

**Employees' Retirement Board
Of Rhode Island
Monthly Meeting Minutes
Date of Meeting: March 14, 2007**

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m., Wednesday, March 14, 2007 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. Roll Call of Members

The following members were present at roll call: Rosemary Booth Gallogly; Michael R. Boyce; General Treasurer Frank T. Caprio; William B. Finelli; M. Carl Heintzelman; Louis M. Prata; Susan K. Rodriguez 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 Caprio called the meeting to order.

Linda C. Riendeau arrived at 9:15

II. Approval of Minutes

On a motion by Rosemary Booth Gallogly and seconded by William B. Finelli, it was

VOTED: To approve the minutes of the February 14, 2007 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

Treasurer Caprio discussed with the Board, a study he felt would be beneficial. He said he would be interested in a study that would analyze the decline of the funded ratio from 1999 when the fund was roughly 82% funded to the present 56%. He told the Board that such a study, in light of recent events, would be helpful in understanding the current condition of the fund. Treasurer Caprio told the Board that based on his understanding of the contract, the cost of such a study would be covered under *consulting services*, which allows a limited number of studies to be performed as requested by the Board.

Mr. Boyce queried about the possibility of studying periods beyond 1999. He apprised the Board of his interests of determining the impact on the fund when Governor Sundlun withdrew twenty-one million dollars and ceased making contributions during the period of 1990 to 1992. Treasurer Caprio agreed with Mr. Boyce and felt the additional information would be helpful. The Board instructed Director Karpinski to proceed with the study.

Treasurer Caprio then provided the Board with some investment information. He said the allocation mix is currently 80% equity, 12% of which are in private equity and 20% fixed income. The Treasurer told the Board that there was a recent drop of 3½ to 4% in

the major equity indexes. Treasurer Caprio told the Board that in spite of the recent equity index drop, the fund only experienced a drop of about 1% of its value. He said the limited loss was the result of not being over-weighted in any particular asset class and the strategic diversification employed by the State Investment Commission.

IV. Executive Director's Report

Director Karpinski apprised the Board of a matter regarding post-retirement employment. He directed their attention to information included in their board books. Treasurer Caprio clarified the information in the book. He told the Board that there are two legal opinions, one from the former legal counsel and a current opinion from the firm of Rodio and Ursillo. He said the opinion from Rodio and Ursillo was part of a larger packet of information and was the reason it was not on the firm's letterhead.

Director Karpinski told the Board that he received a request from James R. Capaldi, the former director of the Department of Transportation (DOT). He said Mr. Capaldi requested an opinion regarding post-retirement employment with the Rhode Island Airport Corporation (RIAC). Director Karpinski told the Board that ERSRI requested information regarding the terms of his post-retirement employment and determined that his initial request identified some DOT involvement in the project known as the "Intermodal Facility".

Director Karpinski told the Board that due to the nature of Mr. Capaldi's request and the relationship with DOT, ERSRI sought to obtain another legal opinion regarding the definition of "Agency" pursuant to RIGL § 36-10-36. The opinion (from Rodio and Ursillo) was included in the board book along with the current opinion/practice.

The Director told the Board that Capaldi's original request was to be project manager for the Intermodal Facility, a project being commissioned by RIAC. Subsequently, Capaldi modified his request to be employed by PB Americas, Inc. who has offered him a position. Consistent with the decision of *Ronald Archer, et al v. ERSRI* (the Cataldo decision), the Director said retirees were instructed that they were able to continue their employment with Cataldo Associates however, they would be prohibited from performing services related to the DOT.

Director Karpinski said the Attorney for the *Ronald Archer, et al v. ERSRI* has sought relief in Superior Court seeking a declaration that the action of ERSRI was unlawful. He said that pending decision would provide clarity on the Capaldi request.

At this time, the Director said he would provide Mr. Capaldi a response similar to that of the requests from the appellants in the *Ronald Archer, et al v. ERSRI* matter namely; he may obtain employment with PB Americas, Inc. but is prohibited from working on State/RIAC contracts. In the interim, ERSRI will continue to review the issue of the definition of an "Agency".

The Director then provided the Board with the pension application processing report for the month of February 2007.

V. Administrative Decisions

Disability Appeals

Carolyn Cichon v. ERSRI

Included in Board Members books under a separate cover, was the findings of fact as concluded by the disability subcommittee, transcripts from the appeal to the disability subcommittee, medical and supporting information for the matter of *Carolyn Cichon v. ERSRI*. The Treasurer asked if there were any briefs or additional information, consistent with regulation number 4, Rules of Practice and Procedure for Hearings, to be submitted to the Board at the present time. Attorney Vincent P. Santaniello told the Board he had no additional information to submit.

Attorney O’Gara then provided a synopsis of the Carolyn Cichon matter. He apprised the Board that Attorney Vincent P. Santaniello was representing Ms. Cichon. Attorney O’Gara told the Board that the packet of information was provided to them under separate cover and labeled confidential. He said Director Karpinski would collect the information at the conclusion of the hearing for shredding.

There being a stenographer present, the parties presented their cases. At the conclusion of the hearing, a motion was made by Michael R. Boyce and seconded by Louis M. Prata to reject the recommendation of the Disability Subcommittee and approve the application for accidental disability for Carolyn Cichon. A roll call vote was taken. The following members voted Yea: Michael R. Boyce, William B. Finelli, M. Carl Heintzelman, Louis M. Prata, Linda C. Riendeau and James P. Yancy. The following members voted Nay: Rosemary Booth Gallogly, General Treasurer Frank T. Caprio and Susan K. Rodriguez. Consistent with RIGL § 36-8-6 *Votes of the Board – Record of Proceedings* it was

VOTED: To reject the recommendation of the Disability Subcommittee and approve the application for accidental disability for Carolyn Cichon.

