutes reflect that she spoke not a word. Minutes of All Boards Meeting, April 7, 2003, a true and correct copy of which is attached hereto as Exhibit D.

5. I also reviewed pdf files of meeting minutes provided by the LGC in discovery during the time after Maura Carroll became Interim Executive Director, and then Executive Director on September 4, 2009.

6. The minutes of the June 2, 2011 Board meeting report that Ms. Carroll, acting at the suggestion of members, recommended to the Board of Directors that funds be transferred from Workers Compensation to HealthTrust "in recognition of the support it offered to the Workers' Compensation Program." Minutes of Meeting of LGC Board, June 2, 2011, a true and correct copy of which is attached hereto as Exhibit E.

The statements contained herein are true to the best of my knowledge and belief.

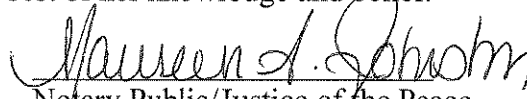
Date: March 12, 2012



Jillian Ripley

State of New Hampshire
County of Merrimack

On this 12th day of March, 2012, Jillian Ripley, who is personally known to me or whose identity was proven to me by satisfactory means, appeared before me and affirmed that the statements contained herein are true to the best of her knowledge and belief.



Maureen A. Johnston
Notary Public/Justice of the Peace
My Commission Expires:

MAUREEN A. JOHNSTON, Notary Public
My Commission Expires August 19, 2014

EXHIBIT A

**LOCAL GOVERNMENT CENTER
BOARD OF DIRECTORS MEETING
Minutes of May 4, 2004**

**EXECUTIVE SESSION
SEALED MINUTES**

LOCAL GOVERNMENT CENTER BOARD OF DIRECTORS PRESENT: Paul G. Beecher, Chair, City Manager, Keith R. Burke, Vice Chair, Superintendent, SAU #1, Peterborough; Robert A. Beauregard, Selectman, Swanzey; Laurent J. Biron, Business Manager, SAU #38, Monadnock; John P. Bohenko, City Manager, Portsmouth; David R. Caron, Town Manager, Londonderry; Peter J. Curro, Business Administrator, Londonderry School District; James Eich, Selectman, Stark; Carol M. Granfield, Town Manager, Meredith; Julia N. Griffin, Town Manager, Town of Hanover; Harry Hobbs, Teacher, Exeter; Edmund F. Jansen, Jr., Selectman, Rollinsford; Roderick MacDonald, Teacher, SAU #21, Winnacunnet School District; George N. Olson, Town Manager, Exeter; Timothy L. Ruehr, Business Administrator, SAU #29, Keene School District; Terrie B. Scott, School Board Member, Cornish School Board, Cornish; Dr. James H. Weiss, Superintendent, SAU #17, Kingston; Robert L. Wheeler, Selectman, Goffstown; April D. Whittaker, Town Manager, Enfield

STAFF PRESENT: John B. Andrews, Executive Director; Sandal R. Keffe, Deputy Director and Chief Financial Officer; Wendy Lee Parker, Assistant Executive Director for Risk Services; Phillip N. Stewart, Jr., Claims Manager; Maura Carroll, Legal Counsel; Eleanor Baron, Communications and Member Services Manager; Donetta J. Haley, Director of Human Resources; Jon Steiner, Associate Executive Director for Member Relations; Wendy Dampier, Account Representative; Carolyn Hoeker, Executive Assistant

CONSULTANTS PRESENT: Robert J. Lloyd, Esquire, Legal Counsel

GUEST PRESENT: Jenny P. Emery, Senior Vice President, Towers Perrin Reinsurance

Dr. Weiss' motion to enter into Executive Session at 12:45 p.m., seconded by Bob Beauregard, passed unanimously.

Dr. Weiss advised that a Strategic Plan is being developed for the Local Government Center.

Dr. Weiss stated, "The Long-Range Planning Committee (LRPC) met a couple of weeks ago to do some strategizing. The meeting had to do with Workers' Compensation (WC) and that whole picture. Jon Steiner brought a plan to us to work with a consultant to have things ready for our Retreat."

Jon Steiner noted, "I thought it would be a good idea to bring someone on board who understands pools from a national level. This person has seen pool competition. She has been working with the staff and the LRPC. We do not have an overall Strategic Plan; HealthTrust used to do that."

Jon Steiner introduced Jenny Emery.

Jenny Emery addressed the task at hand by reviewing the Local Government Center Mission Statement adopted by the Board of Directors: "We will provide programs and services that strengthen the quality of our member governments and the ability of their officials and employees to serve the public by being a catalyst for dialogue and action, an advocate on issues, and an advisor on problems. What you have done is unique (the merger). The promise in your mission is to strengthen the quality of the public sector."

Jenny Emery continued with, "There are some tactical issues. The real catalyst for action includes the following:

- The WC program is not yet viable. Action needs to be taken. There are some difficulties.
- There is integrated governance and operational structures.
- There are competition issues. If they are left unaddressed, the LGC Risk Services programs and LGC's viability could be threatened."

Jenny Emery stated, "They (PRIMEX³) have a broad mission statement. We do not want them to define our future, but we have to be aware that they are there. I developed a synopsis of how to approach this." Jenny solicited questions. Jenny continued with the following:

- "How important is WC to LGC's ability to deliver on its mission, and is it healthy to take the risk?
- How is the PRIMEX³/Harvard Pilgrim Healthcare (HPHC) product structured, and what does this suggest about the competitive threat?
- In today's environment, are there opportunities to form an alliance with SchoolCare, the School Boards Association, or PRIMEX³?
- Can the current marketplace and financial position of the separate Risk Services programs be enhanced through product surveys and financial integration?"

Jenny Emery noted the following:

- "We have to see if the plan we develop can be integrated. It is not presumed that we have to stay in the WC business. If we should, and we can, let's prove it. If we cannot prove it, then we are open to that possibility.
- How real is this threat? How can we understand this? We are trying to learn more details of this relationship. We are pretty sure that HPHC is providing its services and that PRIMEX³ will be taking the risk. Even if they have a 'war chest,' it can be 'eaten' up very quickly. What they (HPHC) are doing is reducing membership in Massachusetts and increasing it in New Hampshire. They may see PRIMEX³ as a valuable entity. Their quality ratings are very high even though the quality is not.
- We have also raised the question of alliances. Are there things we could be doing together?
- Is there a financial or product integration that could benefit all of the programs?"

Peter Curro asked, "How important is WC to LGC? How is WC important to the municipalities and school districts? One idea is that simply by keeping it alive provides competition that depresses the premiums; if we stop it, PRIMEX³ can build their 'war chest.' "

Jenny Emery stated, "There is no question that you have a war going on. You are both losing money. It cannot last forever. If PRIMEX³ could charge more, they would. If you get out of the competition, that would be a risk. We looked at each of the three major programs and asked questions. The belief is, across the board, you have the best quality products out there. You are providing a very high-quality product that the members appreciate. There seems to be evidence that compared to the competition, there is market share. Price swings are decided by market share. Now, price is being decided by the competition. WC should be viable. The contribution level will fluctuate a little. At the end of the day, it is members' money. We want to save money, but we have to share what does exist."

Keith Burke asked, "My first question is about market share for PLT. Do we have three quarters of the market? That seems high to me." Jon Steiner responded, "It is maybe 68%. I think it is about \$11 million." Keith queried, "Is that market share?" Jon replied, "Contributions are probably 68% to 72%."

Jenny Emery commented, "Schools do not generate as much loss, but also not as much premium. Forward looking questions are: How do we focus on WC, and where do we want to be in five years?"

Jenny Emery noted the following:

- "Do we want new products and services or new approaches to current products and services that can enhance delivery on the mission?"
- You are truly a member-driven Board. How do we translate that into a better result? I believe managing risk happens outside the organization. How can the member-driven philosophy directly translate to value for members? You want to capitalize on your member-driven philosophy.
- How can we capitalize on the new integrated structure so that members receive tangible value? How do we take advantage of the benefit, and how much is there? In a lot of states volunteer firefighters are covered under WC. It is very difficult to manage. If someone has health benefits, they have better WC outcomes. Truly integrated products never have gotten off the ground. You want to manage healthcare in an integrated way."

Jenny Emery advised, "If we put all three programs together, the amount of surplus fluctuation is incrementally less."

Jenny Emery commented that a process timetable is necessary and that things could be finalized at the Retreat.

Dr. Weiss stated, "We began talking about WC in the LRPC meeting. As we began to discuss that, we realized that we could not look at it in isolation. We decided to build a new strategic plan. Having an outside person advise us is important. That is where we are. It is our hope that at the Retreat in July, we can make some long-term plans for the entire entity."

Paul Beecher stated to Dr. Weiss, "I commend you and your Committee. This is fantastic. We have been missing this in the transition. This will help us crystallize our thinking at the Retreat."

John Andrews noted, "We are hoping this will be the 'guts' of the Retreat."

Julia Griffin commented, "This is taking the organization forward to the next step."

Tim Ruehr offered, "I applaud having an outside consultant on this. I just hope we do not integrate finances. We need to do this for WC and have it in the context of the entire organization. That is a sensitive issue. It is something we have to talk about as a group if people are not interested in pooling finances." Dr. Weiss stated, "I think coming out of the Retreat, that decision will be made." Tim added, "I think it has to be a broad picture. In the end, it involves integrating finances." Bob Beauregard commented, "I think we also have to be careful to not have the 'tail wag the dog.' There are sensitive problems to be resolved."

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Bob Beauregard advised, "I think when we started this process the idea was to not convene a Board meeting to make decisions of this magnitude if John Andrews and staff thought it was the right thing to do."

Paul Beecher noted, "I wanted to have a brief discussion. I want to address the issues of SAU #50. I would like an explanation. I want to be sure that our staff did everything possible."

Wendy Parker responded, "Responding to the request did not take that long." Wendy read an e-mail applicable to the issue and stated, "Dr. Weiss has been calling him over the last two years about HealthTrust's rating. They are very low on the credibility scale. Their experience has been a little better, but it is not great. Wendy Dampier met with him. They talked daily during that time period. Anthem did delay in getting us a letter from senior management regarding the conversion issues. We were ready. The actual contact with him was not delayed." Julia Griffin added, "It seems as though

Anthem should have been here to hear this. He said lots of people were calling, but you could not pin him down.”

Wendy Parker continued with, “New London was also affected. We did a luncheon for them and apologized in person. Anthem was supposed to be there; they did not attend. The group did not like that. It was an Anthem issue. They (Anthem) did not communicate as well as they could have. Richard Dwyer did a summary for me. Jim Katkin was the first one to let us know there was a problem. Groups were definitely inconvenienced. Jim Katkin is making it a bigger issue than it was. Although, Anthem was not as responsive as they should have been.” Sandal Keeffe commented, “Peter Riemer and I talked about loss ratios. The loss ratio is strictly claims vs. contributions; they were 21.6%. They had negligible loss ratios.”

Keith Burke commented, “It will be difficult to go back and say they do not have the correct information. The point is, that is what he should have received.” Sandal Keeffe noted, “He said that.” Sandal added, “The fact that they did not get the correct information the first time, leaves a ‘bad taste.’ ”

Peter Curro stressed, “It is a credibility issue. Is he correct because he is just over the threshold?” Wendy Parker stated, “It does have an affect on his rates.” Peter queried, “Does it make sense to adjust the pool.” Wendy responded, “I do not think so, and I think Kerry Reynolds and Peter Riemer would say the same thing.”

Julia Griffin added, “We all know this can be confusing. I think the district needs a clear explanation of the rating process. I think they need a very specific letter focusing on the credibility issue, loss ratio, etc. They need someone who can explain the logic and say, ‘This is how your rates are determined. This is how you compare with other school districts.’ I think we have to respond to the subject parts he brought up. We can follow up if they are not happy with that.”

Michael Cryans queried, “If we should try something for PR (public relations) purposes. Maybe we could say, ‘We made a mistake.’ ” Julia Griffin stressed, “I do not think we made a mistake.”

Peter Curro offered, “I think we have to be careful. There are two issues. One is with Anthem. We know what happened. We can say that we are sorry it occurred. The numbers are what they are. I do not see why someone cannot explain in detail exactly what goes into the rating process and how the Guaranteed Maximum Rate (GMR) is developed.”

John Andrews asked, “Did we have this experience with any other units?” Wendy Parker responded, “There was also an issue with Barrington. There were about ten groups that were affected. That is why we sent out letters to them.”

Keith Burke stated, “I know how important the conversion issue was at Anthem. I think it is incumbent upon them to help us. Have they done anything?” Wendy Parker responded in the affirmative. Keith added, “At the Retreat, Gray Somers offered us a substantial amount of money.” Wendy noted, “He had deducted a month’s administrative fees.”

Keith Burke advised, "I think we have to get in touch with Marjorie Dorr. Giving them numbers will go nowhere. We can tell them that in the future, we will walk them through it. Give them comparisons. To try and put it back together at this juncture is not possible. We will walk them through it."

Terry Scott noted, "I agree with Keith Burke. I was hearing him say that it was Anthem's problem, but our apathy was the problem."

Rod MacDonald offered, "One of the larger districts in his SAU wants 'out of here.' We have always tried to define the quality of service. I think if some kind of a 'bone' is thrown out, it may help. The issue with lost coverage for a month, even though it is Anthem's fault, it would go a long way."

Tim Ruehr commented, "I tend to agree with Rod MacDonald. I think it should be Anthem, but it should come from us. We need to take responsibility. We need to throw our weight around. I do not want our customers complaining to Anthem directly. I am glad they were not here. When people are not happy with the rates, there is a lot of 'mystique.' People think if they challenge us, their rates will go down. Invite someone from their district to join the Board. That is how to bring those people into the fold. There is no 'mystique' to their rate setting. The same formula is applied across the board."

John Andrews referred to compensation and noted, "If we were to 'step up to the plate' and give \$15 per employee, we have about 1,400 in that circumstance. If you do it with one, you have to do it with all. It would be \$35,000 to \$40,000 with a sincere letter of apology. Also, teach them about rates. We had a lot of rate-setting seminars years ago in the State. We invited everyone. Kerry Reynolds and Peter Riemer went through it step by step; it was not worth doing. I have been out to a couple of programs. We did it in Barrington. We would be glad to go down to SAU #50 and tell them what the rating process is step by step. We will do it with anyone that asks. We have done this before and people had a hard time accepting that process. You are right; they think it is subjective."

