

**Employees' Retirement Board
Of Rhode Island
Monthly Meeting Minutes
Date of Meeting: October 11, 2006**

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m., Wednesday, October 11, 2006 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. Roll Call of Members

The following members were present at roll call: Daniel L. Beardsley; Rosemary Booth Gallogly; Michael R. Boyce; William B. Finelli; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Louis M. Prata; General Treasurer Paul J. Tavares and Jerome F. Williams, designee for the Director of Administration and James P. Yancy.

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 M. Carl Heintzelman, it was

VOTED: To approve the minutes of the September 13, 2006 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

Treasurer Tavares announced appointments to the Election Sub-Committee and the Rules and Regulations Sub-Committee as follows:

Election Sub-committee

Louis Prata

James Yancy

Linda Riendeau

H. Carl Heintzelman

Kerry Walsh – Treasury Designee

Rules and Regulations Subcommittee

John P. Maguire

Rosemary Booth Gallogly

John J. Meehan

H. Carl Heintzelman

Kerry Walsh – Treasury Designee

IV. Executive Director’s Report

Director Karpinski began his report by providing the Board with a presentation of the Teacher Survivor Benefits Fund Actuarial Valuation as of June 30, 2005 performed by Gabriel, Roeder, Smith and Company (GRS).

He told the Board the valuation was prepared as of June 30, 2005 using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods. Since the last valuation, there is a new benefit structure that includes a 25% increase in the dollar amount of benefits for each salary band. The increase applied to all participants, including those already receiving benefits. In addition, a post-retirement COLA benefit was added. The COLA increase is equal to the Social Security increase for a given year and is applied to all widows and widowers over age 60. There is no COLA for family or children’s benefits. The Director informed the Board that the assumption used for the COLA amount is 3.00% per year.

Director Karpinski provided the Board with graphs, which contain statistics about the membership. He summarized the following information:

	2002	2005
Active Members	6,572	7,503
Covered Retired Members	2,578	2,611
Survivors Receiving Benefits	355	367

The Director provided statistics on the average pay versus the average benefit. He provided the Board the following information:

	2002	2005
Active members – (average pay)	\$49,857	\$57,606
Covered Retired Members - (average benefits)	\$10,877	\$14,296
Survivors Receiving Benefits – (average benefits)	\$9,690	\$13,142

Director Karpinski then discussed the assets of the TSB fund. He told the Board the market value is now \$204.8 million, up from \$159.7 million in 2002. The average return on market has been approximately 10.8% for the last three years net of all investment and administrative expenses.

The Director told the Board that the actuarial value of assets for the TSB fund is set equal to the market value. The smoothed value is deemed unnecessary since the contributions to the fund are fixed by statute and not determined by valuation. He said the fund is substantially overfunded.

Director Karpinski discussed the external cash flow of the TSB fund. He said member and employer contributions equal \$1.4 million while benefits and refunds total \$6.9 million for FY 2005. He apprised the Board that refunds in FY 2005 was atypically high due to the refund window provided for retirees consistent with RIGL §16-16-32.

He told the Board that the net external cash flow, contributions less benefit payments and refunds, is a negative \$5.5 million which represents -2.7% of the ending market value, which is a manageable level. He said the intent of pre-funding is to use some investment earnings to pay benefits. Additionally, assets continue to be greater than total present value of benefits (\$204 million versus \$141.5 million). If future plan experience followed exactly the expected experience based on the actuarial assumptions, the plan would have far more than enough funds to continue paying benefits for the current membership, even if no further contributions were made. Contributions will serve to increase the surplus.

Director Karpinski concluded his remarks with a discussion of the Governmental Accounting Standards Board (GASB) actuarial results. He said the fund has a market value of \$204.8 million while the actuarial accrued liability (AAL) is \$126.4 million. This is based on the Entry Age Normal (level dollar) actuarial cost method. Thus, the unfunded actuarial accrued liability (UAAL) is a surplus of \$78.4 million, which translates to a funded ratio of 162% compared to 192% in 2002. The Director apprised the Board that the 2002 figure does not reflect the benefit improvements made in 2004. Because the funded ratio is greater than 120%, the Board is not required to increase member contributions.

The Director said the GASB Annual Required Contribution (ARC) is zero based on the Entry Age Normal (level dollar) valuation and overfunding (i.e. the negative UAAL) is amortized over 30 years as a level annual payment. He provided the Board with the following information on the development of costs.

1.	Normal Cost	\$2,088,404
2.	30-Year Amortization Credit	(6,875,308)
3.	Net Required Contribution	(\$4,786,904)
4.	GASB ARC (3., not less than zero)	\$0

Ms. Booth Gallogly asked if the fund is eventually going to go away and inquired if municipal members can get Medicare Part D because they do not participate in Social Security.

Mr. Finelli informed Ms. Booth Gallogly there were three ways a member can qualify for benefits. Members can qualify through a spouse or through actual employment. Those who were hired after 1987 and pay 1 1/2% would also qualify for Medicare Part D.

