

Police Pension
Board of Trustees Meeting
May 26, 2016 – 10:00AM
Town Hall - 343 Highland Road

Attendees:

Thomas Blakey (T.P.D. Police Chief); Denise Saurette (Town Treasurer); Sean Frodyma (T.P.D.); Dan Waugh, Esquire, Moses Afonso Ryan; Gene McCabe, Washington Trust; Joan Caine, Washington Trust; Matthew Wojcik, Town Administrator; Jeff Brown, Compensation Planning; David Perry (Town Councilman)

Meeting Objectives:

1. Approval of Minutes from September 16, 2015, Board Meeting
2. Vote: Acceptance of Washington Trust Quarterly Investment Report from 9/17/2015
3. Receive and discuss Washington Trust Investment Performance Report(s) for period(s) from 9/17/2015 to present
4. Discussion and possible votes: Correspondence to/from State of Rhode Island regarding Funding Improvement Plan
 - a. Letter from Town Administrator to RI State Department of Revenue
 - b. Response from Department of Revenue
 - c. Next steps regarding Funding Improvement Plan
5. Discussion and possible votes regarding Restatement of Plan and/or plan amendments
 - a. Purchasing service credit/harmonization of options
 - b. Good conduct provision
6. Discussion and vote to schedule meetings for remainder of 2016

Call to Order: at 10.06 AM by: Matt Wojcik

Open Meeting:

1. Approval of Minutes from September 16, 2015 Board Meeting

Denise Saurette made a Motion to adopt the Minutes.

Seconded by Chief Blakey.

ALL IN FAVOR, no objections.

.....

2. Vote: Acceptance of Washington Trust Quarterly Investment Report from 9/17/2015

There was additional data reported to the Budget Committee in January 2016 by Washington Trust.

Sean Frodyma made a Motion to accept the Report.

Seconded by Denise Saurette.

ALL IN FAVOR, no objections.

.....
3. Receive and discuss Washington Trust Investment Performance Report(s) for period(s) from 9/17/2015 to present

Gene McCabe and Joan Caine, Washington Trust, gave an overview of the Portfolio Review starting with the Economic Indicator Dashboard. Please see handout.

Economy hasn't accelerated but there hasn't been a recession. We are creeping along in the right direction.

We remain more constructive on equities even though we had a rocky start.

Point of quilt on page 7 is a good chart, Case for Diversification.

Portfolio allocations: Heavy allocations to equities on page 9. 80% stocks and 20% fixed income. Bulk is in Growth.

Performance: Annualized Since Inception is 3.6%. Keep in mind there are cash flows taking place as well.

This plan is doing better than the State's plan.

Funded status really improved.

We will probably end the year with a single digit return.

Matt asked if the Board of Trustees were wearing fiduciary hats, is now the time to buy at the same pace we've been buying or are you neutral on this recommendation? What are the considerations of the Town investing less or more at this time?

Short term anything can happen.

Town makes an annual decision on how much money to put into this fund. We put it in on July 1. Each year we have the same conversation.

Are we making a mistake by reducing the amount we invest? Sean brought up the fact that 'growth is growth' and we would be losing that growth if we reduced the amount we invest.

It is a fairly valued market right now.

Washington Trust stated if you have real budget constraints now and have to defer this, maybe that is a concern, however, compounding is important.

Jeff said the more you throw at this, the more you are going to reduce your unfunded liability.

Washington Trust left meeting after their presentation.
.....

4. Discussion and possible votes: Correspondence to/from State of Rhode Island regarding Funding Improvement Plan

- a. Letter from Town Administrator to RI State Department of Revenue**
- b. Response from Department of Revenue**
- c. Next steps regarding Funding Improvement Plan**

Jeff Brown, Compensation Planning, spoke regarding the Plan. He said the report hasn't changed since last July (see handouts). Page 3 the arc of \$503,000 recommended contribution for the current plan year consists of about half of normal cost and half the amortization and liability. The normal cost is the cost to fund the benefits of those currently employed and what it will cost to fund the pension based on this year's participation in the plan. In the case there is a short fall, that is amortized over 25 years (with a factor for interest). Historically (page 5) the funded status of the plan has been constantly improving. Some blips along the way when we were given some incorrect data along the way but it didn't impact the plan.

Page 4 showing anticipated arc and recommended contributions. When we prepare July 1 2016 valuation, we will want to do a gut check with Matt to see what current thinking is to provide a more meaningful projection. We are anticipating by 2040 the plan would be 100% funded -- assuming the contributions continue; assuming a 7.5% rate of return; assuming a 1.3% COLA. These are just projections.

Recognize you have budget constraints but Jeff would recommend that you make contributions that dovetail the ARC.

We will have another report in August/September 2016.

What recommendation does the Pension Board have to Council – stay with \$700,000 or go somewhere between the ARC and \$700,000?

This board feels there are risks to the community by not funding its current FIP.

A Motion was made by Sean Frodyma and seconded by Councilman Perry that this Police Pension Board body, acting as fiduciaries, recommend the Town Council and Budget Committee to stay with the \$700,000 FIP.

All in Favor.

Jeff Brown exited after confirming he will do a check back with Matt around 8/1/2016 to find out what the Town's anticipated contribution will be.

.....

5. Discussion and possible votes regarding Restatement of Plan and/or plan amendments

- a. Purchasing service credit/harmonization of options**
- b. Good conduct provision**

Dan Waugh, Esquire, spoke regarding the Plan Document which makes numerous references to the Collective Bargaining Agreement (CBA). When we make changes to the Plan Document, we must invite the union to bargaining. We don't have to bargain over the Plan Doc.

Dan operates on 2 assumptions. He incorporates the CBA changes into the Plan and also assumes if the IRS Code requires changes, we are going to make those changes whether negotiated or not. Generally in the past, those have not been material items. They have reflected things such as the way benefits have to be expressed,

etc. (syntactic more than substance). Increasingly there have been more impingements as to what some of those benefits are required, i.e., in 2013 was the Windsor Decision in the Supreme Court ... it overruled the Defensive Marriage Act. This adds expense to the plan eventually because there are more people who could potentially be married in the future. These things plan a role.

Dan says there are a few things that need to be added in to the work that has already been done. In 2014 Dan prepared a Restatement. It was on the agenda for the Police Pension Meeting scheduled in Dec 2015 but the meeting was cancelled.

Dan would like to get this restatement update done and resubmit for the upcoming June meeting. Writing this up consists of how "rollovers" are planned along with how the Windsor Decision affects the plan, etc. These changes were never adopted by the Town Council but we changed it in the Contract.

Matt asked Dan Waugh when State did pension reform. Are there any best practices we don't have in our plan document. Dan responded we are in good shape from that perspective.

We need to get back to Dan Waugh and the Pension Board needs to set up some meeting dates.

A Motion was made by Councilman Perry to schedule a meeting at 10:00 am on Thursday, June 23, 2016. Motion was seconded by Denise Saurette. All in favor. Date is good with Dan Waugh.

.....

6. Discussion and vote to schedule meetings for remainder of 2016

We need to set our quarterly meetings. We time them to let Washington Trust close the quarter and get report ready.

Matt Wojcik moves we set our next quarterly meetings as follows:

- **10:00 am on the 1st Thurs in Oct which is October 6, 2016. (WA Trust does not need to attend)**
- **10:00 am on the 1st Thurs in Jan 2017 which is January 5, 2017.**

Motion was seconded by Councilman Perry. All in favor.

.....

Motion to Adjourn Meeting was made at 11:39 am by Matt Wojcik. The Motion was Seconded by David Perry. ALL IN FAVOR, no objections.