

Minutes of Joint Pension Board and Board of Directors:

Rhode Island Public Transit Authority

Joint Pension Board

Minutes of the January 28, 2008 Meeting

Joint Pension Board Members Present: Stephen Farrell, Chairperson, Robert Batting, William Kennedy, Christine Johnston and Kevin Millea

Tom Deller joined the meeting at 12:30 p.m.

Also Present: Alfred J. Moscola, General Manager; Lori Caron Silveira, Esq., Outside General Counsel; Andrew Prescott, Outside Labor Counsel; Chuck Alves, RIDOT; Henry Kinch; Maureen Neira; Deborah Dawson; Ellen Mandly and members of the RIPTA staff and the general public.

Prior to beginning with the first agenda item, Chairperson, Stephen Farrell reported that he was pleased to announce that he received notification that Robert Batting's appointment as a substitute JPB member would continue for up to one year. Mr. Batting asked for clarification regarding the capacity in which he was serving stating

that the question arose in light of the pension information presentation scheduled for the meeting. Mr. Batting was informed that his rights are the same as the other JPB members, and Mr. Batting stated that it was important that Mr. Alves was present for the presentation since he is the only Board member not appointed to the JPB.

Mr. Farrell also announced that Mr. Kennedy would substitute for Mr. Deller for purposes of the sub-committee voting to approve individual pension requests.

Agenda Item 1: Approval of Minutes of December 17, 2007 Monthly Meeting

Mr. Farrell asked if the JPB members had an opportunity to review the minutes of the December 17, 2007 meeting. Ms. Johnston moved to approve the minutes as presented. The motion was seconded by Mr. Kennedy and passed unanimously.

Agenda Item 2: Convene as Pension Sub-Committee/Consideration of Benefits Requests

The following benefits' requests were considered by the sub-committee:

- Consideration of Benefits' Requests – Division 618/618A**

o JPB Action Carlos Sousa – Active Employee – Age 62

Request for Regular Pension effective 2/1/08 - \$688.99

o JPB Action: Rebecca Bouffard – Active Employee – Age 63

Request for Regular Pension effective 3/1/08 - \$852.32

o JPB Action: William Myers – Active Employee – Age 68

Request for Regular Pension effective 3/1/08 - \$773.97

o JPB Action Sheldon Belmain – Active Employee – Age 66

Request for Late Pension effective 3/1/08 - \$2,588.70

o JPB Action: Clement Gormley – Deceased Employee

Pension Request for Elizabeth Gormley – Contingent Annuitant

Request for Spousal Pension effective 3/1/2002 - \$151.15

Ms. Dawson explained each of the pension requests submitted, and the sub-committee comprised of William Kennedy and Kevin Millea concurred approval of each of the requests.

- Consideration of Benefits' Requests – Local 808

o JPB Action: Patricia Coit – Active Employee – Age 66

Request for Regular Pension effective 2/1/08 - \$318.45

Ms. Dawson explained the pension request submitted, and the sub-committee comprised of William Kennedy and Christine Johnston concurred approval of the request as presented.

Agenda Item 3: Presentation by Prudential Financial

Maureen Neira, AGM Finance/CFO introduced Mr. Lazaro Guzman, Vice President, Advisory Services from Prudential Investment Management Services. Mr. Guzman also introduced Brad Schweikert, Customer Service Representative who was on the telephone from his office in Dubuque. Mr. Guzman explained that Mr. Schweikert serves as the day to day account manager for the RIPTA account.

Mr. Guzman reviewed the assets and investments associated with the “hourly” plan assets. He informed the JPB that at the close of 2007, the annual return was 7.55% with an actuarial assumption of 8.0%. He reviewed the types of investments, and Mr. Batting asked how decisions are made regarding investments. Mr. Guzman responded that allocations are in line with investment objectives. He continued that later in the year, the actuaries will conduct their annual evaluation, will change the mortality tables, and will inform RIPTA on the contributions required for funding the plan. At that time, the investment allocation objectives will be reviewed. Mr. Guzman explained that Prudential has only have oversight of this portion of

the assets since January, 2007. Mr. Batting inquired who previously managed the assets, to which Ms. Neira responded that MetLife previously managed that portion of the assets. Mr. Batting asked Mr. Guzman if when transferred to Prudential, the same funds were maintained, and he responded that the same “type” of funds were maintained, not necessarily exactly the same funds.

He continued with reviewing the assets of the “salaried” plan assets. He stated that there was a 5.17% return through the end of last year against an assumed return of 7.0%. He stated the investment assumption for this portion of the assets would need to be reviewed over the summer once the actuarial evaluation is completed. Mr. Batting expressed concerns about the 5.17% return over the prior year, and stated that the amount of money in fixed investments seemed to be high. Mr. Guzman explained that the reason for maintaining such a high level in fixed is due to the payments, and the requirement that a certain percentage of the assets must remain available as cash flow.