Director Karpinski responded to Ms. Booth Gallogly's question regarding the fund. If the communities that do not participate in Social Security continue to not participate, the fund would remain.

Treasurer Tavares asked what would occur if a teacher began their career in a non Social Security community and subsequently joined a community that does participate in Social Security. Director Karpinski told the Board that the teacher would be entitled to receive TSB benefits as well as Social Security. He said RIGL §16-16-25 provides that eligibility for benefits requires only six months of contributions.

Mr. Williams asked if the negative cash flow is expected to remain stable or expected to grow. He asked if there were any projections available. Director Karpinski said there are none. The actuary advised him that such projections for long periods could be costly given the demographics of the plan and may not provide much value since contributions are fixed by statute.

Mr. Heintzelman sought to confirm whether or not a refund done at retirement constitutes divestiture of any future benefits. Director Karpinski confirmed.

On a motion by James P. Yancy and seconded by Jerome F. Williams it was unanimously

VOTED: To accept the Teacher Survivor Benefits Fund Actuarial Valuation as of June 30, 2005 as presented.

The Director then provided the Board the pension application processing report for the month of September 2006.

V. Administrative Decisions

Disability Appeals

None this month

Hearing Officer Decisions

Richard Capaldo v. ERSRI

Attorney O’Gara provided the Board with a synopsis of the hearing officer’s decision. He said it affirms the System’s decision to deny Mr. Capaldo’s application to change the beneficiary on a joint and survivor option after retirement.

Attorney Joseph Recupero, representing Mr. Capaldo, provided the Board with a letter indicating Mr. Capaldo’s decision not to pursue his claim.

There being a stenographer present, a motion was made by John P. Maguire and seconded by Rosemary Booth Gallogly and it was unanimously

VOTED: To affirm the hearing officer’s decision.

VI. Approval of September pensions as presented by ERSRI

Treasurer Tavares indicated that the September 2006 pensions listed Mr. Earl Croft as a retiree. Mr. Croft recently accepted a position with the Turnpike and Bridge Authority and there may be a question regarding post-retirement employment. The Treasurer apprised the Board that the System will contact Mr. Croft and the Authority and secure information to determine if there is a post-retirement issue.

On a motion by Michael R. Boyce and seconded by John J. Meehan, it was unanimously

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

VII. Legal Counsel Report

Attorney William O’Gara informed the Board that the September legal report was in their board book and included the matter of *Ronald Archer, et. als v. ERSRI*.

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

VOTED: To approve the Legal Counsel Report as presented.

VIII. Committee Reports

Disability Subcommittee: The Disability Subcommittee recommended the following actions on disability applications as the result of its September 27, 2006 meeting for approval by the full Board:

Name	Membership Group	Type	Action
1. Elinor DeOrsey	Teacher	Accidental	Deny
2. Peter Prochniak	Municipal	Accidental	Table
3. Fred Worley	State	Accidental	Deny
4. Mary Zayat	State	Accidental	Rescheduled

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting on Wednesday, September 27, 2006 on items 2 and 4.

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting on Wednesday, September 27, 2006 on item 1.

Mr. Maguire recused himself from item 1.

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting on Wednesday, September 27, 2006 on item 3.

Mr. Meehan recused himself from item 3.

As the result of its September 8, 2006 meeting, the Disability Subcommittee recommended the following actions on disability applications for approval by the full Board:

Name	Membership Group	Type	Action
1. Linda Amaral	Teacher	Ordinary	Approve
2. Antonio Cordeiro	Teacher	Ordinary	Approve
3. Eileen Coulombe	Teacher	Ordinary	Approve
4. Eileen D'Angelo	State	Ordinary	Approve
5. Mary Hayes	Teacher	Ordinary	Table
6. Delores Renzi	State	Ordinary	Approve
7. Joyce D'Orsi	State	Accidental	Deny

Name	Membership Group	Type	Action
8. Elsie Gama-Falvo	State	Accidental	Approve
9. Matthew Gregoire	Municipal	Accidental	Approve
10. John Houle	State	Accidental	Table
11. Michael Lemieux	State	Accidental	Approve
12. William Souza	Municipal	Accidental	Denied
13. Maribeth Crook	Teacher	Accidental	Approve
14. Linda Grenier	Teacher	Accidental	Table
15. Gary Grossi	State	Accidental	Approve
16. Jeanne Rossi	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 Subcommittee meeting on Friday, September 8, 2006 on items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16.

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting on Friday, September 8, 2006 on items 1, 2, 13, and 14.

Mr. Maguire recused himself from items 1, 2, 13, and 14.

Treasurer Tavares commended the Disability Sub-Committee members for their extra efforts on the volume of applications.

IX. New Business

None

X. Adjournment

There being no other business to come before the Board, on a motion by Michael R. Boyce, and seconded by John P. Maguire the meeting adjourned at 10:15 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director