

DEPARTMENT OF CITY CLERK

CITY HALL

MARCH 23, 1988

The Retirement Board of the Employees' Retirement System meets this day at 1:30 o'clock P.M. in the Council Chamber, City Hall.

PRESENT: Vice-Chairman Bissonnette, Class "A" Representatives McCrink and D'Amico, Class "B" Representative Landi, Class "A" Representative Retired, Mendillo, Class "B" Representative Retired, Marnane, Designee of Mayor Paolino, Mr. Pallozzi, Commissioner Quattrocchi and Miss Lincourt -9.

Absent: Councilwoman Brassil and Class "B" Representative , Mr. Power -2.

Also present are Frank Mastrati, Jr., Legal Counsel, Joseph G. Iannelli, Pension Consultant and Rose M. Mendonca, City Clerk. (Joanne L. McKenna, Assistant Clerk.)

APPROVAL OF BOARD MINUTES

Vice-Chairman Bissonnette states that the Assistant Clerk has submitted three Retirement records for the Board's review, November, 1987 and January and February, 1988.

He states that since they have just received these minutes, the Board will approve them at their next meeting in April.

The Assistant Clerk states that the October, 1987 board minutes that were distributed at last month's meeting have not yet been approved.

Vice-Chairman states that the October minutes as well as those distributed this day will be placed on next month's agenda for approval.

TREASURER'S REPORT

The City Treasurer's Report is presented, showing the amount to the credit of the Employees' Retirement System of the City of Providence at the close of business on March 15, 1988, is as follows:

TREASURER'S REPORT

March 15, 1988

Mayor Joseph R. Paolino, Jr.
Chairman Employee's Retirement System
City of Providence
City Hall
Providence, RI

Gentlemen:

This is to certify that the amount of credit to the City of Providence Employee's Retirement System is as follows:

Cash available as of 3/15/88	\$357,000.00
Repurchase Agreement	\$2,550,000.00
Accounts Receivable FYE 1987	\$4,119,095.60
Loans Receivable as of 3/11/88	\$6,450,581.72
TOTAL	\$13,476,677.32

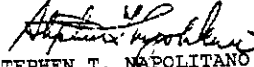
NEW ENGLAND TRUST COMPANY 2/29/88	
Cash equivalent @ M.V.	\$2,472,368.00
Government & Agencies	\$15,670,182.00
Corporate Obligations @ M.V.	\$9,886,250.00
Total Common Stock @ M.V.	\$17,661,000.00
Cash	0.46
TOTAL	\$45,689,800.46

FLEET NATIONAL BANK 2/29/88	
Short term inv. income at M.V.	\$748,642.89
Short term inv. principal @ M.V.	\$4,362,883.61
Gov't Securities & Bonds @ M.V.	\$54,599,079.96
Notes & Mortgage	487,925.06
Total Common Stock @ M.V.	\$62,404,986.00
Miscellaneous	\$10.00
Cash	\$19,093.00
TOTAL	\$122,622,620.52

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RHODE ISLAND HOSPITAL TRUST 2/29/88	\$18,100.00
Short term inv. income at M.V.	\$1,934,558.21
Short term inv. principal at M.V.	\$2,111,408.25
Bonds at M.V.	\$1,144,312.50
Stocks at M.V.	\$100.00
Cash	\$5,208,478.96
TOTAL	\$5,208,478.96
GRAND TOTAL	\$186,997,577.26

Respectfully submitted,


STEPHEN T. NAPOLITANO

On motion of Mr. Mendillo, seconded by Mr. Marnane, it is:

VOTED: that the City Treasurer's Report is Approved as submitted.

INVESTMENT PROPOSALS - FLEET NATIONAL BANK

Mr. Harold A. Mackinney, Jr., Executive Vice President of Fleet National Bank is present for discussion and states as in communication dated March 21, 1988:

March 21, 1988

The Honorable Joseph R. Paolino
Mayor of the City of Providence
City Hall
Providence, Rhode Island 02903

Dear Mayor Paolino:

I am enclosing a program with a recommendation for reinvestment of the proceeds of the sale of the Federated Department Stores stock which we did subsequent to our last meeting. As you can see, we have now disposed of our entire holdings of Federated, receiving a total of \$1,882,000 which represents a capital gain in excess of \$1,200,000 over our cost value of \$620,000. I have also suggested the sale of a small holding of Columbia Pictures which is the result of a spinoff from the Coca Cola Company. This would be sold at a very small profit. I would like to add the proceeds to five current holdings and an initial purchase of Pepsico for the portfolio. Pepsico and Coca Cola together monopolize the soft drink industry, an industry which has been marked by both a strong growth trend over the last decade, and by very high margins. Pepsico has been a better performer than Coca Cola during the last few years, and is currently selling at 15 times most recent earnings. We think the stock is relatively cheap since earnings should grow between 13% and 15% in the foreseeable future.

Dun and Bradstreet is a fairly recent addition to the portfolio following the company's finally getting out of South Africa. Maytag and Rubbermaid are both important household names and have products which are extremely high quality in the eyes of the consumer. Becton Dickinson is one of the few health-oriented/drug companies that is not in South Africa and therefore one that we can purchase, while General Mills continues to grow at double digit levels but has a relatively modest price times earnings ratio.

I will be present to discuss these in more detail at the meeting on Wednesday at 1:30, and I will also be prepared to discuss the performance of the portfolio for the period ending December 31, 1987.

Sincerely,



/gm
Enclosure

Mr. Mackinney submits the following Comparison of Total Rates of Return and a Return Analysis with Prices as of February 29, 1988:

MARCH 23, 1987

February, 1988

COMPARISON OF TOTAL RATES OF RETURN

	1983	1984	1985	1986	1987	Average Annual Return	
						2 Years	3 Years
EQUITIES							
City of Providence	+24.9%	+ 6.6%	+34.4%	+18.7%	+ 3.2%	+17.0%	+18.1%
Dow Jones Industrials	+25.4%	+ 1.0%	+33.7%	+27.0%	+ 5.5%	+18.0%	+21.0%
Standard & Poor's 500	+22.4%	+ 6.1%	+31.7%	+18.5%	+ 5.1%	+16.3%	+17.9%
FIXED INCOME							
City of Providence	+ 6.8%	+14.3%	+23.8%	+17.5%	+ 1.4%	+12.5%	+13.9%
Shearson/Lehman Brothers Gov./Corp. Index	+ 7.6%	+13.6%	+21.3%	+15.6%	+ 2.3%	+11.9%	+12.8%
Salomon Brothers Bonds Broad Index	+ 8.3%	+14.9%	+22.3%	+15.4%	+ 2.6%	+12.5%	+13.1%
TOTAL ACCOUNT							
City of Providence	+15.1%	+10.5%	+28.3%	+17.8%	+ 2.3%	+14.5%	+15.7%
50% Stocks (Dow & S&P 500)	+15.1%	+ 9.1%	+25.4%	+18.5%	+ 3.9%	+14.1%	+15.6%
50% Bonds (Lehman & Salomon)							
Indata - Average Annual Returns - Common Stocks							
5 Years Ending 12/31/87				3 Years Ending 12/31/87			
1st Quartile	= 16.2%			1st Quartile			= 18.0%
Median	= 14.2%			Median			= 15.9%
3rd Quartile	= 12.1%			3rd Quartile			= 14.0%