John Andrews continued with, "The health club thing is a major policy decision. You changed direction as to what we will spend wellness dollars on. That was a big debate as to whether we should do it. If you say to SAU #50 that, 'We will pay for it;' then you better be prepared to do it for others."

Bob Beauregard stated, "They were looking for a small gesture for their inconvenience. Pay for a small picnic."

James Eich commented, "I am putting myself in the place of one of those people. I think conversation is fine, but \$10 is insulting."

Wendy Parker noted, "There were ten groups that were identified as severe cases. It feels uncomfortable to do monetary reimbursements. Some people were inconvenienced, and we do not even know how many. We offered things—i.e., wellness screening, etc.; he did not want that." Wendy reiterated, "I am uncomfortable with that (monetary compensation)."

Peter Curro suggested, "At the end of the year, teachers usually stay for cleanup. Maybe we could provide a lunch for them at that time." Keith Burke suggested, "Maybe we could sponsor a staff

appreciation luncheon." Wendy Parker noted, "We tried to do that. That feels comfortable even if they do not want us there."

Rod MacDonald stated, "They seem to know who was affected. If you were to give monetary compensation, why not give a lump sum and let them distribute it?"

Wendy Parker commented, "Maybe a Board seat could be considered for their Superintendent, or someone in their district should be considered. A lot of our population does 'sit' on the Seacoast. Maybe more support from that area would be good."

Tim Ruehr made a motion to sponsor a staff luncheon for SAU #50 and draft a letter of apology, seconded by George Olson.

John Andrews advised, "We cannot just say that they have a Board seat. We have a Nominating Committee." Paul Beecher stated, "I think we can follow the process and accomplish the same thing." John cautioned, "The last thing to do is to 'trade' Board seats; it is 'sleazy.'" Tim Ruehr disagreed with, "I do not think so. There are problems, and they will learn about it."

Larry Biron offered, "The lunch is nice. Add a \$25 check. I would amend the motion."

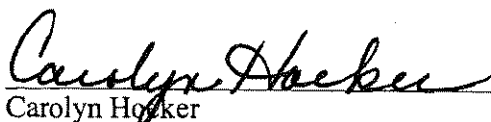
Paul Beecher advised, "Let Keith Burke follow up a little bit and see what they really want. My sense is they get some pressure from their employees, and Rod MacDonald said they want to pull out. They were put in the position that they had to come here. Maybe Keith can find out exactly what their expectations are. I do not want to over react to this, but I do not want to underplay it either. If they did not get the service from us, we cannot blame it on Anthem."

John Bohenko's motion to empower the Local Government Center's Board of Directors' Vice Chair, Keith Burke, to work with staff to come to an equitable resolution including monetary compensation, seconded by Julia Griffin, passed with fourteen affirmative and four opposing votes.


Julia Griffin noted, "There does seem that there is not enough representation from the Seacoast. We may want to have additional representation from that area when we ask for recommendations."

Bob Beauregard's motion to exit Executive Session at 2:20 p.m., seconded by Rod MacDonald, passed unanimously.

Respectfully submitted,



Carolyn Hoeker
Executive Assistant



John B. Andrews
Executive Director

**LOCAL GOVERNMENT CENTER
BOARD OF DIRECTORS ANNUAL RETREAT
Minutes of July 13, 2005**

LOCAL GOVERNMENT CENTER BOARD OF DIRECTORS PRESENT: Keith R. Burke, Chair, Superintendent, SAU #1, Peterborough; Robert A. Beauregard, Selectman, Swanzey; Laurent J. Biron, Business Manager, SAU #38, Monadnock; David R. Caron, Town Manager, Londonderry; Peter J. Curro, Business Administrator, Londonderry School District; Robert A. Danderson, Mayor of Berlin; Beverly J. Donovan, School Board Member, Windham; James Eich, Selectman, Stark; Dianna L. Fogarty, Director of Human Resources, Portsmouth; Carol M. Granfield, Town Manager, Meredith; Mark J. Halloran, Superintendent, SAU #48, Plymouth; Edmund F. Jansen, Jr., Selectman, Rollinsford; Leon S. Kenison, Sr., Selectman, Bow; Jessie W. Levine, Town Administrator, New London; Roderick MacDonald, Teacher, SAU #21, Winnacunnet School District; Dr. Phillip G. McCormack, Superintendent, SAU #2, Interlakes School District; Stephen A. Moltenbrey, Police Officer, Windham; Ann Remus, Superintendent, SAU #25, Bedford; Timothy L. Ruehr, Business Administrator, SAU #29, Keene School District; Terrie B. Scott, School Board Member, Cornish School Board, Cornish; Robert L. Wheeler, Selectman, Goffstown; April D. Whittaker, Town Manager, Enfield

STAFF PRESENT: John B. Andrews, Executive Director; Sandal R. Keeffe, Deputy Director and Chief Financial Officer; Wendy Lee Parker, Assistant Executive Director for Risk Services; Eleanor Baron, Communications and Member Services Manager; Jon Steiner, Associate Executive Director for Member Relations; Maura Carroll, Legal Counsel; Donetta J. Haley, Director of Human Resources; Carolyn Hoeker, Executive Assistant

CONSULTANTS PRESENT: Robert J. Lloyd, Counsel, Hinckley, Allen and Snyder; David Law, Counsel, Cleveland, Waters and Bass; Peter J. Riemer, Actuary

Keith Burke called the meeting to order at 1:45 p.m.

Keith Burke requested that Wendy Parker give a report on her attendance at the meeting of the Governor's Executive Council this morning and the action that was taken on the Local Government Center's proposal for the State's prescription drug program in partnership with Medco. Wendy noted that the vote today was favorable and the Local Government Center HealthTrust's membership doubled as a result of today's action; implementation of the program will increase membership by 38,000. The effective date will be September 1, 2005. The overall savings for members will be more than \$3 million over the next 22 months.

Legal Update & Fiduciary Responsibilities of Board Members

Bob Lloyd discussed the importance of all the Local Government Center's (LGC) Board of Directors to review and be familiar with all the materials that are sent to them prior to Board or committee meetings. It was suggested that each Board member develop a process that will work for them in order to accomplish this.

Bob Lloyd distributed a document—*Stewardship of Directors: Their Duties and Responsibilities and How to Fulfill Them*—that was reviewed in detail. Bob gave an explanation of four duties of responsibility that are applicable to directors in both public and private sectors and the personal liability that each Board member is open to—Duty of Care; Duty of Loyalty; Duty of Obedience; and Duty to the Community. Bob advised the Local Government Center's (LGC) Board of Directors of steps that they may take in order to better protect themselves from personal liability.

Bob Lloyd thoroughly discussed Sarbanes-Oxley and what it means for the duties of LGC Directors. It was noted that Sarbanes-Oxley has increased the sensitivity of public and corporate governments to avoid wrongdoing. Board members are required to consider everything and have reasons why they want to adopt some things and not others.

Bob Lloyd explained the role of the independent auditing process in preventing fraud. It was noted that each year the Directors will select a number of priority items for particularly close scrutiny by the independent auditors that have been retained by the LGC; these items will vary from year to year.

Bob Lloyd directed attention to Appendix A of the document with a sampling of questions that Board members should be asking.

Bob Lloyd summarized his presentation by noting that the keys to prudent governance are a fully informed Board, diligence, and the application of special scrutiny to conflicts of interest and dual motives.

John Andrews queried if it is important for the Directors to always be correct in their decisions. Bob Lloyd responded in the negative and noted that it involves a question of the process that was implemented to reach a result. This would be important if there should be a case of insolvency. It was stressed that a list of assumptions should be kept by each Director, and documentation of how the organization acted on those assumptions. Bob Wheeler made the point that it has always been the culture in this organization to encourage questions. It was also noted that a Board member should never hesitate to express a point of view, if they believe it to be important, even if it is evident that it will not be accepted.

Bob Lloyd addressed the conflict of interest (LGC vs. wherever the member comes from) that some Directors may encounter. It was noted that bringing experiences and concerns to this Board and putting them on the table is fine. However, the measure of each Director's performance as to whether they acted in good faith for the LGC is important. It is not necessary to be silent about what is occurring in your town, school, community, etc., with decisions that come up at Board or committee meetings. Bob advised that no one has to abstain from voting because of conflict. However, if they do abstain, a reason should be given. All Board members should be ready to vote on all issues that are brought before them.

James Eich queried how a situation should be handled if a Board member is on a Board of Selectmen and a question related to insurance should arise. Should the Board member remain neutral? Bob responded in the negative. It was noted that usually a Board member would want to let the Selectmen know that they are a member of LGC's Board of Directors.

Mark Halloran inquired as to whether a Board member should request to be excused if they are aware that they have a conflict. Bob Lloyd suggested that a ruling should be sought from the Chair of the Board before the meeting. Bob noted that in this organization, there are very few issues that rise to that level; however, it has occurred in the past and an explanation was given. In 90% of the cases where this may occur, a Board member would be told that they are in a position to vote. Bob advised that disclosure is the key in situations such as this. Conflicts are fine, but they must be disclosed. Peter Curro asked how often the disclosure needs to be made that a Board member sits on LGC's Board. Bob advised that if a Board member should become involved in contract negotiations, it would be appropriate to make that disclosure at the first meeting so that it is in the record.

Bob Beauregard shared an example of a situation he faced after becoming a Board member. Bob explained that it is important to have good reasons for the decisions that the Board members make. At some point, members could be subject to criticism and asked why they made certain decisions.

Bob Lloyd emphasized the importance of reviewing and possibly updating the organization's mission statement every couple of years. The importance of regularly reviewing the Bylaws was also discussed; it was noted that the new Directors should review and understand the Bylaws of the organization.

Steve Moltenbrey queried what is meant by the phrase "a person of standing" in relation to personal liability. Bob Lloyd advised that this is complex, and a simple explanation would be that someone with day-to-day involvement in an organization is "a person of standing." The Board members would not fit that description.

Bob Beauregard inquired as to what degree the courts look at delegation as a philosophy as related to the Board. Bob noted that a great deal of data is generated and everything may not be reviewed; power may be delegated. Bob Lloyd advised that the basic rule is that some things may be delegated and others cannot be. The way the Local Government Center is organized, the ultimate responsibility cannot be delegated. Even though the consultants are delegated to do the work, the members of the Board and the organization are still responsible to review a recommendation and accompanying documentation. It was noted that just because it comes from someone else does not make it correct.

Bob Lloyd commented that the *Rights of Powers* are not specific in the Bylaws; however, all Board members should be familiar with them. These are not applicable to the day-to-day affairs. John Andrews, the Executive Director, has the responsibility of reporting to the Board. Bob reviewed the *Rights of Powers* and solicited questions.

A discussion ensued relative to independent auditing services and what the timeframe of rotation should be for changing firms.

In conclusion, Bob Lloyd referred Board members to *Appendix A*, at the end of the document, which are questions Board members will/are/should be asking.

Discussion and Action on Medicare D

Wendy Parker advised that the Federal Government is coming out with a new prescription drug benefit as of June 1, 2006. It was explained that some decisions need to be made and that this is a large endeavor for the organization over the next six months to a year. Wendy noted that information is continuing to surface related to this topic and retirees are beginning to receive some of this information. The floor was turned over to David Law.

A memorandum was distributed—*Medicare Part D and Recommendations for HealthTrust Retiree Prescription Drug Coverage Options*. David Law explained the background and subsidy issues related to Medicare Part D. It was noted that Medicare Part D will be offered by the Federal Government to those who are Medicare eligible. An overview of the current Medicare supplemental plan prescription drug benefit was also presented. Medicare Part D is a voluntary drug benefit for Medicare beneficiaries. An initial open enrollment period will be held from November 15th through December 31st for coverage beginning January 1, 2006. David reviewed in detail the Medicare D program, its components, and issues associated with it that would have an impact on the Local Government Center's member retirees. David Law presented a summary and various options that are available to LGC HealthTrust and discussed a number of recommendations.

Keith Burke queried how the information would be made available to a group dealing directly with a company. Wendy Parker noted that LGC HealthTrust does not know how information is being relayed. It was stressed that this will have a substantial impact on the public sector in New Hampshire. Anyone eligible for Medicare Part A, Part B, or disability is affected. Bob Wheeler asked if it is clear who the primary carrier will be. David Law responded in the negative and noted that regulations relative to that have been drawn up.

After reviewing page 2 of the memorandum and an attached exhibit (Exhibit A), Bob Wheeler queried what the logic is for having a gap at the particular time that is shown on the Exhibit. David Law responded that it is a cost issue. It was noted that most average costs are in the \$250 to \$2,250 range and that the consequences will not be realized until they are experienced. Tim Ruehr stated that the Medicare Part D plan is designed basically to pay for the average consumer and to also compensate the catastrophic users. Attorney Law agreed with Tim.

David Law continued on to Exhibit B—*Interplay of LGC Plan and Federal Employer Subsidy*. It was stated that there is no comparison to the level of benefits for the Medicare D Plan and what is offered by the LGC HealthTrust. The point was made that there is no requirement in New Hampshire that coverage for retirees must be paid for by a group; however, coverage must be offered. Attorney Law advised that this will come down to a group-by-group basis. John Andrews inquired as to when this will occur. It was noted that it will be by 2006. Tim Ruehr referred to individuals in the State who presently receive a subsidy and queried what the situation will be with that in 2008. Discussion ensued relative to this point and the responsibility of the New Hampshire Retirement System; the responsibility of the LGC HealthTrust and what support/information/education will be offered and how that may be accomplished was also discussed.

Bob Wheeler noted there are procedural questions that need to be addressed.

Mayor Danderson inquired as to how premiums would be affected if all the recommendations in the memorandum should be accepted. Wendy Parker noted that there is no anticipated affect on rates for this.

David Law cautioned that over time, adverse selection could occur.

Attention was directed to pages 5 and 6 of the memorandum where recommendations A – H are noted. David Law reviewed and explained in detail each of the recommendations.

David Caron's motion to accept the recommendations as discussed and noted on pages 5 and 6 of the memorandum dated July 13, 2005—*Medicare Part D and Recommendations for HealthTrust Retiree Prescription Drug Coverage Options*—and seconded by Mayor Danderson, was placed on the table for discussion.

Bob Lloyd queried how the education for retirees would be accomplished. Wendy Parker noted that there is no plan in place at this time.

