

**Rhode Island Public Transit Authority
Joint Pension Board
Minutes of the September 8, 2016 Meeting**

Joint Pension Board Members Present: Maureen Martin, Kathy Nadeau, Karen DiLauro, Thomas Cute, Kevin Cole and Dave Garzone

Absent Members: None

Also Present: Benjamin Salzillo, In-House Legal; Christian Capizzo, Outside Counsel; Maureen Ruzzano, Human Resources; and Victoria Catalano, Recording Secretary

Agenda Item 1: Election of Chair and Announcement of New Members Appointed by IPB by RIPTA and Union

Mr. Capizzo, outside counsel informs the board that the actions concerning the election of the chair and JPB members presented at the July 2016 meeting need to be recorded at this meeting.

Ms. Martin, Secretary of the RIPTA Executive Board, moves to declare the position of Chair vacant and asks for a motion to elect a new Chair. Mr. Cute makes a motion to elect Maureen Martin to the position of Chair, Mr. Cole seconds and it passes unanimously.

Agenda Item 2: Ratify JPB Actions Taken at the July 26, 2016 Meeting

Ms. Martin identifies the newly appointed members of the JPB - Karen DiLauro, Kathy Nadeau and Kevin Cole.

Mr. Cute makes a motion to approve the appointments as stated to the JPB, Mr. Garzone seconds the motion and it passes unanimously.

Ms. DiLauro moves to ratify the actions taken at the July 26, 2016 meeting, Mr. Cute seconds and it passes unanimously.

Agenda Item 3: Approval of July 26, 2016 Meeting Minutes

Ms. DiLauro made a motion to approve the July 26, 2016 minutes, Ms. Nadeau seconds and it passes unanimously.

Agenda Item 4: Convene as Pension Benefit Sub-Committee

Ms. Ruzzano presents the following pension requests for JPB Action:

Kevin Millea – presentation of a revised pension request after research by both RIPTA and the union to include one month of sick time accrual to the pension calculation. The new revised amount is \$5,360.36, retroactive to July 1, 2016. Mr. Cute moves that the revised pension be approved as presented, Mr. Cole seconds and it passes unanimously.

Michael Menissian – presentation of a regular pension request of a former employee who was employed from May 9, 1981 thru June 10, 2003, for a total monthly pension benefit of

\$1,136.44 effective as of September 1, 2016. Mr. Cute moves that the pension be approved as presented, Mr. Cole seconds and it passes unanimously.

Gregg Cook – presentation of a partial disability pension request for an employee who was hired on September 10, 1984, for a total monthly pension benefit of \$2,642.73 effective as of October 1, 2016. Mr. Cute moves that the pension be approved as presented, Mr. Garzone seconds and it passes unanimously.

William Lafferty – presentation of a late pension request for an employee who was hired on January 27, 1992, for a total monthly pension benefit of \$2,245.93 effective as of October 1, 2016. Mr. Cute moves that the pension be approved as presented, Mr. Cole seconds and it passes unanimously.

Alexander MacKinnon – presentation of a late pension for an employee who was hired on May 14, 2001, for a total monthly pension benefit of \$1,303.11 effective as of October 1, 2016. Mr. Cute moves that the pension be approved as presented, Mr. Cole seconds and it passes unanimously.

Stephen DelSesto – presentation of a late pension for an employee who was hired on April 4, 1994, for a total monthly pension benefit of \$2,296.42 effective as of October 1, 2016. Mr. Cute moves that the pension be approved as presented, Mr. Garzone seconds and it passes unanimously.

David Cherry – presentation of a late pension for an employee who was hired on February 2, 1998, for a total monthly pension benefit of \$1,785.84 effective as of October 1, 2016. Mr. Cute moves that the pension be approved as presented, Mr. Cole seconds and it passes unanimously.

Nimia Ayala – presentation of a late pension for an employee who was hired on July 13, 1999, for a total monthly pension benefit of \$1,390.36 effective as of October 1, 2016. Mr. Garzone moves that the pension be approved as presented, Mr. Cute seconds and it passes unanimously.

Agenda Item 5 :

- **Cohn Reznick Pension Audit Presentation**

Mr. Capizzo informs the board that this item was inadvertently left off the agenda and pursuant to the bylaws the members of the JPB can vote to add it to the agenda. Ms. Martin asks for a vote to add Cohn Reznick's pension audit presentation to the agenda. Mr. Cute so moves, Ms. DiLauro seconds and it passes unanimously.

This presentation is made by Mr. Jason Newman, partner with Cohn Reznick along with Chris Nardone a Senior Manager. Mr. Newman discusses the financial statements which

were handed out to the board members. He discusses the GASB 67 which required an audit of the plans.

