

Employees' Retirement Board Of Rhode Island Monthly Meeting Minutes Date of Meeting: June 8, 2005

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m., Wednesday, June 8, 2005 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. Oath of Office for New Members

Prior to the commencement of the call to order, Treasurer Tavares gave the oath of office to John J. Meehan, the newly elected state employee representative from the special election.

Treasurer Tavares congratulated Mr. Meehan on his new term. He then instructed Director Karpinski to call the roll.

Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone; Rosemary Booth Gallogly; Michael R. Boyce; William B. Finelli; John P. Maguire; John A. Marginson; John J. Meehan; Louis M. Prata; 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 Attorney William E. O'Gara, Board Counsel.

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

II. Approval of Minutes

On a motion by John A. Marginson and seconded by Jerome F. Williams, it was

VOTED: To approve the minutes of the May 11, 2005 meeting of the Employees' Retirement Board of Rhode Island.

III. Chairman's Report

Treasurer Tavares then introduced Attorney William O'Gara from the law firm of Holland and Knight. He told the Board that Attorney O'Gara would be the attorney assigned as Legal Counsel to the Retirement Board.

The Treasurer then provided an update on the Gateway Eight American Express building. He said in 1989, the American Express building was financed by the issuance of state bonds that were purchased by the Retirement System. They were 10-year bonds with interest only to mature in 1999, with a value of \$23 million. In 1999, American Express had vacated the building. In 1999, the State Investment Commission designed a work out situation to obtain a 5 year amortized loan with the understanding that the Retirement System be repaid within 5 years. At the end of 5 years, the loan matured but no viable tenants or cash flow was available. Thus, the SIC felt it was prudent to call in the loan. The owner then filed for bankruptcy. The Treasurer told the Board that the pension fund has received approximately \$1 million from the termination of the BFDS lease (a former tenant); payments for December and January have also been received. An agreement was reached with the owners that the \$1 million be paid to the system and be applied to the debt of the loan. The agreement also stipulated that the building be turned over to the Retirement System. Currently, there is a balance on the loan of \$22 million. Under the bankruptcy proceedings, the SIC will be able to hold a public sale of the property. The Treasurer anticipated the sale would be mid to late summer. He apprised the Board that there has been interest in the building both private and public. Treasurer Tavares informed the Board that this was the only piece of real estate in the entire investment portfolio.

Ms. Booth Gallogly commended the Treasurer and his staff for their efforts in informing the SIC and managing the process, she pointed out the complexities of what was involved. Both Treasurer Tavares and Ms. Booth Gallogly stressed the importance of not investing in economically targeted investments, specifically real estate.

IV. Executive Director's Report

Director Karpinski apprised the Board that as a result of the decision by the courts, all affected Cranston Crossing Guards have been re-adjudicated consistent with the ruling. He said all adjustments have been processed.

Director Karpinski informed the Board that the National Council on Teacher Retirement (NCTR) annual convention will be held on October 6 – October 10. He said any Board members wishing to attend should inform him soon.

At the May Board meeting, Mr. Finelli asked Director Karpinski if he was aware of any IRS Minimum Distribution Rules (MDR) being provided in studies commissioned by the Governor or Legislature on pension reform proposals. Treasurer Tavares had requested that both legal counsel and the system's actuary review the matter.

Director Karpinski told the Board that he conferred with GRS regarding the studies it performed for the various pension reform proposals and MDR's. He said GRS pointed out that none of the calculations done reflected any MDR adjustments. GRS said that generally, MDR's are more of a legal issue rather than an actuarial issue. GRS pointed out that it did not observe any MDR issues in any of the studies performed by them. However, GRS told Director Karpinski that legal counsel should review the bills introduced to confirm there are no violations. Director Karpinski reiterated an issue from last month's meeting regarding non-spouse joint and survivor options needing

modification to be consistent with the MDR's. He pointed out however, that this matter is unrelated to proposed legislation and MDR.