Mr. Batting asked how often a review is conducted of the asset allocation, to which Mr. Farrell responded that such a review is conducted annually. Mr. Batting then asked several questions about the actuarial valuation to which Ms. Neira explained the process followed for completing the annual valuation with the ultimate distribution to the JPB. Mr. Batting suggested that this presentation be made to the RIPTA Board of Directors, noting that Mr. Alves was

present for the presentation at this meeting.

Mr. Guzman continued going through his presentation and indicated that he had one recommendation for a change in the real estate category. Mr. Farrell asked if the recommendation was due to the recent developments in the sub-prime market, and Mr. Guzman indicated that was not the case, but rather more a matter of Prudential's concerns with the fund manager. Mr. Guzman assured the JPB that he does not anticipate any problems with meeting the obligations of the pension plan.

Mr. Batting asked if the assets were insured by Prudential and what the fee to RIPTA is for such insurance. Mr. Guzman briefly discussed the fee structure with Mr. Schweikert and they agreed to forward a breakdown of all fees.

There was some discussion about RIPTA's funding requirements in comparison to the funding requirements of other plans covered by ERISA and Mr. Guzman informed the JPB that there is no minimum funding regulation associated with RIPTA's plan. He continued that typically corporate plans are above 80% funded and that the new regulations require ERISA plans to be 90% funded.

There was some discussion about the current level of RIPTA's funding to which Mr. Guzman responded that the RIPTA plans are currently between 55 and 60% funded, and the funding trend has

been trending upward. Mr. Guzman responded to a question raised by Mr. Kennedy that the RIPTA plan is not covered by the PBGC (Pension Benefit Guarantee Corporation).

Mr. Guzman reviewed with the JPB the specifics of some of RIPTA's investments, indicating that he was recommending to RIPTA to change to a different fund in two cases. The JPB and Mr. Guzman engaged in a discussion regarding the current state of the real estate market, and Mr. Batting suggested that RIPTA pull out of real estate completely. Mr. Guzman pointed out that the amount of RIPTA assets invested in real estate is only 2% and although that sector struggled in 2007, and acknowledged that the economic forecast for 2008 is not good, but stressed to the JPB that they must consider the long term focus and not get caught up with moving in and out of sectors, but to consider the long term.

Mr. Moscola asked Mr. Guzman if other firms were requiring more frequent meetings with the money managers, to which Mr. Guzman replied that most of his clients are still have annual meetings and that Prudential would contact RIPTA if there were some emergency situation that needed immediate attention.

Mr. Farrell indicated that a special JPB meeting will be scheduled for February 11, 2008 at 12:30 p.m. at which time the JPB will meet with the actuaries and will vote on the recommendations made by Mr. Guzman for transferring the assets out of the two funds as discussed

during this meeting. The JPB will also consider at that meeting whether or not to continue with any investments in the real estate market.

Agenda Item 4: Adjournment

A motion to adjourn was made by Mr. Kennedy and seconded by Mr. Millea. Such motion passed unanimously and the meeting was adjourned.

Respectfully submitted,

Deborah A. Dawson, SPHR
AGM Human Resources/Chief of Staff

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**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

## **BOARD OF DIRECTORS**

### **MINUTES OF Monday, January 28, 2008 MEETING**

**Board Members Present: Thomas Deller, Chairperson; Robert Batting, Vice-Chair; William Kennedy and Chuck Alves.**

**Also Present: Alfred J. Moscola (General Manager); Lori Caron Silveira and Richard Licht (Outside General Counsel); Andrew Prescott (Outside Labor Counsel); Henry Kinch; Deborah Dawson; Maureen Neira; Mark Therrien; Ellen Mandly, and other members of RIPTA's senior staff and members of the public whose names are listed on the meeting sign-in sheet.**

#### **Agenda Item 1: Approval of Minutes of December 17, 2007 Meeting**

**Mr. Deller opened the meeting and requested comments regarding the minutes of the December 17, 2007 meeting.**

**Mr. Batting questioned why certain issues discussed at the December Board meeting were not on the agenda for today's meeting. Lori Silveria said the minutes are a reflection of what occurred at the last meeting and can be voted on regardless of today's agenda and discussions. Mr. Deller asked if there was a particular topic Mr. Batting wanted to discuss and he said he wanted to discuss the**

**Rltecare issue. Mr. Deller said the Rltecare issue would be covered in the General Manager's report.**

**After this discussion Mr. Kennedy made a motion to approve the minutes as presented. Mr. Batting seconded Mr. Kennedy's motion and the minutes were unanimously approved.**

