Pension Study Commission
January 14, 2013
Minutes of the Meeting

A Study Commission meeting was held in the Senate Lounge of the State House, 82 Smith Street, Providence, Rhode Island on Monday, January 14, 2013.

Rosemary Booth Gallogly, Director of Revenue and Chairperson of the Pension Study Commission called the meeting to order at 10:10 AM.

Commission members present: Rosemary Booth Gallogly, Paul Doughty, Allan Fung, Dennis Hoyle, Richard Licht, Joseph Polisena, Mark Dingley representing Gina Raimondo, Steven St. Pierre and Will Farrell representing Angel Taveras

Members absent: Jean Bouchard, Bruce Keiser, J. Michael Lenihan, Antonio Pires and John Simmons

Others present: Daniel Sherman, from Sherman Actuarial Services, LLC and members of the public

Agenda Item # 1 – Approval of Minutes from December 17, 2012

For the first item on the agenda, Chairperson Booth Gallogly asked if the Commission members had any corrections, adjustments or additions to the draft minutes provided from the Study Commission meeting held on December 17, 2012. There were none. Paul Doughty representing the International Association of Firefighters for the city of Providence, made a motion to accept the minutes as written. The motion was seconded by Mayor Joseph Polisena from the Town of Johnston. The motion passed all in favor.

Agenda Item # 2 – Update on Funding Improvement Plan, Attachment B

It was recently announced that the federal government will allow the city of East Providence and town of North Providence, which were both awarded a settlement for their help in the federal investigation of Google, to apply the settlement money towards their unfunded police pension liabilities. Richard Licht, Director of the Department of Administration, took a moment to congratulate Chairperson Booth Gallogly for her outstanding work in helping those communities to secure permission to apply those funds to their police pension plans. He believes it was her magnificent leadership along with the leadership of the two communities and the help of the congressional delegation that allowed for this to happen.

Chairperson Booth Gallogly thanked Director Licht and indicated that the decision was a huge accomplishment and a perfect example of the creative collaboration between local, state and federal governments, and the state's congressional delegation which helped to facilitate the decision. She also noted that the unions were very much in favor of this because it will make their plans healthy.

The decision also means that two (2) of the twenty two (22) locally-administered pension plans that were in critical status (less than sixty percent (60%) funded) now have a pretty good chance of being able to present a Funding Improvement Plan (FIP) to the Commission that shows they are healthy. In the case of North Providence, the application of the settlement money is enough to actually eliminate the police plan's unfunded liability. In East Providence, although the settlement is sizeable at $49.2 million, it will come into that fund as assets because that pension plan includes both police and fire, and the money can only be used with respect to police pensions. Nevertheless, the influx of funds will significantly change East Providence's plan's funded ratio, from 33% to probably about 60% funded. Mayor Polisena stated that it was an incredible opportunity created from this windfall and he, along with the other Commission members, commended Mayor Lombardi for his leadership as well, and the chairperson concurred.

Next on the agenda, Chairperson Booth Gallogly provided an update on the Funding Improvement Plans (FIP). She indicated that those locally-administered pension plans which are under sixty percent (60%) funded are required to submit an FIP to the Commission based on guidelines the Commission had issued. Currently, all, but six (6) of those plans have been received, and communications are ongoing with those communities. West Warwick was slated to deliver their plan that day. Chairperson Booth Gallogly noted that Susanne Greschner, Chief of the Division of Municipal Finance, had sent communications to Cumberland, Johnston, North Providence and Pawtucket. Follow-up will continue with those communities that have not submitted their plans. Chairperson Booth Gallogly thanked Ms. Greschner and Dan Sherman, actuary for the Pension Study Commission, for all of their work on reviewing the plans. Chairperson Booth Gallogly referred the Commission members and audience to the grid in Attachment B which identifies the major items that were outlined in the guidelines that needed to be addressed in each FIP. A summary was also presented so that it is clear to determine whether the plan was or was not in compliance for a certain reason. Chairperson Booth Gallogly stated that she noticed a trend in several of the submitted plans where certain components of the guidelines were not addressed. Therefore, she informed the Commission that they needed to see if there was a flaw in the way in which the guidelines were presented to the communities.

Chairperson Booth Gallogly invited Mr. Sherman to brief the Commission on the review checklist of the Funding Improvement Plans submitted by cities and towns.

In terms of a FIP timeframe, Mr. Sherman indicated that, per the guidelines, pension plans should emerge from critical status within twenty (20) years. Mr. Sherman noted that most plans that were submitted were comprehensive and well done. He also stated that some communities submitted two (2) deterministic forecasts as requested, while four (4) were requested.

A question was raised for the interpretation of *deterministic forecast.* Mr. Sherman indicated that for each Funding Improvement Plan submitted, a comprehensive forecast should be provided to describe what will happen down the road. This would include the total cost, accrued liability, assets, when the community anticipates its pension plan will emerge from critical status, etc.

Chairperson Booth Gallogly stated that the tables that municipalities submitted show the unfunded liability, and how that changes over the 20 year period. It also shows the percentage funded, what the ARC is and whether it grows or declines. She indicated that it is similar to what the state's actuary, Gabriel, Roeder, Smith and Co. (GRS) has always presented to the state's retirement board. The Chair noted that it is important to point out that since a Funding Improvement Plan might change the unfunded liability since she does not want people to be surprised if their ARC goes up. She continued that it does not necessarily mean that the ARC is going to go down; the ARC could continue to rise. It is important to see the impact on all those components.

It was noted that the five-year forecast of revenue for East Providence, Narragansett Police and Scituate Police are missing. Also noted on the grid is that Cranston Fire and Police are in negotiations; therefore a plan has not been chosen by the local governing body. However, a plan has been chosen in most communities. Chairperson Booth Gallogly noted that although the local governing body may have voted on a plan, it is very possible that during the negotiation process (to the extent that benefits change) that a different result could come about requiring a new Funding Improvement Plan. The new plan still needs to meet the FIP guidelines. Mr. Sherman indicated that he expects that several of these plans will be modified and resubmitted to the Commission over the coming months as negotiations continue.

Mr. Sherman stated that all Funding Improvement Plans submitted were in compliance with the thirty (30) year maximum amortization period. The Commission wants the increases in the year-to-year amortization to be no more than 4%, and everybody was in compliance. No decrease in contribution from one year to the next was also called for in the guidelines and for the most part all these plans came in silent as to whether or not they were going to adhere to that or not. There was one plan that actually showed increases and then decreases in the contributions. In the forecast it was going up and down significantly. He pointed out that he prefers that the contributions not decrease. In the feedback, it was indicated that if a pension plan has a good year, and earned a 12-14% rate of return on its assets, instead of decreasing the contributions, the guidelines indicate to shorten the amortization period by a year or maintain the same contribution.

