

**Employees' Retirement Board
Of Rhode Island
Monthly Meeting Minutes
Date of Meeting: July 13, 2005**

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m., Wednesday, July 13, 2005 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. 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 J. Meehan; Louis M. Prata; Linda 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 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 Jerome F. Williams and seconded by Rosemary Booth Gallogly, it was **VOTED: To approve the minutes of the June 8, 2005 meeting of the Employees' Retirement Board of Rhode Island.**

III. Chairman's Report

None this month.

IV. Executive Director's Report

Director Karpinski first provided the Board a summary of the recently approved pension reform legislation, H5270 Article 7 Substitute A as amended. He pointed out that members, including current active members who have at least ten years of contributory service on or before July 1, 2005, inactive vested members who have more than ten years of contributory service, and all current retirees, will be called Schedule A members. Director Karpinski told the Board that H5270 Article 7 **does not** change any of the existing benefit provisions for Schedule A members.

All other members, who have less than 10 years of contributory service on or before July 1, 2005, will be referred to as Schedule B members.

Director Karpinski highlighted the following changes for Schedule B members:

New retirement eligibility requirements

- Unreduced retirement available at age 59 & 29 years of service
- Unreduced retirement available at age 65 and 10 years of service
- Actuarially reduced retirement available at age 55 and 20 years of service

Actuarial Early Retirement Factors

Age	Age Factor	Age	Age Factor
64	89.3%	59	52.2%
63	79.9%	58	47.1%
62	71.6%	57	42.5%
61	64.3%	56	38.5%
60	57.9%	55	34.9%

New formula

SCHEDULE B
YEARS OF SERVICE PERCENTAGE ALLOWANCE

1st through 10 th inclusive	1.60%
11 th through 20 th inclusive	1.80%
21 st through 25 th inclusive	2.0%
26 th through 30 th inclusive	2.25%
31 st through 37 th inclusive	2.50%
38 th	2.25%

New COLA amount

- CPI-related, maximum of 3.00%
- COLA for disabled retirees unchanged (3.00% fixed)

New COLA start date

- Third anniversary of retirement
- No change for disabled retirees

Elimination of SRA-Plus option (Social Security Option) for Schedule B members only

Contributions re-invest provision

1. Any year in which the actuarially required employer contributions to the system are lower than the year before, the Governor shall take 20% of rate reduction and appropriate it to the pension fund.
2. The Actuary shall not adjust required year contribution for reduction. 20% shall be in addition to required contribution and serve to reduce UAAL.

Mr. Maguire then asked Director Karpinski to provide an explanation of the reductions taken regarding the early retirement factors (i.e., actuarially reduced retirement available at age 55 and 20 years of service). Director Karpinski pointed out that the statute provides reduced benefits at 55 years of age and 20 years of service that is actuarially reduced for each month the member is less than 65 years of age. He told the Board that the reductions are based on the time value of money to account for more payments the participant will likely receive because of the earlier retirement age. In addition, Director Karpinski pointed out that the factors also account for other demographic assumptions such as mortality. The Director told the Board that Gabriel, Roeder, Smith and Company (GRS) will present the 2004 valuation at the September meeting and GRS could provide additional details if required.

Mr. Finelli then asked Director Karpinski if the actuarially reduced retirement factors would apply to disability applications. Director Karpinski told the Board that the administrative interpretation would be to not apply the reductions to disability applications. He said he would bring those issues to the Rules and Regulations committee for affirmation.

V. Certification and restatement of contribution rates for state employees and teachers for fiscal year 2006.

Prior to the meeting, Director Karpinski provided the Board with an actuarial certification from GRS for revised contribution rates for fiscal 2006 given the passage of H5270 Article 7 Substitute A as amended.

Mr. Boyce referred Director Karpinski to page four (4) and five (5) of the letter and inquired why the GASB funded ratio decreased from 65.5% to 64.5% after the passage of H5270 Article 7 Substitute A as amended. Director Karpinski pointed out that the perceived anomaly is mathematical. To help clarify the matter, the Director began by telling the Board that the actuarial accrued liability (AAL) is a measure of the liability associated with past years and for any member, it is the total present value of that member's future benefits, reduced by the present value of future normal costs. He said the normal cost can be viewed as the cost for a new member and is determined using the benefit provisions that apply to future members. Director Karpinski then said that for all the vested and active members, the AAL increases because of a decrease in the future normal cost due to the passage of Article 7 Substitute A. The AAL for retired and inactive members was unchanged. Regarding the contributions to the system, Director Karpinski pointed out that the reduction in the normal cost is much more significant than the increase in the AAL, and as a result, contributions in the future can be smaller and over the remaining funding Schedule of 26 years, the funded ratio will reach 100% (under superfluous conditions). However, the increase in the AAL with no change in the actuarial value of assets (AVA) increases the unfunded actuarial accrued liability (UAAL) and thus reduces the GASB funded ratio.

The Director also told the Board that the decreased funded ratio is a function of the actuarial cost method. It occurs under the entry age normal cost method, because that method defines the AAL as a function of the normal cost, and the normal cost is reduced by the legislation.

The Director reiterated to the Board that GRS would be available at the September Board meeting to provide additional clarifications and/or information. Treasurer Tavares also recommended that Director Karpinski provide the Board projections of the funding Schedule to help clarify the funding ratio Schedule.

Director Karpinski said if there were no further questions, a motion would be in order to certify the new rates (adjusted for the inclusion of Article 7 Substitute A) for fiscal year 2006.

On a motion by Rosemary Booth Gallogly and seconded by, Jerome F. Williams it was,
VOTED: To adopt the 2006 rates prepared by the Actuary.

VI. Administrative Decisions

Disability Appeals

None this month

Hearing Officer Decisions

None this month

VII. Approval of July 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 July pensions as presented by ERSRI.

VIII. Legal Counsel Report

Attorney O'Gara referred Board members to the legal report in the Board book and asked if there were any questions. There being none, on a motion by Jerome F. Williams and seconded by Louis M. Prata, it was unanimously

VOTED: To approve the Legal Counsel report as presented.

IX. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following actions on disability applications as the result of its July 8, 2005 meeting for approval by the full Board:

Name	Membership Group	Type	Action
1. Deborah Cahoon	Teacher	Ordinary	Approve
2. Mary Concannon	Teacher	Ordinary	Approve
3. Elaine Griffiths	State	Ordinary	Approve
4. Christine O'Dowd	Teacher	Ordinary	Approve
5. Cheryle Rhodes	State	Ordinary	Approve
6. Billie Jean Severi	Teacher	Ordinary	Approve
7. Beverly Charette	State	Accidental	Deny
8. Pricilla Iasimone	State	Accidental	Approve
9. Peter Manfredo	State	Accidental	Approve
10. Jean Tierney	State	Accidental	Approve
11. Linda Benoit	State	Accidental	Approve

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, July 8, 2005 on items 1,3,4,5,6,7,8,9,10,11.

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, July 8, 2005 on item 2.

Mr. Maguire recused himself from item 2.

X. New Business

(none)

XI. 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 10:10 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director