## **Agenda Item 2: General Manager's Report**

**The General Manager said he had prepared a list of discussion items for today's meeting, however for the sake of brevity he would limit his remarks in order to focus on Rltecare issues. Mr. Moscola then gave a brief overview of fuel costs saying fuel remains high with a cost of \$2.80 per gallon last Friday. The fiscal year to date average is \$2.73 per gallon versus a budgeted amount of \$2.40.**

**The General Manager reported that RIPTA has taken over the maintenance of five (5) additional vehicles for RIDOT, bringing the total maintained by RIPTA to sixty (60). The additional five (5) vehicles are classified as "non-snow removal" vehicles, and RIPTA has been able to assume the additional vehicles without adding staff. He explained that since the DOT equipment that RIPTA is currently maintaining is in better condition than it was when RIPTA first began maintaining it; RIPTA can accommodate the maintenance of the additional vehicles.**

**Mr. Moscola continued with his report, informing the Board that RIPTA intends to attempt to sell three (3) or four (4) of the 1999 trolleys. He continued that by doing so he would also reduce the parts inventory.**

**Mr. Moscola said that he had intended to discuss cleaning chemicals and research he had compiled on new trolley and bus purchases, however due to time constraints and the need to discuss the Rltecare issue, such discussion would be held until the next meeting.**

**Mr. Moscola reported that he has recently been corresponding with officials from the Department of Human Services regarding the anticipated changes to the Rltecare program, which he discussed with the Board at the last meeting. Mr. Moscola brought to the Board's attention a folder that had been distributed containing copies of correspondence between RIPTA and DHS, along with a chronology of the Rltecare Program from its inception.**

**The General Manger continued that RIPTA still has not received concrete information on the exact amount of the Rltecare reduction but based on conversations with DHS staff, it is anticipated that RIPTA may be experiencing a reduction of approximately \$7 million in revenue. As illustrated in the correspondence with DHS officials, RIPTA has continued to request updated information in order to communicate with the Board and to make contingency plans. Mr. Moscola said RIPTA's priority would be to retain as much service as**

possible, but having said that, he continued saying “everything is on the table” including fleet size, sale of property and fare increases. Mr. Deller asked if RIPTA has applied for a supplemental budget adjustment to which Mr. Moscola replied that RIPTA has not done so and was waiting until the Governor’s FY 09 budget was submitted. The General Manager added that RIPTA staff would meet with Rosemary Gallogly from the State Budget Office to discuss the changes to Rltecare and its effect on RIPTA’s budget.

Mr. Batting stated that 56% of RIPTA’s revenue comes from Rltecare, and referenced a letter dated December 19, 2007 to the General Manager from John Young of DHS. He continued that the letter indicated that the federal government might seek reimbursement for funds that were improperly paid for transportation. Mr. Deller responded that RIPTA is not responsible for the recovery of any funds, and Mr. Moscola replied that he too is concerned and he and staff have met with DHS a number of times in an attempt to get more specific information but have been unsuccessful. He indicated that if the federal government requires reimbursement for funds paid for transportation services, it would be DHS, not RIPTA who would be required to pay such reimbursement. Mr. Moscola continued that it would be his preference to come to the Board with definitive information, but unfortunately such information is not yet available. Mr. Batting stated it is his interpretation that DHS is eliminating approximately 18,000 people from receiving bus passes. Mr. Therrien explained that DHS would still be responsible for ensuring that clients

are able to get to their medical visits, and may purchase Riptks or 15-ride passes to distribute to clients. In addition, he continued that some people who are currently receiving bus passes through the Rltechare program, might become cash paying customers. Mr. Therrien continued that DHS will be submitting a plan for transportation to the federal government, which still uses RIPTA to some extent, but it is unclear to what extent.

Mr. Deller referenced the January 10th letter from DHS that indicates the State budget office is aware of the deficit this situation creates for RIPTA. He noted that it is anticipated that the State will make RIPTA whole for FY 2008, but dealing with FY 2009 deficit is RIPTA's responsibility. Mr. Deller asked how much time would be needed to implement any changes in service. Mr. Moscola responded that it is a six (6) month process and outlined the process to the Board. Mr. Deller added that it is important to note that the January 10th letter from Mr. Gary Alexander clearly indicates that DHS is aware that RIPTA's fiscal health is dependent upon how many passes and Riptiks are purchased by DHS and he urged RIPTA staff to remain in contact with DHS since the matter is extremely pressing. Mr. Moscola reminded the Board that if fixed route service were eliminated, the  $\frac{3}{4}$  mile ADA corridor would be eliminated as well. Mr. Deller agreed saying people do not realize the ripple effects of cutting service, and asked staff to work on a fact sheet outlining such. Mr. Moscola assured the Board that RIPTA would remain in close communication with DHS to ensure the most up-to-date information.