Chairperson Booth Gallogly asked Mr. Sherman how many plans would be thrown off if no decrease in contribution were to become the official policy. Mr. Sherman indicated that it is only one (1) plan that specifically said that if they had a good year, that they would reduce the contribution. Chairperson Booth Gallogly asked if it was because of the structure of that plan or the actuarial methodology that was used. Mr. Sherman thinks that it is because they had multiple amortizations, so if one amortization drops off then there is going to be a reduction in the contribution at that point in time. The report that he has does not have enough detail to explain exactly why.

Chairperson Booth Gallogly indicated that the Commission had discussed allowing communities to have separate amortization periods for gains and losses. If we have separate amortization periods, could we end up with some unintended consequence? She wants to anticipate what could happen when it is actually executed. Mr. Sherman mentioned that when a plan is up to the 85%-90% funding level, and they have a gain or loss, then that could happen. In Massachusetts, if they are 90% funded, a drop because of actuarial gain is permitted. He suggested that the Commission could indicate if a plan is above 75%-80% funded, a gain would allow them to decrease the appropriation.

Director Licht indicated that the state incorporated something similar to what Mr. Sherman was describing in the Pension Reform Act. Meaning, if the state has unusual gains or losses, it amortizes them over a different period. Mr. Sherman indicated that a plan's assumed rate of return factors in asset smoothing. Mayor Fung inquired if it made a difference if it was a closed or open pension plan. Mr. Sherman replied that it does make a difference especially if it is a closed plan with all retirees. The question was raised if municipalities whose pension plans are over 60% funded and have a good return on investment year should be allowed to decrease their contribution. Mr. Sherman noted that, currently, the FIP guidelines are set up to require communities to at least fund the same amount as their prior year's contribution. For most of these plans, it would mean instead of going up 4% or 5%, it's going to stay level for about a year and that might be sufficient for some people.

Chairperson Booth Gallogly inquired, in terms of staying on track with the guidelines; do communities have to submit a deterministic forecast with every valuation that is done? Mr. Sherman answered no that he did not expect that. The Chairperson continued by asking how the Commission would know if a plan is staying on track? Mr. Sherman indicated that the valuation will give them enough information to see if a plan is on track. For example, he said all the actuaries would have to provide them with an amortization of the unfunded liability, and develop the ARC. From that information, he indicated that the Commission will be able to see the total cost, amortization of the original, amortization of gains and losses, and amortization period. Therefore, in the valuation there will be enough information to determine if they are staying within the guidelines, but they may or may not include a forecast. The Commission could encourage them to include a forecast going forward if they so chose.

Chairperson Booth Gallogly inquired if all of this analysis is based on the funding methodology, meaning that the guidelines do not address any Governmental Accounting Standards Board (GASB) compliance in these plans. Mr. Sherman indicated that this is correct. The Chair wanted to be clear that the Commission's guidelines are separating funding methodology from the (GASB) requirements, which is going to be really important as they go forward. There will be two sets of numbers, the GASB numbers based on the market value as of the end of the year and the funding methodology, which could use smoothing. She expects that there will be some differences as they move forward. Chairperson Booth Gallogly thanked Mr. Sherman, and added that they will continue working with the communities.

Mayor Fung noted that any benefit reductions and funding assumptions upon which the Funding Improvement Plans are based will be a key component in allowing municipalities' pension plans to emerge from critical status. He followed by asking what was going to happen if GASB establishes different types of standards that are going to require funding at some other point that could negate what each community has negotiated with its employees and retirees. He would like to avoid that because whatever approach a community uses in its Funding Improvement Plan to get them out of critical status, and to get them fully funded, he does not want some other standards to get in a community's way.

Director Licht responded that GASB's standards are separate from funding. GASB's standards relate only to how an entity reports on their pension plans. For example, he indicated that communities will now report a liability, which they did not report before. Mayor Fung reiterated that he has seen GASB and many other agencies go far beyond some of their charges. In fact, he believes it is why the Commission put forward their recommendations on Moody's request for proposal because it was related to pensions. He expressed concern about "what if" GASB decides to make it a funding type requirement in the future. He would like to make sure that the municipalities that have solidified their Funding Improvement Plan to get out of critical status will not have to go back to the table with their employees and retirees just because GASB puts in some type of funding requirement. Director Licht responded that he does not think that GASB would put in a funding requirement; however, he thinks that the disclosure of a pension plan's liability is going to create certain problems when a municipality goes to the bond market and starts talking with its rating agencies. Now that the liability is disclosed, communities may have a funding plan that meets the Commission's guidelines, however, Moody's or another rating agency may say, "Very nice plan, but we don't think its good enough, and therefore we're dropping your bond rating". Mr. Licht did not think there was anything the Commission could do about that, but he deferred to the other members.

Mayor Polisena is concerned that municipalities may see their ratings drop once GASB gets involved. He believes Mayor Fung's point about GASB is a major concern for those cities and towns who are worried about their bond rating, and that is going to create havoc with the cities and towns.

Dennis Hoyle, Auditor General, mentioned that the state is in a transition as well. However, since GASB's new standards will not kick in, for the employer side, until 2015, the state is still operating under the current standards. Auditor General Hoyle said he cannot speak for GASB, but reminded the Commission that GASB sets accounting standards and they have delinked the funding approach from the accounting methodology. He continued that, currently, the funding approach and accounting methodology are mostly in sync; however, they will begin to diverge in the future and everyone will have to get used to that. Mayor Polisena asked Mr. Hoyle if he thought that GASB's upcoming involvement could "destroy" some of the bond ratings in the cities and towns. Auditor General Hoyle responded that it was a hard question to answer; however, he believes that as Director Licht pointed out, the rating agencies have already discounted a lot of the information that is factored in, regardless of how it was presented in the financial reports to a larger extent. He stated that GASB's focus on pensions has certainly increased in the last two years and does not foresee GASB going back to dictating a funding approach.

