

DEPARTMENT OF CITY CLERK

CITY HALL

NOVEMBER 21, 1985

The Retirement Board of the Employee's Retirement System meets this day at 1:30 o'clock P.M. (E.S.T.) in the Council Chamber, City Hall.

PRESENT: Vice-Chairman Bissonnette, John Simmons, Designee of Mayor Joseph R. Paolino, Jr., Class "A" Representatives McCrink and D'Amico, Class "B" Representatives Power and Landi, Class "A" Representative Retired Mendillo, Class "B" Representative Retired Marnane, Councilwoman Brassil, Commissioner Quattrocchi and Mr. Corrente -11.

Also present are Assistant City Solicitor Joseph Rotella, Chief of Staff, Vincent Pallózzi and Pension Supervisor, Dolores Spratt.

VICE-CHAIRMAN BISSONNETTE IN THE CHAIR.

INVESTMENT PROPOSALS - FLEET NATIONAL BANK.

Mr. Harold A. Mackinney, Jr., Senior Vice-President of Fleet National Bank is present this day for discussion and states as in communication dated November 18, 1985:

Harold A. Mackinney, Jr.
Senior Vice-President

November 18, 1985

The Most Honorable Joseph A. Paolino
Mayor of the City of Providence
City Hall
Providence, RI 02903

Dear Mayor Paolino:

I am enclosing a program with recommendations for some changes in the City of Providence's Employee Retirement System. We had a Treasury Note mature on November 15; the amount of the note was \$700,000 and the coupon was 11 3/4%. That money is available in addition to the remainder of the General Foods stock that we tendered. Last week you may have seen that Beatrice Foods is going to be bought out at \$50 a share, which means that we will be receiving another \$770,000 when the sale is consummated. The Beatrice holding only cost us \$22.80 per share, so we have more than doubled our money.

The program suggests the sale of \$500,000 Kansas Gas and Electric Bonds. Due to problems in the construction of a nuclear generating facility which the company has a substantial interest in, the quality rating of these bonds has deteriorated to "BAA3", which is less than our "A" criteria for fixed income in the City's portfolio. By combining the sale of these bonds with \$400,000 of the 3-year Treasuries which have a small profit, we can use the proceeds to purchase the new 10-year Treasury Note which is coming this week, and improve the income very slightly. The coupon of the new Treasury should be around the 9.80 percent level and will, therefore, have a coupon in excess of both of the bonds that we would be selling.

On the equity side of the program, I have suggested a new purchase of Delta Airlines. We do not have any airline stocks in the portfolio, and the airline industry at the moment is one of the groups that has not performed as well as the rest of the market. With 1986 being viewed more optimistically as far as the economy is concerned and with the predicted price of oil continuing flat to down, the airline stocks should begin to perform much better. Delta is the quality name in the group.

Last month we began a holding in Sara Lee, and we bought 10,000 shares at \$45. I am suggesting that this month we add another 2,000 shares, even though the stock has moved up to \$50. The company is representative of the food industry where, as you know, we lost General Foods and may be about to lose Beatrice. I have also suggested the addition of another 5,000 shares of Mobil, a stock which now yields in excess of 7 percent and offers good asset value, based on their reserves.

I will be present at the meeting on Thursday at 1:30 p.m. to discuss this program in more detail.

Sincerely,



Mr. Quattrocchi states that he has a problem with this program. He is not excited about tying money up for ten years at 9.80% interest. He adds that there is not much in cash reserve. He states that

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if the cash reserve were larger, he might go along with the program.

Mr. Mackinney states that this program leaves a lot of room for losses and that there are plenty of gains.

Mr. Quattrocchi questions as to why Mr. Mackinney is proposing to sell Kansas Gas & Electric Bonds.

Mr. Mackinney states that it is not a high quality name and that he prefers to keep the quality of this account's bonds at a single A or better.