PORTFOLIO	TIME WEIGHTED RATE OF RETURN INCLUDING INCOME										TIME WEIGHTED ROR-- EXCLUDING INCOME			CURNT LIV/INC	52WK RISK		CASH FLOW/DIV+INT				
	WEEK	MYD	QTD	YTD	S2WK	+1YR	+2YR	+3YR	+4YR	+5YR	MTD	QTD	YTD		S2WK	INCOME	MD	BETA	R2	YTD	QTD
CASH	1.7	3.5	11.9	11.9	-1.7	13.1	15.7	21.2			3.2	11.1	11.1	-5.3	183.66	2.33	0.89	0.95	0	0	004
EQUITY	1.7	3.5	11.8	11.8	-2.2	12.6	15.4	21.0			3.1	11.1	11.1	-5.8	182.52	2.35	0.80	0.95	0	0	0
DOW IND	2.9	6.1	7.4	7.4	-4.4	11.4	18.4	23.0	17.3	18.9	5.8	6.8	6.8	-7.3	255.67	2.69	1.03	0.96			
S&P 500	2.4	4.4	9.0	9.0	-3.3	12.4	15.2	20.1	16.7	17.7	4.2	8.4	8.4	-6.2	326.29	2.58	1.00	1.00			

CUST	SIZE (MMS)	% OF TOTAL CSH BND EQT	CURRENT YIELD TOT BOND EQTY	PERCENTILE RANK														52 WK RISK													
				TOTAL PORTFOLIO														EQ/BND	YTD	QTD	S2WK	+1YR	+2YR	+3YR	+4YR	+5YR	YTD	S2WK	MD	BETA	
S&P	100	3.2	3.2	52	52	40	35	29	31	34	33	65	27	9.0	9.0	-3.3	12.4	15.2	20.1	16.7	17.7	9.0	-3.3								
0856	81.4	100	4.0	4.0	21	21	29	30	25	20				11.9	11.9	-1.7	13.1	15.7	21.2			11.8	-2.2	2	3	4					
114398	6.5	88			825	825	713	713	586	430	327	201	817	699	1	1	2	2	1	1			2	1							
				HIGHEST RETURN														27.4	27.4	26.1	37.1	26.2	29.3	28.8	28.8	45.0	41.8				
				FIRST QUARTILE														11.3	11.3	-1.2	13.7	15.7	20.5	17.4	18.5	12.6	-3.1				
				MEDIAN RETURN														9.1	9.1	-4.7	10.4	13.8	18.6	15.3	15.8	10.4	-5.8				
				THIRD QUARTILE														8.8	8.8	-7.8	7.3	11.8	16.8	13.2	14.0	7.7	-8.6				
				LOWEST RETURN														-2.6	-2.6	-26.0	-12.0	-5.5	8.3	1.3	8.5	-6.6	-28.8				
S&P	100	3.2	3.2	49	49	39	31	27	27	28	24	62	26	9.0	9.0	-3.3	12.4	15.2	20.1	16.7	17.7	9.0	-3.3								
0856	81.4	100	4.0	4.0	20	20	25	26	23	16				11.9	11.9	-1.7	13.1	15.7	21.2			11.8	-2.2	2	3	4					
139139	7.1	89			1247	1247	1078	1077	895	690	562	412	1231	11054	1	1	1	2	1	1			2	1							
				HIGHEST RETURN														27.4	27.4	26.1	37.1	25.1	29.3	28.8	28.8	28.8	39.6				
				FIRST QUARTILE														11.2	11.2	-1.7	13.2	15.4	20.2	16.8	17.5	12.2	-3.3				
				MEDIAN RETURN														8.8	8.8	-4.9	9.9	13.4	18.3	14.8	15.5	9.8	-6.1				
				THIRD QUARTILE														6.7	6.7	-7.9	6.9	11.4	16.3	12.6	13.5	7.6	-9.0				
				LOWEST RETURN														-4.4	-4.4	-31.7	-12.9	-6.8	2.4	-2.9	-1.3	-6.9	-35.5				
S&P	100	3.2	3.2	58	58	42	37	38	39	38	36	69	30	9.0	9.0	-3.3	12.4	15.2	20.1	16.7	17.7	9.0	-3.3								
0856	81.4	100	4.0	4.0	21	21	31	29	34	25				11.9	11.9	-1.7	13.1	15.7	21.2			11.8	-2.2	3	4	4					
59234	4.8	91			119	119	110	108	93	65	51	39	117	108	1	1	2	2	1			2	1								
				HIGHEST RETURN														17.2	17.2	15.4	27.3	20.6	26.2	19.7	20.5	18.2	12.8				
				FIRST QUARTILE														11.4	11.4	-1.3	13.3	16.1	21.2	17.2	18.5	12.5	-2.9				
				MEDIAN RETURN														9.7	9.7	-4.1	11.1	14.4	19.3	16.2	16.1	10.3	-5.5				
				THIRD QUARTILE														7.8	7.8	-7.9	7.1	11.6	17.7	13.9	14.4	8.6	-9.2				
				LOWEST RETURN														1.0	1.0	-26.0	-6.9	0.9	6.3	1.3	9.8	2.7	-28.8				

Mr. Mackinney reads through the foregoing figures in detail with the Board members.

On motion of Mr. Mendillo, seconded by Mr. Marnane, it is Voted to Approve the Comparison of Total Rates of Return and accompanying Return Analysis.