Keith Burke asked what would occur if the motion is not passed by the conclusion of the Retreat. Wendy Parker advised that calls would come in that staff members in the organization would not be able to answer. Wendy added that in order to be able to advise the retirees about this, things need to happen in August and September.

David Caron's motion to accept the recommendations as discussed and noted on pages 5 and 6 of the memorandum dated July 13, 2005—*Medicare Part D and Recommendations for HealthTrust Retiree Prescription Drug Coverage Options*—seconded by Mayor Danderson, passed with one abstention by Bob Wheeler due to not being clear with all the details, and one opposing vote by Rod MacDonald.

How Much IS Enough?

Peter Riemer gave a presentation related to HealthTrust's Members' Balance and Risk-Based Capital (RBC). Copies of the presentation were distributed to all attendees. Peter reviewed the following points in detail:

- What RBC is
- The importance of the score that an insurer has
- Comparison of HealthTrust's score from December 31, 2004 to May 31, 2005
- Health industry scores as of December 31, 2003 for all companies and companies similar in size to HealthTrust

Peter Riemer discussed the following topics:

- Capital as a measure of strength and solvency
- What the approach at HealthTrust has been historically
- Current regulatory guidelines
- Members' Balance as it relates to capital guidelines

- How much is enough

Peter Riemer continued on with a discussion of the uses of capital as related to risk protection and investment for growth and development of the organization.

John Andrews noted that the Local Government Center is not required to have risk-based capital; however, if the organization failed, there would be questions as to whether the solvency of the organization was ever looked at.

Following the presentation, questions were solicited and discussion ensued.

Tim Ruehr queried what the probability of ruin is for the present standing of the organization. Peter Riemer commented that he is not inclined to use those terms. The organization is a system subject to results and driven by large factors out of its control because of the number of variables that exist.

Peter Curro inquired as to whether the organization has ever been put on alert. Peter Riemer noted that this organization is not regulated. Sandal Keeffe added that there was a visit from the Department of Insurance at one time even though there is no regulation required. Many questions were asked as to whether, in our opinion, the organization would be able to continue.

Peter Curro asked if the amount of Members' Balance is used when the organization requests bids for other types of insurance. Sandal Keeffe advised that Members' Balance "does not play into that;" however, catastrophic losses are considered.

Bob Wheeler stated, "You talked about our ranges. You talked about some things that we did that is in this formula, but you did not identify them. It is not the same month after month. There was an adversity to everyone when we combined. Yet, this discussion is focusing on \$43 or \$45 million that we will have as our Members' Balance, but there is another \$11 million; is that given any consideration?"

Sandal Keeffe noted, "Last year when we had a discussion with Jenny Emery about competition and where we stood, she made the point that if we combined Members' Balance across all programs, we would be viewed financially as a healthier program than if we had every program on its own. However, we do not look at it that way." Bob Wheeler stated, "I think for accounting purposes I agree; however, when we get at the point where we are talking about the financial stability of the organization, I will 'get off the wagon' because that was discussed as an advantage. We do share when there is a need to do so. I like the system we have, but I do think it prevents us from using the asset balance in 'hard times.'" Sandal advised, "That would be a philosophical change that would need Board action." Bob added, "I agree. However, it comes up when the discussion gets to this point of focus. When we get to the discussion that talks about our financial viability, I do not want to exclude some of those items that were considered as a benefit to us when we did the merger. It would take Board action. It was supported by the majority of the group (at the meeting when the merger was voted on). If we get in trouble in health or property liability, as a group do you think we would not use the combined money? I think we would."

Sandal Keeffe emphasized, "To make a decision about how well off we are currently, we need more information than you have here. It would mean that Peter Riemer and Lisa Chanzit would have a conversation about what the right level would be. Because of the decision you have made over the last years, you would not be able to make a determination about that without more information."

Keith Burke advised that no action is required for this.

Mayor Danderson queried, "Right now our score is 3.60, and you are looking to get to 4.20, is there a correlation between premiums and increases in this? If we stayed the same at 3.60, would that keep the premiums as level as possible, and if it went up, would the premiums go up?" Peter Riemer responded with, "It would be a routine element of the rates; then we would consider a lower risk charge and that would benefit the rates." Mayor Danderson asked, "However, at 4.20, would it increase the rates?" Peter responded in the negative and added, "This is a moving target as long as we are subject to trend. The benchmark level increases about the same as trend." Bob Lloyd asked, "Does that presume it is recalculated each year?" Peter responded in the affirmative. "We do not figure it until we have it."

John Andrews offered, "The May financials showed a number lower than some other months. It is not a guarantee that the 5% is going into the Members' Balance."

Jessie Levine queried, "When was this 4.2% established? Was it in 2002?" Peter Riemer responded in the affirmative.

Bob Beauregard stated, "I want to agree with Bob Wheeler. I thought that at some point in time we would be merging all the premiums of the trusts. I did understand that would take time, but I would be looking to do that in the future. We had long discussions about what the risk-based capital (RBC) would be. I put my Selectman's cap on and agreed to the 5%. If it grew, then we accomplished what we set out to do. I also want to understand that we are responsive on the other side and look at the budget side." James Eich noted, "This is what we have used as far as I can remember. If we follow what Bob Wheeler said, we would have to come up with a new number."

Ed Jansen offered, "It goes up and down. In 1991 and 1992, we were doing well, and then it went down. We were down for a while and now we are coming up. Will it dip again, or do we have more control now? Will we continue to have these waves?" Peter Riemer stated, "That is the essence of why we are having this discussion. We do not know that and hope we will have control of that. I think we will continue to be subject to ups and downs."

Ed Jansen stated, "It appears to me right now that you have a good probability of overshooting your RBC next year; however, if you get to 4.0, do you start to taper it? How much do we throttle back? When we are at the target, then I think we can revisit that."

Tim Ruehr noted, "I am speaking as a Board member. I think we got rid of a couple of groups." Keith Burke countered with, "It does not work quite that way. There is more than one factor in there. It is not that simplistic."

Tim Ruehr added, "It seems to be the size of premium. My comment is that there is a cost to have Members' Balance. Our competition will not be worried about this solvency. I agree with Sandal Keeffe that we need more information to make this determination. I would like to hear how this would be possible. We are not being judged on our investments. The more Members' Balance, the more we become the people we are trying to battle against. I want to have a lean Members' Balance that keeps us healthy, but I do not want to store extra money."

Keith Burke stressed, "We want to determine our level of comfort so we can make a decision in the future. Under the circumstances and since we are not subject to regulation, is \$47 million our level of comfort? I think we should revisit this when we look at the next rate setting; that is the time to have this discussion."

Larry Biron inquired as to whether the "new prescription deal will help our rates." Wendy Parker responded with, "Every prescription that employees fill will cost less and that should result in improved experience for prescription drugs over time; it does not take effect until September 1, 2005."

Bob Wheeler referred to the presentation and asked, "As part of the presentation, do the people whose numbers we are being compared to have the same system as we do? We are in a volatile industry, but more stable than most."

Peter Riemer commented, "Other insurers handle claims the way they do, but they may not provide for run out of claims."

Peter Riemer referred to page 11 of the presentation and noted, "This is a recap; it is a statement of where we are. On page 12, I compare this to our historic target. We are at 3.52 now; our goal is to have a ratio of 4.20."

Peter Riemer noted that page 13 "gives us a sense of where we are now. Page 14 shows us a lot of things, one of which is the tremendous growth volume in addition to three bad years (1995 – 1997). Given the current operation, we generate income of \$45 million."

John Andrews commented, "In seven out of the twenty years (on this page), we lost money. Earlier we lost \$15.2 million; it was a reduction in net income. That was the beginning of the competition, but we grew out of it. In 2002, there was a concern of being 'close to the vest.'"

Keith Burke's motion to adjourn the meeting at 5:55 p.m., seconded by Steve Moltenbrey, passed unanimously.

Respectfully submitted,

Carolyn Hoeker
Executive Assistant

John B. Andrews
Executive Director

Local Government Center
Board of Directors
Annual Retreat
July 13, 2005
Page 8

EXHIBIT B

**LOCAL GOVERNMENT CENTER
BOARD OF DIRECTORS MEETING
Minutes of October 17, 2007**

LOCAL GOVERNMENT CENTER BOARD OF DIRECTORS PRESENT: David R. Caron, Chair, Town Manager, Londonderry; Robert A. Beauregard, Water Commissioner, North Swanzey Water and Fire Precinct; Pamela L. Brenner, Town Administrator, Peterborough; Robert Champlin, Superintendent, SAU #30; Lynn R. Chong, School Board Member, Sanbornton; Michael J. Cryans, County Commissioner, Grafton County; Peter J. Curro, Business Administrator, Londonderry School District; Beverly; Allen R. Damren, Assistant Superintendent, SAU #6, Claremont; Beverly J. Donovan, School Board Member, Windham; James Eich, Selectman, Stark; Thomas Enright, School Board Member, Hollis-Brookline Cooperative School District; Dianna L. Fogarty, Director of Human Resources, Portsmouth; Carol M. Granfield, Town Manager, Meredith; Mark J. Halloran, Vice Chair, Superintendent, SAU #48, Plymouth; Clinton A. Hanson, Jr., Pembroke School Board; Keith R. Hickey, Town Manager, Merrimack; Karen Liot Hill, City Councilor; Edmund F. Jansen, Jr., Selectman, Rollinsford; Leon S. Kenison, Sr., Selectman, Bow; Kevin R. Lee, Teacher, Kearsage Regional School District; Jessie W. Levine, Town Administrator, New London; Roderick MacDonald, Teacher, SAU #21, Winnacunnet School District; Dr. Phillip G. McCormack, Superintendent, SAU #2, Interlakes School District; Susan V. McGeough, Teacher, Epping Middle-High School; Walter L. Mitchell, Esquire, School Board Member, Gilmanton

STAFF PRESENT: John B. Andrews, Executive Director; Sandal R. Keffe, Deputy Director and Chief Financial Officer; Wendy Lee Parker, Assistant Executive Director for Risk Services; Jon Steiner, Associate Executive Director for Member Relations; Maura Carroll, Legal Counsel; Donetta J. Haley, Director of Human Resources; Eleanor M. Baron, Director of Communications; Richard C. Dwyer, Operations Manager; Judy Yeaton, Underwriter; Carolyn Hoeker, Executive Assistant

CONSULTANTS PRESENT: Mark McCue, Esquire, Legal Counsel, Hinckley, Allen and Snyder; Peter J. Riemer, Actuary; Kerry G. Reynolds, Underwriter

David Caron called the meeting to order at 9:30 a.m.

David Caron welcomed and introduced the new members of the Local Government Center's Board of Directors: Lynn Chong, Clinton Hanson, and Robert Champlin.

Review and Action on Minutes of July 11 and 12, 2007

Bob Beauregard's motion to accept the minutes of the July 11 and 12, 2007 meetings of the Local Government Center's Board of Directors, seconded by Leon Kenison, passed with three abstentions.

Proposed Bylaws' Amendments

John Andrews directed attention to the memorandum and document—*2007 Proposed Amendments, October 17, 2007*—that were included with the materials for today's meeting. John noted, "I did not bring these recommended changes before a committee because I was not sure which one would handle

it.” John queried if the Board would like this to go to a committee first, and if so which one. David Caron suggested reviewing the policy changes and if it is possible to pass them today, “we will do so.”

John Andrews reviewed all of the noted changes. Following discussion relative to proposed changes, David Caron noted that “there are a couple of corrections that need to be made.”

Tom Enright’s motion recommending acceptance by the Local Government Center’s Board of Directors of the amendments to the *Local Government Center’s Bylaws* as presented, seconded by Allen Damren, passed unanimously.

Review and Action on Financial Reports to August 31, 2007

Leon Kenison’s motion to recommend that the Local Government Center’s Board of Directors accept the August 2007 Financial Statements for all entities as presented, seconded by Bob Beaugregard, passed unanimously.

Review and Action on Rates

Peter Curro suggested that since there are new Board members present, Peter Riemer and Kerry Reynolds should thoroughly review the rating information that was included with the materials for today’s meeting.

- Health – Peter Riemer referred to his two letters that were included in the packet for today’s meeting—*2008 LGC HealthTrust Medical (January Pool), Dental and STD Rating* and, *Guaranteed Maximum Rating® (GMR) for July 2008 Medical Pool*.

Peter Riemer reviewed in detail the first letter related to the medical rating for the January pool, in addition to rating for dental and short-term disability. Peter explained, line by line, the details in *Exhibit I*, which was attached to that letter. Peter noted that for the January medical pool, the recommended rate increase is 3.4% for the year beginning January 1, 2008.

Peter Riemer continued on with the analysis of the *Guaranteed Maximum Rating® (GMR)* for the July 2008 medical pool. Peter noted that the recommended rate of increase is 9.8%.

Kelly Haza noted that Anthem is forecasting a 12% increase because contracts are coming up for renewal in addition to increases in utilization.

Following discussion, John Andrews noted, “For the July pool, what is decided here today is what members will put in their budgets. Then, we will come back in May to update it. Some rates may change; if they go down, you would get a decreased rate, and if it goes up, you stay with this rate.”

Kerry Reynolds reviewed his letter—*January 2008 Medical Rating Calculations*—and referred to the underwriting exhibits related to developing the group-specific medical rate changes. Kerry noted, “Our rating strategy encourages stability.” Kerry continued with a detailed explanation of the process that he works through and capping.

Peter Curro solicited questions related to capping and pooling. Peter continued with explaining the importance of the GMR. In addition, Peter summarized the discussions that transpired during the last meeting of LGC's Finance Committee related to the rates.

Mark Halloran's motion to accept the January pool 2008 medical rate of 3.4% and the July pool 2008 *Guaranteed Maximum Rate*® of 9.8% as recommended by the Local Government Center's Finance Committee, seconded by Michael Cryans, passed unanimously.

- Dental – Peter Riemer referred to Exhibit II that was attached to his letter dated October 9, 2007 and noted that the recommendation is for an increase of 1.1% for current plans, and 2.6% if plans are improved and allowing members to receive four cleanings per year.

Peter Curro advised that the Finance Committee is recommending the 2.6% increase, which will allow for four cleanings a year. "Since there is evidence that various diseases can be caused by unhealthy gums, it was decided to include the additional benefit."

John Andrews added that, "There is information in the most recent issue of the IFEB periodical about diseases associated with gum disease. This can be looked at as a wellness activity. There is evidence of serious disease resulting from poor dental care."