On motion of Mr. Quattrocchi, seconded by Messers. Corrente and Mendillo, it is: VOTED: that the Fleet National Bank as the Investment Agent for the Retirement Board of the Employees' Retirement System for the following purchases as outlined below, same being as submitted and recommended by its Agent in communication dated November 18, 1985:

BUY:

<u>Amount</u>	<u>Description</u>	<u>Int. or Div'd</u>	<u>Maturity</u>	<u>Now Held</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Income</u>
10,000	Delta Airlines	1.00		(0)	38	\$380,000	\$10,000
2,000	Sara Lee	1.44		(10M)	50	100,000	2,800
5,000	Mobil Corp.	2.20		(45M)	31	155,000	11,000
						<u>\$635,000</u>	<u>\$23,000</u>

and it is further VOTED: that the following recommendations not be accepted:

SELL:

<u>Amount</u>	<u>Description</u>	<u>Int. or Div'd</u>	<u>Maturity</u>	<u>Now Held</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Income</u>
\$500,000	Kansas Gas & Elec. (BAA)	8.50%	3/1/00 (\$495,650)	(500)	75	375,000	42,500
\$400,000	U.S. Treasury Notes	8.25%	5/15/88 (\$389,799)	(400)	100	400,000	33,000
						<u>\$775,000</u>	<u>\$75,500</u>

BUY:

<u>Amount</u>	<u>Description</u>	<u>Div'd.</u>	<u>Maturity</u>	<u>Held</u>	<u>Price</u>	<u>Value</u>	<u>Income</u>
1,000,000	U.S. Treasury Notes	9.80% (Est.)	10 year	(0)	100	\$1,000,000	\$98,000

Further discussion ensues on the foregoing matter.

Mr. Mackinney is excused at this time.

INVESTMENT PROPOSALS - NEW ENGLAND TRUST COMPANY

Mr. Ernest R. Famiglietti, President of New England Trust Company, is present this day for discussion and states as in communication dated November 18, 1985:

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November 18, 1985

The Honorable Joseph R. Paolino, Jr.
Mayor, City of Providence
Providence, RI 02903

Dear Mayor Paolino:

The American economy continued to expand during the past month in spite of on going crisis in the farm and thrift institutions and a record high trade deficit.


Inflation has remained under remarkably good control. Long term interest rates have moved down to their lows for this stage of the cycle. Business profits remain under heavy pressure; after-tax profits peaked in the first quarter of 1984 and have been eroding ever since. The dollar had responded to real and pschological pressures and has fallen some twenty percent from its peak level.

The big question for investors is where do we go from here? Consumer debt is at record high levels, the personal savings rate is at record lows and consumer loan delinquencies are rising rapidly. Are these the ingredients likely to produce a recession in 1986? The stock market in its wisdom seems to be saying NO! Equity prices as measured by the Standard & Poor's 500 Index have risen almost ten percent since the week-ending September 26, and upward price momentum seems to be building.

It appears that the market believes that the Group 5 agreement to drive the dollar lower was essentially a decision to reflate, based on the belief that a recession at this juncture would be more samaging than the risk of a little higher inflation. In effect we are buying time to get our fiscal house in order. Hopefully, the Congress will respond with tangible steps to cut the budget deficits. If not, the ultimate price to restore the system to financial responsibility can only be greater the longer the current unsound practices are allowed to continue.

I am enclosing a program for discussion at Thursday's meeting.

Very truly yours,


Ernest R. Famiglietti
President

Accordingly, on motion of Mr. Corrente, seconded by Mr. Mendillo, it is VOTED: that the New England Trust Company as the Investment Agent for the Retirement Board of the Employees' Retirement System for the following pruchases as outlined below, same being as submitted and re-commended by its Agent in communication dated November 18, 1985:

<u>BUY:</u> Amount	<u>Description</u>	<u>Int. or Div.</u>	<u>Maturity</u>	<u>Now Held</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Inc.</u>
600	M.M.M.			(2,100)	78	46,800	
3,000	United Telecom			(5,000)	22	66,000	
500	Eastman Kodak			(4,000)	45	22,500	
500	International Paper			(3,500)	47	23,500	
500	Union Pacific			(3,500)	48	24,000	
						<u>182,800</u>	

Mr. Famiglietti is excused at this time.

Mr. Joseph Rotella, Assistant City Solicitor, joins the Retirement Board meeting at this time.