Accordingly, on motion of Mr. Mendillo, seconded by Mr. Landi, it is:

VOTED: that the Fleet National Bank be authorized as the Investment Agent for the Retirement Board of the Employees' Retirement System for the following sales and purchases as outlined below, same being as submitted and recommended by its Agent in communication dated March 21, 1988:

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OLD:

<u>Amount</u>	<u>Description</u>	<u>Int. or Div'd</u>	<u>Cost</u>	<u>Now Held</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Income</u>
8,200	Federated Dept. Stores	1.48	620,583	(28,200)	66 3/4	\$1,882,350	41,736

Capital gain = \$1,261,767

SELL:

<u>Amount</u>	<u>Description</u>	<u>Int. or Div'd</u>	<u>Cost</u>	<u>Int. Held</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Income</u>
2,484	Columbia Pictures		(18,474)	(2,484)	8	19,872	

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>
8,000	Dun & Bradstreet	1.50		(9M)	51	408,000	12,000
10,000	Maytag	.90		(56M)	24	240,000	9,000
10,000	Rubbermaid	.36		(15M)	24	240,000	3,600
5,000	Becton Dickinson	.86		(15M)	61	305,000	4,300
6,000	General Mills	1.50		(23M)	50	300,000	9,000
10,000	Pepsico	.68		(0)	34	340,000	6,800
						<u>\$1,833,000</u>	<u>\$44,700</u>

At this time, Mr. Mackinney states that he was asked by Mr. Bissonnette to comment on the article that appeared in the newspaper about the State's move to divest more rapidly of the holdings in South Africa and go a step further to essentially do away ultimately with any company doing business in South Africa.

He states that it used to be that if they were rated 1 in the 4th Phase of the divestment legislation, that although you couldn't add to the stock, they didn't have to sell it and the new legislation that has been proposed has not been passed yet.

At the State level, they have to get rid of everything. They cannot hang on to anything even though it is rated number one by Sullivan as far as the Sullivan Principle is concerned.

Mr. Mackinney states that, essentially, where they stand at the moment, is that they are in Phase 2, which will end at the end of August and the only stock that is in the Phase 2 procedure as far as the Retirement account is concerned is Schlumberger. He states that they are non-signatories of the Sullivan principle so that would be a name that they would have to get rid of by the end of August to conform with the State legislation. Right now, they have about 10,000 shares of Schlumberger which would have to be sold by the end of August.

He states that the stock is acting pretty well so he is not in any great rush to sell it, but that it will have some impact on them by the end of August.

He states that the following are names of companies from the Retirement Board's portfolio who are in South Africa - American Home Products, Bristol Myers, Caterpillar, Dow Chemical, Ford Motor, Johnson & Johnson, Marsh McClennan,

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Mobil, Pfizer and Raytheon. All of those companies are in South Africa. He states that at the moment, they cost them \$7,477,000 and their market value of \$18,300,000. They have a gain of almost 11 million dollars in those stocks which eventually will come into play with this type of legislation.

He states that the current gain over cost is 145%, so they have been good stocks and have acted well for them and have made them a lot of money. However, if they incorporated this legislation which is not passed yet, it would mean that they would have a significant amount of companies that would have to be sold sometime before Phase 4 gets out of their way, which would be over two years from today. In the meantime, he believes that some of those companies are getting out of South Africa. American Home Products is one of the names that is getting out and they hear that Ford Motor Company is going to out by May 1st and that is a big gain. They paid \$732,000 for their Ford and it is worth two and one half million dollars, so it is not a stock that he really wants to sell.

He states that the impact would be about eighteen million dollars worth of companies out of a total market value of sixty-two million dollars or about 30% of the portfolio at the moment would be candidates for sale if they incorporate legislation that the State may incorporate.

Miss Lincourt questions that if they adopted that legislation and sold those stocks, would they have two years within which to do this?

Mr. Mackinney states that there are four phases of divestment. The first phase is selling any companies that make implements of war or sell any sort of security procedures that pertain to the military or the police in South Africa to help in the enforcement of apartheid.

Miss Lincourt states that that is a Sullivan Principle phase.

Mr. Mackinney states that that is not Sullivan. That is the business about not supplying anybody that makes guns. The second one is Sullivan Principle and that is the one for anybody who doesn't incorporate the Sullivan Principle (non-signatories of the Sullivan Principle) and the only name they have there is Schlumberger (non-signatory). That is the only name they have to worry about until the end of August.

He states that then they go into Phase 3, which is selling any companies that aren't ranked either one or five in the Sullivan Principles and those are rankings that mean they are doing everything they possibly can to help the blacks in South Africa. ✓

The fourth Phase is to sell any company that is not ranked number one in the Sullivan Principles and companies ranked number one are, for the

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Board's information, American Home Products, Bristol Myers, Johnson & Johnson and Pfizer. The others are ranked less than one and, therefore, by the end of Phase 3, they would have to get rid of them.

But the new legislation states that any company in South Africa, regardless of how they are ranked by Sullivan Principle, would have to be sold by the end of the fourth year. That is where they would get into this 18+ million dollars worth of their current portfolio, or about 30% of the portfolio.

Miss Lincourt questions that if the State does adopt this, does Mr. Mackinney have a position or recommendation of what the Retirement Board should be considering doing.

Mr. Mackinney states that he thinks that there are two things involved here. One is the obvious problem, the problem of the South Africans and what is happening over there. He thinks that that is a very emotional and political and severe problem.

He states that the other problem is that they try to invest someone's portfolio as best they can to do as good a job as they can for them and he thinks it is fair to say, and he does not think that anyone would disagree, if they are trying to compete, to do the best job they can for somebody, they do not want to be limited in terms of what they can use. So there are two sides to the question.

One is the moral side of it in terms of what they can do to try to enhance the position of the blacks in South Africa. But on the other hand, he would like to be able to use any name in the world in the Retirement Board portfolio to do the best job that he can do for them.

From a moral and emotional point of view, they would like to do everything they could to try to bring some justice to the people in South Africa. He states that that is the dilemma they are in.

Mr. Landi states that as they stand right now, they have only adopted Phase 1. He questions if there is anything that binds them to go along with anything else.

Mr. Mackinney states that he does not know that. He is not sure what the intentions of the Board are after the adoption of Phase 1.

Miss Lincourt states that last August the Board considered going along with Phase 2. When she came here this Board had already acted on Phase 1.

Mr. Mackinney states that Phase 1 was completed and they did more than they had to do on Phase 1 and they have also done some things from Phase 2 that have sort of jumped the gun a little bit. They sold some companies in South Africa.

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He thinks his intention would be to try to comply with it until the Board tells him not to because he does not have anything to say about it. That is the Retirement Board's ballgame.

Mr. Landi questions as to what Brown University and the State of Rhode Island are doing on this.

Mr. Mackinney states that Brown has backed off a little bit from some of the things that they were doing. He states that the State of Rhode Island is going strong and the new Bill is the one that is the problem. They are saying that they want to get out of everything.

They are speeding it up from December 31 of 1989 to June 30 of 1989 and they are doing away with Phase 4 which states that all companies in South Africa must be disposed of.

