

**Employees' Retirement Board  
Of Rhode Island  
Monthly Meeting Minutes  
Date of Meeting: November 10, 2004**

The Monthly Meeting of the Retirement Board was called to order at 9:05 a.m., Wednesday, November 10, 2004, in the 8<sup>th</sup> Floor Conference Room, 40 Fountain Street, Providence, RI.

**I. Roll Call of Members**

The following members were present at roll call: Ponzi A. Angelone; Michael R. Boyce; Liza Cohen, designee for Representative Steven M. Costantino; William B. Finelli; Bea Frazer designee for Budget Officer Rosemary Booth-Gallogly; John P. Maguire; Louis M. Prata; Linda C. Riendeau; General Treasurer Paul J. Tavares and Jerome F. Williams, designee for the Director of Administration.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director and David D. Barricelli, Board Counsel.

Recognizing a quorum, Treasurer Tavares called the meeting to order.

**II. Approval of Minutes**

On a motion by Linda C. Riendeau and seconded by Jerome F. Williams, it was

**VOTED: To approve the minutes of the October 18, 2004 meeting of the Employees' Retirement System of Rhode Island Board.**

**III. Chairman's Report**

Treasurer Tavares acknowledged and congratulated Mr. Finelli as a newly elected member of the Executive Committee for NCTR (National Council on Teacher Retirement Board.)

Treasurer Tavares then congratulated Ms. Frazer on her pending retirement and gave her an official citation of appreciation from the Treasury for her 28 years of state service.

#### **IV. Executive Director's Report**

Director Karpinski apprised the Board of the Social Security section 419 notice that will take effect as of January 1, 2005. By way of background, Director Karpinski stated that state and local government employers who hire individuals for non-Social Security covered positions on or after January 1, 2005, must provide them with the "Section 419" notice. The notice explains the possible reduction of their future Social Security benefit because they are taking a non-Social Security covered position. The reductions occur by operation of the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). The individuals must sign the notice. The employer must then send the notice to the retirement system that covers the individuals. Section 419 is the section of the new requirement in the Social Security Protection Act, signed into law on March 2, 2004.

Director Karpinski also presented the Pension Application Report for the month of October, 2004.

#### **V. Disability Appeals:**

*(None this month)*

#### **Hearing Officer Decisions:**

*(None this month)*

#### **VI. Approval of October pensions as presented by ERSRI**

On a motion by Linda C. Riendeau and seconded by Michael R. Boyce, it was unanimously

**VOTED: To approve the October pensions as presented by ERSRI.**

#### **VII. Legal Counsel Report**

Attorney Barricelli directed the Board to the legal report in the book and asked if there were any questions. In addition, he apprised the Board that the DiPrete vs. ERSRI case had been finalized and that the Retirement System had received a check from the registry of the courts representing deposits made by the DiPrete family per order of the court during the trial.

## Committee Reports

**Disability Sub-Committee:** The Disability Sub-Committee recommended the following actions on disability applications as the result of its October 8, 2004 meeting for approval by the full Board:

	Name	Membership Group	Type	Action
1.	John Agostine	State	Ordinary	Table
2.	Thomas Davis	State	Ordinary	Denied
3.	Louis Deciantis	State	Ordinary	Table
4.	Brian Devine	State	Ordinary	Approve
5.	Dermot McDermott	Municipal	Ordinary	Approve
7.	Alessandra Pezzatti	Teacher	Ordinary	Approve
8.	Dianne Brisson	State	Accidental	Approve
9.	Richard Ramunno	Municipal	Accidental	Approve
10.	Sandra DelPadre	State	Ordinary	Approve
11.	Marie Dimartino	Teacher	Ordinary	Approve
12.	Alan Barth	State	Accidental	Approve
13.	Stephen Costa	Municipal	Accidental	Table

On a motion by William B. Finelli and seconded by Louis M. Prata it was unanimously **VOTED: To approve the recommendation of the Disability Sub-Committee meeting on Friday, October 8, 2004 on items 1, 2, 3, 4, 5, 6, 8, 9, 10, 12, 13.**

On a motion by William B. Finelli and seconded by Louis M. Prata it was unanimously **VOTED: To approve the recommendation of the Disability Sub-Committee meeting on Friday, October 8, 2004 on items 7 and 11.**

*(Mr. Maguire recused himself from any and all consideration of items 7 and 11).*

**Procurement Sub-Committee:** Ms. Frazer presented a report from the procurement subcommittee. She pointed out that the procurement subcommittee met on October 28th to discuss a draft of the actuarial audit RFP and review a request by the system to exercise an extension for the computer system maintenance agreement. The subcommittee first reviewed the RFP for actuarial audit services prepared by the system. After discussion, some minor technical changes were made to the language in certain sections. The first draft of the RFP requested bidders to provide costs on determination of whether the consulting actuary's most recent actuarial valuation and experience study procedures are technically sound, based on generally accepted actuarial standards. Cost proposals included:

- A full actuarial valuation replication to confirm methods and calculations.
- An opinion only on the recent experience study for a review of the demographic and economic actuarial assumptions for consistency, reasonableness and compatibility.
- A full replication, review of the demographic and economic actuarial assumptions for consistency, reasonableness and compatibility of the most recent experience study.