BILL FROM ACTUARY - SEPTEMBER, 1985

Mr. Corrente presents the following Bill from the Actuary for services rendered for the month of September, 1985, in the amount of \$2,424.00:

NOVEMBER 21, 1985

Employees' Retirement System of the
City of Providence
City Hall
Providence, R.I. 02903

Calculation of retirement allowances during September, 1985:		
13 cases @ \$48.00	\$ 624.00
#14269	21692	
14791	24079	
15478	24649	
19009	25266	
19021	25924	
20012	26754	
21062		

Preparation of information requested by auditors, including data submitted September 12.....	\$ 1,578.00
Miscellaneous correspondence and consulting services.....	\$ 222.00
	<u>\$ 2,424.00</u>

Accordingly, on motion of Mr. Corrente, seconded by Mr. Mendillo, it is voted that the Bill from the Actuary in the amount of \$2,424.00 for the month of September, 1985, be Approved for Payment.

CITY TREASURER'S REPORT.

The City Treasurer's Report is presented, showing that the credit of the Employees' Retirement System of the City of Providence at the close of business on November 15, 1985, is as follows:

November 21, 1985

Employees Retirement System
City of Providence
City Hall
Providence, Rhode Island

Gentlemen:

This is to certify that the amount of the credit of the Employees Retirement System of the City of Providence at the close of business on November 15, 1985 is as follows:

CASH AVAILABLE AS OF 11/21/85	\$ 19,000.00
TOTAL R-PURCHASE AGREEMENTS OUTSTANDING	6,175,000.00
(Accounts Receivable City of Providence FY 1980)	4,765,813.62
Market Value Stock New England	7,627,610.00
Market Value Common Stock Fleet	41,542,926.75
Corporate Bonds Fleet	16,763,809.75
Corporate Obligations New England	634,500.00
Short Term Investments Value Fleet	1,500,250.51
New England Asset Management Trust	3,104,650.00
U.S. Treasury Note Fleet National Bank	2,000,000.00
U.S. Treasury Note U.S. Trust Company	2,000,000.00
U.S. Government N.S. Trust Company	22,226,000.00
U.S. Government Fleet National	22,654,826.69
Loans Receivable as of 1/21/85	6,100,304.11
First Mortgage Investment	666,864.63
TOTALS	<u>\$142,806,861.24</u>

RESPECTFULLY SUBMITTED
Stephen T.ropolitano
STEPHEN T. M. POLITANO
CITY TREASURER

Accordingly, on motion of Mr. Corrente, seconded by Mr. Mendillo,
it is VOTED: that the City Treasurer's Report is
Approved and Placed on file.

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RETIREMENT BOARD MINUTES - SEPTEMBER & OCTOBER, 1985

On motion of Mr. Marnane, seconded by Mr. Quattrocchi, it is voted not to act on the October, 1985 Retirement Board Minutes, due to the fact that they were distributed at the beginning of this meeting.

On motion of Mr. Corrente, seconded by Mr. Mendillo, it is voted that the Minutes of the Retirement Board Meeting of September, 1985, be Approved as Printed.

On motion of Mr. Corrente, seconded by By Councilwoman Brassil, it is voted to table the Minutes of the Retirement Board Meeting for October, 1985, until the next Retirement Board Meeting.

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REQUESTS FOR OPTION IV ALLOWANCE.

PATRICK O'CONNOR - REQUEST FOR OPTION IV ALLOWANCE.

Mr. Corrente presents the following communication from Patrick F. O'Connor, dated November 19, 1985:

"Regarding my retirement, I choose option 4 for the reason my wife and I would like the money to put a down payment on a house as we would like to move to another part of the city.

My wife has not been feeling too well since she lost her job at the Outlet Company, and I think the change would be for the better.

I would appreciate if you would grant this request. By withdrawing \$15,313.20, I will be receiving a lifetime reduced pension."

Mr. Corrente states that the request is for a lump sum payment of \$15,313.20 with a reduced pension allowance of \$372.80 as opposed to \$471.86 Maximum Retirement Allowance.

JOHN D. ZIELINSKI - REQUEST FOR OPTION IV ALLOWANCE.

Mr. Corrente presents the following communication from John D. Zielinski, dated October 28, 1985:

"I am enclosing my executed election of options under the Providence Retirement System, and have elected the reduced annuity of \$1,405.53 per month, with survivorship benefits to my wife, Maureen, and the indicated lump sum payment of \$28,450.08.

It is my understanding in accepting the offered lump sum payment, that the only consequence of said acceptance is a reduction in the amount of monthly payment to be received for the rest of my life, to the amount of \$1,405.53, rather than \$1,541.41 in declining to accept the lump sum payment.

Thank you for your assistance."