Discussion ensues and Mr. Landi questions as to the time limits involved.

Mr. Mackinney states that as he understands it, they are running a fiscal year that ends on the third or fourth Thursday in August for the inauguration of this type of legislation.

He states that he has been under the impression that they are in Phase 2. The only problem they have in Phase 2 is Schlumberger and that is not a big problem. He states that when they get into Phase 3, then it begins to hit them a little harder. There they run into names like Ford Motor, Caterpillar Tractor, Dow Chemical, Marsh McLennan, Mobil Oil and Raytheon.

Miss Lincourt states that they should probably start studying that at the July Retirement Board meeting.

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 March 17, 1988:

March 17, 1988

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

Dear Mayor Paolino:

Interest rates have drifted gradually lower since the peaks reached prior to the stock market collapse in mid-October. We anticipate that this downward trend may stabilize and, quite possibly, be reversed as we move into the spring and summer months.

1. The Consensus Economic forecast - i.e., those of the Council of Economic Advisors and the National Association of Business Economists, call for continued, albeit slower, economic growth throughout 1988. Of 199 business economists polled only 25% down from 43% in November, expect the onset of a recession in 1988.

2. In this atmosphere the Federal Reserve Board is unlikely to move rapidly toward monetary ease. Real price adjusted growth in the money supply (M1) has been negative for the past 12 weeks and seems to be getting more so.

We conclude, therefore, that the odds favor higher rather than lower interest rates in the months immediately ahead.

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Our outlook for the stock market remains cautious - the 1988 budget as presented to the Congress begs the question of deficit reduction, and a "jittery" Congressional body is unlikely to take any substantive action in a presidential year.

We have reached the point where annual interest carrying charges equate to the annual budget deficit. Financial markets will not go on forever financing interest charges which exceed the budget deficit without demanding a risk premium in return. In a similar vein, foreigners are unlikely to be willing to hold U.S. government securities if the carrying costs owed to foreigners exceed the U.S. trade deficit. They will use their dollars to purchase hard assets in the United States, and they are already visibly starting to do so.

We would not be surprised to see the U.S. stock market have another substantial correction as the presidential election process continues without any clear leader emerging.

Ernest R. Famiglietti
Ernest R. Famiglietti
President

Famiglietti submits the following Comparison of Total Rates of Return with Prices as of March 23, 1988:

	COMPARISON OF TOTAL RATES OF RETURN					MARCH 23, 1988	
	EQUITIES					AVERAGE ANNUAL RETURN	
	1983	1984	1985	1986	1987	5 Years	3 Years
City of Providence	+23.8%	+4.6%	+30.2%	+21.8%	+8.1%	+17.6%	+20.0%
Dow Jones Industrials	+25.4%	+1.0%	+33.7%	+27.0%	+5.6%	+18.1%	+21.6%
Standard & Poor's 500	+22.4%	+5.1%	+31.7%	+18.5%	+5.3%	+16.5%	+18.1%
	FIXED INCOME						
City of Providence	+7.8%	+12.4%	+15.9%	+13.0%	+3.4%	+11.1%	+11.7%
Lehman Brothers 20 + Years	+8.1%	+15.0%	+21.3%	+15.6%	+2.3%	+12.2%	+12.8%
Salomon Brothers Bonds	+8.3%	+14.9%	+22.3%	+15.4%	+2.6%	+12.5%	+13.2%
	TOTAL ACCOUNT						
City of Providence	+12.0%	+12.8%	+23.3%	+17.4%	+6.0%	+14.1%	+15.2%
50% Stocks (Dow & S&P 500) 50% Bonds (Lehman & Salomon)	+15.1%	+9.1%	+25.4%	+18.5%	+4.0%	+14.4%	+15.9%

Mr. Famiglietti reads through the foregoing figures in detail with the Board members.

Discussion ensues and Mr. Famiglietti states that he has a change in his proposed purchases for this day. Instead of purchasing Schlumberger which he had proposed and forgot about the South Africa problem, he is going to propose the purchase of Halliburton.

Accordingly, on motion of Mr. Landi, seconded by Mr. Mendillo, it is

VOTED: that the New England Trust Company be authorized as the Investment Agent for the Retirement Board of the Employees' Retirement System for the following sales and purchases as outlined below, same being as submitted and recommended by its Agent in communication dated March 17, 1988:

SELL: Amount	Description	Int. or Div.	Cost.	Now Held	Price	Approx. Value	Inc.
,000	Proctor & Gamble		237,425		81	\$324,000	

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BUY:

<u>Amount</u>	<u>Description</u>	<u>Int. or Div.</u>	<u>Cost</u>	<u>Now Held</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Inc.</u>
500	America Int'l Group				57	28,500	
1,000	Community Psychiatric				22	22,000	
500	Dunn & Bradstreet				51	25,500	
300	Merck & Co.				157	47,100	
500	Mobil Oil				45	22,500	
500	Pfizer, Inc.				55	27,500	
3,000	Halliburton				34	102,000	
					30	30,000	
						<u>\$305,100</u>	

At this time Mr. Famiglietti requests discretion from the Board to sell Pillsbury or tender it on a buyout.

Accordingly, on motion of Mr. Quattrocchi, seconded by Mr. D'Amico, it is Voted that Mr. Famiglietti have the discretion to sell Pillsbury or tender it on a buyout.

Miss Lincourt states that before Mr. Famiglietti leaves, she has a question she would like answered. At last month's meeting, Mr. Quattrocchi had a question as to the additional million dollars that he felt was taken back from the New England Trust Account.

She states that on December 2nd, their budget office called them for a transfer of two million dollars back into their account to meet the retirement payroll between January and June 30th.

She states that that is an action that goes on with some regularity each year, she is told. Therefore, they took a million dollars back from Fleet on that day and also a million dollars from the New England Trust account on that day.

She states that this had nothing to do with the funds that were taken out to build up the five million dollars for Hospital Trust's portfolio.

INVESTMENT PROPOSALS - H.T. INVESTORS, INC.

Mr. David J. Mulanaphy, Vice-President and Mr. John Wall of H.T. Investors, Inc. are present this day for discussion.

Mr. Wall states that Mr. Hank Greenleaf, who had been handling this account, has chosen for personal reasons to change his career.

Mr. Wall states that he has been a board member of H.T. Investors since it started. He has spent exactly forty years at Hospital Trust and H.T. Investors. He states that he is pretty familiar with all aspects of this organization. He thought that he would come to the meeting today as Mr. Greenleaf is leaving.

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Mr. Wall states that Mr. David Mulanaphy will be the investment officer on this account from now on. He would like to assure this Board that H.T. Investors, Inc. is a solid organization. They do not deal as personalities on their accounts but they deal as an organization.

