

**Pension Study Commission  
June 10, 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, June 10, 2013.

Rosemary Booth Gallogly, Director of Revenue and Chairperson of the Pension Study Commission called the meeting to order at 10:14 AM.

**Commission members present:** Rosemary Booth Gallogly, Jean Bouchard, Allan Fung, Dennis Hoyle, Antonio Pires, Joseph Polisena, Melissa Malone representing Gina Raimondo, John Simmons, Steven St. Pierre

**Members absent:** Paul Doughty, Bruce Keiser, J. Michael Lenihan, Richard Licht, Angel Taveras

**Others present:** Susanne Greschner, Chief of the Division of Municipal Finance, Daniel Sherman, Actuary for the Pension Study Commission and members of the public

**Agenda Item #1 – Approval of Minutes from April 22, May 13 and May 30, 2013**

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 meetings held on April 22, May 13 and May 30, 2013. Jean Bouchard, Municipal Vice President of AFSCME, Council 94, provided a correction to the May 13, 2013 minutes. Ms. Bouchard said that she had indicated that the Commission should determine the reasonableness of the plans, and going forward the oversight should be determined by another body. The Chair indicated that the correction would be made. There were no additional corrections. Mayor Polisena from the Town of Johnston made a motion to accept the minutes as written for April 22, 2013 and May 30, 2013. The motion was seconded by Antonio Pires, Director of Administration for the City of Pawtucket. The motion passed all in favor. Mayor Fung from the City of Cranston abstained from voting on the May 30, 2013 minutes.

**Agenda Item #2 – Pension Data Before and After Funding Improvement Plan Submission, Attachment D**

Next on the agenda, Chairperson Booth Gallogly referenced Attachment D found in the addendum which is the pension data before and after funding improvement plan submission, and she indicated that there had been some modifications to the totals that were distributed to the Commission originally. Revised tables had been provided to the Commission. The Division of Municipal Finance is still confirming data with the municipalities. The Chair briefed the Commission on the various components of the form and she explained that the goal is to show the progress that had been made and what the future will look like assuming that the funding improvement plans (FIPs) are followed.

She pointed out that it most importantly identifies that municipalities are reversing the trend; however, it also indicates that if the plans are followed that it will take some time to achieve a good funding

status. The Chair indicated that she wants to have this information available on the Commission's website; however she explained that there are a couple of communities that still need to be confirmed.

The Chair invited Susanne Greschner, Chief of the Division of Municipal Finance, to address the Commission with her comments and suggestions. Ms. Greschner pointed out that most of the municipalities have put in a lot of hard work to get to this point. However, she echoed the Chair and indicated that it will take some time to achieve a good funding status and she believes that oversight will be needed going forward to ensure that the plans will be adhered to.

Mayor Polisena from the Town of Johnston commended the Chair's staff, particularly Ms. Greschner, and said they deserve a lot of credit for the hard work that they do. The Chair thanked the Mayor and agreed that her staff does a great job.

State Auditor General Dennis Hoyle referred to Attachment D, and pointed out that in 2015 the funded status drops off precipitously and he said that it does not seem consistent with the trend. Ms. Greschner indicated that her staff will double check the information and provide a corrected version, if necessary, to the Commission. The Chair stated that the 2015 data should not be used until the Commission has received the revised information.

### **Agenda Item #3 – OPEB Survey**

For the next item on the agenda, the Chair referred to the Other Post Employment Benefits (OPEB) survey that had been originally done in March 2012. She indicated that some additional questions were created that also would be sent out to the communities. She wants to give the Commission members time to review the surveys and identify which questions or information they believe is important to have listed before sending them out to the communities, and she anticipates that by the next meeting the survey request could be finalized. The Chair explained that it is going to be a very complicated data collection process. She indicated that one of the goals of the Commission should be to determine if there are things that would help the communities in dealing with the OPEB so that the Commission can advise the General Assembly. Next fall, the Chair suggested that the Commission could have the Interlocal Risk Management Trust come before the Commission to discuss their OPEB plans, as well as determine if there are any mechanisms or master price agreements (MPAs) that could be available to help the communities. The Chair asked the Commission for any input that they believe could facilitate communities who are administering their OPEB more easily.