Lynn Chong queried if other states in the Northeast offer it. Wendy Parker responded that Delta is going to four cleanings with their other business. "Periodontal disease is linked to cardiovascular issues."

Kerry Reynolds offered, "Dental, unlike medical, is community rated. Everyone will see it. With medical, we rate group by group. We have not had to do that with dental and have had a successful program. Delta and Blue Cross of Massachusetts are also trying to improve the dental program. They want you to have this diagnostic benefit because they think there will be ultimate savings."

Tom Enright stressed, "I think this Board has a responsibility to contain costs as well as have good programs. These costs go to the taxpayers. If it was an optional program, I would support it, but it is mandatory."

Leon Kenison added, "There is another way to view what Tom Enright described and that is what we have done in the preventive healthcare programs in the past that in the long run have had favorable returns. The health turnarounds are related. By encouraging people to improve health over the last several years has been to our advantage. I see potential here."

Rod MacDonald noted that he has been on both sides of the bargaining table over the years and dental has never come up. "I agree about the pay back in health. I am in favor of it."

Dianna Fogarty queried if it was possible to add a rider to the policy if a group does not want to offer the benefit. Wendy Parker responded that, "Because LGC community rates plans, and the fact that there are between 65 and 70 dental options, it would not be cost effective since there would be an administrative cost to do that. Because of the amount of money we are talking about here, it would not be worth it."

Peter Curro's motion to accept the recommendation of the Local Government Center's Finance Committee for a 2.6% increase in dental rates, which would include four cleanings a year, and to make it a mandatory benefit, seconded by Rod MacDonald, passed with eight opposing votes and three abstentions.

- Short-Term Disability (STD) – Peter Riemer noted that the recommendation is for no change to the current rates.

Peter Curro's motion to accept the recommendation of the Local Government Center's Finance Committee for no increase in short-term disability rates, seconded by James Eich, passed unanimously.

- Life and Long-Term Disability (LTD) – Wendy Parker reviewed in detail a memorandum—*Life and Long-Term Disability Rates and Benefits*—dated October, 17, 2007 that was included with the materials for today's meeting.

Wendy Parker noted that negotiations with National Insurance Services (NIS) have resulted in an extension of the current life and LTD rates through December 31, 2009 for January groups, and June 30, 2010 for July groups. Wendy added that the rate hold includes enhancements to the Life program, which she explained in detail.

Peter Curro's motion to accept the recommendation of the Local Government Center's Finance Committee as presented, with no increase in Life and LTD rates, in addition to enhancements to the Life program, seconded by Allen Damren, passed unanimously.

Personnel Committee Recommendations

- Pay Grade Adjustment; Merit Pay Authorization; Additional Permanent Positions – Mark Halloran noted that the Personnel Committee discussed cost-of-living adjustments (COLA) and merit increases for staff.

Mark Halloran stated that the original number for COLA was 1.6%; however, after looking at possible living expense increases, it was decided to change it to 2%. For merit increases, Mark advised that a range of 0% - 4.5% with an average of 3% was decided upon considering the recommendation from staff.

Mark Halloran's motion recommending to the Local Government Center's Board of Directors a COLA increase of 2% and merit increases ranging from 0% to 4.5% with an average of 3%, seconded by Allen Damren, was placed on the table for discussion.

A very lengthy discussion ensued, initiated by Peter Curro, relative to the process of having committees making recommendations to the Board that have financial implications that do not pass through the Finance Committee. Peter's concern is that recommendations are made without knowing what the budget for the coming year will be. Peter emphasized that his "concern is relative to procedure. I am not saying that anything is being done incorrectly." Peter noted that his concern is relative to whether recommendations coming

from various committees having a financial implication, which in this case is the Personnel Committee, can be afforded.

Sandal Keeffe stated that during the rating process the underwriters provide her with information relative to where the budget will be. "The budget that is being developed is well within what is being presented here." Sandal added, "We do make certain assumptions, and in those assumptions the overall budget is taken into consideration as was done in this case."

Pam Brenner noted that her recommendation would be to go back to the 1.6%.

Pam Brenner's motion for an amendment to the prior motion recommending that the COLA increase be changed to 1.6%, seconded by Keith Hickey was also placed on the table.

Tom Enright commented that he was in agreement with Peter Curro's remarks and added: "I support the recommendations from the Personnel Committee, but now is not the time to approve them."

Rod MacDonald compared the present process to contract negotiations at the bargaining table and stated that what has been done all along is no different than that.

Discussion ensued relative to whether or not this can be afforded by the organization.

Lynn Chong inquired as to what the process was in the past. David Caron responded with, "It has come up every year." It was noted that according to LGC's *Bylaws*, each committee has responsibilities and reports back to the Board. "The Finance Committee has always thought they have supervisory power. If that is how this Board wants to go, we will have to address that."

Mark Halloran noted that at the Personnel Committee meeting, "Sandal Keeffe was there. We had salary numbers and heard about the difference between 1.6% and 2.0% and various costs and that is how we arrived at the recommendation that was brought to the Board."

Following discussion, David Caron stated, "I will be asking for a procedure to be established after today's meeting."

Clinton Hanson's motion to table the two prior motions relative to COLA and merit salary increases, seconded by Karen Hill, passed unanimously.

Jessie Levine's motion recommending that the Local Government Center's Board of Directors review the process for bringing recommendations to them that may have an impact on decisions that other committees need to make, which are ultimately recommended to the Board for approval, seconded by Susan McGeough, passed unanimously.

Leon Kenison requested that a matrix be prepared for the next Board meeting so that all the choices proposed here today can be clearly seen.

Discussion ensued relative to also having available grids with positions showing the maximum and minimum ranges of the pay scale.

- Recommendation for Two Permanent Positions – David Caron inquired as to whether attendees wanted to discuss this today or wait until the next Board meeting.

Mark Halloran offered that the first position noted in the memorandum dated October 17, 2007—*CY 2008 New Position Requests*—for an internal auditor has been discussed before. Mark advised that at the Personnel Committee meeting there was conversation relative to whether there would be savings if the present independent external auditors did some of the work slated for the position being proposed. “Having an internal auditor would save money. I think this position has been long overdue with the volume of business we do.”

Mark Halloran noted that the School Risk Management Representative position is also needed because of the increase in sales. “The present representative travels all over the State.”

Discussion ensued relative to salaries for the two positions. Mark Halloran noted that the consensus at the Personnel Committee meeting was that for the internal auditor position a senior level person would be most desirable.

Jon Steiner commented that at the present time “the biggest line of business is schools; that is where we are seeing the most growth.”

Staff Reports

- Communications – Eleanor Baron reported that the Local Government Center’s Annual Conference is coming up November 7-9. It was noted that about 50% of the registrations have been completed. Eleanor reminded everyone that anyone interested in attending may do so online. Approximately 600 visitors are expected. Eleanor offered that publications related to the conference will be available and that all Board members will receive copies. They are as follows:
 - *New Hampshire Municipal Officials Directory 2007 – 2008*
 - *Basic Law of Town, Village and School District Budgeting 2007 Edition*
 - *Municipal Law Lectures*
 - *Important Dates for Local Officials Calendar*

Eleanor Baron noted that *New Hampshire Town and City* will be featuring *Up Close and Personal* interviews. Eleanor noted that at some point everyone will be contacted with a request to be interviewed for this publication.

Eleanor Baron referred to the *Affiliate Group Service Program* and noted there are presently 24 groups participating and that staff is in the process of completing annual contract renewal meetings with the various boards. It was noted that the following requests for affiliate group status in 2007 were declined:

- The Council for Exceptional Children – New Hampshire Chapter
- New Hampshire Emergency Dispatchers Association
- New Hampshire Land Surveyors Association

Eleanor added that the names of all affiliate groups are available if anyone is interested.

- Member Relations – Jon Steiner noted that the *999 Program* has been implemented. It was explained that groups participating in this program would receive a 9% increase in their workers' compensation rates each year for the next three years. Jon noted that this program was initiated as a tool "to help get the program back to self-sufficiency."

Jon Steiner gave an update on a personnel change at PRIMEX³; there is a new Director. Jon noted that there will be an attempt to meet and discuss coexisting.

- Legal Services and Government Affairs – Maura Carroll noted that there is a new legal services counsel in this department—Dave Connell. Maura noted that Mr. Connell's working career has been with municipalities.

Maura Carroll stated that the department has been busy with the following activities, some of which are workshops, in various venues:

- Budget and Finance
 - School Treasurers
 - Tax Collectors Annual Conference
 - Governor's Advisory Committee on Intermodal Transportation Hearings
 - Junkyard Workshops – These are always well attended.
 - Municipal Law Lectures
 - Selectpersons Institute
 - Office of Energy and Planning Fall Workshop
 - Town Meeting Workshop – This is being planned.
 - Right-to-Know Law presentations
 - Meetings with an ad hoc transportation group
 - Tax Cap Charter amendment in Dover
 - LGC Annual Conference presentations
- Risk Services – Wendy Parker distributed a written report from this department and noted that the most significant information is that the State of New Hampshire's medical benefits program administration will be going to Anthem. "SEA and other unions are not happy with LGC's performance and requested that Anthem not support us. We were negotiated out; however, the reduced administrative fees are still ours. We are helping Anthem on a consulting basis. We will support them; however, we will not play an active role."
 - Personnel Services & Human Resources – Donetta Haley reported that in-house activity at the Local Government Center is slow and stable. "There is only one opening right now."

Donetta Haley acknowledged that Personnel Services is presently very busy. "The wage and salary survey is at the printer right now; hopefully, it will be available before Friday." Donetta noted that if anyone needs information relative to that ahead of time, they should contact her.

Donetta Haley noted that the department has worked on six recruitments and seven pay and classification surveys. With the increase in activity, Donetta stated that she has also been out in the field.

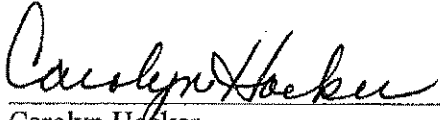
Donetta Haley added that the Human Resources Department at the Fish and Game Department contacted the Local Government Center with a proposal to assist in the hiring of an Executive Director for that organization.

David Caron reminded all attendees to complete and return the *Conflict of Interest* forms to Carolyn Hoeker. There was also a reminder that the next meeting of this Board has been scheduled for December 13th.

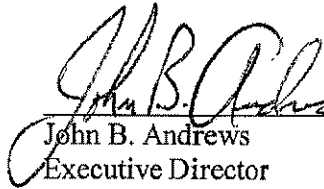
Pam Brenner commented that she was pleased to see that many of the printed items included with the material for today's meeting were double sided. Pam also complemented Maura Carroll and her department for the work they assisted in as part of the Retirement Working Group and the resulting legislation.

Leon Kenison's motion to adjourn the meeting at 12:15 p.m., seconded by Carol Granfield, passed unanimously.

Respectfully submitted,



Carolyn Hoeker
Executive Assistant



John B. Andrews
Executive Director

EXHIBIT C

**LOCAL GOVERNMENT CENTER
BOARD OF DIRECTORS MEETING
Minutes of December 13, 2007**

LOCAL GOVERNMENT CENTER BOARD OF DIRECTORS PRESENT: David R. Caron, Chair, Town Manager, Londonderry; Robert A. Beauregard, Water Commissioner, North Swanzey Water and Fire Precinct; Robert Champlin, Superintendent, SAU #30; Michael J. Cryans, County Commissioner, Grafton County; Peter J. Curro, Business Administrator, Londonderry School District (via phone); James Eich, Selectman, Stark; Thomas Enright, School Board Member, Hollis-Brookline Cooperative School District; Dianna L. Fogarty, Director of Human Resources, Portsmouth; Carol M. Granfield, Town Manager, Meredith; Mark J. Halloran, Vice Chair, Superintendent, SAU #48, Plymouth; Clinton A. Hanson, Jr., Pembroke School Board; Keith R. Hickey, Town Manager, Merrimack; Karen Liot Hill, City Councilor, Lebanon; Edmund F. Jansen, Jr., Selectman, Rollinsford; Leon S. Kenison, Sr., Selectman, Bow; Kevin R. Lee, Teacher, Kearsarge Regional School District; Jessie W. Levine, Town Administrator, New London; Roderick MacDonald, Teacher, SAU #21, Winnacunnet School District; Dr. Phillip G. McCormack, Superintendent, SAU #2, Interlakes School District; Walter L. Mitchell, Esquire, School Board Member, Gilmanton; Timothy L. Ruehr, Business Administrator, SAU #29

STAFF PRESENT: John B. Andrews, Executive Director; Sandal R. Keffe, Deputy Director and Chief Financial Officer; Wendy Lee Parker, Assistant Executive Director for Risk Services; Jon Steiner, Associate Executive Director for Member Relations; Maura Carroll, Legal Counsel; Donetta J. Haley, Director of Human Resources; Richard C. Dwyer, Operations Manager; Carolyn Hoeker, Executive Assistant

CONSULTANT PRESENT: David Howe, Esquire, Legal Counsel, Hinckley, Allen and Snyder

David Caron called the meeting to order at 9:35 a.m.

Review and Action on Minutes of October 17, 2007

Bob Beauregard's motion to accept the minutes of the October 17, 2007 meeting of the Local Government Center's Board of Directors, seconded by Carol Granfield, passed unanimously.

Retirement Committee Report

- **Accept and Place on File the First Actuarial Valuation of NHLGC's Pension Plan**
John Andrews referred to and reviewed the document that was included with the materials for today's meeting—*First Actuarial Valuation of the New Hampshire Local Government Center Deferred Benefit Pension Plan*—and noted that according to the report, which was prepared by the pension actuary Arthur Anderson, the Plan was 100% funded as of January 1, 2007.

Bob Beauregard's motion to accept the document noted above as recommended by the Local Government Center's Retirement Committee, seconded by James Eich, passed unanimously.

- **Amend NHLGC's Retirement Plan Documents by Adoption of the Recommended Amendments**

John Andrews noted that there have been a couple of meetings with the Retirement Committee and the pension actuary. The amendments that are being proposed for the Plan, which were included with the materials for today's meeting, were reviewed in detail.

John Andrews stated that for an employee to be covered, ten years of service is necessary.

A lengthy discussion ensued relative to disability in relation to the Plan.

Tom Enright's motion to send the third and seventh amendments in their entirety back to the Local Government Center's Retirement Committee, seconded by Jessie Levine, passed with one abstention.