Mr. Wall states that he is going in as president for the time being so he will be running the organization administratively. He wants to assure their accounts that while they are losing a very talented investment person they do have a lot of talent left in there and he thinks they can show the Board good service.

Mr. Bissonnette states that he does have some comments as a follow-up to last month's meeting. He states that the Board members received copies of the November, January and February Retirement Board minutes this day. He requests the Board members to look at the January Board minutes. He states that he knows that they have not had a chance to read them because they have just been distributed.

The issue he is referring to was whether or not Mr. Greenleaf did indeed have discretion from the Retirement Board as to when and what price to buy three different securities and he will say that the language got a bit rough, which was unnecessary.

He states that if they offended anybody, he would like to apologize. He refers to the January Board minutes, on the first page, about three-quarters of the way down, which is a discussion between the Retirement Board and Mr. Mackinney of Fleet National Bank relative to giving discretion to Mr. Mackinney on Federated Department Stores which is an object of a takeover attempt.

Mr. Bissonnette states that in that instance, the Board gave Mr. Mackinney the discretion to tender or sell Federated Department Stores.

Mr. Bissonnette requests the Board members review Page 4 of the January Retirement Board minutes, where it states that Mr. Greenleaf stated that the portfolio is 40% in bonds, which they feel will go up in price. He stated that he was somewhat wary of the stock market and wanted to go into it slowly.

He states that Mr. Greenleaf recommended buying three more issues which would take the equity holdings up to about 22%. He then stated that he was recommending three specific issues pending the prices if they can get them. In other words, Mr. Greenleaf was looking for weakness to buy the issues.

Mr. Bissonnette states that that really addresses the issue that came out at last month's meeting. Mr. Greenleaf did not buy the stocks immediately

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upon going back to his office and he did not buy them within twenty-four hours.

Mr. Bissonnette states that he wanted to bring the record out for today to show that Mr. Greenleaf was voted to have discretion on the purchase of the stock.

He thinks that Mr. Marnane had suggested that because Mr. Greenleaf had done this, that there be a freeze placed on Hospital Trust until they get this matter straightened out.

He would like a motion to reinstate H. T. Investors, Inc. because as the record states, Mr. Greenleaf did exactly what the Board gave him permission to do.

Accordingly, on motion of Miss Lincourt, seconded by Mr. Quattrocchi, it is:

VOTED: that H.T. Investors, Inc. be reinstated as the Investment Agent for the Retirement Board of the Employees' Retirement System.

Mr. Quattrocchi states that he does not want to belabor the point. He thinks that it is a communication problem. He states that if any of the Investment Agents want discretion from the Board, they should specifically ask for discretion.

He states that if the Investment Agent comes in with a written program to buy or sell something, he thinks that it is the right of the Board to expect those transactions to be executed within a reasonable business period of time. He states that the phraseology here is a little confusing. He states that some trades were done above what they were quoted and some were not done.

Mr. Bissonnette states that some trades were done below what they were quoted. He states that everyone makes mistakes. He states that Mr. Mackinney used his discretion in the purchase of 28,000 shares of Federated Department Stores.

He states that now there is a six point difference. If Mr. Mackinney had waited he would have gotten \$6.00 more so that would have been a difference of \$200,000.00.

Mr. Quattrocchi states that Fleet has done an outstanding job, an excellent job. They give the Retirement Board a very substantial discount on their fee, an extremely attractive fee that other people don't necessarily give them. He states that as a matter of courtesy, he seconded the motion.

Mr. Mulanaphy states that in their December letter proposing that the issues be bought, they addressed those three issues specifically in the letter asking that discretion might be granted.

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Accordingly, on motion of Miss Lincourt, seconded by Mr. Landi, it is:

VOTED: that the H.T. Investors, Inc. be authorized as the Investment Agent for the Retirement Board of the Employees' Retirement System for the following sales and purchases as outlined below, same being as submitted and recommended by its Agent in communication dated March 17, 1988:

<u>SELL:</u>						
<u>Amount</u>	<u>Description</u>	<u>Div.</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Makes/Leaves</u>	<u>Income</u>
882,000	Money Market Fund				882,000	\$57,330
<u>BUY:</u>						
<u>Amount</u>	<u>Description</u>	<u>Div.</u>	<u>Price</u>	<u>Approx. Value</u>	<u>Makes/Leaves</u>	<u>Income</u>
9,000	Prime Computer		17	\$153,000	New	-
800	I.B.M.	4.40	115½	92,400	1,630	\$3,520
2,800	Xerox	3.00	57	159,600	New	8,400
3,700	Eastman Kodak	1.80	43	159,100	New	6,600
5,500	SoNat Inc.	2.00	29	159,500	New	11,000
2,400	Caterpillar Tractor	.75	66	158,400	New	1,800
				<u>\$882,000</u>		<u>\$31,380</u>

Messers. Mulanaphy and Wall are excused at this time.

BUCK CONSULTANT INVOICES COVERING CHARGES FOR SERVICES RENDERED DURING JANUARY AND FEBRUARY, 1988

A Bill from the Actuary is presented for the month of January, 1988, in the amount of \$4,419.00:

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

Calculation of retirement allowances during January, 1988:

10 cases @ \$48.00	\$ 480.00
18217 23624 24717 28163	
18337 23965 24739	
23167 24424 25172	
Work on valuation as of June 30, 1987.....	\$1,818.00
Calculation of contribution under GAAP for the fiscal year beginning July 1, 1986, submitted January 28.....	\$ 795.00
Calculation of estimated contribution for July 1, 1988 fiscal year based on inclusion of longevity pay.....	\$ 872.00
Miscellaneous correspondence and consulting services.....	\$ 454.00
	<u>\$4,419.00"</u>

On motion of Mr. Landi, seconded by Mr. Mendillo, it is Voted that the Bill from the Actuary in the amount of \$4,419.00 for the Month of January, 1988 is Approved for Payment.

A Bill from the Actuary is presented for the month of February, 1988, in the amount of \$10,738.00:

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

Calculation of retirement allowance during February, 1988.....	\$ 672.00
14 cases @ \$48.00	
17653 18519 20531 21357 22740	
18160 20072 21255 21747 23777	
24927 25937 26762 27985	
Work on valuation as of June 30, 1987.....	\$4,855.00
Research into public laws in Rhode Island as they apply to the Retirement System in connection with restatement of document.....	\$4,824.00
Miscellaneous correspondence and consulting services.....	\$ 387.00
	<u>\$10,738.00</u>

On motion of Mr. Landi, seconded by Mr. Mendillo, it is Voted that the Bill from the Actuary in the amount of \$10,738.00 for the Month of February, 1988 is Approved for Payment.