Attorney O'Gara then informed the Board that Internal Revenue Code §401(a)(9) establishes minimum distributions rules ("MDRs") for defined benefit plans during an employee's life and after the employee's death. The regulations were most recently revised on June 14, 2004 when final regulations were issued. He pointed out that while the focus of the changes was not on governmental plans, the final regulations impacted governmental defined benefit plans with respect to cost-of-living adjustments, joint and survivor annuities and change in circumstance provisions. Attorney O'Gara apprised the Board that the only provision of the proposed legislation possibly impacted by the final resolutions relates to the calculation of COLA increases. Because each proposal provides for a CPI-U adjustment or the existing fixed percentage of 3% or whichever is less, Attorney O'Gara said the proposals reviewed do not violate the regulations.

V. Administrative Decisions

Anne T. Caldarella vs. ERSRI

Director Karpinski informed the Board that Ms. Caldarella chose not to contest the hearing officer's decision. Attorney O'Gara provided the Board a summary of the matter. He said that Ms. Caldarella submitted a purchase of 6 months when she was laid-off from the University of Rhode Island. The reason her request was denied was due to the fact that she was not a member at the time of the lay-off. Attorney O'Gara recommended that the Board affirm the hearing officer's decision.

On a motion by John A. Marginson and seconded by Jerome F. Williams, it is unanimously

VOTED: To affirm the decision of the hearing officer in the matter of Ann T. Caldarella vs. ERSRI.

VI. Approval of June pensions as presented by ERSRI

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

VOTED: To approve the June pensions as presented by ERSRI.

VII. Legal Counsel Report

Attorney O'Gara referred Board members to the legal report in the Board book. Mr. Boyce referred to page 1 of the legal report on the matter of Priscilo P. Neves vs. ERSRI and asked if the matter was dismissed on April 15, 2004 and reinstated on April 27. Attorney O'Gara informed Mr. Boyce that the reinstatement is based on Superior Court rules that permit the courts to notify an attorney that a case is being dismissed due to no action taken for 5 years. Attorney O'Gara told the Board that the opposing attorney had the case reinstated. Mr. Boyce also referred to a Writ of Certiorari on May 20, 2005 in the matter of Heidi Iselin vs. ERSRI. Mr. Boyce inquired as to what the Writ of

Certiorari meant. Mr. O’Gara said that it is a decision by the Supreme Court to hear an appeal from a lower court.

On a motion by Jerome F. Williams and seconded by Louis M. Prata, it was unanimously

VOTED: To approve the Legal Counsel report.

VIII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following actions on disability applications as the result of its June 3, 2005 meeting for approval by the full Board:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>	<u>Action</u>
1. Doris Anselmo	State	Ordinary	Approve
2. Robert Beckwith	Municipal	Ordinary	Approve
3. Thomas Cry	State	Ordinary	Approve
4. Michael Davis	State	Ordinary	Approve
5. Roger Greene	State	Ordinary	Approve
6. Linda Deguire	Municipal	Accidental	Approve
7. Richard Delbonis	Municipal	Accidental	Table
8. Jay Kingston	State	Accidental	Approve
9. Hugo Miranda	State	Accidental	Approve
10. Mary Moore	State	Accidental	Approve
11. Donna Peterson	Municipal	Accidental	Deny

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

VOTED: To approve the recommendation of the Disability Sub-Committee meeting on Friday, June 3, 2005 on items 1,2,3,4,5,7,8,9,10,11.

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

VOTED: To approve the recommendation of the Disability Sub-Committee meeting on Friday, June 3, 2005 on item 6.

Mr. Williams voted against the motion to approve item 6.

Mr. Finelli then motioned to remove the Stephen Costa disability matter off the table. It was seconded by Mr. Boyce. Treasurer Tavares informed the Board that a letter from Mr. Costa’s attorney on behalf of Mr. Costa was received to withdraw his application without prejudice. It was then unanimously

VOTED: To remove and withdraw, without prejudice, the disability application for Stephen Costa.

IX. New Business

(none)

X. Adjournment

There being no other business to come before the Board, on a motion by Jerome F. Williams and seconded by William B. Finelli, the meeting adjourned at 9:29 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director