James Eich's motion to accept the remainder of the amendments as presented, seconded by Keith Hickey, passed with one abstention.

John Andrews suggested that the third and seventh amendments should probably also be discussed by LGC's Personnel Committee as well as with LGC's Retirement Committee.

Nominating Committee Report

- **Review and Action on Proposed Bylaw Amendments**

Ed Jansen noted that at the October meeting of this Board a number of amendments to the *Bylaws* were adopted. Mr. Jansen stated that at the October meeting a request was made to draft additional amendments to (1) exempt the Chair, as an ex officio member of each standing committee, from the committee attendance requirement; and, (2) clarify that the officers are elected by the Board itself and not the membership. Included with the materials for today's meeting was a document addressing the above-noted request.

A lengthy discussion ensued relative to *Article VI, Section 6.16*. Some clarity was requested as to what constituted a two-thirds majority of the Directors for a vote to remove a Director from serving. Following a lengthy discussion of various scenarios, it was decided to send *Article VI* back to LGC's Nominating Committee for clarification.

Ed Jansen's motion to return *Article VI, Section 6.16*, of the Local Government Center's *Bylaws* to the Local Government Center's Nominating Committee for further discussion and clarification as to how many Directors should be in attendance at a meeting of the Local Government Center's Board of Directors to remove a Director from office, seconded by Leon Kenison, passed unanimously.

Ed Jansen reviewed *Article VII, Sections 7.1 and 7.2* relative to the election of *Officers and Terms of Office*.

Ed Jansen's motion to accept the change in *Article VII, Section 7.1* as presented of the Local Government Center's *Bylaws*, seconded by Jessie Levine, passed unanimously.

Ed Jansen's motion to accept the changes in *Article VII, Section 7.2*, of the Local Government Center's Bylaws, seconded by Carol Granfield, passed unanimously.

- Nomination for Employee Board Member

Ed Jansen noted that the Local Government Center's Nominating Committee received and is recommending the nomination of William Sargent, a Highway Department heavy equipment operator in the Town of Littleton. Mr. Jansen stated that Mr. Sargent has worked in that position for nine years, as well as being a call firefighter for many years. In 2002, Mr. Sargent received the Littleton Employee of the Year award.

Ed Jansen's motion accepting the Local Government Center's Nominating Committee's recommendation of appointing William Sargent to the Local Government Center's Board of Directors, seconded by Jessie Levine, passed unanimously.

Required Resolutions

Sandal Keffe stated that it is necessary for the Board to approve corporate resolutions as noted on the document that was distributed at today's meeting. Sandal explained that these resolutions will enable the Local Government Center to participate in its own pooled risk management programs on the same terms and conditions as members. After reviewing the resolutions in detail, David Caron inquired as to whether any discussion was necessary; there being no requests for that, adoption of the amendments proceeded.

Keith Hickey's motion authorizing that the Local Government Center shall participate in the following self-funded, reinsurance pools operated by subsidiaries of Local Government Center, Inc.:

- HealthTrust
- Property Liability Trust
- PLT, d/b/a Workers' Compensation Trust,

seconded by Kevin Lee, passed unanimously.

Bob Beauregard queried if there are any conflicts of interest here. Sandal Keffe responded that she did not see any.

Bob Beauregard's motion authorizing participation in the *Multi-Year Rate Guarantee Program* for LGC Property Liability Trust, LLC, seconded by James Eich, passed unanimously.

Bob Beauregard's motion authorizing participation in the *Multi Year Rate Guarantee Program* for LGC Property Liability Trust, LLC d/b/a LGC Workers' Compensation Trust, seconded by James Eich, passed unanimously.

James Eich's motion authorizing leasing from Ford Credit and noting that Sandal R. Keffe and Thomas H. Philbin are authorized, directed and empowered to execute and deliver to Ford Credit the contracts, leases and other documents as may be required in connection with vehicle leases for the Local Government Center, Inc., and its subsidiaries, seconded by Bob Beauregard, passed unanimously.

Leon Kenison asked how many vehicles are leased by the Local Government Center. Sandal Keeffe responded that there are about twenty in total; "we own some and others we lease."

Keith Hickey inquired as to whether the above-noted motion should be more generic. Sandal Keeffe responded that this is the way Ford Credit wants this—very specific.

Risk and Health Management Committee

- SB 197

Wendy Parker noted that SB 197 requires employers to continue divorced spouses on an employee's health plan. Wendy added that it is the Local Government Center's Risk and Health Management Committee's recommendation for LGC not to implement this. Wendy added, "We are not subject to the jurisdiction of the New Hampshire Department of Insurance. However, with Delta or Anthem direct, you would be subject to comply."

Wendy Parker distributed letters that were received from four member groups related to the implementation of recent legislation that was passed in the legislature and the decision that had been made by this Board to implement it—HB 790. All of the letters expressed concern that these laws, or any future legislation that the Board may decide to implement, could have a negative financial impact on groups. Also expressed in the letters was the opinion that groups should have a choice as to whether or not they want to participate in any legislation that may have a financial impact and afford groups the opportunity to express their opinions prior to making such decisions.

Wendy Parker noted that legislation related to civil unions will be going into effect on January 1, 2008; we are subject to that.

A lengthy discussion ensued relative to legislation that may be passed and whether the Local Government Center should also comply and follow the lead of the New Hampshire Department of Insurance. Also, there was a question as to why the advocates were thinking there was a need for this. Wendy Parker commented, "This has to do with a payment issue within the family unit. They were looking to expand the payment after the divorce process. I am not sure why they chose to do this."

Dr. McCormack's motion to accept the recommendation of the Local Government Center's Risk and Health Management Committee to not implement SB 197, seconded by James Eich, passed with two abstentions and one opposing vote.

Persomel Committee

- Addition of Internal Auditor and School Risk & Health Management Representative

Mark Halloran noted that the Local Government Center's Board of Directors received reports in October for the two positions noted above. Mark stated that the Internal Auditor recommendation was made for the first time back in 2003; it was thought that this position would make the organization stronger. "I think we should look to strengthen our financial integrity. This would help us contain costs."

Mark noted that it was the recommendation of the Personnel Committee to approve the position for the Internal Auditor. Keith Hickey inquired as to who this person would report to. Sandal Keeffe responded that this person would report to the CFO, Executive Director, the Local Government Center's Finance Committee and the Local Government Center's Board of Directors.

Keith Hickey's motion to accept the recommendation of the Local Government Center's Personnel Committee for approval of the position for an Internal Auditor, seconded by Leon Kenison, passed with one abstention.

Mark Halloran addressed the School Risk Management position. Mark noted that the school business is growing and there is presently only one School Risk Management Representative, Matt Comai. Mark added that Matt covers the entire State; also, there is no backup for him. It was noted that it has come to the point where Matt is having a difficult time handling all the work involved effectively. "I think this is the time to add this position." A brief discussion ensued.

Mark Halloran's motion to accept the recommendation of the Local Government Center's Personnel Committee for approval of the position for a School Risk Management Representative, seconded by Rod MacDonald, passed unanimously.

- 2% COLA Increase/3% Merit Increase Pool

Mark Halloran noted that at the October meeting of the Local Government Center's Board of Directors, there was a recommendation from the Personnel Committee for a 2% COLA increase. However, the Board suggested 1.6%. "As time has moved along, the potential is that the inflation rate will be above 2%. We (Personnel Committee) are still comfortable with 2%; however, the COLA increase was tabled at the October meeting."

Peter Curro stated that in reviewing the budget in total at the last meeting, the Local Government Center's Finance Committee took a different approach. "We were looking at a 4% total increase. The first part would be fixed for COLA at whatever that number would be in November; it would be a fixed increase for all personnel. Then, from that pay up to 4% to use as a performance based year end bonus determined by executive staff or supervisors. It (COLA) would not be used in calculating the salary base."

David Caron noted that there is an updated budget, which was distributed by Sandal Keeffe at today's meeting.

Sandal Keeffe stated that the budget line item change for consultants that was made at the last minute is substantial. Wendy Parker explained that at the last Finance Committee meeting, Tom Enright questioned why all building appraisals are done every three years as opposed to every five years. Wendy noted that, "Lloyds of London does point to five years with applying software adjustments the other years. That is the reason for the difference between the budget that was distributed today and the one that was sent with the mailing."

Peter Curro offered that the proposal the Finance Committee is presenting today is more policy/procedure, or methodology than adjusting the budget. Jessie Levine interjected with, "I

think the Finance Committee's job is not to dictate what the Personnel Committee does. They should not have the authority to dictate. They should not be making any policy procedures. That recommendation should come out of the Personnel Committee."

A lengthy and animated discussion ensued relative to COLA and merit increases and what should be done when the decision of one committee has an impact on the decision of another committee. Following discussion, David Caron stated that the process needs to be formalized. "We are accustomed to the way the municipalities do it. Next year, we will have the rules of the game; that is our goal."

Donetta Haley added, "If a merit increase is not implemented, we will have a problem with employee morale. We work very hard to retain our staff."

Jessie Levine's motion authorizing a 2% COLA raise and merit increases ranging from 0% to 4.5%, with the average being 3%, seconded by Keith Hickey, passed with three opposing votes.

- Addition of Online Training Capacity

Wendy Parker referred to the memorandum from the Local Government Center's Risk and Health Management Committee that was included with the materials for today's meeting—*LGC Academy/Web-Based Learning Tool*.

Wendy Parker noted that at the last Risk and Health Management Committee meeting a presentation was made related to online training, which is attached to the memorandum. "LGC has a significant educational component. Many training sessions are offered regionally and at LGC. It was stated that there are many skill level deficits in smaller communities. This proposal is to develop an online training tool in 2008 that would give us eight to ten web-based classes with one-on-one coaching." Wendy continued on to explain in detail how the program would work and noted that it would be a joint effort with MRI, an organization that presently works with LGC. "Instructors would be used from both LGC and MRI. Supervisors would receive progress reports about the people taking the course. This is the next step in getting out to members."

Wendy Parker advised that the initial investment in the first year would be up to \$80,000. The recommendation is that staff create a fee schedule for each online class to offset the ongoing expenses of the program. Wendy added that it would be about a six-month period before it was in place; it would start in July.

John Andrews noted that other pools have this type of training. "Some have core programs where there is no charge and others have a variable charge."

Robert Champlin queried if there is a charge when trainings are offered at LGC. Wendy Parker responded in the negative. "We would have a fee for this because it is over a long period of time and you want commitment." Wendy added, "We would put it in the risk budget because that is where the claims are being paid. We are looking at this as something to add to the Risk

Management Program and a way to prevent future claims.” Wendy stressed that this would be a combination of online and classroom training.”

Jon Steiner noted, “I do not think \$80,000 is a lot of money when you think about what a single fraud cost could be. I think you have to get people to participate so that it works.”

Rod MacDonald offered that in education and training, this is where things are going. “If it does not work, we can stop it.”

Wendy Parker noted that the trainings would be customized to New Hampshire’s needs.

Further discussion ensued.

Bob Beauregard’s motion to accept the Local Government Center’s Risk and Health Management Committee’s recommendation to implement the LGC/Academy/Web-Based Online Learning Tool, seconded by Rod MacDonald, passed with eleven affirmative and eight opposing votes.

Finance Committee

- Review and Action on Proposed 2008 LGC Budget

Sandal Keeffe reviewed in detail the updated budget that was distributed at today’s meeting and solicited questions.

Discussion ensued.

Tom Enright’s motion to accept the recommended budget as presented, seconded by Jessie Levine, passed unanimously.

- Financial Reports to October 31, 2007

Sandal Keeffe reviewed the financial statements to October 31, 2007 in detail and solicited questions.

Leon Kenison’s motion to recommend that the Local Government Center’s Board of Directors accept the October 31, 2007 Financial Statements for all entities as presented, seconded by Rod MacDonald, passed unanimously.

- Review and Action on Proposed Investment Policy Amendments

Sandal Keeffe noted that as a result of analysis two changes have been recommended to the Local Government Center’s Investment Policy by Wells, Canning & Associates who is retained as an advisor on the investment policy and the selection/evaluation of LGC’s investment manager. It was noted that one recommendation is a change in the allocation for International and Small Cap Equity investments; the other change is to select International and Small Cap Equity investments.

The changes were noted and detailed on a document that was included with the materials for today's meeting.

Leon Kenison's motion to accept the changes of the Local Government Center's Investment Policy as presented, seconded by Tom Enright, passed unanimously.

- Review and Action on 2008 Workers' Compensation Excess Insurance Renewal

Wendy Parker noted that Ryan Isaacs of Arthur J. Gallagher Risk Management Services, Inc., LGC's broker, took the 2008 workers' compensation excess insurance renewal into the marketplace for bid. Mr. Isaacs stated that as the program has matured and membership stabilized, LGC has attracted the attention of the marketplace with multiple competitive options being produced.

Mr. Isaacs reported that the collective recommendation of staff and consultants is to renew with the incumbent carrier, Midwest Employers Casualty Company. Negotiations followed a very successful onsite audit conducted by Midwest underwriting staff. Midwest was very impressed with LGC's policies, procedures, and results. Mr. Isaacs noted that Midwest's confidence in LGC has grown. "Their comment was that LGC has the best loss prevention programs we have seen across the United States."

During discussion, Bob Beauregard queried what the estimated savings would be with Midwest. Sandal Keffe responded that the savings would be between \$55,000 and \$60,000.

Leon Kenison's motion to accept the recommendation of the Local Government Center's Finance Committee and renew with Midwest Employers Casualty Company at a \$750,000 SIR at a rate of \$.1314/\$100 payroll, seconded by Keith Hickey, passed unanimously.

Keith Hickey's motion to enter into Executive Session for the purpose of discussing a personnel matter in the absence of staff at 11:45 a.m., seconded by Jessie Levine, passed unanimously.

Bob Beauregard's motion to exit Executive Session at 11:55 a.m., seconded by James Eich, passed unanimously.

Rod MacDonald's motion to authorize the Chair of the Local Government Center's Board of Directors to execute an employment agreement for the Executive Director, seconded by Bob Beauregard, passed unanimously.

Staff Reports

- Member Relations – Jon Steiner reported that in July twelve new members came on for workers' compensation and three new property liability members. Jon discussed unemployment compensation and a large increase in rates as related to the competition. "We have quoted about twenty groups."

It was noted that Patriot healthcare is now under State supervision and their client base will be taken over by MVP.