Mark Dingley, representing Gina Raimondo from the General Treasurer's Office, noted that GASB is neither a law nor a contract, it's just a standard. While GASB has tried to impose those standards in the past, most lawyers have taken the position that even though it is a standard and they apply it, legally an entity is not required to comply with GASB. He acknowledged that if a government entity did not comply it would be noted on their financial statements, but there is no legal requirement to comply. Mr. Dingley continued, in response to the Mayor's concern, all cities and towns are going to have to report these liabilities. The issue, and the issues that face many municipalities in Rhode Island is that GASB and other agencies are not comparing a city or town just to other municipalities in Rhode Island; it is being compared to municipalities nationwide. So, if our unfunded liabilities in Rhode Island are greater than unfunded liabilities for municipalities in Massachusetts, Connecticut or anywhere else in the country; then our ratings will suffer. If our unfunded liabilities are not as great as those in other communities, then ratings will not be impacted. GASB is a national accounting standard, so whether or not it adversely impacts the municipalities in Rhode Island will depend on how large the unfunded liabilities are versus the other similar communities. Chairperson Booth Gallogly indicated Mr. Dingley raises a very important point.

Paul Doughty, President of the Providence Firefighters' Union Local 799, asked what action would be taken if a city or town answered "no" to a question on Attachment B. Mr. Sherman indicated that it would depend on the particular item. Chairperson Booth Gallogly added that Mr. Sherman and Ms. Greschner have been having conversations with municipalities to get clarification in order to do this evaluation, and to be sure that the Commission understands what the municipality was presenting and that no information was misrepresented. Mr. Sherman reiterated that follow up questions with the municipalities are ongoing.

Agenda Item # 3 – Investment Rate of Returns - Discussion, Attachment C

Chairperson Booth Gallogly referred to the investment rate of return comparison provided in Attachment C which is an important element when studying the health of pension plans. During previous Commission meetings, there had been some discussion of possibly instituting some guidelines so that we could compare a locally-administered plan's return to the investment returns of both Rhode Island’s and Massachusetts’ state-administered pension plans. Chairperson Booth Gallogly noted that this exercise made her realize that such a comparison is not as straight forward and easy as people may think. The Cit of Providence’s returns were also shown for the periods available. She referred to Attachment C and noted that Massachusetts’ returns are gross of (before) investment fees and Rhode Island’s are net (after you take out what the investment managers need to be compensated and other expenses). Therefore, the comparison is not apples to apples as they were unable to get the data from Massachusetts that shows their net return.

Chairperson Booth Gallogly mentioned that what she has learned is that the calculation of that net return could be different, depending on what the entity’s practice is. For example, a state or community might subtract the investment management fees but might not charge everybody that works on pensions to the pension funds. As a result, the definition of “administrative expenses” might vary. She reasoned that if the Commission would like to pursue comparing investment returns one suggestion would be to have the state's actuary identify how they calculate the returns (which is consistent with actuarial standards/practices) and maybe set that as the standard, and then require the local municipalities to calculate it the same way.

Mr. Dingley noted that the Rhode Island state-administered plan includes the plan’s cash returns, which are relatively low, while Massachusetts excludes their cash returns which gives them another bump in yield. Director Licht asked if Massachusetts’ excludes both the return and the cash. Mr. Dingley answered that they exclude their return on cash and they exclude the cash from the calculation. Chairperson Booth Gallogly noted that the Commission should be careful to weigh in whether or not it wants to be comparing investment returns of various plans without having some ability to look at what the portfolio makeup of each plan is, and what is unique to that system because, without this knowledge, they could be comparing apples to oranges in some instances.

It was also noted that the comparison data on Attachment C is based on a calendar year. To be comparable to Massachusetts, Rhode Island’s returns had to be converted from a fiscal year to a calendar year basis. Chairperson Booth Gallogly indicated one of the other complications is not only the calculations methodology, but the timeframe.

Agenda Item # 4 – Potential Recommendations to General Assembly - Attachment D

Chairperson Booth Gallogly referred the Commission members and audience to Attachment D in the addendum to continue the conversation from the last Commission meeting. Continuing with page 6, she noted that any additional information based on Commission member discussion will be reflected in the grid by underlining.

Discussion regarding Section III question two (2) clarified that the current MERS participants were recently reamortized to 25 years. Therefore, if any new locally-administered plans want to join MERS in FY 2014, there would be 21 years left on that amortization schedule. She thinks that is something that Commission will need to consider as they would need legislation to address the whole transition process regarding the amortization schedule.

Mr. Dingley indicated that if a plan came into MERS with a significant negative cash flow, it would have a potentially negative impact on overall returns. Chairperson Booth Gallogly indicated when looking at Central Falls, which was a unique situation, their pay–as-you-go to the retirees, even with their restructured benefit of 55% reduction for some of them, was actually more than their ARC. So in that case, the Commission would require the pay-go to get enough money in there to fund those pension plans.

Various options were discussed pertaining to allowing plan members to retain existing service credits and then adopt MERS accrual rates on a go-forward basis. Retirees were never brought into MERS before; it was just active members, so that will be addressed. Steven St. Pierre, Sergeant of the Bristol Police Department, was concerned about bringing plans that are in critical status and that have considerable liabilities into MERS since they would still need enough assets to cover what they need to pay out and wondered how the existing MERS participants would be able to absorb that? Chairperson Booth Gallogly stated that she thinks because each individual plan is segregated in MERS that such an influx of plans into MERS would not negatively affect the separate valuations of assets of another.

Mayor Fung stated that it would be easier to give those locally-administered plans enabling legislation that would establish that the benefits at that local level are to be no greater than what is set by the State MERS standard. He believes it would be a lot easier than to try and encourage voluntary transition to MERS. That way, the local plans could have their benefits set and keep everyone within one structure at the local level which would eliminate any closed plans.

Director Licht responded, speaking on behalf of the Governor, that both he and the Governor agreed with the Mayor, but noted it was the majority of legislators that did not. Therefore, he believes, at some point you have to say, “let’s address this in a different way”. He added that some people will say you cannot do what Mayor Fung suggested regarding setting locally-administered pension plan benefits no greater than MERS because that would interfere with the unions’ collective bargaining rights. The General Assembly has chosen not to go in that direction. Mayor Fung replied that if the Commission chooses to pursue having locally-administered plans join MERS then that will also interfere with the unions’ collective bargaining rights since the MERS benefits are less generous than many locally-administered plans. Mayor Fung is concerned that if locally-administered plans join MERS and if a change is made to the MERS benefits as it was recently with the pension reforms, many municipalities could face individual grievances from those locals because they may have benefits still set in contract. He continued by saying that a municipality could possibly have an arbitrator side with state employees on a contractual side and then be left with a greater financial burden. Therefore, either way, it's going to have to impact the collective bargaining agreement or local municipalities are going to be short changed.