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LOANS APPROVED

Miss Lincourt states that the Total of All Loans is \$84,664.39.

On motion of Mr. Landi, seconded by Mr. Mendillo, it is Voted that All Loans be Approved.

SERVICE RETIREMENTS

MAXIMUM ALLOWANCES

DONALD R. CARR - APPLICATION FOR SERVICE RETIREMENT - MAXIMUM

The Application of Donald R. Carr is presented. Mr. Carr was employed as a Custodian in the School Department. He is sixty-two years of age with a service record seventeen years, nine months, and sixteen days, purchasing three years, one month and twenty-eight days, working for the City fourteen years, seven months, and eighteen days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Donald R. Carr Custodian/School Dept.
Allowance \$766.49 a month, effective October 2, 1987.

FREDERICK C. CLANCY - APPLICATION FOR SERVICE RETIREMENT - MAXIMUM

The Application of Frederick C. Clancy is presented. Mr. Clancy was employed as a Battalion Chief in the Fire Department. He is sixty years of age with a service record of thirty-nine years, ten months and sixteen days, purchasing one year, nine months and twenty days, working for the City thirty-eight years and twenty-eight days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

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Frederick C. Clancy Battalion Chief/Fire Dept.
Allowance \$2,678.71 a month, effective November 20, 1987.

OPTION II.

FREDERICK E. BALDONI - APPLICATION FOR SERVICE RETIREMENT - OPTION II

The Application of Frederick E. Baldoni is presented. Mr. Baldoni was employed as a Program Coordinator in the Recreation Department. He is sixty-two years of age with a service record of twenty-two years and twenty-one days, purchasing nineteen years, two months and nine days, working for the City two years, ten months and twelve days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Frederick E. Baldoni Program Coordinator/Recreation Dept.
Allowance \$1,029.44 a month, effective January 8, 1988.

IRENE E. MOREINO - APPLICATION FOR SERVICE RETIREMENT - OPTION II

The Application of Irene E. Moreino is presented. Ms. Moreino was employed as a Custodian in the School Department. She is sixty-two years of age with a service record of ten years and four days, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Irene E. Moreino Custodian/School Dept.
Allowance \$340.52 a month, effective October 23, 1987.

OPTION IV.

ALFRED BARBERY, JR. - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Alfred Barbery, Jr., is presented. Mr. Barbery was employed as a Rescue Lieutenant in the Fire Department. He is forty-one years of age with a service record of twenty-one years, ten months and four days, purchasing three years, eight months and nineteen days, working for the City eighteen years, one month and fifteen days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Alfred Barbery, Jr. Rescue Lt./Fire Dept.
Allowance \$1,527.50 a month, effective December 18, 1987.

EDWARD BONDAREVSKIS - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Edward Bondarevskis is presented. Mr. Bondarevskis was employed as a Principal Engraver at the Water Supply Board. He is sixty-five years of age with a service record of thirty years, four months and eleven days, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

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Edward Bondarevskis Prinsipal Engraver/W.S.B.
Allowance \$1,825.87 a month, effective January 15, 1988.

MARVA C. CARTER - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Marva C. Carter is presented. Ms. Carter was employed as a Secretary in the School Department. She is forty-eight years of age with a service record of thirty years, one month and twenty-eight days, purchasing seven months, working for the City twenty-nine years, six months, and twenty-eight days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Marva C. Carter Secretary/School Dept.
Allowance \$1,221.42 a month, effective October 30, 1987.

ALDO CUSANO - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Aldo Cusano is presented. Mr. Cusano was employed as a Station Engineer Operator at the Water Supply Board. He is sixty-one years of age with a service record of fourteen years one month and nineteen days, purchasing one year, six months and sixteen days, working for the City twelve years, seven months and three days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Aldo Cusano Station Egnineer Operator/W.S.B.
Allowance \$599.33 a month, effective January 7, 1988.

AUSTIN P. COYNE - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Austin P. Coyne is presented. Mr. Coyne was employed as a Clerk IV in the Police Department. He is sixty-two years of age with a service record of thirty-three years, six months and twenty-seven days, purchasing four years, one month and seventeen days, working for the City twenty-nine years, five months and ten days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Austin P. Coyne Clerk IV/Police Dept.
Allowance \$957.43 a month, effective September 11, 1987.

RICHARD D'ANDREA - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Richard D'Andrea is presented. Mr. D'Andrea was employed as a Sergeant in the Police Department. He is forty-six years of age with a service record of nineteen years and one month, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

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Richard D'Andrea Sergeant/Police Department
Allowance \$1,565.06 a month, effective December 18, 1987.

ERNEST D'AMBROSCO - APPLICATION FOR SERVICE RETIREMENT - OPTION IV

The Application of Ernest D'Ambrosco is presented. Mr. D'Ambrosco was employed as an Associate Engineer in the Department of Public Works. He is sixty-two years of age with a service record of twenty-seven years and twenty-five days, purchasing six years and two months, working for the City twenty years, ten months and twenty-five days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Ernest D'Ambrosco Associate Engineer/Pub. Wks.
Allowance \$1,202.38 a month, effective January 8, 1988.

WILLIAM L. DELANEY - APPLICATION FOR SERVICE RETIREMENT - OPTION IV

The Application of William L. Delaney is presented. Mr. Delaney was employed as a Fiscal Officer in the Department of Public Parks. He is fifty-nine years of age with a service record of fifteen years, ten months, and twenty-seven days, purchasing seven months and twenty-five days, working for the City fifteen years, three months and two days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

William L. Delaney Fiscal Officer/Dept. of Public Parks
Allowance \$796.85 a month, effective November 30, 1987.

WANDA FALLON - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Wanda Fallon is presented. Ms. Fallon was employed as a Crossing Guard in the Police Department. She is sixty-five years of age with a service record of sixteen years and one month, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Wanda Fallon Crossing Guard/Police Dept.
Allowance \$370.79 a month, effective November 13, 1987.

JOHN J. GILLIGAN - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of John J. Gilligan is presented. Mr. Gilligan was employed as a Patrolman in the Police Department. He is forty-one years of age with a service record of twenty years and ten days, purchasing three years, eight months and twenty-nine days, working for the City sixteen years, three months and eleven days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

John J. Gilligan Patrolman/Police Department
Allowance \$954.71 a month, effective October 10, 1987.

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ROSE A. HEWITT - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Rose A. Hewitt is presented. Ms. Hewitt was employed as a Police Matron in the Police Department. She is sixty-four years of age with a service record of ten years, one month and two days, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Rose A. Hewitt Police Matron/Police Department
Allowance \$332.88 a month, effective January 15, 1988.