**Mr. Batting asked about the report on the alternative vehicles to replace the trolleys. Mr. Deller responded that the General Manager already addressed this issue earlier in his report by informing the Board that he would postpone that discussion until next month in order to ensure sufficient time for the Rltecare discussion.**

**Next Mr. Deller discussed the dissemination of the Authority's executive session minutes and suggested a change to the process consistent with a change that was introduced at another agency where Mr. Deller serves as a board member. Mr. Deller suggested that in the future, RIPTA's executive session minutes should be passed out at the start of the meeting and collected and destroyed at the end of the meeting. The Board members agreed that this was a good procedure to implement and Mr. Deller instructed Mrs. Mandly to begin distributing executive session minutes in this way.**

### **Agenda Item 3: Procedure for Selecting Grant Projects for FTA's New Freedom and JARC Programs**

**Mr. Therrien discussed the next agenda item which seeks the Board's approval of a selection and management procedure for grant funds from two FTA programs: New Freedom and Job Access/Reverse Commute (JARC). Mr. Therrien explained that the FTA has established new rules for managing and dispersing funds associated**

**with JARC, which RIPTA currently receives, and for the New Freedom program, a new funding source established to expand ADA accessible transportation service beyond the requirements of the law.**

**Mr. Therrien gave a brief overview of the process and noted that RIPTA took the lead in establishing a steering committee, which sought public comments on the plan. The steering committee now has a draft plan and will meet in the near future to review public comments. An independent committee will be established to manage the project selection process; RIPTA will not participate in the selection process beyond the level required by FTA guidelines for grant recipients. Mr. Therrien informed the Board that all contracts or purchases which cost more than \$50,000 would be subject to RIPTA Board approval prior to the onset of the project activity.**

**After a brief discussion, Mr. Alves moved that the procedure for selecting grant projects for New Freedom and JARC be approved as recommended by staff. Mr. Kennedy seconded the motion and it passed unanimously.**

#### **Agenda Item 4: RFP 08-14 Door Repair Services**

**Roger Mencarini addressed the Board to discuss RFP 08-14, Door Repair Services. Approval of this contact would allow RIPTA to have a vendor available on an on-call basis to inspect, maintain and repair**

doors at the various locations. The bidders responded to the RFP and D & M Garage Door Sales from Cumberland submitted the bid with the lowest 5-year hourly rate. The proposed contract is for one year with up to four annual renewal options. The estimated annual cost, based upon historical usage, is \$45,000.

Mr. Batting said D & M had the lowest bid, but wondered how long they would take for repairs. Mr. Mencarini said staff could estimate the time needed for the repair to ensure that the work was performed within a reasonable period of time. Mr. Batting inquired as to the reason why RIPTA maintenance employees could not perform the repairs and Mr. Moscola replied that there are only eight (8) employees in the Building and Grounds department responsible for maintaining all of RIPTA's facilities, properties, and bus stops. Mr. Moscola added that when vacancies arise within the Building and Grounds department, RIPTA seeks to fill them with skilled individuals who can assist RIPTA in reducing reliance on outside contractors. He continued that in filling the last vacancy, RIPTA was able to eliminate a contract with an outside vendor who serviced the heating and air conditioning units.

Mr. Kennedy asked if there was a reason for the change from the previous vendor to which Mr. Mencarini replied that the previous vendor, Parma Door, had increased their prices when they responded to the RFP. Mr. Mencarini continued that staff recommends the award of a one-year contract with up to four annual renewals to D & M

**Garage Door Sales. Mr. Kennedy moved to award the contract as recommended by staff. Mr. Batting seconded the motion and it passed unanimously.**

#### **Agenda Item 5: Public Comment**

**Mr. Deller requested public comments. No public comments were received and Mr. Deller moved on to the next agenda item.**

#### **Agenda Item 6: Executive Session**

**Mr. Deller moved that RIPTA adjourn to an executive session, as noticed on the agenda, under sections § 42-46-5(a)(1) to discuss personnel issues. Mr. Kennedy moved to adjourn and to convene an executive session; Mr. Batting seconded the motion. A roll call vote was taken on the motion to convene to executive session. All members voted to convene the executive session.**

**Following the Board's return to open session, Mr. Kennedy moved to seal the executive session minutes. Mr. Batting seconded the motion, which passed unanimously.**

#### **Agenda Item 7: Employment Contract**

**Mr. Deller addressed the next agenda item for an employment contract and asked for a motion. Mr. Kennedy made a motion to**

**continue this agenda item and Mr. Alves seconded the motion. The motion to continue the discussion of an employment contract passed unanimously.**

**Agenda Item 8: Adjournment**

**Mr. Kennedy moved to adjourn the meeting; Mr. Batting seconded the motion, which passed unanimously.**

**Respectfully submitted,**

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**Ellen M. Mandly**

**Secretary to the Board**