Chairperson Booth Gallogly mentioned if the collective bargaining unit agrees with going into MERS due to added security of their future pensions, then she would assume they would agree with altering the provisions of pension benefits which are currently included in their collective bargaining agreements (CBA). To make it perfectly clean, if someone is going to come into the state administered plan, it needs to be clear that it's governed by state statute. But, if it is a voluntary acceptance of the MERS conditions, then we need to be sure that they recognize that when they go into MERS.

Director Licht raised a question that goes back to bringing active and retired employees into MERS. If it were voluntary how would cities and towns deal with getting retiree approval to come in, and what happens if the active employees agree to join MERS, but the retirees do not? Chairperson Booth Gallogly responded that if a retiree opted not to join MERS they would be left in a closed plan without the security of MERS. They would need to understand the consequences of such a decision. In any case, however, she noted that any changes in benefits in accordance with a Funding Improvement Plan need to be negotiated, whether it's with actives or retirees.

Mr. Doughty pointed out that, unlike active employees, retirees are not bound by a majority vote. In the case of Providence, it was set up as a class action lawsuit. Director Licht noted that by setting it up that way, while retirees could opt out and choose to sue the city individually, it is an expensive process so it is unlikely to happen. Mr. Doughty also explained that the basis of Providence's lawsuit is a constitutional issue. The city had put in a set of onerous ordinances and then called the unions and retirees in to negotiate. That way, individuals would not get the benefit of opting in if they had already opted out. So any individuals who had opted out would get less generous benefits under the ordinance.

Mr. Doughty noted that any effort to try to make enabling legislation so that a city or town has the unilateral right to make these changes is just going to end up with excessive litigation and stall the process. He thinks that if city and town administrators can make the case that MERS is a better situation for the retirees, and the actives, then they will have willing partners that will sit down and talk to them. But, when the Commission or local administrations start telling employees and retirees that "this is what we want you to do", he thinks there will be more fights than if they said to the employees and retirees "show me a better solution".

Chairperson Booth Gallogly indicated if a locally-administered plan comes into MERS, then state law governs that plan. Conflicting provisions in the CBAs makes it difficult for both members and the managers. The Chair asked Mr. Doughty and Mr. St. Pierre, how willing they would be to make a clean break. Mr. Doughty indicated that sometimes it depends on the alternative. For example, if a community was headed toward bankruptcy and all of the uncertainty and the bankruptcy law that would come into play. He thinks it depends on what the difference in benefits are, noting that the closer that the current benefits are to the MERS benefits, the more sense it makes more to join MERS. Also, there is a discussion about tradeoffs. There are a lot of ways, without considering enabling legislation. He thinks if they can make the case to both the members, and the financial people involved, and to the community and the council, then it would work. But if it is going to be one-sided, where the municipality would benefit much more than the employees or retirees then there will be a fight.

Chairperson Booth Gallogly indicated that the voluntary pathway to MERS being discussed is permissive. The Commission and legislature would need to make the rules clear. But she indicated that she does not want to think that the Commission has solved the problem only to end up with a bunch of grievances. It needs to be done in a way that does not create more problems. She really wants this to be a solution.

Regarding question 7 on the offset of school aid in the event that a municipality fails to make its ARC payment, Director Licht believes that the power to withhold aid would be meaningless because he does not think the state will actually punish the children by withholding aid if the adults in a municipality cannot get along or do not make the required pension contribution.

Agenda Item # 5 - Updated Meeting Schedule - Attachment E

Chairperson Booth Gallogly provided a schedule of the 2013 meeting dates in Attachment E. All future meetings will be held at **10:00 AM** in the senate lounge on the second floor of the State House.

Agenda Item # 6 – Public Comments

There were no public comments.

Agenda Item # 7 – Adjourn

Mayor Polisena made a motion to adjourn which was seconded by Director Licht. The meeting adjourned at 11:56 AM.

Rosemary B Gallogly
Chairperson

1/28/13
Date

PSC/sm

Addendum to the
January 14, 2013
Pension Study Commission
Meeting Minutes

Checklist on Funding Improvement Plans (FIP) Submitted by Cities and Towns
Attachment B

Municipality:	Bristol Police	Coventry Muni	Coventry Police	Coventry Schools	Cranston F&P	Cumberland	East Providence F&P	Johnston Fire	Johnston Police	Narragansett Police (Chapter	Newport Fire	Newport Police	North Providence	Pawtucket	Portsmouth	Providence	Scituate Police	Smithfield Police	Tiverton Police	Warwick F&P I	West Warwick
Date of Submission	11/7/2012	11/14/2012	11/15/2012	11/9/2012	11/11/2012		11/11/2012			12/24/2012	11/5/2012	11/5/2012			10/23/2012	11/9/2012	11/9/2012	11/6/2012	10/24/2012	11/8/2012	
FIP Documentation																					
•FY2012 Funding of the ARC (Before/After Changes are made)	yes	no	no	no	yes		yes			yes	yes	yes			yes	no, however funding is *90% for 2012 and 100% for 2013*	yes	no	yes	yes	
•Amortization -Cost -Method -Period -Interest Rate -Rate of Increase	yes	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	yes	
•Assets & Liabilities (Before/After Changes are made)	yes	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	yes	
•Funded Status (Before & After)	yes	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	yes	
•Employer & Employee Normal Cost (Before & After)	n/a	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	missing	
•Description of Benefit Changes (If Applicable)	n/a	yes	yes	yes	yes		yes			n/a	n/a	n/a			yes	yes	yes	n/a	n/a	n/a	
•Description of Plan to Emerge from Critical Status	Fully fund ARC with lower amortization years. Town does not make plan changes, given size of plan, but is planning on fully funding the ARC.	Negotiated benefit reductions (employee contribution increase and move to DC for new employees), tax increases, cost savings and increased funding, phased up to ARC.	Negotiated benefit reductions (employee contribution increase and move to DC for new employees), tax increases, cost savings and increased funding, phased up to ARC.	Phasing in to full Arc, plan benefit modifications. Recommended to remove COLA's for future retirees who retire after 8/2012, benefit formula change to career average instead of 3 year avg. before. **Ownership of plan is in question.	Full ARC and COLA elimination still under negotiation. Increase to 100% funding by 2014. Temp or permanent COLA freeze, extend amortization, make one-time contribution.		Budget Commission approved option 2, payment of ARC, and option 3, negotiation of benefit changes.			Continue current plan benefits. Pay fixed $102,200 per year until fully funded	Continue current policy and plan benefits	Continue current policy and plan benefits			Continue policy. No benefit changes. Continue to make ARC.	Plan benefit reductions. City has negotiated reductions in pension benefits provided to current active & retired plan participants, incl: freeze all scheduled COLA's for next 10 years. For class A: freeze all COLA's indefinitely for all current and future with annual pensions greater than 150% of state median income. For Class B: similar to Class A, except the annual pension cap is equal to lesser of i) 150% of state median income and ii) the base compensation of current employee holding same rank that retiree held at time of retirement. Those below the cap will receive COLA equal to lesser of 3% compounded or what is called for in CBA. Annual pension cap is assumed to incread by 3.5% per year. Pensions for future retirees will be based on average of 4 highest years of compensation of the last 10 years. All employees will be required to contirubute to pension plan for each year they receive a pension accrual.	COLA reduction for future retirees to 2% (from 3%), lower benefit accruals, change salary to a final 5year average, annual employee contribution would increase from 10% to 12%, increased funding.	More funding. Scenrios include to increase ARC from current 78.3% in FY 2013 to 100%. Drastic cuts in staffing and service levels are expected.	Increased funding. Contribution would increase to 119% of recommended contribution for no less than 8 years. Town is not planning to change pension benefits. Open 25 years to closed.	None stated. No changes recommended, continue with 40 year contribution strategy until ARC is fully funded in 2035.	
•Time Frame when Municipality Expects to Emerge from Critical Status	2019	2028 - 2031	2032 - 2034	2028	2028		2034			2024	2024	2019			2017	2033	2029	2026	2020	2032	
•Required Actions to Implement the Plan	shorten amortization schedule	negotiations and increased funding	negotiations and increased funding	negotiations, increases in funding	negotiations, final approval		negotiations			none	none	none			Also exploring benefit reductions through negotiations	Increased funding	negotiations	more funding	additional funding	none stated	
•Two Deterministic Forecasts (Yes/No)	Yes	yes	yes	yes	yes		yes			no	yes	yes			yes	yes	yes	yes	yes	yes	
•Actuarial Assumptions used to forecast payroll growth	n/a	yes	yes	yes	yes		yes			n/a	yes	yes			yes	yes	yes	yes	yes	missing	
•Five-Year Forecast of Municipal Revenue Growth for the time period until plan is no longer in critical status (Yes/No)	yes	yes	yes	yes	yes		missing			missing	yes	yes			yes	yes	missing	yes	yes	yes	
•4 FIP's submitted (Yes/No)	No	yes	yes	yes	yes		No			no	yes	yes			yes	no	yes, howver no analysis for other FIP's	yes	yes	no	