Ms. Frazer stated that after discussion and review, the subcommittee requested Director Karpinski to add 2 additional pricing options:

- An option to include only a statistical sample of the data used in the valuation and an opinion on the methodologies and calculations used to confirm valuation results.
- An option to perform a statistical sample of the data used in the experience study and to provide an opinion on the demographic and economic actuarial assumptions for consistency, reasonableness and compatibility.

Ms. Frazer said the subcommittee then recommended that the system proceed with issuing the RFP for an actuarial audit with the changes prescribed.

Next, Ms. Frazer said the subcommittee discussed the extension of the agreement for computer system maintenance. She pointed out that this is the component of the ANCHOR system for the day-to-day mechanical operation of the system and daily system maintenance. These functions have been performed by Covansys as part of the original contract. She told the Board that the maintenance services will cover the operations support, including environment support, and ANCHOR application maintenance.

Ms. Frazer said the System recommended continuing the relationship with Covansys for one year increments as provided for in the original contract dated February 9, 2000. She told the Board that ERSRI and Covansys negotiated a fee structure with two options to present to the subcommittee. As part of both options, the equipment and Covansys staff will be housed at 40 Fountain Street thus enabling ERSRI to position itself for future in-house operation. Ms. Frazer pointed out that the options presented to the subcommittee focused on the number of technical staff proposed. She said that after discussion and review with staff regarding both proposals, the subcommittee recommended approval and authorization to enter in contract with Covansys for a proposal in the amount of \$855,000 that consists of 5 developers and 275 hours per month of change controls to the system. The contract would commence December 1, 2004 and end November 30, 2005.

She then said that the subcommittee would recommend the system proceed with issuing the RFP for actuarial audit services with the changes as discussed and grant authorization to enter into an extension of the contract with Covansys for ANCHOR system maintenance.

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was unanimously

**VOTED: To accept the subcommittee report with regards to the actuarial audit RFP and instruct the Executive Director to go forward with issuing the RFP.**

On a motion by Jerome F. Williams and seconded by Michael R. Boyce, it was unanimously

**VOTED: To accept the subcommittee report and recommendations regarding the system maintenance contract with Covansys and instruct the Executive Director to effectuate the contract.**

## **VIII. New Business**

Treasurer Tavares noted that Separation of Powers ballot question bill was approved by the voters on Election Day, November 2, 2004. Treasurer Tavares advised the Board how the proposal may impact the Retirement Board. He pointed out that there are 3 legislative members on the Board, a Senator, a Representative and the House Fiscal advisor that will be affected.

Treasurer Tavares told the Board that he made a recommendation to the Senate that the ERSRI Board remain a 15 member board. His proposal would replace the 3 legislative members with a retired teacher who would be elected, and two members of the public to be appointed by the General Treasurer. He said the Senate came back with a version of legislation which removed the three members but did not replace them. The Treasurer said that version was passed by the Senate but was not voted on in the House of Representatives.

Ms. Riendeau asked how many retired teachers there were compared to retired State Employees. Director Karpinski responded stating that there are about 7,700 retired teachers and 9,300 retired state employees. Ms. Riendeau felt that given the demographics, a state retiree should be considered to serve as a Board member as well as the retired teacher. Treasurer Tavares told the Board that such an option could be considered.

Mr. Finelli also expressed his concerns and asked Treasurer Tavares to consider a retired state worker as well as a retired teacher as his appointments should such a proposal be adopted.

Director Karpinski then directed the Boards attention to a letter that was passed out to them from a retired member by the name of Edward H. Balfour. Mr. Balfour called him in regards to the healthcare coverage that was available to state retirees. Mr. Balfour expressed to Director Karpinski that he would submit a letter with his concerns and asked that the letter be given to the Board. The crux of his letter was centered on the fact that he felt the Board should take a more active role in promoting various healthcare benefits for retirees. Treasurer Tavares pointed out to the Board that neither Treasury nor the Retirement System has any statutory ability to impact the type and level of healthcare benefits. He said that the Retirement System is merely a conduit for payment from retirees to the state.

Mr. Maguire then asked Director Karpinski for the status of a matter with regards to a letter received from Margaret Dybala. Director Karpinski explained that Ms. Dybala's information is being reviewed for a purchase credit.

## **IX. Adjournment**

There being no other business to come before the Board, on a motion by Linda C. Riendeau and seconded by Michael R. Boyce the meeting was adjourned at 9:40 a.m.

Respectfully submitted,

**Frank Karpinski**

Executive Director