JOHN F. KELLY - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of John F. Kelly is presented. Mr. Kelly was employed as a Custodian in the School Department. He is sixty-five years of age with a service record of twenty-seven years, six months, and twenty-five days, purchasing two years, eleven months and twenty days, working for the City twenty-four years, seven months, and five days.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

John F. Kelly Custodian/School Dept.
Allowance \$823.69 a month, effective January 15, 1988.

ANITA C. LUPOLI - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Anita C. Lupoli is presented. Ms. Lupoli was employed as a Clerk IV In the Police Department. She is fifty-nine years of age with a service record of twenty-one years, nine months and four days, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Anita C. Lupoli Clerk IV/Police Department
Allowance \$671.10 a month, effective January 15, 1988.

ANTHONY M. MATRACIA - APPLICATION FOR SERVICE RETIREMENT - OPTION IV.

The Application of Anthony M. Matraccia is presented. Mr. Matraccia was employed as a Police Person in the Police Department. He is forty years of age with a service record of fourteen years, three months, and eight days, working for the City the same length of time.

This Application is in proper form with Allowance as recommended by the Actuary as follows:

Anthony M. Matraccia Police Person/Police Department
Allowance \$1,463.77 a month, effective December 18, 1987.

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On motion of Mr. Marnane, seconded by Mr. D'Amico, it is Voted that the foregoing Applications for Service Retirements be Granted.

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NEW BUSINESS

PRESENTATION - CROSS FINANCIAL SERVICES

Mr. Bissonnette states that the final matter on this day's agenda is a presentation from Cross Financial Services.

He introduces Stephen L. Cross, John Holmes and John Mulaney of Cross Financial Services.

Mr. Cross states that what they would like to do today is just review the proposal that they have presented to the Retirement Board, once or twice in the past.

He states that they are looking for the Board's consideration for an investment in a product called AIM, which is American Insured Mortgages. He states that relative to all the meetings that they have had with City, he thinks that the thing that they would like to discuss most today is the fact that it is not a typical real estate investment.

He states that that is the problem with the interpretation of the product in the past. He knows that City has not invested in real estate products in the past. He states that that is the case with many of their clients, such as the State of Rhode Island.

Mr. Cross states that he would like to discuss AIM as a mortgage fund instead of a real estate transaction because that is exactly what it is. He states that they call it a mortgage arrangement and it is sponsored by Integrated Resources and Mr. Mulaney will discuss it or answer any of their questions that might come up about Integrated.

He states that what it is is a \$200,000,000 transaction that they loan money to developers around the country and the pension plan or the investor would share in the cash flow from the mortgages itself but enjoy all of the benefits of real estate, which is the appreciation of the value of property both in the real estate value itself and also in the rental increases.

He states that they have in this product a benefit of a mortgage fund almost like a fixed investment type of a pool but they would be sharing in the appreciation in real estate.

Mr. Quattrocchi questions as to whether or not they have any written material.

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Mr. Cross states that they do have written material, but that they have passed it out at previous meetings. He states that they do have some additional material with them today.

He states that the first thing that he wants to impress is that they can participate in the real estate without all the hassles of real estate. He states that a lot of their pension clients have not invested in real estate up to this point because of the management responsibilities and all of the problems that come with real estate investments. He states that this one is hassle free.

He states that it is managed by the largest syndicator of real estate in the United States and that is Integrated Resources. Another very strong point for an investment decision or in particular a public or municipal pension fund is that it is, in fact, a no load transaction to the investor. Therefore, 100% of the investment is going into the real estate, the underlying real estate. It has some unique points in that unlike most real estate transactions it does have liquidity. It trades as an American Depository Receipt and, therefore, provides an additional benefit that traditional real estate products would not provide.

He thinks that the biggest point in this particular transaction is the safety of the investment and unlike the volatility of the stock market or the bond market, the real estate certainly has a volatility but they want to protect, in fact, the mortgage portion of the investment and, therefore, all of the mortgages in these programs are insured by the Federal Government.

Mr. Cross states that to recap just a couple of the major points is that it is very safe, it is insured by the federal government and it enjoys the stability of a mortgage fund. That is why they feel that it would be very suitable for the City of Providence pension fund, both as a current cash flow type of investment for their distributions but also to share in the appreciation the next five or ten years in the real estate market of America.

He states that another strong point is that with the \$200 million and with an additional \$200 million that they are able to raise in the AIM Series '88 they will probably diversify in a point where he thinks the largest project is about \$34 - \$40 million. He states that there is a tremendous amount of diversification and they do not have one hundred or two hundred million of the fund in one particular location although they are enjoying the real estate market on a national basis.

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Mr. Cross states that the point that they really want to try to make clear is that it is in fact not a real estate transaction and he believes a lot of the Board members had questions in the past of whether or not the City should be investing in real estate. They would only be sharing in the appreciation of the underlying real estate. They are not buying apartment houses or commercial buildings or shopping centers in this transaction. The insurance on the mortgages itself are either FHA or any of the other government agencies. The insurance is not only for the principal but it is also for the interest payments. If a developer or owner of one of these pieces of real estate would skip a payment the agency immediately forecloses and the principal and the interest accrued on the note is paid by the Federal Agency.

He states that most of their other municipal clients and most of the large pension funds that we have worked with, with this type of product, invest somewhere between 5 and 10% of their portfolios into real estate. He thinks the percentage with this product could actually be higher because of the income stream that is generated from day one, because it's not a pure real estate type transaction.

Mr. Pallozzi questions as to what other municipalities have invested in this product and what is the projected rate of return.

Mr. Cross states that some of the larger municipal pension funds that have invested in this particular project have been the City of Philadelphia, the City of Detroit, the City of Chicago and the Sisters of Mercy. He states that the State of Rhode Island in their Wilshire Study found this to be a tremendously safe and quality transitional product.

He states that the rate of return on the last series of AIM '86 for the year ending December 31, 1986; the most recent study has not come out yet, but showed an annual rate of return of 13.32. The current cash flow right now on AIM '88 as of this morning was 7% distributed quarterly until they start participating in the actual mortgages.

Mr. Quattrocchi questions as to how they get from 7% to 13% in appraisals?

Mr. Cross states that there are two factors. First, on a resale or a re-finance of the underlying property, the investor shares in 25% of the profit and it is distributed among the pool and also 25% of the rental increases - the gross rental increase. He states that a lot of their competitors have a 25% of the net profits from rental increases.

He states that this particular product participates in the gross rents so that is a combination of the actual cash flow from the mortgage, the

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rental and the pure appreciation of the real estate. Even on a foreclosure, it is written into the document that they would participate on any profit.