Checklist on Funding Improvement Plans (FIP) Submitted by Cities and Towns
Attachment B

Municipality:	Bristol Police	Coventry Muni	Coventry Police	Coventry Schools	Cranston F&P	Cumberland	East Providence F&P	Johnston Fire	Johnston Police	Narragansett Police (Chapter	Newport Fire	Newport Police	North Providence	Pawtucket	Portsmouth	Providence	Scituate Police	Smithfield Police	Tiverton Police	Warwick F&P I	West Warwick
•1 FIP has been chosen by local governing body	yes	yes	yes	yes	Still negotiating, not yet voted upon.		Yes			yes	yes	yes			yes	yes	yes	yes	yes, however no analysis for other FIP's	yes	
•Max Amortization period of 30 years in which plans must emerge from critical status within 20 years	yes	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	yes	
•Max percent increase in amortization payments would be 4% (except to make up for funding of 100% of ARC)	yes	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	no	
•No decrease in contribution from one year to the next unless the reduction is the result of a reduction in benefits	missing	missing	missing	missing	missing		missing			yes	missing	missing			no	missing	missing	missing	missing	no	
•Used shorter amortization schedules (how many years), with increasing payments	17	n/a	n/a	Phase in of Full Arc and 30 year closed	n/a		17			n/a	n/a	n/a			n/a	n/a	25	21	25	n/a	
•For Frozen Plans with only retirees, the amortization period would not be more than the average future lifetime of the retirees	yes	n/a	n/a	n/a	n/a		n/a			n/a	n/a	n/a			n/a	n/a	n/a	n/a	n/a		
•No Open Amortization Method	yes	yes	yes	yes	yes		yes			yes	yes	yes			yes	yes	yes	yes	yes	yes	
•Future Changes in UAL due to changes in plan benefits, actuarial assumptions and methods, or experience may be amortized up to 20 years as a separate base	missing	missing	missing	missing	missing		missing			missing	missing	missing			not fully addressed in FIP	missing	missing	missing	missing	missing	
•Relief provision that would provide for a temporary increase in the ARC payments by no more than 8%	missing	missing	missing	missing	missing		missing			missing	missing	missing			not fully addressed in FIP	missing	missing	missing	missing	no	

Attachment C

Investment Rate of Returns

Net of Investment Fees, Administrative Expenses, and Includes Cash Returns

Rhode Island ERS Fund Investment Preformance by Calendar Year⁺

Year Ending	1 Year Return	5 Year Return	10 Year Return	20 Year Return
2011	1.5	1.4	5.6	6.9
2010	12.3	4.0	4.4	7.9
2009	17.9	3.4	2.8	7.4
2008	(26.2)	2.6	2.5	7.5
2007	8.2	14.4	7.0	9.8
2006	14.9	9.9	7.9	9.5
2005	9.3	4.7	7.9	9.7
2004	13.2	2.3	9.2	10.7
2003	27.3	2.5	7.8	
2002	(11.5)	0.1	6.2	
2001	(9.6)	6.0	8.2	
2000	(2.9)	11.1	11.6	
1999	14.3	16.7	12.1	
1998	13.5	13.4	12.8	
1997	17.8	12.5	12.7	
1996	14.2	10.4	11.1	
1995	23.8	12.1	11.6	
1994	(0.8)	7.8	12.1	
1993	9.3	12.1		
1992	7.0	12.9		
1991	23.5	11.8		
1990	1.6	11.0		
1989	20.7	16.6		
1988	13.3			
1987	1.5			
1986	19.4			
1985	29.9			

Gross of Investment Fees (except alternatives), Administrative Expenses, and Excludes Cash Returns

Massachusetts Pension Reserves Investment Trust by Calendar Year⁺

Year Ending	1 Year Return	5 Year Return	10 Year Return	20 Year Return
2011	0.2	1.2	6.3	8.2
2010	13.7	4.3	5.7	9.1
2009	17.9	4.2	4.2	8.4
2008	(29.6)	3.6	4.4	8.3
2007	12.1	16.4	9.7	10.9
2006	16.9	11.7	10.3	10.4
2005	12.8	7.1	10.1	10.3
2004	14.5	4.2	11.1	10.9
2003	26.4	5.3	9.6	
2002	(9.0)	3.3	8.5	
2001	(5.3)	8.9	10.2	
2000	(1.6)	13.2	12.6	
1999	20.9	18.5	12.8	
1998	14.8	14.0	12.4	
1997	18.4	14.0	12.1	
1996	14.8	11.4	10.5	
1995	23.9	12.1	10.6	
1994	(0.3)	7.5	10.6	
1993	14.9	10.7		
1992	5.5	10.3		
1991	18.1	9.5		
1990	0.4	9.2		
1989	15.7	13.9		
1988	12.7			
1987	1.9			
1986	16.2			
1985	24.1			