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Mr. Corrente states that the request is for a lump sum payment of \$28,450.08, with a reduced pension allowance of \$1,405.53 as opposed to \$1,541.45 Maximum Retirement Allowance.

Accordingly, on motion of Mr. Marnane, seconded by Mr. Mendillo, it is VOTED: that the requests of Patrick O'Connor and John D. Zielinski for Option IV Allowances be Approved.

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MISCELLANEOUS.

A. REPORT FROM BUCK CONSULTANTS

Mr. Corrente submits the Report on the Results of the Investigation of the Mortality, Service and Compensation experience of members and beneficiaries of the Employees' Retirement System of the City of Providence, as of June 30, 1984, and the following correspondence dated August 30, 1985, from Buck Consultants to the members of the Retirement Board:

"Retirement Board
Employees' Retirement System of the City of Providence
City Hall, Providence, Rhode Island 02903

Gentlemen:

Section 3(7) of Chapter 489 of the Public Laws of 1923 of the State of Rhode Island provides that every five years the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system. The actuarial investigation has been made for the period of five years ended June 30, 1984 and the results and our recommendations are described in this report.

Respectfully submitted,

Stephen G. Peterson
Consulting Actuary."

The report of the Actuary is on file in the Department of City Clerk this date.

Mr. Corrente moves that the Retirement Board accept and implement the actuary's report.

Mr. Quattrocchi states that before someone seconds Mr. Corrente's motion, he would like to suggest that the members of the Retirement Board table this report until the next Retirement Board meeting so that they may have a chance to read it.

Mr. Corrente withdraws his motion, and states that the actuary recommends this report and he has faith in the actuary.

Mr. Landi questions as to what the total contribution will be and whether or not the employee's contribution will be reduced.

Mr. Corrente states that the administration sets up a budget and sets up a certain amount for the City's contribution. They then come

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up with an actual amount, which supercedes the any estimated amount.

Following further discussion, it is voted, on motion of Mr. Corrente, seconded by Mr. Quattrocchi, to table approval of the actuary's report until the next Retirement Board meeting.

B. REQUESTS FROM JAMES QUATTROCCHI

I. LEGAL OPINION "STATE LAW vs. CITY CHARTER "

Mr. Quattrocchi states that he is confused as to whether or not the Retirement Board is governed by the State Law or the City Charter. He states that it can't be both ways.

He states that the only way it can be changed is if the State Law is repealed.

Mr. Marnane states that City Solicitor Clifton came in and stated that the Act that was passed relative to buying back time was void. Then the Mayor came in and stated that Mr. John Simmons can act in his stead by an Act of the State Legislature.

Mr. Rotella states that the Board may ask for another legal opinion.

Mrs. Spratt states that the Board had been waiting for Judge Bourcier's decision on this matter.

Mr. Quattrocchi questions as to whether or not the Board can go into court and ask a judge his opinion on this matter.

Mr. Rotella states that that cannot be done at this point.

Councilwoman Brassil suggests the Law Department look into it and come back with something at the next meeting.

Following further discussion, and on motion of Mr. Quattrocchi, seconded by Councilwoman Brassil, it is VOTED: to request further clarification and legal opinion as to whether or not the Retirement Board of the Employees' Retirement System is governed by State Statute or the City Charter.

Mr. Simmons desires to be recorded as "Not Voting".

Mr. Landi states that if the Board ever had a tie vote, and Mr. Simmons had to break the tie and then it was discovered that the State Law was not legal, there will be problems.

Mr. Quattrocchi questions as to whether or not the Court can give them an opinion.

Mr. Rotella states that the City cannot just go to a judge and ask for an opinion.

Mr. Simmons states that a grieved member could.

Mr. Rotella states that some party in interest could bring an action if they are grieved by the action of this Board.

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Further discussion ensues and Mr. Rotella informs the Board that the City Solicitor's opinion is not binding, the Board may choose whether or not to follow it.

Councilwoman Brassil states that the Board wishes to know what they are bound by, State Law or City Charter. From the last meeting, it was her understanding that they are bound by the City Charter.

She states that someone has to clarify this matter. She does not want there to be a class action suit.

Mr. Landi suggests that a Roll Call Vote be taken on everything.

Councilwoman Brassil states that it is unnecessary to have a Roll Call Vote taken on every matter.

Following further discussion, Vice-Chairman Bissonnette recommends the Board move on to the next item on this day's agenda.