- Legal Services & Government Affairs – Maura Carroll reported that all of their fall workshops have been completed and the department is now preparing for the winter and spring workshops. Maura noted that there was inquiry about doing regional dinners again. “We are looking into planning those.”

Maura Carroll stated that preparations are underway for the new legislative session. “There will probably be about 800 bills this session. Also, a lot of time is being spent on retirement (NHRS).” Discussion ensued relative to the NHRS.

- Risk Services – Wendy Parker reported that there have been no losses in the health pool and that three dental groups have been added.
- Personnel Services & Human Resources – Donetta Haley distributed a letter from the Human Resources Assistant, who will be retiring, in the Town of Hanover that was very complimentary to the Local Government Center staff in general and also noting specific staff members and how they have been of assistance during her tenure in Hanover.

Donetta Haley also distributed classification and pay scale information, in addition to performance evaluation criteria, and an update of activities in that department—new hires, promotions/changes, terminations/resignations, job opportunities, professional recruitment services, pay and classification studies, requests for information or assistance, and miscellaneous personnel services.

2008 National Risk Conferences

David Caron directed attention of the schedule of conferences that were listed as item #9 on the agenda for today’s meeting.

Miscellaneous

- John Andrews noted that “we have our first retiree under our new plan. She is leaving on December 28th.” John was referring to Janice Seaver who has been an employee with the Local Government Center for twenty-five years. John complimented Janice on her service and exemplary work ethic.

Bob Beauregard’s motion to adjourn the meeting at 12:25 p.m., seconded by James Eich, passed unanimously.

Respectfully submitted,

Carolyn Hoeker
Executive Assistant

John B. Andrews
Executive Director

EXHIBIT D

--SEALED MINUTES--

ALL BOARDS MEETING

Health Trust/Property Liability Trust/New Hampshire Municipal Association

April 7, 2003

PRESENT:

- **Health Trust Board of Trustees**
Keith R. Burke, Chair, Superintendent, SAU #1
Stephen A. Moltenbrey, Police Officer, Windham
Paul G. Beecher, City Manager, Dover
Robert A. Berry, Assistant Superintendent for School Resources, SAU #27
Roderick MacDonald, Teacher, SAU #21
Robert L. Wheeler, Selectman, Goffstown
Peter J. Curro, Business Administrator, Londonderry School District
April D. Whittaker, Town Manager, Enfield
Timothy L. Ruehr, Business Administrator, SAU #29
Julia N. Griffin, Town Manager, Town of Hanover
Paula Adriance, Interlakes School Board Member
John P. Bohenko, City Manager, Portsmouth
- **Property Liability Trust Board of Trustees**
Pamela A. Brenner, Town Administrator, Peterborough
Robert A. Beauregard, Selectman, Town of Swanzey
Laurent J. Biron, Business Manager, SAU #38
Phillip A. D'Avanza, Selectman, Goffstown
Michael F. Farrell, Town Manager, Hooksett
David R. Caron, Town Manager, Londonderry
David A. Stack, Town Administrator, Pembroke
Diane H. McClave, Selectman, Jackson
- **New Hampshire Municipal Association Executive Committee**
Paul G. Beecher, City Manager, Dover
David R. Caron, Town Manager, Londonderry
Leon R. Kenison, Selectman, Bow
Peter J. Russell, Town Manager, Meredith
Randall H. Bragdon, Selectman, Unity
Charles E. Connell, Town Administrator, Moultonborough
James Eich, Selectman, Stark
John B. Goff, Selectman, Pembroke
Carol M. Granfield, Town Administrator, Derry
Edmund F. Jansen, Jr., Selectman, Rollinsford
Maureen Lemieux, Director Administrative Services, Nashua
Diane H. McClave, Selectman, Jackson
James A. McSweeney, City Manager, Lebanon
George N. Olson, Town Manager, Exeter
Joseph E. Stone, Selectman, Deerfield
April D. Whittaker, Town Manager, Enfield

STAFF PRESENT: John B. Andrews, Fund Administrator/Executive Director; Sandal R. Keffe, Deputy Director and Chief Financial Officer; Wendy Lee Parker, HealthTrust Manager; Jonathan G. Steiner, Property Liability Trust Manager; Donetta J. Haley, NHMA Director of Human Resources; Eleanor Baron, NHMA Communications and Member Services Manager; Shelley Walts, HealthTrust Marketing Manager; Maura Carroll, NHMA Legal Counsel; Gail Wilson, Human Resources Coordinator; Carolyn Hoeker, HealthTrust Administrative Coordinator

CONSULTANTS: Robert J. Lloyd, Esquire, Legal Counsel; James C. Pritchard, President, Pritchard Consulting

Paul Beecher called the meeting to order at 9:40 a.m.

Paul Beecher thanked everyone for taking time from their busy schedules to attend today's meeting "to look at our future. In September or October, we talked about looking at our Boards and the future." Paul referred to the Joint Competition Committee that has had several meetings since October. Paul advised that this Committee was composed of representation from the Boards and staff of the New Hampshire Municipal Association (NHMA), HealthTrust (HT), and Property-Liability Trust (PLT). Paul reported that, "we looked into the future to see how we could make our organization better. James Pritchard was brought in to facilitate that process. Mr. Pritchard will lead us through today's presentation."

Mr. Pritchard advised that, "I will walk you through the recommendation which is in the packet that you were given today." Mr. Pritchard encouraged all attendees to note any questions that may arise during the presentation to be addressed upon its completion. However, "if you have any questions of an urgent nature, you are welcome to ask them as we proceed. We will have the Chairs of the three entities address any additional questions or concerns at the completion of the presentation."

Mr. Pritchard stated that, "this has been a very interesting process to be involved in—helping to come to a common understanding and a plan."

Mr. Pritchard referred to the PowerPoint presentation entitled, "Competition Committee Charge," which is attached to these minutes. Mr. Pritchard referred to page 1, slide 2, where NHMA's history is summarized from 1941 to the present. "Presently, about 2/3's of staff are engaged in risk-management activities. You are a not-for-profit organization." Mr. Pritchard advised that there is a necessity to be aware of your market share of customers and "the competition that is out there. That was the reason for this—to see where the competition is today. Over the years, there have been companies that have come and gone. One group that has stayed is PRIMEX³. That group has spent a fair amount of time to see what we should be worried about. They are marketing STD/LTD; they recruited a former HealthTrust Trustee as a consultant on their staff; a relationship with SchoolCare was formed; they merged with the School Boards Insurance Trust; they have partnered with Harvard Pilgrim to bid health coverage—a recent development; and, they have created a reinsurance company that is based in Washington, D.C.—being domiciled there allows them to use the company for health coverage." Mr. Pritchard added that "they have begun to expand services beyond risk coverage, or directly risk-coverage related; no dues are collected. They also have a significant amount of money."

Mr. Pritchard advised that the Board members that participated in the Joint Competition Committee are noted on page 2, slide 2, of the presentation. "They met along with senior management staff."

Mr. Pritchard commented that "the first meeting of the Committee was on November 18, 2002. I was not at the first meeting. When I did meet with them, it was clear that the group was taking this very seriously. Multiple viewpoints were being presented. At times, there was even dissent."

Mr. Pritchard stated that the Committee participants "pinpointed challenges—i.e., the organization is slow in making decisions; they tend to be siloed, etc. They kept thinking about these things as it went along. Three alternative scenarios were considered as follows:

- No change in structure – Try to put things together internally
- Two-board model
- Single-board and single-organization model

They concluded that the single-board/single-organization model was the best scenario."

Mr. Pritchard advised, "Labor concerns were brought back to the Committee. A meeting was scheduled for January 15, 2003 to discuss labor's concerns and to look for middle ground."

Mr. Pritchard continued with page 3, slide 2, of the presentation and noted the "pros" and "cons" of the single-board/single-organization model. Mr. Pritchard stated that the last item in the "Pros" column—Easiest model to allow staff empowerment—"was discussed a great deal. Staff would be able to take action and make decisions more quickly."

Mr. Pritchard stated that slide 1 on page 4 illustrates each of the three entities—NHMA, HT and PLT—as all being under the Local Government Center. "The name of each entity would be retained."

Mr. Pritchard noted that, "the present organizational features would be maintained:

- Non-profit status
- Membership in NHMA would still be required to participate in risk-management programs."

Mr. Pritchard directed attention to page 5, slide 1. "This is what the transition would look like. It would be a more streamlined structure."

Mr. Pritchard reviewed slide 2 on page 5, which represents the details of the new single Board. "There would be a staggering of initial terms."

Page 6, slide 1, indicates the important components of the new Board governance. Mr. Pritchard noted that, "the NHMA would be relinquishing Trustee appointment and removal power; that would go to the Local Government Center Board of Trustees."

Mr. Pritchard stated that slide 2 on page 6 is a representation "of what the new structure would look like under the proposal. To deal with advocacy issues, a committee would be created made up of twelve municipal representatives and others; they would be elected to this. Their sole job would be for policy. They would be segregated as a separate entity. There would be a President

to 'steer' that committee. There would also be a series of committees. This would make things more streamlined." Mr. Pritchard stated that the Risk-Management Committee would deal with loss prevention and wellness; it would be more of a technical committee. "All of those committees would have a Chairperson appointed by the Local Government Center President."

Mr. Pritchard referred to page 7, slide 1, and noted that, "dues and service revenue would continue. Some would go to 'Municipal Policy Development and Advocacy,' and some would go to all other services of the Local Government Center—i.e., communications, administrative services for all activities, marketing, legal, etc."

Slide 2 on page 7 notes the new proposed Mission Statement. The new proposed Vision Statement is indicated on page 8, slide 1. Mr. Pritchard stated that the Vision Statement depicts "where you would take this organization; this will broaden the mission. This notes that you are not just in the business of creating healthy environments, but you are in the business of doing more. You are serving the public. It is a range of things to help members operate more efficiently. It would be across the board over all groups."

Mr. Pritchard continued on to slide 2 on page 8 and noted that "we do not want to change some of the core values as follows:

- Honesty and integrity
- Service to the members above all else
- Excellence in reputation; being part of something special
- Hard work and continuous self-improvement
- Member driven – a distinction from the competition."

Mr. Pritchard stated that the guiding principles of the organization would be to:

- Maintain openness to change
- Maintain expertise of staff
- Hear and respect unique concerns of all communities of interest
- Stay focused on the mission

Mr. Pritchard advised that, "there are some compelling reasons for going to a single-board model as follows:

- Coalesce around a common vision
- Empower staff to innovate and serve – There was a lot of talk about this. This model would empower staff to do what is necessary. This would get the Board out of micro managing. It would bring people together statewide.
- Improve understanding of varying viewpoints (foster partnerships of members at the local level; create better working relationships among all communities of interest: members, employees and partners) – It will help us to build consensus and understand other parties. They thought that if we can cooperate in the long term, we will see it in communities and get a more win-win mindset.
- Service all the needs of local governments and their officials/employees
- Recognize unique strengths of different participant entities

- Focus on education – There will be a task here and the ‘Year of Education.’
- Create efficiencies in operations
- Maximize use of available resources
- Address future competition
- Streamline governance and committee process – This would allow you to maximize use of resources. Even if competition was not there, this would be a better way to operate; this should provide more comprehensive services – a wide range of services for a wide range of needs. It would be one-stop shopping.

They felt this would create efficiencies. There would be less duplication of the supervisory structure.”

Mr. Pritchard summarized the effect this would have on the organization and employees. “The Committee sees:

- Evolutionary change
- Broader vision of whom we serve
- Greater staff empowerment
- Better coordination of member services, communications and contracts
- Cross-training of staff: a team analogy – team members have their specialties, but can also help others
- One Board – There would be fewer committees and meetings.
- New staff with varied expertise
- No job losses, but jobs may change
- More shared resources for new/expanded services

The Committee acknowledged that it would take time to make it happen.”

Mr. Pritchard stated that “the presentation is a capsule view of the proposal.” Questions or comments were encouraged on any aspect of the proposal.

Bob Wheeler questioned the funding diagram (page 7, slide 1) and requested clarification of the use of income.

John Bohenko referred to page 5 of the presentation and inquired as to whether the twelve school members would also have to be members of HT or PLT. Paul Beecher responded that, “it was the intent that they would be members.” John Andrews stated that “the twelve school members would have to buy a product, but the twelve municipal members would not have to.” Paul added that, “we could make that stipulation.” Dave Caron stated that, “I think we looked at paying dues to NHMA. The same criteria would extend to the school folks.” John Andrews commented that, “actually they do now. They pay dues according to the number of employees.” John Bohenko continued with, “would they still pay dues to NHMA also; would there be a choice? What would prevent someone to drop out of NHMA and have the school department pay the dues?” John Andrews stated that, “I think our current bylaws would prevent that. It has always been a requirement.” Paul added, “to follow up on your question, down the road we will have to look at a lot of different opportunities to increase membership. What you are describing could

be a reality at some time.” John Bohenko continued with, “NHMA just becomes a product. So, if I do not want to buy lobbying services, why should I have to be required to buy it in order to buy the product of HT or PLT?” Keith Burke stated that, “I think the key is to get the groups to work together—synergy.” Paul reiterated that, “it is something that we will have to look at.”

Timothy Ruehr stated that, “it sounds like you are starting to set up bylaws for the new organization, but what about the 2/3’s class requirement. There is only one county person; that one person would have voting power over the whole group.” Paul Beecher commented that, “it is something that would have to be looked at.” John Andrews noted that, “when you are bringing together diverse groups, there is some hesitation that people could be protesting being eliminated from the Board.” Timothy stated, “I understand that.” Keith Burke added, “You raise a good point about the power of that one person. You would probably have to assign that one person into another group.” Paul stated that, “it will have to be worked out.”

Bob Berry queried if there would be two presidents. Paul Beecher responded in the affirmative. “The president of the new Board would be running that one.” Bob continued with, “would our Board still have control over that advocacy group?” John Andrews responded in the negative; “however, they would have control over all the other services.”

Bob Wheeler noted that, “at the local level, whether schools, municipalities or counties, there will be a time of competition for resources. What discussions did you have about getting too far out in front of the local level of combining these two things and getting what you want to attain?” Paul Beecher responded that, “we did have that conversation. We hope with the merging that our service delivery will get better. Our customers should not notice anything happening. We hope it will work out.”

Keith Burke queried, “How do we bring these entities together and create synergy? We have the same goals and goodwill in mind for all our members.”