Variance Between ERSRI and PRIT

Year Ending	1 Year Return	5 Year Return	10 Year Return	20 Year Return
2011	1.3	0.3	(0.7)	(1.3)
2010	(1.4)	(0.4)	(1.3)	(1.2)
2009	0.1	(0.7)	(1.3)	(1.0)
2008	3.4	(1.0)	(1.9)	(0.8)
2007	(3.8)	(2.0)	(2.6)	(1.1)
2006	(2.0)	(1.8)	(2.3)	(0.9)
2005	(3.5)	(2.3)	(2.2)	(0.6)
2004	(1.2)	(1.9)	(1.9)	(0.2)
2003	0.8	(2.8)	(1.8)	
2002	(2.5)	(3.2)	(2.4)	
2001	(4.3)	(2.9)	(2.0)	
2000	(1.4)	(2.0)	(1.0)	
1999	(6.5)	(1.8)	(0.7)	
1998	(1.3)	(0.6)	0.4	
1997	(0.6)	(1.5)	0.6	
1996	(0.6)	(1.0)	0.6	
1995	(0.0)	0.1	1.0	
1994	(0.5)	0.3	1.5	
1993	(5.5)	1.4		
1992	1.4	2.6		
1991	5.4	2.2		
1990	1.2	1.8		
1989	5.0	2.7		
1988	0.7			
1987	(0.4)			
1986	3.2			
1985	5.8			

Gross of Investment Fees (except alternatives), Administrative Expenses, and Excludes Cash Returns

City of Providence Pension Trust by Calendar Year⁺

Year Ending	1 Year Return	5 Year Return	10 Year Return	20 Year Return
2011				
2010				
2009				
2008				
2007				
2006				
2005				
2004				
2003				
2002				
2001				
2000				
1999				
1998				
1997				
1996				
1995				
1994				
1993				
1992				
1991				
1990				
1989				
1988				
1987				
1986				
1985				

⁺This calculation uses the Approximate Return Calculation based on actual monthly returns and assumes that 50% of cashflow activity is occurs within each half of a given month.

[(([illegible] [illegible] − .5([illegible] [illegible]h [illegible]))/([illegible] [illegible]+ .5([illegible] [illegible]h [illegible])))−1.00]×100=[illegible] %

Attachment D

***"Pension Security – Addressing Locally Administered Pension Plans"* - Discussion Points**

As of January 14, 2013

Disclaimer: This document is a work in progress. Additional comments are needed.

Changes made from the meeting on 12/17/12 are underlined.

I. General Issues:

***Section I** addresses overall issues that need to be resolved relating to terminology (clarifications resulting from GASB standards), oversight and reporting issues, and creation of a structure which is designed to prevent future crises in local pension systems.*

	Question	**Goal**	**Pro**	**Con**	**Decision**
1.a.	Should the Commission's guidelines be in statute? If so, what other items should be added? Should incentives or disincentives be considered (state aid)?	To have a structure set in statute and to increase health of those plans in critical status. Pension security.	Enforceability. Guidelines in statute provide a means of aligning actuarial recommendations and GASB standards in local budgets. Aid in recognition of long term liability vs. current budget practice. Conceivably prevent more plans from reaching critical status. Transparency. Could help deflect criticism and posturing at the local level. *Additional Comments:*	Challenges political will and long established practices. Perception of State as big brother. Difficult to change. *Additional Comments:*	Need authorization in statute to promulgate regulations. Possibly by DOR. Does the municipality have the ability to make ARC payment? If so, must hold them accountable. Otherwise, don't pull state aid. Use incentives vs. punishment. Must look at the full equation--assumptions, investment performance, ARC.
1.b.	Should guidelines be promulgated through regulations by DOR and/or Auditor General?		Same as above. Regulations are more flexible. Propose legislation allowing State to make regulations. *Additional Comments:*	Same as above except that regulations are easier to change than when set in statute. *Additional Comments:*	[General agreement that something is needed to 'make' municipalities be more responsible fiscally with this obligation.] Resources would need to be provided.

	Question	Goal	Pro	Con	Decision
2.	Should the Commission clarify the language on the time frame for entities to submit funding improvement plan, as plans enter critical status in the future?	Clarify and define what requirements are when plans enter critical status.	Give plans opportunity for successful implementation-include key dates for implementation, require feedback on progress. *Additional Comments:*	Needs an ongoing monitoring functionality.	Current language sufficient.
3.	What other measures could be enacted to ensure adherence to the adopted funding improvement plans?	Ensure corrective action plans are adhered to.	*Additional Comments:*	*Additional Comments:*	State needs to play an enforcement role, such as withholding state aid. Need to continue discussion, no consensus reached.
4.	What body or office will provide oversight to locally administered pension plans? A. In regard to approving the funding improvement plans, what body or office will assess compliance/adherence to the funding improvement plan on an ongoing basis? B. Should there be a permanent State oversight over those plans and if yes, which office should be responsible? C. Should municipalities pay for these costs?	Put locally administered plans back on track and ensure that plans stay on sound financial footing.	Could use Massachusetts as a model. Set performance standards or other criteria to prevent regression. Appropriate way of allocating cost to each municipality. *Additional Comments:*	Additional resources needed. New cost. *Additional Comments:*	[All recognized that some oversight was necessary and an employee representative that cost of oversight would be worth paying for.] *Need to check IRS standards for administrative expense definition.
5.	When a budget commission is	Pension Security.	Statutory provision would provide	CBA's exist.	General consensus that

