

**Employees' Retirement Board
Of Rhode Island
Monthly Meeting Minutes
Date of Meeting: November 9, 2005**

The Monthly Meeting of the Retirement Board was called to order at 9:05 a.m., Wednesday, November 9, 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: Michael R. Boyce; William B. Finelli; Peder Schaefer on behalf of Rosemary Booth Gallogly; John P. Maguire; John J. Meehan; 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 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 Linda C. Riendeau and seconded by Jerome F. Williams, it was

VOTED: To approve the minutes of the October 12, 2005 meeting of the Employees' Retirement Board of Rhode Island.

III. Chairman's Report

None this month

IV. Executive Director's Report

Director Karpinski apprised the Board of a newsletter that would be mailed to all members within two weeks. He said the newsletter provides information on legislative changes as a result of the passage of Article 7 Substitute A as Amended (pension reform). The newsletter also provides information on postretirement employment.

The Director also told the Board that the Stage 2 website is now available for retirees. He said they are able to make changes to tax withholding amounts, mailing address and view their last 3 pension checks.

Lastly, Director Karpinski provided the Board with the pension application processing report for the month of October 2005.

Mr. Boyce requested information from Director Karpinski regarding the number of outstanding full time equivalent (FTE) positions of the retirement staff. Director Karpinski said he would review the FTE counts and report them at the next meeting.

V. Presentation of the Actuarial Audit by The Segal Company

Treasurer Tavares introduced Ms. Kathleen A. Riley, FSA, MAAA, EA, Senior Vice President and Actuary of The Segal Company to present the results of the Actuarial Audit.

Ms. Riley told the Board that the purpose of the actuarial audit was to provide assurance that the actuarial calculations, assumptions and methods used by the System's actuary, Gabriel, Roeder, Smith and Company (GRS), for the ERS and MERS plans as of June 30, 2003 are reasonable and in accordance with generally accepted actuarial standards and principles. In addition, Ms. Riley said the purpose is also to review the experience studies to provide assurance that the assumptions used in the valuation are reasonable.

Ms. Riley then provided a review of the scope of the audit. She said a data review was done to compare the data provided to the actuary with the data used by the actuary, including the use and appropriateness of assumptions made with respect to the data.

A test life review was done by selecting a number of individuals who illustrate particular benefit provisions and compare detailed individual output provided by GRS with comparable detail produced by Segal's valuation systems.

A parallel valuation was performed to replicate the valuation results produced by GRS and a review of the experience studies was performed to review assumptions used in the ERS and MERS valuations to determine that the assumptions are reasonable.

Ms. Riley said Segal reviewed data processing, detailed information on selected sample active employees and retirees, results of individual liability calculations, aggregate results, contents of reports and experience studies.

Ms. Riley told the Board that GRS has provided responses to the audit. Director Karpinski told the Board a copy of GRS's response was enclosed in their board packet.

Ms. Riley then reported what Segal sought to confirm and the related results.

- Were all data records accounted for, and accounted for correctly?
 - Yes, with one exception noted, as part of the June 30, 2004 valuation process, GRS will use a different definition of an active employee than was used in the June 30, 2003 valuation. Rather than relying on status codes in the data, GRS will look to see if a member contributed during the year to determine active status.
- Were adjustments to the data for missing or inaccurate data necessary and if so, were the proper adjustments made?
 - Adjustments for missing and inaccurate data were necessary and appropriate. In the ERS valuation, projected salaries for new employees were based on reported earnings in the year of hire. GRS is changing its procedures with respect to the ERS valuation for developing the projected

salaries for new employees. The new procedure will rely on reported rate of pay to project salaries. This is the same procedure used for the MERS valuation.

- Were benefits calculated correctly?
 - A detailed review of sample active lives was performed (test life review). Projected benefits at all ages were compared in all categories of retirement. Segal confirmed that all benefits were calculated in accordance with statute, with one clarification noted. The calculation of benefits for current accidental disabled teachers includes a COLA while the calculation of benefits for future accidental disabled teachers does not include a COLA. The written statute does not include a COLA for teacher accidental disability benefits, which ERS believes, is due to a drafting oversight. The benefits should be calculated consistently for both current and future teachers who retire on accidental disability; this change was made with the 2004 valuation.
- Were eligibility requirements applied correctly?
 - Yes. In Segal's opinion, the determination that benefits and eligibility requirements were calculated correctly were the most important findings in the audit since these factors are the foundation of the liability calculations. The level of detail reviewed in the test life analysis allowed Segal to make that assertion.
- Were the assumptions and methods reasonable, applied correctly, and internally consistent?
 - Ms. Riley said the assumptions are reasonable and consistent with the experience of both ERS and MERS. The assumptions are in accordance with generally accepted principles and practices and are consistent with guidance provided from the American Academy of Actuaries in its Practice Notes and Standards of Practice.
 - The mortality assumption includes a reasonable adjustment for future mortality improvement.
 - The disability rates for police and fire should extend beyond age 50.
 - In Segal's opinion, the turnover assumptions could be simplified.
- Were the liability calculations correct?
 - With the exception of the liability calculations for deferred vested participants, yes. The liability for deferred vested participants was based on only pre-tax contributions, not the sum of pre-tax and post-tax contributions. The difference of \$10 million for each of the state and teacher groups is large when compared with the liability for inactive members, but insignificant when compared to the total liabilities of \$4.1 billion for state employees and \$6.4 billion for teachers.
- Did the results match?

