

MASSACHUSETTS MEDICAL MALPRACTICE
REINSURANCE PLAN

INVESTMENT COMMITTEE

Minutes of a Meeting
Friday February 29, 2008

A Meeting of the Investment Committee of the Massachusetts Medical Malpractice Reinsurance Plan (“MMMRP”; the Plan) was held at the MMMRP Executive Offices, 95A Turnpike Road, Westborough, MA on Friday, February 29, 2008 at 10:00AM.

The following committee members were present:

Peter F. Kiely, Chairman *(via conference call)*

John W. Tympanick

James R. Bacon

John S. Coldiron, MD *(via conference call)*

The following MMMRP Staff/Consultants were present:

William T. McGrail, President/Chairman

Dolores M. Ivester, Director of Administration

Moe Edwards, CPA, CFO

Ned Dublio, Smith Barney/ Citigroup/Dubilo & Hill

Frank Hill, Smith Barney/ Citigroup /Dubilo & Hill

Scott Notargiacomo, Smith Barney/ Citigroup /Dubilo & Hill

Mr. Peter Kiely called the meeting to order at 10:05AM. Dolores Ivester kept a record of the proceedings. Mr. McGrail announced a role call to accommodate the members on conference call. Mr. Kiely noted the purpose of the meeting was to review and approve a revised equity allocation for the Plan and asked the Dubilo & Hill representatives to begin their presentation.

A presentation titled *Equity Portfolio Review February 29, 2008* had been distributed to all in attendance including Mr. Kiely and Dr. Coldiron and a copy is included with the minutes.

1. Dubilo & Hill Portfolio Review Presentation

Mr. Frank Hill reported the portfolio valuation on 2-25-08 at \$56M and referred to a *Proposed Equity Asset Allocation* percentage chart indicating a target rate of return of 10%. It was also noted that \$2.9M of the portfolio had been distributed to the Plan in January 2008.

Mr. Hill reviewed a global model shown under Tab2 as the basis of the newly proposed equity allocation, noted the model includes additional asset classes not currently held by the Plan, and discussed the historical performance data. Mr. Hill explained the Zephyr style tables of *Summary Statistics* and *Correlation Matrix* tables. The committee asked questions, discussed the proposal including the projected rate of return of 10% and concluded it was reasonable based on the IPS limitations, model selected and history of Plan's current 80/20 asset allocation.

Mr. Hill discussed the *Proposed Passive Equity Allocation* under Tab3 which shows the actual ETF's selected for the portfolio. In response to questions, Mr. Hill discussed the differences in selected ETF's versus the asset classes in the model.

Mr. Hill reviewed the cost structure of the new proposal versus the existing portfolio noting the decrease in fees would approximately offset year-one liquidation costs. Specific questions on Sungard fees were answered and Mr. Edwards answered questions related to tax implications.

Mr. Hill discussed factors to consider for rebalancing that included rates of return, historical returns, and current market conditions. The committee discussed time period for rebalancing both asset classes and percentages and also re-visited the proposed annualized 10% rate of return noted for a 20 year period. Mr. Bacon does feel the proposed return is aggressive given current market and economic conditions. Dubilo & Hill will continue to provide quarterly reports separately for the bond and equity portfolios as well as total portfolio and suggest rebalancing as needed quarterly. The committee discussed looking back longer than 20 years historic data (specifically S&P index) and Dubilo & Hill agreed to provide the data.

2. 10 Minute Recess

3. Portfolio Review continued

Mr. Hill obtained Standard and Poor's historic data 1950-2006 and a copy was provided to all in attendance as well as included with the minutes. The data produced average annualized total return for fifty years of 11.9%, gross of management fees and expenses. The committee agrees that 10% is a reasonable rate of return to establish for a 20 year period given the asset classes selected. A **motion** was made by Mr. Tympanick and duly seconded by Mr. Bacon that the committee recommend that the Plan convert to an all ETF strategic equity portfolio which assumes a 10% annualized twenty-year rate of return as presented today by Dubilo & Hill. The motion passed on a unanimous vote. Mr. McGrail invited and confirmed that Chairman Kiely will attend the upcoming Governing Committee meeting on March 20 to present the recommendation.

4. Meeting Minutes

Minutes to the previous meeting dated January 25, 2008 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.

5. Mr. Ned Dubilo suggested that the committee vote to include the proposed 10% equity rate of return in the Investment Policy Statement (IPS) and Mr. Scott Notargiacomo suggested the change be made in the section titled Specific Investment Goals. A **motion** was made by Mr. Tympanick and duly seconded by Mr. Bacon to change the current IPS under section Specific Investment Goals to include the proposed 10% annualized equity rate of return for a twenty year period as recommended and voted in this meeting. The motion passed unanimously.

6. Mr. Notargiacomo indicated liquidation of current portfolio could be completed in 7-10 days. Mr. McGrail noted that liquidation must be subsequent to approval of Governing Committee following their upcoming March 20 meeting. Mr. Notargiacomo will coordinate needed paperwork for Mr. McGrail's signature(s).

7. Mr. Bacon requested that Dubilo & Hill produce due diligence reports to the committee for each of the ETF's in the proposed portfolio. The committee discussed if any of the vehicles in the proposed portfolio conflict with the IPS especially its restriction of commodities. A **motion** was made by Mr. Tympanick and duly seconded by Mr. Bacon to modify the IPS to clarify that direct ownership of commodities is not permitted. The motion passed unanimously.

8. Dr. Coldiron exited the meeting at 11:30AM prior to adjournment.

9. The committee suggested contacting Mr. William Fain, Madison Scottsdale bond manager, by phone to discuss the Plan's upcoming cash needs. Ms. Ivester called and reported that he was out of town and unavailable until Tuesday. Mr. McGrail, Mr. Edwards and Mr. Notargiacomo will speak with Mr. Fain on his return to his office.

Adjournment

A **motion** was made and duly seconded to adjourn the Investment Committee meeting at 11:40AM. The motion passed unanimously.

A true record transcribed on March 10, 2008.

ACTION ITEMS -

- MMMRP and Dubilo & Hill will contact Mr. Fain of Madison Scottsdale to discuss cash flow as it relates to the Bond Portfolio as soon as possible.
- Dubilo & Hill will provide due diligence reports to the Investment Committee for ETF's selected for the revised portfolio.
- Dubilo & Hill will continue to produce quarterly reporting for bond and equity portfolios.
- Dubilo & Hill will provide updated IPS as voted at today's meeting reflecting portfolio rate of return and clarification of commodities restriction.
- Mr. Notargiacomo will coordinate paperwork with Mr. McGrail to liquidate existing portfolio and convert to ETF portfolio subsequent to March 20 Governing Committee meeting and vote.