

**Study Commission
February 27, 2012
Minutes of the Meeting**

A Study Commission meeting was held in Room 313 of the State House, 82 Smith Street, Providence, Rhode Island on Monday, February 27, 2012.

At 1:18 pm, Rosemary Booth Gallogly, Director of Revenue and Chairperson of the Commission called the meeting to order.

Commission members present included: Rosemary Booth Gallogly, Jean Bouchard, Paul Doughty, Allan Fung, Dennis Hoyle, Richard Licht, Joseph Polisena, Steven St. Pierre, Melissa Malone representing Gina Raimondo, John Simmons and Angel Taveras.

Members absent: Bruce Keiser, J. Michael Lenihan, and Antonio Pires

Others present included: Susanne Greschner from the Division of Municipal Finance and members of the public.

Agenda Item # 1 – Approval of Minutes from February 13, 2012

Chairperson Booth Gallogly referred to the agenda for the meeting and, as such, stated that the first order of business was approval of the minutes from the Study Commission meeting held on February 13, 2012. She asked if the members had any corrections, adjustments or additions to the draft minutes. There were none. Mayor Polisena from the Town of Johnston made a motion to accept the minutes as written. The motion was seconded by Mayor Fung from the City of Cranston. The motion passed all in favor.

Agenda Item # 2 – Complying with Reporting Requirements

Chairperson Booth Gallogly referred to the proposed statutory changes which relates to the reporting requirements under the General Law section 45-10-15 in attachment B (see addendum). This change is intended to clarify and provide consistency between statutes relating to the time frame of the reporting requirements. Mayor Fung inquired if this amendment was just a clean up of the statute, to which Chairperson Booth Gallogly agreed and reiterated that the legislative amendment in attachment B would make sure that there are not two statutes in existence which would conflict. A motion of passage was made by Mayor Polisena. Acting Auditor General Dennis Hoyle seconded the motion. The motion passed all in favor.

Agenda item # 3 – Study Commission Information Request

Chairperson Booth Gallogly opened the discussion regarding the potential survey questions that the Division of Municipal Finance would send to municipalities regarding their pension and Other Post Employment Benefit (OPEB) plans (see attachment C in the addendum). The chairperson suggested that the commission walk through each question and asked for any modifications or suggestions that

the commission would like to make. It was noted that while the pension survey and the OPEB survey are very similar, two separate surveys were created due to the fact that these surveys may go to separate places in a city or town, such as a pension board or the finance director. The following questions initiated recommendations/changes from the commission:

- Richard Licht, Director of the Department of Administration, suggested question #7 on the pension survey should come before question #6 and noted that if question #7 came before question #6, the second half of question #6 would not be necessary. Chairperson Booth Gallogly agreed on changing the order of questions #6 and #7 as well as making a change to the second half of question #6.
- Director Licht questioned if a municipality's annual report is something that would pertain to question #8 and if an annual report is something that should be provided. Mayor Fung stated that the investment strategies are critically important to the overall funding because the performance impacts the annual required contribution (ARC). Chairperson Booth Gallogly suggested the commission ask how often does the governance board receive a report on investment performance and what is the practice.
- Chairperson Booth Gallogly stated that question #9 might be confusing if changes are made to the preceding questions and thought question #9 should be split up into two questions.
- In regard to question #10, Mayor Polisena commented that he did not want to put an undue burden on any citizens who volunteer within local communities on retirement / pension boards by requiring volunteer members to attend any type of mandatory classes or training. Chairperson Booth Gallogly indicated that this is a survey to determine current practice. She suggested that it is possible something could be offered at the state level to make it easier to offer fiduciary training. Melissa Malone stated that it is important for this commission who is looking at pensions to also look at the information that brought them here today. Ms. Malone also stated that fiduciary training is integral for people to be aware of what their responsibilities are and that the questionnaire was designed to assess what is out there in order to determine the next course of action. Mayor Polisena expressed strong opposition to the question, concerned that the question would translate to an undue burden for the local community via a mandate for unfunded training. Further discussion ensued, including commentary by Jean Bouchard and Mayor Fung who offered a recommendation for a revision on the question to include fiduciary insurance. After discussion, Chairperson Booth Gallogly reworded the question into two parts: What kind of training do you provide to board members with respect to retirement and respect to investments? If fiduciary training were offered, would they attend?
- Mayor Fung challenged question #13 local plans for asset allocation. John Simmons, executive director for the Rhode Island Public Expenditure Council, agreed that this level of detail could be found in the latest audit, defining an asset allocation plan. Question #13 was, therefore, removed from survey.
- Chairperson Booth Gallogly continued on with survey review of OPEB questions and set a date for the survey results four weeks from today's date (April 1). Further dialogue ensued related to extension process and how delinquent responses might be handled.