Bob Berry inquired as to what some comments were from labor. “I would like to know what the pros and cons were.” Steve Moltenbrey stated, “labor does have a couple of things to say about this, but maybe you want to get other questions answered first.”

Ed Jansen stated, “When I look at this organization in the future and look at the Board of Directors composition, there are 232 municipalities. Municipalities would be completely outvoted on this Board. I saw in the past that Board members need some expertise in different areas. You have to be selective of the kind of people you get on this Board. The schools could outvote us in time. I am concerned about the perception that we are not serving everyone.”

Mr. Pritchard reiterated that there may be concerns with perception and expertise.

Paul Beecher advised that “part of that we never did discuss—the perception—and particularly the smaller communities. We tried to get away from that. I carried the same reservations that you have. We are all giving up a lot of something, but in the long run, it will be better for the organization. I see a whole lot of things evolving. I do not know how to answer your question about perception. We will have to think about that.”

John Andrews offered that, "I think we have to be careful and get a cross section of all the communities and make sure all points of view are represented. It is important to maintain that connection of every member. Everyone who serves will have to be conversant of all issues. Everyone will have to learn. It takes about a year until you figure out what decisions have to be made; there will be a training period."

Keith Burke stated, "when we bring people together, we like it to be people with different perspectives; not just a representative of a specific school district or town, but as a whole. It makes our decisions fruitful." Carol Granfield noted, "Following up on your comment, I think it will be important for that group to work as a whole and hopefully these people will be able to do that. The composition may need some tweaking. I think the schools could have a slightly different composition; I think it should be a little less than the municipalities. There should be a few more on the municipality side."

Bob Beauregard noted that, "I think that the perspective we are talking about here is that our two Trusts are one already. I know in our town, I thought it was all one and was shocked to find it was three entities. I think it fulfills what we really are. Tweaking will need to be done."

Dave Stack inquired as to whether there is a population division. "Is there a written breakdown?" John Andrews responded in the negative; "we try to keep more elected officials. I see other leagues have 2/3's of their boards comprised of management. I do not think that is healthy. There are others that have all elected officials."

John Bohenko commented that, "presently, the NHMA Board appoints Trustees of HT and PLT. So, we are really one organization and NHMA is the holding company."

Timothy Ruehr requested to "talk a little more about the Mission Statement. It is the driving force behind the Trust." Keith Burke advised that, "This is the mission of the overall organization. The individual initiatives below that will still have the best product at the best price. This is the mission of the whole entity. We even have different missions of our sub-committees. We think that is part of our strength. We think we can be stronger." Paul Beecher added that, "I think that could be incorporated into the Mission Statement as well. We try to be very cost effective and cost conscious."

Jim McSweeney inquired as to how many SAU's are in New Hampshire. Wendy Parker responded that, "there are about 86; we insure approximately 70." Jim continued with, "we know the makeup of the design represented and the variety that we are talking about; can you share some of the discussion you had?" Paul Beecher added, "HealthTrust is a good example of a diverse Board; from my perspective one as diverse as we are proposing is good. We thought this was representative." Jim asked if this type of makeup would be able to compete with PRIMEX³. Paul noted that, "what we tried to stress in this whole process was to empower staff as PRIMEX³ does. That is the main point here." Keith Burke emphasized that, "I think it is important to note that this is not about PRIMEX³. It is about the changing landscape. We have to find ways to work together. PRIMEX³ keeps us sharp. The focus is on how we can evolve as a total organization to make it stronger and better for members."

Michael Cryans queried if the number of members on the Board was a point of discussion in the meetings that occurred. "That is a lot of Board members." Paul Beecher replied that, "it has not

been resolved. Hopefully, there will be more efficiency.” Keith Burke added that, “it is a matter of perspective. I did not think HealthTrust’s Board would work, but it does.” Dave Caron stated that, “my vision is that this Board would meet about four times a year and operational issues would go to sub-committees.” John Bohenko asked, “has the School Boards Association, or County Association, said anything about this? Has the School Boards Association been asked to come in?” Paul stated, “that is what we are envisioning, but we have not reached out to other groups yet.”

Jim McSweeney inquired as to “what is wrong with the thinking if a community belongs to the Municipal Association, and we are talking about the Local Government Center. School boards are part of the municipalities.” Paul Beecher noted that, “I think that is part of the thinking. We wanted to get this to you as soon as we could. We can create an opportunity here for all kinds of change to occur. In the long run, the change will be given to the towns, cities and schools.” Jim queried if a school employee group would be part of that also. “Why make a distinction?” Peter Russell offered, “There was a lot of discussion about what we do on issues of the different groups. We really did not ‘nail down’ the answer to that.”

George Olson referred to page 6, slide 2, of the presentation and asked about the NHMA Issues Committee; “what is the thought there?” Paul Beecher responded that everyone on the NHMA Board would stay and others may be added.

Ed Jansen stated that, “I like the concept of the Local Government Center.” Ed noted that, “currently, I think all the member towns pay a fee. School boards pay a separate fee; would they pay another membership fee?”

Jim Eich inquired as to whether PRIMEX³ “is the catalyst pushing us into this.” Paul Beecher responded that, “it caused us to look at this. As you sit down and discuss it, and my exposure on HealthTrust, you realize that the evolution part can be something good. We are all living together under the same roof and trying to provide the best service at the best price. If we have the opportunity to bring the School Boards Association and others into this, it would be admirable.” Peter Russell commented that, “if we do this, it would be the first in the country.”

John Bohenko interjected that, “as I understand this, NHMA would set the legislative agenda; they would be the Legislative Committee.” Paul Beecher advised that, “I already admitted my skepticism about this because historically an entrepreneur like this will be greeted with skepticism. However, I think it will work out just fine. Steve Moltenbrey and Rod MacDonald came with their perspectives, and I see things as I would not have seen them. In the end, I think the thing we create will be much better than what we have.”

Steve Moltenbrey noted that, “I do not know who received mailings from various labor unions, but some people did get them. The bottom line is that labor is apprehensive. Some of that may be the result of ignorance, and for others it may be because we are getting out of the comfort zone.”

Paul Beecher introduced Steve Moltenbrey to the attendees. “Steve is a police officer in Windham and President of AFSCME Local 3657.” Steve commented that, “this is the largest union in New Hampshire. I have been a Trustee for four years. It has been an education for me. I have a tendency to try and keep an open mind, but also take into consideration that my

members will be affected. We have different interests and different perspectives. When I hear that we will serve our members better, I wonder if that will happen. My membership likes the silos. There are efficiency issues, but I believe they can be tackled in the present structure.”

Steve Moltenbrey commented that, “my telephone rang all weekend. The messages were that when we start combining the Boards, then the money would be combined. I cannot disagree with that.”

Steve Moltenbrey advised that, “since sitting on the Board, I have seen us pay more attention to members. I know that was being done before I was there. I think this move will reverse that. We want to keep it simple, and we want our health insurance company to stay in the health insurance business. I cannot deny that it makes good sense. If we become more like PRIMEX³, that is not good. PRIMEX³ has never been labor friendly. We will move closer to their structure. I like the Board structure, but I cannot support the concept.”

Paul Beecher responded to Steve Moltenbrey’s statement with, “to allay one of your concerns, I think it would be possible to segregate funds out so that employee contributions would never be used for anything else. I think the monies could be segregated. We will now have a greater responsibility to a varied constituency.”

Keith Burke stated that, “I do not think we are becoming more like PRIMEX³. I think we are trying to become an organization that will be better for our members. Some for-profit companies have had to diversify to stay in business.” Bob Wheeler noted that, “the New Hampshire Retirement System (NHRS) keeps employee and employer funds separate.”

Rod MacDonald commented that, “HealthTrust has always focused on the health insurance package. In the last fifteen years, health insurance has been the biggest issue at the teachers’ association. I don’t want us to lose that focus. I really feel that by combining, we will lose that focus.” Keith Burke replied that, “I do not think we will lose that focus. I think it will strengthen the focus. I think if we stand alone as an individual entity, it will be difficult to meet any competition. By standing together, we can continue to provide good healthcare services. Without this merger, we stand to be ‘bowled over’ by the competition. It may not be until five years from now, but I believe it will occur. I think ultimately, this is better than what we have now.”

Jim Eich inquired as to whether a mechanism could be created to undo this if it does not work. “I think it would be important to at least think about that.” Paul Beecher stated that, “I never thought about that. I think common sense would dictate that. If a consultant came to us and said it is not working, we would change.”

Jim Eich advised that, “I think you should have a neutral consultant to have a look at this for one, two, or three years. I think I would want it audited and not only for finances. There needs to be some mechanism to look at that.”

Bob Wheeler stressed that, “the politics of the situation will determine if it does well. I think the judgment will be in the political arena.”

Jim McSweeney queried if any information relative to this initiative has been sent to groups. Paul Beecher responded in the negative. Jim continued with, "I thought I heard that some groups were able to hear and comment on it." Paul emphasized, "that is not so." John Andrews stressed that, "we have not made a presentation because we thought everyone should get the information together." Maureen Lemieux referred to the meeting on January 15, 2003 where labor concerns were discussed and noted that, "the information we received a few days ago may be what they are talking about." Paul Beecher advised that "others were invited to that meeting, but they did not attend." Keith Burke reported that, "Dave Lang, who is currently President of the Professional Fire Fighters of New Hampshire, was a member of HealthTrust's Board. He knew this was happening. Wendy Parker and I went to talk to him and urged him to stay on the Board and make his voice known throughout the process. He opted to resign. You have to decide how much weight his perspective should have been given." Paul Beecher added that, "Dave Lang was a good Board member for many years and brought good perspectives to the meetings. Instead of working with HealthTrust, he has chosen to file a lawsuit on right-to-know issues."

Chuck Connell noted that, "my concern is dilution as well. I realize very much that as a municipal government we need health insurance. As a partner, we need good relationships with the school districts. I realize in the interest of attracting our employees, we need an open and honest dialogue with labor groups. If you talk about schools, we very often share common goals. There seems to be a number of groups that represent their interests. My question is, who represents municipal government? The smaller the town, the more they look to NHMA for a voice in those interests that are municipal and are sometimes at odds with others. Through the structure you are recommending, the focus is diluted. Municipal and county government would be at odds. I am concerned about who is left to represent the interests of municipal government."

Paul Beecher stressed that, "NHMA will not go away. Everyone has their own constituent groups. We did not want to lose what NHMA is. What you said were my concerns in the beginning. I want to see if we deliver better services, products and prices than before. I do not think you will lose anything in doing this. The NHMA Board stays intact."

Dave Caron stated that, "if you look at what we provide, the bottom line is if communities are less efficient, costs rise. Where do I get these dollars from? We are asking NHMA to work for municipalities. We have to work more as a partnership and hard decisions will be made easier."

Mike Farrell noted that, "I have been on the Competition Committee and on the PLT Board for eight years. As part of the Competition Committee, I do not agree with a lot of the details. That will have to be worked out. I do believe that we are a very bureaucratic organization and one Board is the way to go. I have had a lot of experience of competing with PRIMEX³. Like it or not, we are competing with PRIMEX³. If we do not meet the competition, we will not survive. The police are saying they do not want representation on the Board. If that is what they want, then maybe we should give them that. If we do not get rid of the silos, we are going to lose the farm." Keith Burke stated that, "I do not think Steve Moltenbrey said he does not want representation."

Chuck Connell asked, "I heard you say, there will be NHMA as a separate entity. Does this take municipal government out of the decision-making process?" Paul Beecher replied in the negative. "I thought that at first. It was pointed out early on that Steve Moltenbrey and Rod

MacDonald have their own organizations for their constituents. NHMA becomes a separate lobbying group. It does not go away, but it is different.”

Phil D’Avanza stated, “a thought on the municipal level; the Policy Committee currently deals with municipal issues. We have officials from municipalities on the Policy Committee. Will we now have school officials?” Paul Beecher responded in the negative. “We have to look at our representatives as a Trust. If you think about it long enough, we are now looking out for two different sets of customers, but the interests are the same.”

Bob Beauregard noted that, “as a Selectman in a small town, we are in politics, like it or not. We have to look out for the good of all—i.e., taxpayers, employees, etc.—within our money constraints. We do the best we can to strike a balance between everyone’s needs. I think that is the strength the new organization would give this new organization. We deal with this issue all the time. I would urge this group to support the new organization.”

Steve Moltenbrey emphatically stated that, “I never represented that the police did not want to sit on the Board. We do want to sit on it. We presently have a voice, and we feel we would be losing it to some degree. That is what is going to distance the organization from labor. We want a voice.”

Mike Farrell stated that, “I apologize if that is not what was said.”

Dave Stack clarified that “Steve Moltenbrey did not want anything to do with issues other than for health insurance. Now we have to work out the details.” Dave inquired as to where the training goes; “is it under NHMA?” Paul Beecher stated that, “it stays. You will still have Maura Carroll doing what she does.”

Chuck Connell referred to page 7, slide 1, of the presentation and stated that, “Now the decisions will be split.” Paul Beecher noted that, “NHMA is member driven. That will not go away. The organizational structure under this is the key thing. If in the future, we are not providing better and more effective service to our customers, then we will go back to what we were. We are trying to listen to Steve Moltenbrey’s concerns. This will be an experiment.” Chuck continued with, “the Municipal Association was formed to provide service to communities. Are we transitioning from a municipal association providing service to an insurance organization?” Paul Beecher reiterated that, “the NHMA is not going away. They have a responsibility to 234 communities. They provide lobbying services and policies that our constituents vote on. We will have to do that.” Chuck emphasized that, “I am not speaking against this. I am faced with a concept today that you have been working on for months.”

Leon Kenison noted that, “I am a Competition Committee member. We want to sell business products to remain competitive and giving the least cost product to our people. We need to migrate from a government model to a business model. I think that needs to be done to remain competitive—i.e., a single Board. There seems to be only one way to go here to provide better value.”

Jim Eich stated that, “in a lot of the brochures that I see in the town office, it seems like they (PRIMEX³) are trying to get into our business.” Paul Beecher commented, “That was addressed early on in the discussions. They have always and still are trying to be competitive with NHMA.”

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Peter Russell stated that, "some people said 'why bring this forward.' A number of years ago, we considered having a product that would join health insurance and Workers' Comp together. That would take a vote by each group. Under what we are talking about, it would be only one group that would decide. Right now, it would probably take about six to twelve months to bring a product on board. Under the new structure, it could be brought forward quickly."