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	Question	Goal	Pro	Con	Decision
	appointed by the Director of Revenue and the municipality has a locally administered pension plan in critical status, should there be a mandatory presumption of transfer to MERS?		enhanced retirement security for employees of communities at financial risk. *Additional Comments:*	*Additional Comments:*	these are not always linked. Non-funding of ARC could be one criterion for oversight. Need to look at big picture.
6.	Should Central Falls be considered an exception and be allowed to migrate into MERS with their significantly restructured plan? Or should new hires be required to enter restructured MERS, can the City afford it?	Pension Security for Central Falls beneficiaries.	MERS provides enhanced security through required funding of the ARC and reduced administrative costs as well as opportunities for improved investment performance and better diversification of investment risk. *Additional Comments:*	Settlement agreement with retirees resulted in significant reductions in pensions, so option of moving to MERS must recognize this. *Additional Comments:*	Analysis as to whether or not transition into MERS is financially feasible. Ongoing discussion with the City, but no opposition voiced by commission members due to unique bankruptcy situation.
7.	With regard to disability pension reform, should the disability pensions be awarded at 66 2/3 for all employees? Should some public employees be treated differently?	Sustainable pension security with reasonable income replacement for those not able to work as a result of disability.	Pension of 66 2/3 tax exempt status may make disability option too attractive. A distinction between permanent disability and inability to work at all may reduce cost. *Additional Comments:* 45-21-22 provides for at least 66 2/3 pension for police, fire and all MERS employees for accidental disability. 45-19-19 requires at least 66 2/3 disability pension for all police and fire irrespective of whether they participate in MERS.	CBA's in place. *Additional Comments:* 45-21-22 applies to all MERS.	Discussion will be continued. Is disability pension a driver of cost? Remove from State law so that CBA's will govern? Get data on disability pensions. Pawtucket requires conversion back to normal pension when reaching retirement age. No consensus as to making

	Question	Goal	Pro	Con	Decision
			An ordinary disability for non-public safety employees is whatever your pension accrual is up until your disability date, but with a minimum disability benefit equal to an employee with 10 years of service. This is the same calculation that state employees and teachers get for an ordinary disability.		disability pension part of the reform.
8.	Should the Commission address, as part of its work, issues of control over school department spending and the impact on a plan's ability to fund the ARC?		Municipal budgets must be viewed in entirety to maintain control over spending. *Additional Comments:*	Effort to change governance structure would be significant. *Additional Comments:*	Has not been discussed yet. Are school budgets squeezing out the municipal budget? Effect of maintenance of effort (MOE). Consider school operations aid?

Attachment D

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As of January 14, 2013

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II. GASB

	Question	**Goal**	**Pro**	**Con**	**Decision**
1.	Does existing legislation conform to new GASB standards?	Align legislation to regulations as developed.	Opportunity to lead on a relevant current issue. Makes legislation more legitimate. *<u>Additional Comments:</u>*	*<u>Additional Comments:</u>*	<u>There will be two numbers going forward in 2015 for each plan. Need to review all laws.</u>
2.	Should critical status be defined in the statute? 60% of what? (Funding vs. Accounting) Suggestion: Use funding Since GASB is only looking at funded status from an accounting perspective it may be important to spell out critical status in statute.	Be consistent with some of the new GASB rules. Make critical status very transparent.	Consistency and transparency. Clarification of critical status is required due to changes in GASB pension standards – for most plans there will be an accounting based funded status and a funding based funded status. GASB will no longer address funding. By 2015, their standards focus on financial statement reporting. *<u>Additional Comments:</u>*	ARC has been the measure of whether plans are doing the right thing. Funding and accounting reporting are different. *<u>Additional Comments:</u>*	[Question remains on how to approach definition.] Need to revisit on an ongoing basis. Maybe definition of funded ratio should be in regulations to allow for flexibility as the actuarial world adopts new common measures<u>. Critical status should be based on actuarial funding method, not GASB.</u>
3.	Should plans comply with GASB standards for actuarial methodology (entry age normal and 5 year smoothing of assets)?		Avoid qualifying opinion on financial statement. *<u>Additional Comments:</u>*	*<u>Additional Comments:</u>*	[Additional issues raised regarding actuarial assumptions, smoothing, look back periods (suggestion to follow IRS language)]

Attachment D

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As of January 14, 2013

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III. Encourage voluntary transition of the plans to MERS

***Section III** discusses possible incentives to make it easier for locally administered plan to transition into the Municipal Employee Retirement System ("MERS").*

	Question	Goal	Pro	Con	Decision
1.	Should the commission consider allowing a period of no more than five years to reach 100% funding of the MERS ARC?	Address unfunded liability in a manner which is attainable by municipal governments.	Sustainability for plan. Removes one of the primary impediments to local plans merging into MERS. *Additional Comments:*	Too aggressive for already burdened communities? *Additional Comments:*	Need to check amortization of new entrants. Are there separate amortization schedules? (Pawtucket 30 years vs. 25 MERS) MERS reamortized at 25 yrs, so for local plans merging in 2014, there would be 21 years left. Allowing plans to come in at 25 years amortization would be consistent with MERS reform, but would require GRS to have separate amortization for this group of newly entered plans.
2.	Should the commission allow for reamortization of the recalculated unfunded liability upon entry to MERS?	Provide for transition to MERS which could be facilitated by this tool.	Allows flexibility and provides a tool that may facilitate merger into MERS. *Additional Comments:*	Cost of reamortization is paid by taxpayers like a debt. *Additional Comments:*	
3.	Should the commission consider allowing plan members to retain existing service credits and then adopt MERS accrual rates on a go-forward basis?	To establish a fair transition where members do not lose benefits already accrued.	Fair to employees with significant years of service. *Additional Comments:*	Potentially provides these employees with greater accruals than others in MERS, could result in higher final accrual than currently allowed under MERS.	

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	Question	Goal	Pro	Con	Decision
				Additional Comments:	
4.	How do we allow for the transfer of existing investments? Consider whether SIC could hold and optimize timing of sale to align with ERSRI asset allocation rather than force an immediate liquidation.	Reduce impact of investment transfers.	*Additional Comments:*	Each MERS plan stands on its own for actuarial calculations, but an excessive draw from assets not available would impact other plans. *Additional Comments:*	
5.	Consider allowing the transfer of existing retirees to MERS provided sufficient contributions and/or assets are transferred to mitigate liquidation of other plan's assets (negative cash flow issue).	Avoid the creation of closed plans.	Prevents leaving behind closed plans that by their nature are difficult to fully fund when no active employees are members. *Additional Comments:*	*Additional Comments:*	
6.	Should one-time financial incentives be considered?	Voluntary participation.	Facilitates merging plans into MERS if there is that is in the public interest and protects retirement security for plan members. *Additional Comments:*	Municipalities with healthy plans would complain. *Additional Comments:*	

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	Question	Goal	Pro	Con	Decision
7.	Should a provision be made for offset of School Aid in the event of failure to make ARC payment (to ensure there is a way to enforce payment of the ARC)?	To keep plans on track.	Could help to ensure that ARC is made. *Additional Comments:*	Funding could be taken away from education forcing municipalities to look at the budget in totality. *Additional Comments:*	
8.	Should we allow only whole plans (actives and retirees) to migrate to MERS? If not, how will assets in the old plan be divided between retirees and actives?	To avoid complication arising from allocating assets.	Allowing full plans including retirees prevents closed plans at the local level and enhances retirement security for all plan members. *Additional Comments:*	*Additional Comments:*	
9.	Are there other incentives to join MERS that could be considered? Are there other obstacles or impediments to joining MERS?		*Additional Comments:*	*Additional Comments:*	
10.	Should benefits be consistent with the Rhode Island Retirement Security Act of 2011(RIRSA)?	Fairness.	Consistency among plans.	Less local control. CBA's exist.	