2. NOTIFICATION TO RETIREMENT BOARD FROM STATE LEGISLATURE RE: PENDING RETIREMENT AMENDMENTS

Mr. Quattrocchi states that he is requesting that the City Clerk correspond with the Chairmen of the House and the State Senate Retirement Committees and request that they notify this Board of any future legislation passed that will affect the Retirement Board of the Employees' Retirement System and to transmit copies of said legislation.

Mr. Quattrocchi states that the foregoing request is in the form of a motion.

Mr. Marnane seconds that motion.

Mr. Simmons states that the House and State Retirement Committees may or may not exist.

Mr. Quattrocchi amends his motion that the City Clerk correspond with the Senate Majority Leader and the Speaker of the House, instead of the House and State Senate Retirement Committee Chairmen, relative to notifying this Board of any future legislation passed that will affect the Retirement Board of the Employees' Retirement System and to transmit copies of said legislation to this Board.

Mr. Mendillo seconds the foregoing motion.

The members of the Retirement Board unanimously approve the foregoing vote.

C. CORRESPONDENCE - COLONEL MANCUSO RE: STATE PURCHASE

Mr. Corrente submits the following correspondence from Colonel Anthony J. Mancuso, Chief of the Providence Police Department, dated November 13, 1985:

NOVEMBER 21, 1985

Department of Public Safety, Police Department
"Building Pride In Providence"

November 13, 1985

Mr. Frank E. Corrente, City Controller
and Officer in Charge
City of Providence
Employees' Retirement System
City Hall
Providence, RI 02903

Dear Mr. Corrente:

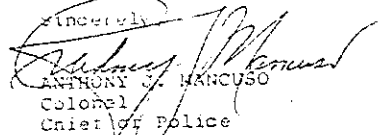
As a result of legislation passed by the General Assembly which became law earlier in 1985, I filed an application with the Retirement Board to purchase 20 years of state service time which was to be credited to the Providence Employees' Retirement System.

This law, titled Public Laws 1985, Chapter 85-468, allowed me, as an employee of the City of Providence prior to September 1, 1985 and with Class B employment status, to pursue - prior to October 1, 1985 - the purchase of the aforementioned state time.

My application was submitted on a timely basis on Friday, September 6, 1985 at the Retirement office. At that time, I also presented a letter from Mr. Joseph Cantagalo, Business Agent for the Rhode Island State Police, which verified my first year's salary in state service.

Since September 6, 1985 and until the transmittal of this correspondence, I have not received an official reply as to the status of my application. I would appreciate a written reply from the Retirement Board as to the present status of my application in order to enable me to assess my options associated to this matter.

Thanking you in advance for your consideration, I remain

Sincerely,

ANTHONY J. MANCUSO
Colonel
Chief of Police

cc: Mrs. Dalores Spratt, Pension Administrator

Mr. Quattrocchi moves that the foregoing correspondence be transmitted to the Chairman of the Retirement Board and that he respond to Colonel Mancuso.

Mr. Corrente requests that Mr. Quattrocchi withdraw his motion and states that he will write to Colonel Mancuso and inform him that the Retirement Board has suspended any action on such requests and that at this meeting are requesting further clarification of a legal opinion on these matters.

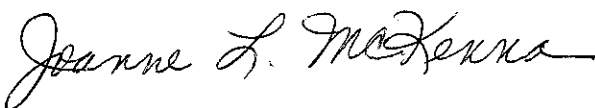
Mr. Quattrocchi withdraws his motion.

On motion of Councilwoman Brassil, seconded by Mr. Marnane, it is Voted : that Mr. Corrente is requested to correspond with Colonel Mancuso in response to the Colonel's letter dated November 13, 1985, and inform him that the Retirement Board has suspended any action on such requests and is requesting further clarification on same.

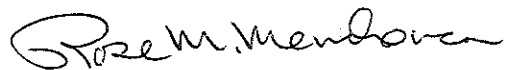
Mr. Simmons desires to be recorded as "Not Voting".

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ADJOURNMENT: On motion of Mr. Corrente, seconded by Mr. Mendillo, it is voted to adjourn this meeting at 2:30 o'clock P.M. to meet again on THURSDAY, DECEMBER 19, 1985 at 1:30 o'clock P.M. (E.S.T.).



Assistant Clerk



CITY CLERK