Mr. Quattrocchi questions as to whether or not there is any way to designate or direct the money be reinvested back to the State of Rhode Island and City Hall.

Mr. Cross states that if they directed it at the initial purchase of the investment, it would lose its public limited partnership - taxation. Therefore, they would not want to taint the whole public partnership because of a direction of the investment. They have talked with many of the people here in this room and in the City of Providence about getting their acquisition people to come up here but they can't direct them to with their investment.

Mr. Pallozzi questions as to whether or not they have any projects ongoing or contemplated in the City of Providence.

Mr. Cross states that at this moment they do not.

Mr. Pallozzi questions as to whether or not they could direct them.

Mr. Cross states that what they are hoping to do with the AIM '88, the \$200 million pool with an additional \$200 million, they are hoping to raise what they are allowed to raise with the F.C.C. They would love for their own advertising if the City of Providence has a \$20 or \$30 or \$40 million dollar project that they would be responsible for bringing.

Mr. Pallozzi states that they have mentioned that this product was insured. He questions as to what remedies they have to exhaust first before they are insured.

Mr. Cross states that all of the properties are insured by one or two or three agencies of the Federal Government, the F.H.A., the insuring agencies.

Mr. Quattrocchi questions if that is 100% guaranteed.

Mr. Cross states that some are 98% guaranteed because it's principal and the interest, but it works out to be 100% with a combination of the accrued interest and the actual principal of the properties.

He states that how that program really works is that a developer will come to them that wants to get more attractive financing than a traditional type of financing. He states that what they give up for that is probably a point below the market for a traditional commercial loan would be his participation with his rents and with his eventual sale of the property and they will not do it without the insurance, so he is forced to do the insuring and forced to participate for the more attractive financing that they are offering.

He states that the principal investment and the interest that is payable and due on that investment is what is insured, not the appreciated value of

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the underlying real estate.

Discussion ensues and Mr. Pallozzi states that assuming this Retirement Board invests \$10 or \$20 million dollars in this program and in six months time decided it was not the right thing to do. He questions as to what would happen if they wanted to liquidate their investment.

Mr. Cross states that in terms of liquidating the investment within six months, the program is scheduled to trade two years after the offering closes. He states that there is a secondary market as such that their company creates where they would attempt to find a buyer for the municipality's investment.

Mr. Pallozzi questions as to what happens when there is a foreclosure.

Mr. Cross states that when there is a foreclosure, the principal would usually be reinvested and additional mortgages and any gain, if there was a gain in terms of the foreclosure that would be paid out. Many of the mortgages in the past have been purchased at a discount in the marketplace, so there might be a gain in terms of the differential between what they purchase that mortgage for and what they receive back from the Federal Government in terms of the insurance.

Discussion ensues and Mr. Marnane questions as to whether or not the State of Rhode Island has invested in this product as yet.

Mr. Cross states that they have not but that they are looking at it now and they are considering it.

Mr. Holmes states that other cities throughout the country that Mr. Cross spoke about have invested the sum total of \$100 million dollars and there are other cities in the State of Rhode Island that have either bought or are being negotiated with now to buy this particular product.

Mr. Pallozzi questions as to whether or not there is any printed information they can have, something that tells them what they do, how they do it, what other cities and towns invested in it and more importantly, what their company does. He would like some history of their company.

Mr. Holmes states that they do have such information available.

Mr. Mulaney states that he would like to take a few minutes to talk about Integrated Resources. They are a company that was formed back in 1969 and over the twenty years or so that they have been in business, have purchased for their clients in excess of \$15 billion dollars in assets. They are one of the largest capital raisers in the country for investment products. Currently, they rank as the 22nd largest financial services firm in the world according to a recently published report by the Wall Street Journal and the 11th largest financial services company in this country.

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Mr. Mulaney states that their product line is really divided into four different areas; one is life insurance, the other is professional money management, the third is limited partnership offerings and the fourth are variable annuity products. Their company is one of the 25 largest stock owned insurance companies in the country. In the limited partnership area, they have consistently ranked at or near the top in terms of capital raising. AIM in fact has been their most successful public limited partnership offering.

He states that they have three programs there that have raised in excess total of a half billion dollars so it's been a very, very successful program for them. A lot of investors have committed their pension plan dollars to that investment.

He states that they have been the largest raiser of variable annuity products in the country and also in terms of professional money management, that was a service that was started by their company back in 1982, took about a year to get up and running and the last three years, they were ranked the number one professional money manager of stocks and bonds in the country of all the professional money management firms.

He states that they have a wide range of expertise in different investment areas. The AIM Program is a perfect example of a program that has been very successful for them. He states that when they started that program, they went out and hired individuals who had experience in real estate and combined those individual's talents with individuals who had experience in FHA financing, so they would know the in's and out's of this program.

It's a program where they originate the mortgages, go to the Federal Government and they insure them. No other program has even done that before. Their company is a publicly owned firm and their stock is listed on the New York stock exchange.

Further discussion ensues, and on motion of Mr. Pallozzi, seconded by Miss Lincourt and Mr. Marnane, it is:

VOTED: to table any decision relative to Cross Financial Services until the Board received the written information requested and has the opportunity to review same.

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At this time, Mr. Marnane states that there has been some difficulty when sending members of the City of Providence Pension System to doctors for medical evaluations.

He states that as far as the fire and police departments are concerned,

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those men are under the jurisdiction and supervision of the chief of each department and those men are subject to orders. Now, if the chief of each department orders those men to a physical examination or evaluation for their pension, he thinks that it is within the jurisdiction of the pension Board to require the chief of both departments to issue orders to those men.

Vice-Chairman Bissonnette questions if Mr. Marnane is suggesting that they notify the chiefs when somebody has a doctor's appointment.

Mr. Marnane states that that is correct and the chiefs should see that it is upheld because it costs \$70 to \$100 for each individual.

Vice-Chairman Bissonnette states that perhaps the Board would like to include Class "A" members in this discussion.

Accordingly, on motion of Mr. Marnane, seconded by Mrs. McCrink, it is:

VOTED: that in the future, department heads for all Class "A" and "B" Members be notified when said members are to report to a physician for examination and evaluation by the Retirement Board and that department heads order them to appear at the physician's office.

ADJOURNMENT: On motion of Mr. Landi, seconded by Mr. Marnane, it is Voted that this meeting Adjourn at 2:45 o'clock P.M., to meet again on THURSDAY, APRIL 28, 1988 at 1:30 o'clock P.M. (E.S.T.).

Rose M. Mendonca
CITY CLERK

Joanne L. McKenna
Assistant Clerk