

**Rhode Island Public Transit Authority
Joint Pension Board
Minutes of the July 26, 2016 Meeting**

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

Absent Members: Dave Garzone

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

Ms. Martin, Secretary of the RIPTA Executive Board, calls the meeting to order and makes a motion to declare the position of Chair vacant and to proceed 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. Ms. Martin accepts and will serve as Chair for the remainder of the term until the January 2017 meeting.

Two new board members were appointed by the CEO of RIPTA and are introduced: Kathy Nadeau, Executive Director of Human Resources and Karen DiLauro, Executive Director of Finance and Budget.

Mr. Cute states that Kevin Millea is retiring and has resigned his position on this board, replacing him on this board will be Kevin Cole as the union's designee. An alternate will be submitted by the union at a later date. Mr. Cute makes a motion for Mr. Cole to assume the duties of Mr. Millea, Ms. DiLauro seconds and it passes unanimously.

Agenda Item 1: **Approval of May 23, 2016 Meeting Minutes**

Mr. Cute made a motion to approve the May 23, 2016 minutes. Mr. Cole seconded and it passed unanimously.

Agenda Item 2: **Convene as Pension Benefit Sub-Committee**

JPB Action: Sheryl Randolph: Ms. Ruzzano states this is an early pension application for Sheryl Randolph. Ms. Randolph was hired on May 11, 1988 and resigned her employment on November 5, 2001. She was employed for a total of 12 years and 11 months, and has requested her pension become effective June 1, 2016 in the amount of \$481.00 per month.

Mr. Cute moves that the pension be approved, Mr. Cole seconds the motion and it passes unanimously.

JPB Action: Edwin J. Kemble: Ms. Ruzzano states this is an early pension for Edwin J. Kemble. Mr. Kemble was hired on July 14, 1979 and resigned his employment on June 18, 1998. He was employed for a total of 19 years. He has requested his pension benefits become effective June 1, 2016 in the amount of \$663.46 per month.

Mr. Cute moves that the pension be approved, Mr. Cole seconds the motion and it passes unanimously.

JPB Action: Kimberly A. Duggan: Ms. Ruzzano states this is a late pension application for Kimberly Duggan. Ms. Dugan was hired on November 28, 1997. She was employed for a total of 18 years and 6 months. She has requested that her pension benefits become effective July 1, 2016 in the amount of \$1,710.58 per month.

Mr. Cute moves that the pension be approved, Mr. Cole seconds the motion and it passes unanimously.

JPB Action: John F. Silveira: Ms. Ruzzano states this is a late pension application for John Silveira. Mr. Silveira was hired on August 13, 1985. He was employed for a total of 31 years and 1 month. He has requested that his pension benefits become effective July 1, 2016 in the amount of \$2,571.92 per month.

Mr. Cute moves that the pension be approved, Ms. DiLauro seconds the motion and it passes unanimously.

JPB Action: Kevin M. Millea: Ms. Ruzzano states this is a late pension application for Kevin Millea. Mr. Millea was hired on October 14, 1980. He has been employed for a total of 35 years and 9 months. Mr. Millea has requested that his pension benefits become effective July 1, 2016 in the amount of \$5,346.87 per month.

Mr. Cute moves that the pension be approved with a 30 day extension for the union to review records regarding an accumulated sick leave accrual, Mr. Cole seconds the motion and it passes unanimously.

Mr. Capizzo instructs Mr. Cute to inform the board in writing of the status of the review at the next meeting.

Agenda Item 3: Portfolio Evaluation Presentation.

Mr. Edward Landsman, Senior Consultant, and Richard Torbinski, Partner and Co-Founder, of Portfolio Evaluations make a presentation to the board as a framework for moving forward. The board members received a copy of the Fiduciary Considerations Defined Benefit Plan document prepared by Portfolio Evaluations. Referring to that document Mr. Landsman discusses fiduciary best practices as it pertains to pension plans. Portfolio Evaluations is an independent investment consultant firm, not affiliated with anyone, their objective is to assist the board in designing investment strategy, oversight of the investment managers, and putting forth the best fiduciary practices.