Ms. Greschner indicated that the Commission name should be changed to Locally-Administered Pension Plans and OPEB Study Commission. She referred to the OPEB Survey from March 2012, and she indicated that the communities would need to confirm all of the data since it was done fifteen months ago. In addition, she noted that there were additional questions that would be presented to the communities. Ms. Greschner briefed the Commission members on the OPEB surveys. She asked the Commission members to provide her with any changes to the material within a week so that it could be available to them at the next meeting on June 24, 2013. She noted that the communities most recent OPEB valuation will be requested and then provided on the Commission's website.

The Chair said that there are cases where the actuary may not have taken into account the Municipal Employees Retirement Systems (MERS) and Teachers' reform and how that impacts the OPEB valuation and which may reduce the unfunded liability. The FIPs that may be negotiated could also impact the OPEB. The Chair said the actuary would run the OPEB valuations based on the current

structure of the benefits. Mr. Pires noted changes proposed in Pawtucket, subject to negotiation could impact the assumptions of the next actuarial valuation. The Chair said a narrative description of items that are not included in the last OPEB valuation that would have an impact if they are not negotiated could be noted by bullet points.

Ms. Greschner noted that an email would be sent out to the municipalities to inform them that a MPA for pension and OPEB actuarial services is now available to municipalities.

The Chair said that a challenge that municipalities may be facing is the implementation of the retiree co-share payments. Mayor Fung said it could be problematic for the City of Cranston where they have members of MERS and locally administered plans and asked what would be the appropriate mechanism for both. Melissa Malone, representing Gina Raimondo from the General Treasurer's Office explained that there may be a bridge that the deduction could be an election by a retiree where the money would go back to the community. Ms. Malone referred to retiree association dues and the collection of money. There is a lock box feature which has been used for the cities and towns. It could be a mechanism where the communities (independent of MERS) could establish a lock box. Ms. Malone explained that it allows for a third party to receive the checks and then to process it. It is beneficial since it goes automatically and is credited immediately. Ms. Malone believes those are two practical options to explore. The Chair indicated that a MERS deduction mechanism is being explored with Frank Karpinski of the Retirement Division, but the system does not currently allow for expansive deductions. Mayor Polisena believes it is best to have one organization to handle the OPEB benefits.

The Chair welcomed any suggestions from the Commission members that would be helpful. She said that the goal is to try to have the information available for the Commission in the fall. Mr. Sherman pointed out that the OPEB survey question regarding the frequency of OPEB valuations should be followed-up on. The Chair said the follow-up will be done to determine the required frequency of these valuations.

#### **Agenda Item #4 – Revised meeting schedule**

The Chair indicated that the next meeting is June 24, 2013 and said that the City of Woonsocket would be arranged to come before the Commission and present its FIP. She said that the meeting schedule has been modified to eliminate the July and August meetings, and that the Commission would meet again in September. Mayor Polisena made a motion to accept the revised meeting schedule, and it was seconded by Mr. Pires. The motion was passed all in favor. Mayor Polisena asked if the next meeting could be in Room 313, and the Chair said that was a possibility.

#### **Recognition of Joe Coduri's Retirement**

The Chair commended Joe Coduri, who is a member of her staff in the Division of Municipal Finance, who is retiring at the end of June after 45 years in state government. She thanked Joe for his service, and said that he has a lot of institutional knowledge and he has been very helpful to her in many areas.

#### **Agenda Item #5 – Public comments**

Peder Schaefer, Associate Director of R.I. League of Cities and Towns recalled that Joe Newton indicated that the change in the health care for retirees that was enacted by the State with two separate pools would save money on the health care cost. However, Mr. Schaefer recalled that it cost the retirement system an increase in the unfunded actuarial liability of approximately \$600 million. He

believes that since many employees retired before they were ready to, the cost of the retirement part of the plan result in an enormous increase in the unfunded liability. He pointed out that if the Commission is coming up with a plan for OPEB, the plan cannot be solved by making it worse for the retirement plans. The Chair was not sure of the amount of the increase in the unfunded actuarial liability of \$600 million, but said she would look into it.

**Agenda Item #6 - Adjourn**

Mayor Polisena made a motion to adjourn which was seconded by Mayor Fung. The meeting adjourned at 11:00 AM.

*Rosemary Bsallozi*

Chairperson

*8/5/2013*

Date

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