- Richard Licht made a motion to accept the survey questions as discussed and grant the chairperson the ability to adjust the survey based on comments and her judgment. Mayor Polisenia seconded the motion. Mayor Fung interjected with a motion to open up the floor for discussion for public commentary. Director Licht withdrew his motion to be voted on after public comment.

Agenda Item # 4 – Actuarial Valuation and Experience Study, Timeline

The Chairperson asked the Acting Auditor General, Dennis Hoyle, to discuss a general timeline which his office prepared. Mr. Hoyle stated that attachment D (see addendum) was based on a June 30 typical fiscal year end and annual valuation patterned after Cranston. Mayor Fung noted that were a few concerns pertaining to some communities with regard to the use of a 6/30/2011 date versus a 6/30/2010 date. The Chairperson noted that the state would use 6/30/2010 data and felt that the commission should not have more stringent guidelines then the Governmental Accounting Standards Board (GASB). Mr. Simmons suggested that the bullet in attachment D should ask for the latest data available or the most current as of April. Chairperson Booth Gallogly stated that the first bullet in the attachment would lead to some communities using older data. Mr. Hoyle made a motion to omit the first Bullet in attachment D. Mayor Polisenia seconded the motion. The motion passed all in favor.

Agenda item # 5 – Upcoming Agenda Items

- Draft of request for proposal (RFP) put together for actuarial assistance for commission. This will be shared at next commission meeting.
- MERS
 - a. General Overview
 - b. Options for transition
 - c. Current state of MERS
 - d. Recommendations for roll out

Agenda Item # 6 – Public Comments

- With respect to the timeline provided in Attachment D, there were no questions regarding the implementation of General Law Chapter 45-64. Chairperson Booth Gallogly ran through a reiteration of recommended changes. Mayor Polisenia made a motion to accept, seconded by Mayor Fung. Motion passed all in favor.
- Attachment B & C – public comments. Peder Schaefer, Executive Director of the League of Cities and Towns, questioned how often cities and towns do valuation related to question 2 of attachment C. Chairperson Booth Gallogly suggested that a question is added which states: to be in compliance with GASB, how often do you do a valuation? Chairperson Booth Gallogly also stated that reference to the word annual be removed from survey. A motion to approve the survey was made by Mayor Polisenia. Director Licht seconded the motion. The motion passed all in favor.
- J. Michael Downey, President of Rhode Island Council 94, AFSCME, AFL-CIO commented that fiduciary training is important and should be offered.
- No additional comments were made.

Mayor Polisenena made a motion to adjourn that was seconded by Chairperson Booth Gallogly. The meeting adjourned at 2:04 PM.

Rosemary Gallogly
Chairperson

March 13, 2012
Date

Addendum to
February 27, 2012
Study Commission
Meeting Minutes

1 **RELATING TO COMPLIANCE WITH REPORTING REQUIREMENTS**

2
3 It is enacted by the General Assembly as follows:

4
5 SECTION 1. Section 45-10-15 of the General Laws in Chapter 45-10 entitled
6 “Audit of Accounts and Installation of Systems is hereby amended to read as follows:

7
8 **§ 45-10-15 Compliance with requirements of "governmental accounting**
9 **standards board (GASB)" pension funding.** – For any audit year in which a
10 municipality contributes materially less than 100% of the annual required contribution to
11 its pension plan(s) as reported in accordance with GASB statement 27 or any successor
12 statement, the municipality shall submit to the auditor general and the director of
13 revenue, within three (3) months of completion of the financial statement, the
14 municipality's most recent actuarial study of the plan(s) and management's
15 recommendations for assuring future payments equal to the annual pension cost (APC),
16 except that for FY 2012 and FY 2013 the municipality shall submit no later than
17 November 1, 2012 management’s recommendations for assuring future payments equal
18 to the annual pension cost (APC).

19
20 SECTION 2. This act shall take effect upon passage.

Pension Survey

Information request from municipalities with locally-administered plans
- Draft survey to be sent to municipalities after Study Commission approval -