	Question	Goal	Pro	Con	Decision
	Consideration should be given to representation of retirees as part of any solution.		*Additional Comments:*	*Additional Comments:*	
11.	How do we address conflicting provisions in Collective Bargaining Agreements and MERS statute? Consider options: • Require that certain issues be taken out of the CBA • Certain issues be deemed "prohibited" subjects of bargaining under municipal collective bargaining statutes • Consider where there are conflicts between the CBA and MERS, that MERS statutes/process prevails.	Uniformity.	When a provision is in doubt, financial viability will be addressed. *Additional Comments:*	Loss of control for employees. *Additional Comments:*	

IV. If Funding Improvement Plans are not submitted, the entity fails to adopt and implement a Funding Improvement Plan; or fails to adhere to a Funding Improvement Plan

	Question	**Goal**	**Pro**	**Con**	**Decision**
1.	Should the State withhold state aid, according to R.I. Gen. Laws §45-65-7?	Provide for a method of compliance.	Brings weight to the issue, ensures compliance. *Additional Comments:*	Punitive. May force community to borrow to meet immediate needs. *Additional Comments:*	
2.	Should the State require transfer of plan into MERS if any of the following conditions exist: • Failure to submit a funding improvement plan, failure to adopt and implement a funding improvement plan, or failure to adhere to the adopted funding improvement plan: • Failure to contribute the ARC or failure to make the 20% increase required of the funding improvement plan guidelines; • Investment performance that lags ERSRI investment returns (e.g., local plan investment return is less than 50 basis points of the ERSRI return for 2 consecutive years (with exceptions for plans that have a reason for assuming less risk i.e., 100% funded);	Exercise consistent standards for all communities.	Uniformity; payment of ARC required; investment risk minimized; benefit provisions set in state law; reduced investment and actuarial cost; eliminates need for local disability determination process. *Additional Comments:*	Ability of municipalities to pay ARC; property tax cap which limits ability to raise revenues. *Additional Comments:*	

	Question	Goal	Pro	Con	Decision
	• Implementation of pension benefit increases without first achieving 100% funded status)? • Disability pension percentage rates that exceed the MERS average for two consecutive years.				
3.	Should certain standards be set such as the requirement that locally administered pension plan benefits can be no greater than MERS?		*<u>Additional Comments:</u>*	*<u>Additional Comments:</u>*	
4.	If transferred to MERS: If a plan is transferred to MERS and due to the existence of the above outlined conditions, is this considered a trigger for DOR Director to appoint a fiscal overseer, budget commission, or receiver?	To have a mechanism in place for future plans that may reach critical status.	Determine factors ahead of time based on agreed criteria is better than reactive policy. Places additional incentive for communities to appropriately fund their locally administered plans. Provides a key enforcement tool when communities are not funding their plans appropriately. *<u>Additional Comments:</u>*	Loss of local control. *<u>Additional Comments:</u>*	
5.	Should the State require a higher *employee* contribution rate if the plan is required to be transferred to MERS?		*<u>Additional Comments:</u>*	Does this "punish" employees? *<u>Additional Comments:</u>*	

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	Question	**Goal**	**Pro**	**Con**	**Decision**
6.	If the plan is transferred to MERS, should the State provide for offset of school aid in the event of failure to make ARC payment?	Encourage Municipality and School Departments to address the issue as one community.	Municipal budgets are comprised largely of School funding needs. *<u>Additional Comments:</u>*	Are school programs at risk? *<u>Additional Comments:</u>*	
7.	Are there issues unique to potential transfer of "closed" or nearly closed plans to MERS?		*<u>Additional Comments:</u>*	*<u>Additional Comments:</u>*	
8.	If plans are transferred to MERS, benefits would be consistent with the Rhode Island Retirement Security Act of 2011(RIRSA).		*<u>Additional Comments:</u>*	*<u>Additional Comments:</u>*	
9.	If plans are transferred to MERS, how does the Commission consider representation of retirees? • Friendly class action lawsuit • Get stakeholders to agree first	To have future administrations adhere to funding improvement plan.	*<u>Additional Comments:</u>*	*<u>Additional Comments:</u>*	[AF commented that recent case law affirmed that retirees are not part of collective bargaining.]

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V. OPEB

	Question	Goal	Pro	Con	Decision
1.	How would an OPEB Trust be created? By the State or as a collaborative of cities and towns? Suggestion: All locals have the opportunity to commingle assets at the State level to increase buying power. It would be set up like a mutual fund where each local has its own share of the assets.	Address OPEB liability.	Addresses inefficiencies of each municipality creating a trust and related investment process – creates opportunities for enhanced investment performance with diversification of investment risk. Would ensure that municipalities start/continue funding OPEB; easier to administer than 39 separate plans. *Additional Comments:*	Additional resources needed on state level, however it would reduce workload on the local level. *Additional Comments:*	
2.	OPEB - Similar requirements for valuation, funding improvement plan?	Address OPEB liability.	Ensure consistency. *Additional Comments:*		

Pension Study Commission
Proposed Meeting Schedule

As of January 10, 2013

All meetings will be held at 10:00 AM in the Senate Lounge, 2^{nd} floor of the State House at 82 Smith Street in Providence.

Monday	January 14, 2013
Monday	January 28, 2013
Monday	February 11, 2013
Monday	February 25, 2013
Monday	March 11, 2013
Monday	March 25, 2013
Monday	April 8, 2013
Monday	April 22, 2013
Monday	May 13, 2013
Monday	June 10, 2013
Monday	June 24, 2013
Monday	July 22, 2013
Monday	August 26, 2013
Monday	September 9, 2013
Monday	September 23, 2013
Monday	October 21, 2013
Monday	November 25, 2013
Monday	December 9, 2013
Monday	December 23, 2013

Please note there is no meeting scheduled on May 27^{th}, July 8^{th}, August 12^{th} or November 11^{th}.