

Rhode Island Public Transit Authority

Joint Pension Board

Minutes of the November 16, 2009 Meeting

Joint Pension Board Members Present: John Rupp, Chairperson; Stephen Farrell; Edward Field; Rochelle Lee; Christine Johnston; and Kevin Millea.

Also Present: Alfred J. Moscola, General Manager; Lori Caron Silveira (Outside General Counsel); Andrew Prescott (Outside Labor Counsel); Maureen Neira; Mark Therrien; Victor Santos; Ellen Mandly and members of the RIPTA staff and the general public.

Agenda Item 1: Approval of Minutes of September 28, 2009 Monthly Meeting

Mr. Rupp asked if the JPB members had an opportunity to review the minutes of the September 28, 2009 meeting, and the members indicated that they had.

A motion to approve the minutes as presented was made by Mr. Farrell; seconded by Ms. Johnston. The motion passed unanimously.

Agenda Item 2: Convene as Pension Benefit Sub-Committee

- **Consideration of Benefits' Requests – Local 808**

- o **JPB Action: E. James McEnaney – Active Employee – Age 82
Request for Late Pension effective 11/1/09 - \$489.53**

Victor Santos discussed the details of the pension request by Mr. McEnaney. Mr. Rupp asked about the length of vesting time for this employee and Ms. Johnston said it was five years. Following this discussion Mr. Rupp made a motion to approve the pension request presented and Mr. Millea seconded the motion which passed unanimously.

Agenda Item 3: Lazaro Guzman – Prudential Retirement

Lazaro Guzman from Prudential Retirement Services addressed the Committee and said he would be discussing the economy and some suggested changes to the investment plans all of which is outlined in detail in the documents the Committee received prior to today's meeting.

Mr. Guzman began by discussing page 2 of his handout entitled Asset Allocation Review and said that overall the economy grew by 3.5% in the 3rd quarter, but that the “cash for clunkers” program had artificially inflated this growth. He said unemployment is up to 10.2%

and although they believe this number may grow, the worst is behind us and there will be slow growth.

He began by discussing the salary plan saying at September 30th the plan had \$10 million in assets and was up by 6.8% for the 3rd quarter, up 11% for the year, up 5.7% in the last five years and up 5.5% over the last ten years. He said that in the past year he took steps to make the plan more aggressive and the timing worked out well. He believes the asset allocation continues to be appropriate but has some suggestions which are detailed in the 'next steps' box in the lower right hand corner of page two.

Mr. Guzman said that overall the plan is doing extremely well and said that RIPTA's actuary would agree with this assessment. He then discussed the Fidelity Advisor Equity Growth fund on page 3 saying this particular fund was up 20.4%, but was underperforming when compared to the 27% growth of the Russell Index. He added that Fidelity was also down over the past 3 years. Next he said the International Blend/Munder fund was up 19.3% year to date, but the MSCI EAFE Index is lagging. Finally he discussed Cohen & Steers saying it's up 24.5% year to date but the NAREIT Equity Index is down. He reminded the JPB that Cohen & Steers is a real estate fund which is volatile but does not have too much exposure.

Mr. Guzman answered questions and then referenced tab 2 on page 24 of the big, bound Asset Allocation Book which discussed large

growth funds highlighted in red which Prudential has placed on their watch list, one being the Fidelity Advisor Equity Growth fund. Mr. Guzman discussed the implications of being on the watch list and performance versus risk and then suggested that the JPB consider moving funds from Fidelity to either the Jennison or Turner funds and he discussed each of the alternative funds and answered questions on the expense ratio which is the yearly fee paid to the fund portfolio managers. He said there is no cost to change funds.

Following the discussion and question and answer period Mr. Rupp made a motion that the funds be moved into the Jennison Fund as recommended by Mr. Guzman. Ms. Johnston seconded the motion and it passed unanimously.

Next Mr. Guzman discussed the hourly plan saying that generally he would not recommend any changes, but since the Jennison change will be made it makes sense to suggest a change to the Turner Fund for the hourly plan to keep the plans similar. In response to a query regarding the Turner Fund being on the watch list, Mr. Guzman said that Turner had underperformed last year, but they have since made corrections. Following a brief discussion it was agreed that the change to Turner would not be made at this time, but Mr. Guzman was asked to watch the Turner Fund and report back in six months on its progress.

Mr. Guzman then referenced page 28 of the bound Asset Allocation

Book and discussed the International Blend/Munder Capital Fund which has underperformed year to date. He said in the last year international markets had a big sell off which caused the year to date numbers to lag. He suggested that we not get out completely, but put half of the funds into the International Growth/Artisan Partners Fund which is up 36% year to date and has a cheaper expense ratio of 96%. He said that generally 20% of the fund's assets are invested in emerging markets such as China, Brazil and India and economists believe these areas have potential for strong growth albeit with more risk.

Mr. Guzman answered questions regarding his suggestion of moving only a portion of the funds and said that he did this because it has been his experience in the past that the JPB likes to take small steps when adjusting asset allocations. He then elaborated on the Financial Market Returns graph on page 5. He said that the ultimate goal is to get the plan to 50% equity and 50% fixed assets.

Following the discussion and question and answer period Ms. Johnston made a motion that the funds be moved into the International Grown/Artisan Partners Fund in the salaried plan as recommended. Ms. Lee seconded the motion and it passed unanimously.

Finally Mr. Guzman referenced tab 5, page 16 and discussed the International Value/LSV Asset Management Fund which had a year to

date return of 32.56%, has shown recent signs of improvement and is up 6.81% over the past ten years. He suggested that given the international volatility, half of the LSV Asset Management Funds should also be moved into the Artisan Partners Fund. Ms. Lee asked what half of the funds translated to in dollars and Mr. Guzman said \$2.4 million. Mr. Guzman then answered additional questions regarding his suggestion and again said he was only moving a portion of the funds because historically the JPB has liked to move assets slowly.

Following the discussion and question and answer period Mr. Farrell made a motion that the funds be moved into the International Grown/Artisan Partners Fund in the hourly as recommended. Ms. Johnston seconded the motion and it passed unanimously.

The Committee thanked Mr. Guzman and asked that he return in approximately six months to give a status report.

Agenda Item 4: Adjournment

A motion to adjourn the meeting was made by Mr. Field and seconded by Ms. Lee. Such motion passed unanimously and the meeting was adjourned.

Respectfully submitted,

Ellen M. Mandly

Recording Secretary