Mr. Landsman discussed governance goals and that the investment policy sets the direction for the entire pension strategy, from investments, the roles and responsibilities of the board, and potentially the roles and responsibilities of the investment consultant. Having an investment policy in place is a fiduciary best practice. Portfolio Evaluations has reviewed RIPTA's current investment policy and they have made recommended changes

which will be forwarded to the pension legal counsel after which it can be presented to this board.

Ms. Martin asks if this is a quarterly or yearly presentation. Mr. Landsman answers that the objective of this presentation is on fiduciary best practices and to put in place a framework for the board moving forward, to review investments and make sure the investment policy the board has in place is reviewed periodically. Mr. Landsman continues to explain the governance issues and the investment goals. The investment policy sets the direction for the entire pension strategy for investments and identifies the roles and responsibilities of the Board and may contain the responsibilities of the pension consultant. They have reviewed the policy and the next step will be bringing it to the board for their review. Mr. Landsman informs the board there is a separate formal training session they have developed internally for fiduciary training if the board is interested. He encourages having a session where the actuary and investment manager are in the same meeting to assist in setting a long term strategy. He questions what type of investment strategy RIPTA wants to pursue? It is primarily what the investment manager uses - actively managed, indexed funds, balanced. Does Prudential have the capacity to do this, do they have indexed funds and what is the cost?

Ms. Martin states it is a lot of information to take in and asks Mr. Capizzo if there is any action that needs to be taken at this time. Mr. Capizzo and Mr. Landsman respond that this is just informational at this time.

Key stakeholders in the investment management process are the Board, the consultant, the discretionary manager which is Prudential, and the actuary. The phases are identified - the planning, implementation, and monetary phase and the responsible party. Additionally, as a best practice, and it is the board's decision, Mr. Landsman recommends very strongly that the investment policy belongs strictly to the board, the board writes and approves it, and it should not be printed on Prudential's letterhead. Proprietary investments are another concern. In the industry there are two different types of investment models. In a nondiscretionary model the decision maker power rests with the board. The discretionary manager model is where the ultimate responsibility for the underlying investments rests with the discretionary manager, so the main responsibility of the board in that model is to periodically monitor the top line performance. This board is in the nondiscretionary model where the decision making power rests with the board.

The periodic manager and strategy review is the monitoring phase of the pension strategy classes, and the periodic performance reviews that they prepare is their core responsibility and to come to the board with findings with which investments are working and which are not.

The board may want to consider moving to a discretionary manager model and maybe Prudential could perform that role. Ms. DiLauro states that they are moving toward a new

RFP because the contract with Prudential is expired, and asks for advice on how to proceed whether to make the decision to go a discretionary model at the time of going out with an RFP. Mr. Landsman encourages the board to have a few more follow up meetings to further discuss these high level items which will drive the strategy for the next 5 to 10 years and that it would be a good idea to decide which model the board wants to pursue before going out with an RFP.

Mr. Landsman states that currently the fees are 60-70 basis points, or .6 - .7%, if you were to go to a more passive model it could cut those fees to .2 - .3%. Current asset allocation is 50% equities, 50% fixed income. The typical asset allocation for a pension plan is about 60/40. Need to look at what you are getting if you move to 60/40, it is more risk. Fixed income returns right now are exceptionally low. Equities are projected over the next 10 years to give 6-7%; fixed income is projected to give returns of 3-4%. The actuary can model out different scenarios for the board to review for the strategic long term asset allocation. There is discussion to have Angel Pension Group to prepare those models.

The fixed income investments allocation of 50% is invested through a guaranteed investment contract with Prudential and is less diversified and backed by some degree by Prudential's credit worthiness and provides a guarantee on the return, which is currently 3%. The issue with a GIC is that the plan is locked into Prudential for a number of years. Prudential offers a number of standalone fixed income strategies and it may make sense to look at that and to have it compliment the investment contract to have a diverse set of investments. Mr. Landsman informs the board that he can research that and come back with a recommendation.

Agenda Item 4: Adjournment

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

Respectfully submitted,

Victoria Catalano
Recording Secretary