VI. Approval of February pensions as presented by ERSRI

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

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

VII. Legal Counsel Report

Attorney William O’Gara informed the Board that the March legal report was in their board book. There being no questions, on a motion by William B. Finelli and seconded by Linda C. Riendeau, 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 March 9, 2007 meeting for approval by the full Board:

	Name	Membership Group	Type	Action
1.	Frank Fiore, Jr.	State	Ordinary	Approve
2.	Robert Hennessey	Municipal	Ordinary	Approve
3.	Diana Hudson	State	Ordinary	Approve
4.	Richard Johnson	State	Ordinary	Approve
5.	Ellen Smith	Teacher	Ordinary	Approve
6.	Russell Walsh	State	Ordinary	Approve
7.	Caleb George	Municipal	Accidental	Deny
8.	Helen Swallow	State	Accidental	Deny
9.	Lynn Vinacco	State	Accidental	Table
10.	Alan Barth	State	Reconsideration	Table
11.	Joyce D'Orsi	State	Reconsideration	Deny
12.	Lucille Desjardins	State	Reconsideration	Table
13.	Dennis Kraus	Teacher	Reconsideration	Approve
14.	Ellen Riccardi	Teacher	Reconsideration	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, March 9, 2007 on items 1 through 14.

Audit Subcommittee: Treasurer Caprio provided the Board with a report. He said the Audit Subcommittee met on Thursday March 1, 2007. The members included Louis Prata, Michael Boyce, James Yancy and M. Carl Heintzelman

The Treasurer said this was the first meeting of this newly formed committee. He told the Board that he recommended the State Auditor General be a participant in the committee meetings.

Treasurer Caprio said the Director provided the committee with a draft charter for the committee. It highlighted the committee's composition and meetings, duties and responsibilities. It went into additional detail on:

- Internal controls
- Internal Audit
- External Audit
- Financial Statements

- Compliance
- Reporting

He said the committee discussed the charter and agreed to provide comments at the next meeting. The committee then discussed a recommendation from the Director regarding establishment of an internal audit function. The committee authorized the Director to secure information regarding possible firms who may perform such services and associated costs.

Director Karpinski then distributed the 2006 audit findings and recommendations. He reviewed each finding and the current status of associated action plans with the committee.

On a motion by Louis M. Prata and seconded by Rosemary Booth Gallogly it was unanimously

VOTED: To accept the report of the Audit Subcommittee.

Trustee Education Subcommittee: Treasurer Caprio provided the Board with a report. He said the Trustee Education Subcommittee met on Friday March 2, 2007. The members included William Finelli, James Yancy, John Meehan and Susan Rodriguez. This was the first meeting of the newly formed committee.

The Treasurer said the committee discussed the requirements of RIGL Chapter 319, 2006 -- S 2597 Substitute A, Separation of Powers and Related Training. He said that legislation imposed training criteria for board members on Code of Ethics, Access to Public Records and Open Meetings. The Director informed the committee that the ethics commission and the attorney general's office provide such training. The committee instructed the Director to gather information on providing this training to the Board to meet the requirement.

Treasurer Caprio told the Board that Director Karpinski provided a draft charter for the committee. It included:

- General provisions describing the amount and type of training
- An orientation program for new members.
- In-house educational retreats
- Attendance at conferences, association meetings and courses.
- Trustee reporting/ assessments

He said the committee discussed the charter and agreed to provide comments at the next meeting. In the interim, the committee instructed the Director to obtain a draft list of recommended conferences, association meetings and courses utilized by other Public Retirement Systems to be reviewed at the next meeting.

Lastly, the Treasurer said the committee discussed a recommendation by the Director to perform a Board Governance review. He said the committee felt they should first review existing policies and governance practices to understand the current environment. They instructed the Director to obtain a list of potential vendors for review at the next meeting.

On a motion by William B. Finelli and seconded by M. Carl Heintzelman it was unanimously

VOTED: To accept the report of the Trustee Education Subcommittee.

IX. New Business

Treasurer Caprio relayed a matter brought to his attention by the General Assembly during the Treasury's budget hearings. He told the Board the matter was one they have heard previously regarding payment of actuarial studies for fiscal notes. The Treasurer said he would like to bring some clarity to the matter and establish a policy on the request and payment of fiscal notes. The Treasurer then asked his legal counsel Attorney Mark Dingley to provide the Board with the results of a preliminary review on the existing Department of Labor (DOL) standards. Attorney Dingley told the Board that although ERSRI is a public plan and not subject to all the standards of the DOL, it is a qualified plan under the IRS code and thus the plan asset regulation rules require that assets can only be used for the exclusive benefit of the participants. In addition, the plan must make the plan actuary available. Attorney Dingley said his preliminary review indicated that expenses related to plan design known as "settlor" expenses should not be borne by the fund but rather the Employer i.e. the State in this matter. He said he would continue his review and provide the Board a legal opinion.

X. Adjournment

There being no other business to come before the Board, on a motion by Linda C. Riendeau and seconded by Rosemary Booth Gallogly the meeting adjourned at 10:25 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director