

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING
OF THE BOARD

April 20, 2017

A meeting of the Board of Directors of the Kent County Water Authority was held on the 20th day of April 2017, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Chairman Robert Boyer opened the meeting at 3:30 p.m. Board members, Treasurer Joseph Gallucci, and Frank Giorgio were all present together, along with the General Manager/Chief Engineer Timothy J. Brown, Legal Counsel Patrick J. Sullivan, Esq., Treatment Manager/Water Project Engineer Dave Simmons and Director of Technical Services John Duchesneau and Director of Finance and Administration Michael Lanfredi. Mr. Gallucci led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting held on March 16, 2017 and the special meeting held April 5, 2017 were held for the May meeting of the board for consideration.

Guest:

Summit Financial; Joe Bonasera, Pension Review

Mr. Brown introduced Mr. Bonasera for his annual report to the board of the status of the pension fund.

Mr. Bonasera began the report with a background discussion with the new finance director Mr. Lanfredi.

Mr. Bonasera went on to report the ratio of the allocation, indicating 60% was invested in equities with the remaining 40% invested in bonds or fixed income. He advised the board that this ratio is standard for plans like KCWA.

He went on to discuss the asset classes of investments in the domestic equity funds. He discussed the active management of mutual funds and the passive management of investments and discussed the difference. He said the actively managed funds were doing better than the

passively managed funds as the actively managed are continuously buying and selling investments, while passive management strategy was to buy and hold.

He went on to discuss the international exposure of the investments in the pension fund. He thought these investments would fare better and outperform the US based investments in coming years. He thought the US was heading for a recession, and for this trend to continue.

He went on to discuss the fixed income portfolio. He went into corporate bonds and the trend away from US govt. bonds in anticipation of rising interest rates. He suggested that the board remove 5% from the fixed income fund and put it into the Vanguard Inflation Protection Fund.

Mr. Gallucci asked how conflicts and potential war would affect the pension fund. Mr. Bonasera responded that geopolitical events result in bonds doing well and the stock market sinking.

Mr. Bonasera went on to say that the average funded ratio of a pension fund this size is 82%. He said the KCWA fund was funded at 86%, which he said was very high.

Mr. Brown and Mr. Bonasera went on to discuss the assumptions made in the plan. Mr. Brown asked if the current assumed rate of 7.4% was too generous. He suggested 6% might be better. Mr. Bonasera said he would confer with his actuary and look at adjusting the rate.

Mr. Bonasera then went over a power point presentation handed out to the board. He discussed the fund performance, the actuarial report, the financial statement for Q1 2017 and the annual statement for 2017. He discussed the 2016 return at 7.71% and said the funding ratio increased from 83% to 86%. He said the fund had come a long way from 58% funded in 2009.

He concluded with a discussion of current pension benefits for the employees. At the conclusion, Mr. Brown asked the board to act on the recommendations of Mr. Bonasera.

Mr. Gallucci moved, seconded by Mr. Giorgio to authorize Mr. Bonasera to do as follows:

1. Reduce the fixed income from 15% of the total fund to 10%; and
2. Move the 5% to the Vanguard Inflation Protection Fund; and
3. Move 1% from the Commodities Fund to Precious Metals; and
4. Confer with the actuary on adjusting the rate assumption.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That Mr. Bonasera and Summit Financial is authorized to do as follows.

1. Reduce the fixed income from 15% of the total fund to 10%; and
2. Move the 5% to the Vanguard Inflation Protection Fund; and
3. Move 1% from the Commodities Fund to Precious Metals; and
4. Confer with the actuary on adjusting the rate assumption.

Finally, Mr. Brown and Mr. Bonasera discussed a new fiduciary rule that was to take effect on April 10, 2017, although delayed by the Trump administration. The rule changes the way the compensation is paid. It is no longer a commission but a percentage of plan assets. As such, new documents are required to be executed by the chairman. Mr. Giorgio had several questions about the fee.

Mr. Giorgio moved, seconded by Mr. Gallucci, to authorize the chairman to execute the following agreements on behalf of KCWA:

1. Plan Advisor/Secure Provider Change; and
2. Plan Investment Advisory Services Agreement; and
3. Retirement Plan Consulting Agreement.

Upon motion made and duly seconded, it was unanimously

VOTED: That the chairman is authorized to execute the following agreements on behalf of KCWA:

1. Plan Advisor/Secure Provider Change; and
2. Plan Investment Advisory Services Agreement; and
3. Retirement Plan Consulting Agreement.

Director of Finance Report:

Mr. Lanfredi, Finance Director, explained and submitted the financial report. He reported on the Cash Receipts and Disbursements and Statement of Cash Location FY 2016-2017 as of March 2017, attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Gallucci moved, seconded by Mr. Giorgio to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the Cash Receipts and Disbursements and Statement of Cash Location FY 2016-2017 as of March 2017, and Statement of Revenues, attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege & Communication

The Chairman on behalf of the board expressed its condolences to board member Scott Duckworth on behalf of the passing of his father. The board also sent best wishes to board member Peter Masterson for a speedy recovery from his health issues.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

Warwick Water

Mr. Brown indicated that the City of Warwick had until April 1, 2017 to test the facilities and no action had been taken. Chairman Boyer asked Mr. Gallucci if he could intervene for KCWA. Mr. Gallucci contacted Dan O'Rourke and promised action within 10 days to resolve the issue.

INFRASTRUCTURE PROJECTS

Apponaug Circulator Water Main Replacement

Mr. Brown said that the circulator is still operating. Work is ongoing and being monitored by KCWA.

East Greenwich Well Refurbishment

Mr. Brown said that this is ongoing with interior work continuing.

IFR 2014A

Mr. Brown reports that paving has begun for the season.

IFR 2014B

Mr. Brown reports that construction has begun for the season with main installation and paving.

IFR 2015A

Mr. Brown reports that construction has begun for the season with main installation and paving.

IFR 2015B

Mr. Brown reports this project has started for the construction season.

IFR 2016 Design (Project Status)

Mr. Brown updated the Board that the design services are ongoing and that KCWA has reviewed design for layout and routing.

CAPITAL PROJECTS

Mishnock Area Transmission Main, Design Revision (Spring Start)

Mr. Brown indicated that construction has begun for Spring 2017.

Water Main North/South Interconnection High Service

Design services ongoing.

There being no further business before the board, Mr. Giorgio moved, seconded by Mr. Gallucci to adjourn the meeting.

Dated: May ____, 2017

Patrick J. Sullivan
Legal Counsel