He states that it was a full scope audit with testing areas including contributions, distributions, investment earnings, actuarial information, as well as other compliance type areas. There were findings, but nothing rose to the level of having to modify their opinion in accordance with the GASB standards, and it is a clean opinion.

Mr. Newman discusses in detail some of the components of the report touching on funding and value of assets in plan, contributions and administrative expenses, required disclosures, fair trade and contract value.

Mr. Nardone discussed the independent audit report and the 5 findings/deficiencies noted: 1) changes were made to the provisions of the plan that were not incorporated into the plan document; 2) participants were not signing an application and accepting the terms of the plan and authorizing their employee 3% contribution; 3) summary plan description is dated 2002 and has not been updated; 4) testing of distributions found that certain benefit calculations were incorrect due to errors in calculation; 5) census files used in testing the demographics with date of birth and date of hire and compensation used found there were inconsistencies and errors mainly in compensation.

Discussion between board members and Messrs. Newman and Nardone regarding compensation errors resulting in overpayments and underpayments in minimal amounts.

- **Portfolio Evaluations, Angell Pension Group and Prudential**

Attempts to teleconference in Jeff Liter of the Angell Pension Group were unsuccessful.

Mr. Edward Landsman, Senior Consultant of Portfolio Evaluations discusses their past presentation to the board and the framework for fiduciary best practices, governance, and having coordinated discussions between the actuary, consultant and the investment manager helps everyone get on the same page and to have a synchronized strategy. Discussion of creating a schedule for targeted dates of deliverables.

Mr. Albert Krayter, Director of Defined Benefit Department of Angell Pension Group discusses their Preliminary Actuarial Valuation Results as of January 1, 2016 for the 618 Employees and the Other Than 618 Employees, and the assumptions they have been using as of this valuation cycle and changes recommended.

Mr. Lazaro Guzman of Prudential discusses the effect of interest rate on the actuarial value of the assets. Mr. Brian Corbert of Angell Pension Group responds that the value of the liabilities do increase because the discount rate being used is 7½ percent - that is the benchmark to break even.

Discussion of asset allocation, 50% fixed and 50% equity, the 7½ percent is in the top tier of this asset allocation; recommendation of 60% equity and 40% fixed and keep the discount rate at 7½ percent or lower. Expected returns in the marketplace in the last 3-5 years have gone down making it hard to earn these rates of return in the market. Recommendation is to look at the asset allocation and portfolio during the next couple of meetings.

Mr. Guzman talks about the performance historically, asset allocations and funds lineup. Due to the combination of the two plans there may be some overlap. Mr. Guzman provides details about the recent quarter end referring to his handout. Based on the level of disbursements and funding status the question is how to close the \$38 million gap, will it be cash contributions or look to the market to get a better return with more risk. Fixed income equity split is driven by level of disbursements, currently about \$8 million a year, generally there should be about 5 years worth of disbursement in fixed income – about \$40 million. RIPTA has about \$55 million and so it is a little more conservative. In the GDA there is more exposure, usually there are 1 to 2 years worth of disbursements in a guaranteed account and RIPTA has a lot more than that; so going forward there should be discussion about reducing that amount in the Guaranteed Deposit Account. Portfolio optimization to achieve certain return targets and to minimize volatility. Discussion of taking on more risk and moving to 60/40. Discussion of specific funds and their performance as a result of the investment review performed provided in the handout prepared by Prudential. Overall the funds are performing as expected.

Mr. Landsman mentions that due to the merge of the funds, it resulted in the overlap of the investments and suggests a review of investments in the large cap, small cap and growth categories. They will conduct a review of options available and present to the board with pros and cons of investments in these categories. He also follows up on the GDA mentioned earlier by Mr. Guzman and how it takes 38% of the combined plans, and from an investment perspective they do not like to see one single investment dominate the portfolio. They would like to reduce some of the concentration in that fund and slowly move money away from it into other funds. It may be a multiyear process to reduce it as there may be a liquidation schedule. Mr. Guzman explains that this fund has two yields: an old money rate - prior to January 1 it is earning 3.6% guaranteed for this year and is reset on January 1, 2017. For money that went into the account this year, it earns 2.85 %. Mr. Landsman discusses some of the current funds and states that Portfolio Evaluations will review and put together a proposal for the board.

Mr. Cute asks Angell to address the issues with late calculations for those over 70 years and Mr. Corbert responds that those calculations are the most difficult to do and states that he will look into it and see what can be done to speed it up.

Mr. Guzman continues his discussion of asset allocation and rate of return, the implications and volatility of adding risk.

A discussion is had regarding scheduling of future meetings of the Joint Pension Board.

Agenda Item 6: Adjournment

Ms. DiLauro makes a motion to adjourn the meeting, Mr. Garzone seconds the motion and it passes unanimously.

Respectfully submitted,

Victoria Catalano
Recording Secretary