Municipality:_____

Respondent Name:_____ Email:_____

Phone Number:_____

- 1) What is the date of your most recent actuarial valuation?
- 2) Has your municipality hired, or is in the process of hiring, an actuary to complete the annual valuation, which has to be submitted to the Study Commission by April 1, 2012? If yes, when do you expect to submit the valuation to the Study Commission? If no, please provide written notification to the Pension Study Commission explaining why not.
- 3) If applicable, which actuarial firm has your municipality hired?
- 4) What is the date of your most recent experience study?
- 5) Has your municipality hired, or is in the process of hiring, an actuary to complete the experience study, which has to be submitted to the Study Commission by April 1, 2012? If yes, when do you expect to submit the experience study to the Study Commission? If no, please provide written notification to the Pension Study Commission explaining why not.
- 6) Where are your plan documents located (e.g., city/town website, employee manual, with plan administrator)? What form are they (e.g., ordinance...)?
- 7) How were plan provisions enacted (e.g., contract)?
- 8) Who has fiduciary responsibility over decisions? Please provide documentation.
 - a) Investments
 - b) Benefit administration
- 9) Please identify who is responsible for day-to-day local administration of the plan.
- 10) If you have a retirement board and/or an investment committee, did members of this board complete a fiduciary training in the last 12 months?
- 11) Please identify who is the custodian of the plan's funds and list any investment consultants or investment managers retained by the local plan.
- 12) Did your municipality conduct a pension asset/liability study? If so, when?

- 13) Please describe your local plans asset allocation.

Please respond by _____

OPEB Survey

Information request from municipalities

- Draft survey to be sent to municipalities after Study Commission approval -

Municipality: _____

Respondent Name: _____ Email: _____

Phone Number: _____

- 1) What is the date of your most recent annual actuarial valuation?
- 2) What is the name of the actuarial firm?
- 3) Did your municipality establish an OPEB trust? If yes, when and who administers the trust?
- 4) Who has fiduciary responsibility over decisions? Please provide documentation.
 - a) Investments
 - b) Benefit Administration
- 5) If applicable, where are your plan documents located (e.g., city/town website, employee manual, with plan administrator)? What form are they (e.g., ordinance...)
- 6) Please identify who is responsible for day-to-day local administration of the plan.
- 7) If you have OPEB board, did members of this board complete a fiduciary training in the last 12 months?
- 8) If applicable, please identify who is the custodian of the plan's funds and list any investment consultants or investment managers retained by the local plan.
- 9) Did your municipality conduct an OPEB asset/liability study? If so, when?

Please respond by _____

Attachment D

Guidance for Municipalities implementing the requirements of General Law Chapter 45-64 relating to required experience studies and alternative funding improvement plans

The purpose of this timeline is to provide guidance to municipalities on how the information obtained in complying with General Law Chapter 45-64 should be used in preparing and enacting budgets and preparing financial statements and other disclosures for their communities.

Note: This guidance reflects a typical timeline for a municipality with a June 30 fiscal year end and where annual actuarial valuations are performed.

July 2011:

- Actuarial valuation performed as of June 30, 2011 (typically includes funding requirement (annual required contribution) for fiscal 2013).

December 2011:

- Financial statements issued for FY 2011 (using the 2011 actuarial valuation information to report funded status in the financial statements).

February – March 2012:

- Actuary delivers experience study;
- City/Town considers and approves recommended actuarial assumption changes (if any), based on experience study; and
- Updated valuation (e.g., letter from actuary) reflecting the revised actuarial assumptions or a new actuarial valuation is delivered by the municipality's actuary.

April / May 2012

- Experience study and initial actuarial valuation is due to the Pension Commission on **April 1, 2012**. An updated valuation (reflecting any adopted assumption changes emanating from the experience study) in the form of a letter from the actuary is acceptable in lieu of a completely revised actuarial valuation.
- 2013 budget preparation and submission to Council -
 - Municipality has the option of using either (1) the prior actuarial valuation and ARC, or (2) the revised valuation reflecting the experience study results for determining the ARC for inclusion in the 2013 budget. The impact of the experience study, revised valuation and the adopted funding improvement plan would first be required to be included in the fiscal 2014 budget.

Attachment D

Guidance for Municipalities implementing the requirements of General Law Chapter 45-64 relating to required experience studies and alternative funding improvement plans

- The revised actuarial valuation information (reflecting the changes, if any resulting from the experience study) would be disclosed in bond offering official statements and used for financial reporting purposes.

May 2012:

- Plan members and various state officials must be notified of plan critical status (30 business days following the certification)

May / June 2012:

- Final 2013 budget adopted
- Actuarial valuation as of June 30, 2012 commissioned (using revised assumptions as applicable)

November 2012:

- A reasonable alternative funding improvement plan (incorporating experience study and revised valuation results) must be submitted to the Pension Study Commission (within 180 days of sending the critical status notice)

December 2012:

- Audited financial statements for fiscal 2012 are issued reflecting the most recent actuarial information (e.g., 2012 actuarial valuation)

April / May 2013

- 2014 budget preparation and submission to Council - this budget reflects the (1) annual required contribution as determined by the actuary as of June 30, 2012 (which incorporates the experience study and revised valuation results) and (2) the adopted funding improvement plan.