Ed Jansen commented that, "years ago, PLT was not an insurance company; we were an insurance pool. Now we are talking about insurance companies. Is there a change from an insurance pool to an insurance company?" John Andrews stated that, "currently, you are incorporated; you need some corporate person." Ed reiterated, "Is there a change here? Will we still be an insurance pool?" John responded in the affirmative.

Timothy Ruehr interjected with, "I have heard a couple of people say, it is not run like PRIMEX³. How does this change put us in a better competitive stance? Right now we are very different from PRIMEX³. From the members' standpoint, how does this differentiate us?" Paul Beecher replied that, "PRIMEX³ has not had a good relationship with labor. To the customer's eye, nothing should change. We hope to provide better service by getting the staff together and having one person go out and talk to a municipality or a school. I do not look at it as competition


except to provide better services. Timothy clarified, "so members will only have to call one person to get everything." Paul responded in the affirmative.

There being no further business to discuss, the meeting was adjourned at 12:00 p.m., and all Boards entered a meeting for their respective Board to further discuss and vote on the issue at hand.

Respectfully submitted,



Carolyn Hoeker
Administrative Coordinator



John B. Andrews
Fund Administrator

EXHIBIT E

**LOCAL GOVERNMENT CENTER
BOARD OF DIRECTORS MEETING
Minutes of June 2, 2011**

LOCAL GOVERNMENT CENTER BOARD OF DIRECTORS PRESENT:

Mark Halloran, Chair, Supt SAU #48	Damren, Allen R., Asst Sup, SAU #6
Abraham, Michael, Teacher, SAU #49	Eich, James, Selectman, Start
Allen, Susan, School Board, Gilford	Enright, Thomas, School Brd, Hollis-Brookline SD
Brenner, Pamela, TA, Peterborough	Fournier, Stephen, TA, North Hampton
Bynum, Ben A., Deputy TC/Deputy TC, Canterbury	Hickey, Keith R., TM, Merrimack
Calhoun, Jack, School Brd, Harrisville	Jansen, Edmund F., Jr., Selectman, Rollinsford
Caron, David R., TM, Londonderry	Lee, Kevin R., Teacher, Kearsarge Regional HS
Clark, Michelle, BA, Hopkinton SD	Levine, Jessie, Asst TM, Hanover
Connelly, Shelagh, Selectman, Holderness	McCormack, Phillip G., Supt, SAU #2, Interlakes
Curro, Peter J., BA, Londonderry SD	Myers, Scott, Mayor, City of Dover

STAFF PRESENT:

Carroll, Maura, Executive Director	Koscielniak, Stacy J., Coordinator, Graphic Design
Cone, Nancy, Mgr Risk & Control Assessment	Mandrake, Jaclyn, Director, HR
Frydman, David, General Counsel	O'Connor, Merelise, Dep Dir for Member Svcs
Hoeker, Carolyn, Exec Asst, Risk Pool Ops	Parker, Wendy, Dep Dir for Risk Pool Ops
Horne, Kerry A., Advisor, Health & Safety	Silva, Judy, Dep Dir for Legal Svcs & Gov Affairs
Kaplan, Daniel, CIO	Weden, Scott, Manger, Health & Safety
Keeffe, Sandal, Deputy Exec Dir, CFO	

Mark Halloran called the meeting to order at 9:35 a.m.

Maura Carroll introduced Daniel Kaplan, the new Chief Information Officer.

Mark Halloran welcomed Shelagh Connelly, a new Board member and Selectman from Holderness, NH.

Jack Calhoun announced that this would be his last meeting due to his resignation from the Harrisville School Board. He also announced the passing of Walter Peterson and spoke of his service to the State and his community. Pam Brenner also spoke about his service to Peterborough and his frequent visits to her office to check on local activities.

Review and Action on Minutes of March 3, 2011

Stephen Fournier's motion to accept the minutes of the March 3, 2011 meeting of the Local Government Center's Board of Directors, seconded by Allen Damren, passed unanimously.

Staff Updates

- **Finance & Facilities** – Sandal Keeffe offered to answer any questions related to the April financial statements. The RFP for actuarial services for the *Defined Benefit Pension Plan* was being issued on June 3rd.
- **Risk Pool Operations** – Wendy Parker gave an overview of current staff activities. Wendy Parker stated that physical and desktop updates to appraisal information are underway. Based on information from other municipal leagues, none had a threshold for conducting physical appraisals as low as the \$25,000 that the LGC set as the limit. Most of them had limits of

\$500,000 or more. While still lower than many other leagues, it was determined that \$100,000 was a reasonable minimum that would not subject LGC to unnecessary risk. One fifth of LGC's membership will have physical appraisals conducted over the next few months by American Appraisals, and the other four-fifths will have "desktop" appraisals done. When appraisals are completed, the data will be provided to LGC and made available to groups in early October.

- Legal Services & Government Affairs – Judy Silva reported that legal services attorneys have been doing New Officials' workshops, and legislative staff is still focused on late session activities, committees of conference, etc. Judy advised that pension reform is going well and the focus is on getting a reasonable package passed. The intent of the legislature is to keep towns from having to contribute more money than if the state was contributing 25% of the employer share as it did this fiscal year.

Judy reported that the Superior Court found for the State in the 28-A lawsuit and that it will now be appealed to the Supreme Court.

- Member Services – Merelise O'Connor noted that a conditional offer was made for the Member Relations Manager position. Merelise directed attention to the booklet, *LGC: Facts and Myths*. She noted that the publication was mailed yesterday to members with its purpose being to debunk some of the myths that exist about LGC.

Merelise reported that staff have been visiting groups and providing information to them, and added that she has visited with about a dozen employers and will continue to do that. Staff and Board members attended the Tri-State ASBO Conference in Vermont. Staff is busy with the wage and salary survey and the upcoming Annual Conference in November. Merelise stated that ten scholarships from the John B. Andrews Scholarship program are being awarded to high school seniors.

Authorized Check Signers – Add Daniel Kaplan, CIO

Sandal Keeffe noted that all of the Leadership Team has check-signing authorization and Daniel Kaplan, the new Chief Information Officer, should also be given that authority.

Keith Hickey's motion to add Dan Kaplan, Chief Information Officer, as an authorized check signer, seconded by Stephen Fournier, passed unanimously.

Update on Strategic Plan

Maura Carroll listed the goals and objectives of the Strategic Plan. Tasks that have already been completed were discussed and progress was reported by each member of the Leadership Team.

Ratification of Waiver of Bylaws Provision

Presently, a two-year lock out is required if a group leaves LGC. Merelise O'Connor noted that Primex is exiting from the business of health coverage. This provides an opportunity to recapture business if the two-year lockout requirement in the *Bylaws* is waived.

Scott Myers' motion to waive the provisions of Section 4.6 (a) and (b) of LGC's *Bylaws* so far as is required to permit former LGC HealthTrust participants to return to HealthTrust coverage prior to the expiration of the two-year lockout period because the former participant has health coverage from Primex and wants to obtain new health coverage as a result of Primex's decision to cease offering health coverage in the future, seconded by James Eich, passed unanimously.

Report of the Finance Committee

- Audit Report – Peter Curro asked for approval of the draft audit that was enclosed with the materials for today’s meeting for all entities of the organization. He stated that the audit was clean and added that there were no problems with staff or partners in accumulating information.

Keith Hickey’s motion to accept the 2010 draft audit at the recommendation of the Local Government Center’s Finance Committee, seconded by Ed Jansen, passed unanimously.

Sandal Keeffe stated that additional notes will be recorded in the audit to report on actions the Local Government Center’s Board of Directors took subsequent to December 31, 2010.

- Resolutions – Maura Carroll stated that it has been suggested by members that something be done to acknowledge the money that was transferred from HealthTrust to Workers’ Compensation. The recommended action to the Board is to transfer money back to HealthTrust from the Workers’ Compensation program (with interest). \$17 million would be transferred back to HealthTrust over time in recognition of the support it offered to the Workers’ Compensation program and will ultimately benefit LGC HealthTrust members with rate stability. Maura added that the transfer reflects the process used for the original transfer of funds—money was provided directly to Workers’ Compensation from LGC HealthTrust and now will be repaid to LGC HealthTrust from the Workers’ Compensation program.

A lengthy discussion ensued relative to the proposed resolutions and whether to charge interest.

Pam Brenner moved to accept the resolution before the Board relative to transferring money from the Workers’ Compensation program to HealthTrust in the amount of \$17 million with an agreed upon interest rate, seconded by Keith Hickey.

A lengthy discussion ensued relative to the transfer and whether the transfer should include interest. David Frydman pointed out that the loan would be drafted as a contingent liability, and it would be paid by the Workers’ Compensation program before any surpluses are returned to members. Maura Carroll explained that staff is trying to be proactive and make a good faith effort in dealing with this issue by drafting a loan. There was also discussion as to whether the Workers’ Compensation program can ever be successful and self sustaining. Staff indicated its belief that over time the Worker’s Compensation program can be successful and would be able to pay back the funds.

Following the discussion, Pam Brenner requested that her motion stand, but to withdraw any reference to the payment of interest.

Pam Brenner’s motion to accept the resolution that was before the Board relative to transferring \$17 million from the Workers’ Compensation program to HealthTrust over time (that has been used to support the program), seconded by Keith Hickey, passed with one abstention by Peter Curro.

Peter Curro requested that it be noted he is opposed to the Motion due to the formal nature of the process. He believes that the matter should be treated more informally by simply tracking the repayment on the financials, but not creating a formal loan document.

Tom Enright's motion for zero interest on the note referred to in the amended resolution, seconded by Keith Hickey, passed with three opposing votes by Peter Curro, Stephen Fournier and Michael Abraham.

David Frydman stated that the amended resolution will not reference interest.

The question arose relative to how this transaction would be reflected in the financial statements and an audit. Sandal Keeffe stated that she had discussed this matter with the auditors, Berry, Dunn, McNeil and Parker and would continue to do so before the legal documents are executed.

- Investment Advisory Firm – Peter Curro noted that the Local Government Center's Finance Committee solicited proposals for a new investment advisory firm and recommends "Strategic Asset Alliance."

Peter Curro's motion to accept the recommendation of the Local Government Center's Finance Committee to engage "Strategic Asset Alliance" as the Local Government Center's new investment advisory firm, seconded by Stephen Fournier, passed unanimously.

- Reinsurance Report – Wendy Parker reported that reinsurance negotiations are still in progress and rates are flat.

Report of the Personnel Committee

Jessie Levine noted that the Local Government Center's Personnel Committee has been working on two projects, the:

- Pay & Comparability Study, and the
 - Personnel Policy
- Pay & Comparability Study – In April, Condrey and Associates, Inc. was retained by LGC to:
 - Review and revise the current classification system and pay plan for all employees
 - Collect published wage survey data
 - Produce a recommended pay plan based on job analyses, job evaluations, and wage survey data
 - Conduct an internal equity analysis for the organization

Maura Carroll explained in detail the results of the study. It was noted that the Local Government Center's Board of Directors appropriated \$150,000 for implementation of the study and the Personnel Committee's position was that the amount was meant to fund an entire year of the study. The Committee's recommendation is to fund the implementation for the remainder of the calendar year 2011 at \$74,998.

Discussion ensued about being sensitive to the economy and the members LGC serves. Also addressed was where people are seeing raises provided in towns, cities and schools. The point was made that step increases do not exist at LGC as they do in some schools and municipalities.

Jessie Levine's motion to accept the recommendation of the Local Government Center's Personnel Committee to implement the "Pay & Comparability Study" for the remainder of calendar year 2011 at \$74,998, seconded by Allen Damren, passed with one opposing vote by Peter Curro.

Personnel Policy

Jessie Levine stated that a revised personnel policy was discussed at the Personnel Committee meeting. She stated there were various items the Committee questioned and some changes were adopted at the meeting.

Tom Enright's motion to accept the Local Government Center's Personnel Committee recommendation to implement the revised Personnel Policy, seconded by Stephen Fournier, passed unanimously.

Allen Damren complimented Jaclyn Mandrake for the excellent job she did on the revised Personnel Policy. Allen also made note that he was pleased that military leave was recognized in the policy.

Risk and Health Management Committee – *Slice of Life* Program Changes

Tom Enright reported on what was discussed at the Risk and Health Management Committee meeting related to the costs and changes that are being proposed for the *Slice of Life* health management program. Tom advised that there are three areas where significant changes are being proposed. He noted that if health claims continue to increase, \$75 million could be added to health cost claims without anything else changing. Tom added that the Center for Disease Control advised that 75% of claims have to do with lifestyle, and this is an area where we can make improvements. Members need to be involved in their health. Tom stated that three quarters of program costs go back to those who participate in it.

Merelise O'Connor introduced staff members, Scott Weden, Kerry Horne and Stacy Koscielniak. Kerry and Stacy did a comprehensive presentation of the proposed program for 2012 and the changes that are anticipated.

Following the presentation, discussion ensued relative to the recommended changes.

Tom Enright's motion to accept the recommendation of the Local Government Center's Health and Risk Management Committee to approve staff's proposal on health management and the *Slice of Life* program changes as presented in addition to the 2012 budget of \$5,998,633 to support it, seconded by Jack Calhoun, passed unanimously.

Report of the Retirement Committee

- Defined Benefit Pension Plan Resolutions – David Frydman stated that there was a need for the Board to adopt amendments to the LGC Defined Benefit Pension Plan and a restatement of the Plan.

Discussion ensued.

Peter Curro's motion to accept the recommendations of the Local Government Center's Retirement Committee to adopt the following actions:

- Approve, confirm and ratify the Third and Fourth Amendments to the plan as discussed, and
- Approve and adopt the plan restatement that was included with the materials for today's meeting, which accurately incorporates all of the amendments adopted by the Board,


seconded by Keith Hickey, passed unanimously.

- Actuarial Valuation of the Defined Benefit Pension Plan – It was noted that this report was included with the materials for today's meeting.

Stephen Fournier's motion to accept the *Actuarial Valuation of the Defined Benefit Pension Plan* document, seconded by Keith Hickey, passed unanimously.

There being no further business to come before the Local Government Center's Board of Directors, Peter Curro's motion to adjourn the meeting at 12:15 p.m., seconded by Keith Hickey, passed unanimously.

Respectfully submitted,



Carolyn Hoeker
Executive Assistant



Maura Carroll
Executive Director