- The valuation results calculated by Segal in the aggregate were within approximately 1% of the GRS results. Individual results and results by category were also very close matches. Differences were attributable to differences in software and methodology. These results, in conjunction with the confidence generated by the test life reviews, indicate that the GRS valuations accurately measure the commitments of ERS and MERS.
- Were the reports complete?
 - The reports contained sufficient detail and information for most users of the report. However, the description of several assumptions was incomplete and should be expanded. Ms. Riley pointed out that the level of detail missing is only apparent to another actuary attempting to reproduce the valuation results.

Ms. Riley concluded by stating that the audit confirms that the actuarial calculations as of June 30, 2003 are reasonable and based on generally accepted actuarial principles and practices. She said Segal made several suggestions for improvements, many of which have already been incorporated in the 2004 valuations.

Mr. Williams asked if there were any problems from a legal standpoint to continue the COLA for accidental disability for teachers based on the statute. Treasurer Tavares suggested that it be submitted via legislation for correction. Attorney O’Gara said he would review the statute and current implications.

Treasurer Tavares thanked Ms. Riley for her presentation.

VI. Administrative Decisions

Disability Appeals

None this month

Hearing Officer Decisions

None this month

VII. Approval of October pensions as presented by ERSRI

On a motion by Linda C. Riendeau and seconded by Louis M. Prata, it was unanimously **VOTED: To approve the October 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 Linda C. Riendeau and seconded by John J. Meehan, 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 October 4, 2005 meeting for approval by the full Board:

Name	Membership Group	Type	Action
1. Florence Anderson	State	Ordinary	Approve
2. Olivia Beale	State	Ordinary	Approve
3. Clara McCallum	Municipal	Ordinary	Approve
4. Robert Stone	Municipal	Ordinary	Approve
5. Theresa Wahl	State	Ordinary	Approve
6. Mark Castaldi	State	Accidental	Approve
7. Robert Nascimiento	Municipal	Accidental	Approve
8. Judith Daniels	Teacher	Accidental	Approve
9. Fred Worley	State	Accidental	Table

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, October 7, 2005 on items 6 and 9.

Mr. Meehan recused himself from items 6 and 9.

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, October 7, 2005 on items 1, 2, 3, 4, 5, 7 and 10.

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, October 7, 2005 on item 8.

Mr. Williams voted against item 8.

X. New Business

Director Karpinski referred members to the Application Process for Disability Benefits Policy as a means of establishing reasonable timeframes for applications to avoid lapses in processing and/or communication. Director Karpinski said that although the policy creates time frames to keep the process moving, the ultimate cancellation of an application rests with the Disability Subcommittee.

This policy removes long-standing applications from being maintained in a pending status.

Mr. Maguire inquired when the 90 days begin. Director Karpinski told members that it would be 90 days from the date of application. Mr. Maguire asked that information be added to the policy. Director Karpinski said he would make the change.

On a motion by William B. Finelli and seconded by Jerome F. Williams it was unanimously

VOTED: To approve the recommended Disability Sub-Committee policy.

Mr. Finelli inquired about the changes for health care benefits for retirees regarding Medicare Part D. Mr. Williams informed Board members that Mr. Steve Johnson, of the Department of Administration, is working with United Health Care and the Department of Elderly Affairs to provide information to retirees.

Mr. Finelli asked if the information could also be provided to Municipal members.

Mr. Schaefer informed the Board that a Memo had been mailed in the middle of September with some background on the matter and options that are available to them regarding Medicare Part D.

Mr. Finelli thanked both Mr. Williams and Mr. Schaefer for their efforts

XI. Adjournment

There being no other business to come before the Board, on a motion by Michael R. Boyce and seconded by Linda C. Riendeau, the meeting adjourned at 9:55 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director