

MASSACHUSETTS MEDICAL MALPRACTICE
REINSURANCE PLAN

INVESTMENT COMMITTEE

Minutes of a Meeting
Friday January 25, 2008

A Meeting of the Investment Committee of the Massachusetts Medical Malpractice Reinsurance Plan (“MMMRP”; the Plan) was held at the office of Robert White Associates, 11 Beacon Street, Boston, MA on Friday January 25, 2008 at 10:00AM.

The following members were present:

Peter F. Kiely, Chairman
John W. Tympanick
James R. Bacon (*via conference call*)
John S. Coldiron, MD

The following MMMRP Staff/Consultants were present:

William T. McGrail, CEO
Dolores M. Ivester, Director of Administration

Ned Dublio, Smith Barney/ Citigroup/Dubilo & Hill
Frank Hill, Smith Barney/ Citigroup /Dubilo & Hill
Scott Notargiacomo, Smith Barney/ Citigroup /Dubilo & Hill

William K. Fain, Sr. Portfolio Manager, Madison Scottsdale (*via conference call*)
Jamie LaScala, Vice President, Delaware Investments (*via conference call*)

Mr. Peter Kiely called the meeting to order at 10:10AM. Dolores Ivester kept a record of the proceedings.

1. Meeting Minutes

Minutes to the previous meeting dated October 23, 2007 had been distributed. A **motion** was made by Mr. Tympanick and duly seconded by Mr. Bacon to accept the minutes as written. The motion passed unanimously.

Mr. Notargiacomo distributed a *US Bank Account Summary* report as of 1/23/08 to all in attendance and a copy is included with the minutes. He reviewed the report and noted that even with the volatile market conditions the total Portfolio had dropped only \$250K since 12/31/07.

2. Conference Call – Mr. William Fain, Sr. Portfolio Manager, Madison Scottsdale

At this time, Mr. William Fain of Madison Scottsdale joined the meeting by conference call. He discussed the phases of the volatile market over the past several months including the unprecedented swing in Treasuries and noted the Portfolio maintained its income stream relatively well. The committee briefly discussed the Plan's need to withdraw cash from the Portfolio over the next two years. More specific details related to duration and cash needs will be discussed with Mr. Fain within the next two weeks on a separate call from the Plan. Mr. Fain explained he is comfortable with the risk, duration and credit profiles of the Portfolio at this time considering the market conditions. Mr. Fain responded to committee questions regarding mortgages, municipal bonds and debt market noting that credit rating agencies are using older models no longer applicable to today's market conditions. In conclusion, Chairman Kiely expressed his gratitude to Mr. Fain on his outstanding performance steering the Portfolio through an extremely difficult market time. Mr. Fain ended his conference call at this time.

3. Conference Call – Ms. Jamie Scala, VP, Delaware Investments (International Equity)

Ms. Jamie Scala joined the meeting by conference call at this time. Mr. Notargiacomo introduced Ms. Scala and asked her to report on the International Equities portfolio. Ms. Scala discussed the various sectors of the Portfolio noting a reversal in several sectors since her last report to the committee earlier this year. Specifically overweighting and strong stock selection in Industrials, Telecoms, Energy and Consumer Staples sectors contributed to strong returns in the 4th quarter. She noted the industry saw a jump of \$20 in oil prices. Sub-prime mortgage issues contributed adversely to the Financial sector results. She discussed several new securities added

during the 3rd and 4th quarters as well as weighting changes in existing securities. Ms. Scala responded to questions regarding country allocations, benchmark, hedging and International Equity ADR. She noted that exchange rates in the 4th quarter were mostly beneficial for international investing. Mr. Notargiacomo thanked Ms. Scala for her work on the Portfolio and the conference call ended. Chairman Kiely asked for clarification regarding ownership of Mondrian and Dubilo & Hill responded they will report back to Mr. Kiely. The committee discussed Delaware's match to EAFE benchmark in the European market and a possible need for another manager for emerging markets.

4. Citigroup / Dubilo & Hill –4th Quarter 2007 Review

Copies of a report titled *Global Economic Update* were distributed to all in attendance and a copy is included with the minutes. Mr. Ned Dubilo reviewed the *Global Economic Update* report which included topics of Global Liquidity Crisis, Health of Financial Markets, Global Fixed-Income Outlook, and Global Equity Outlook.

Mr. Frank Hill distributed a *Cash Flow Modeling* report and *Proposed Equity Allocation* chart to all in attendance and a copy of each is included with the minutes. Mr. Hill reported the figures in the *Cash Flow Modeling* report reflected the cash needs of the Plan as had been previously discussed with Mr. McGrail and Mr. Edwards. Mr. Hill discussed various options of how to withdraw the cash from the two portfolios (Bonds/Equity) including difficulty encountered when an equity asset class would fall below the manager minimum. The *Proposed Equity Allocation* model reflects the elimination of individual equity asset managers by using ETF's. Mr. Hill noted this model is not a recommendation at this time, but was prepared as a concept for discussion purposes based on the revised cash flow of the Plan. The committee will need to decide on any change to equity allocations including whether to modify the current 80/20 asset split. The committee discussed the conceptual equity allocation model as it related to cost, passive management approach, risks and asset classes. Mr. Hill distributed three Global Wealth

Management Traditional Asset Classes models to all in attendance and a copy of each is included in the minutes. Mr. Hill discussed the models including the Historical Performance for Strategic Allocation section shown for each. Mr. Hill stated that based on projected cash flows, it is Dubilo & Hill's recommendation that the committee strongly consider this type of change for the equity portfolio. A **motion** was made by Mr. Tympanick and duly seconded by Dr. John Coldiron that the committee should move forward with this alternate equity allocation project and request that Dubilo & Hill produce a final equity allocation model utilizing ETF's for the Plan. The motion passed unanimously. Mr. McGrail noted that Dubilo & Hill would have to also determine how this change would affect the Investment Policy Statement. The committee briefly discussed ETF liquidation and tax consequences. Mr. Tympanick suggested Mr. Edwards be consulted for any tax implications as a result of this alternate equity allocation revision. It was agreed that the next meeting be scheduled as soon as possible and based on member schedules could be held the last week of February or early March. The purpose of the meeting would be to review and approve a revised equity allocation as discussed and voted in today's meeting and modify the Bond/Equity split if needed. Dubilo & Hill will send proposed dates for the meeting to Ms. Ivester who will coordinate with the committee to select a final date. Lastly, Mr. McGrail stated that going forward if the committee continues a meeting following the departure of Dubilo & Hill representatives, only topics that do not affect Dubilo & Hill would be discussed.

Adjournment

A **motion** was made and duly seconded to adjourn the Investment Committee meeting at 11:30am. The motion passed unanimously.

A true record transcribed on February 1, 2008.

ACTION ITEMS

- Dubilo & Hill will supply proposed meeting dates asap to Ms. Ivester for late February or early March.
- Ms. Ivester will coordinate with Investment Committee members to select final meeting date.
- MMMRP and/or Dubilo & Hill will contact Mr. Fain to discuss cash flow as it relates to the Bond Portfolio as soon as possible.
- Dubilo & Hill will respond to Mr. Kiely's question on Mondrian.
- Dubilo & Hill will prepare a revised equity allocation model for MMMRP utilizing ETFs as voted by the Investment Committee.
- Dubilo & Hill will determine how the revised equity allocation would affect the Investment Policy Statement.