



Employees' Retirement Board Of Rhode Island Monthly Meeting Minutes

Date of Meeting: September 12, 2007

The Monthly Meeting of the Retirement Board was called to order at 9:05 a.m., Wednesday, September 12, 2007 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

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Treasurer Caprio introduced Gary R. Alger, a new public member consistent with RIGL §36-8-4, to the Board. The Treasurer informed the Board that Mr. Alger was confirmed by the Senate as required by law. He then administered the Oath of Office to Mr. Alger and congratulated him. Mr. Alger thanked the Board and said he looked forward to working with them.

I. Roll Call of Members

The following members were present at roll call: Gary R. Alger; Daniel L. Beardsley; Frank R. Benell Jr.; Michael R. Boyce; General Treasurer Frank T. Caprio; William B. Finelli; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Louis M. Prata; Linda C. Riendeau; Susan K. Rodriguez; Peder Schaefer (for Rosemary Booth Gallogly) and James P. Yancy

Also in attendance: Frank J. Karpinski, ERSRI Executive Director; Attorney William E. O'Gara, Board Counsel.

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

II. Approval of Minutes

On a motion by William B. Finelli and seconded by Linda C. Riendeau, it was

VOTED: To approve the minutes of the July 11, 2007 meeting of the Employees' Retirement System of Rhode Island Board.

Mr. Alger recused himself from the vote.

III. Chairman's Report

Treasurer Caprio informed the Board on the status of the reorganization in the Treasury. The Treasurer stated that the reorganization was approved by the union and was currently in progress. Treasurer Caprio also discussed the new call center which would route all incoming retirement calls into one central location.

He then spoke of the investment market's fluctuations during the prior 8 weeks, and how the investment commission is confident that these fluctuations are not affecting the fund negatively. Treasurer Caprio told the Board that there was no exposure to any of the current sub prime issues directly. He said the commission made changes earlier in the year to address this issue.

The Treasurer told the Board that the investment commission is reviewing each investment consultant contract as it comes up. He said they will go out to bid as

necessary. Treasurer Caprio told the Board he would keep them updated with this process.

IV. Executive Director's Report

Director Karpinski first provided the Board with new copies of all of the current applicable Rhode Island General Laws and promulgated retirement regulations. He also reminded the Board that the October meeting was rescheduled to Thursday October 11th from Wednesday the 10th.

He then told that Board that consistent with RIGL §36-8-4, all members have been provided training for the provisions of Chapters 42-46, 36-14 and 38-2 of the Rhode Island general laws, the applicable retirement statutes and the board's rules and regulations.

The Director told the Board that both the election and procurement subcommittees met during the month. He said he would provide an update for the Board during the committee reports.

Director Karpinski apprised the Board that the matter of *Edward Cardillo v. ERSRI* has been withdrawn. The Director told the Board that he received confirmation from Mr. Cardillo's attorney that he was withdrawing his appeal request. Thus, the Director advised the Board that they just needed to affirm the original action.

Director Karpinski then provided the Board a presentation on the fiscal year 2009 budget. He told the Board that consistent with R.I.G.L. 36-8-3 they have the responsibility for the proper operation of the retirement system and Regulation 1 (A) 5 (10) *Board Authority and Duties*, requires that they approve a yearly budget. The Director told the Board that historically the Retirement Budget has been part of the overall Treasury budget.

The Director told the Board that the budget cap is identified in R.I.G.L. 36-8-10.1(b) which provides that there shall be transferred to the restricted receipt account seventeen and one-half (17.5) basis points of the average total investments before lending activities, as reported in the annual report of the auditor general for the next preceding five fiscal years. He provided the Board a chart comparing the actual expenditures and applicable budget caps and pointed out that expenditures have always been below the cap.

Director Karpinski concluded his presentation and provided the Board with an administrative budget totaling \$6,883,109. After some discussion a motion was made by Louis M. Prata and seconded by Gary R. Alger and it was unanimously

VOTED: To approve the fiscal 2009 administrative budget as presented.

V. Administrative Decisions

Administrative Appeals:

Donna Francis and Donna Hassell v. ERSRI

Included in Board Members' books was the decision, exhibits and supporting information for the matter of *Donna Francis and Donna Hassell v. ERSRI*. The

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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. There being none, Attorney O’Gara then provided a synopsis of the *Donna Francis and Donna Hassell* matter. He apprised the Board that Ms. Francis and Ms. Hassell were being represented by Attorney Christopher Cobleigh. There being a stenographer present, the parties presented their cases.

At the conclusion of the hearing a motion was made by Daniel L. Beardsley and seconded by Frank R. Benell Jr. to affirm the decision of the hearing officer. A roll call was taken. The following member voted Yea: General Treasurer Frank T. Caprio, Gary R. Alger, Daniel L. Beardsley, Frank R. Benell Jr., Peder Schaefer, M. Carl Heintzleman, Susan K. Rodriguez, and James P. Yancy. The following members voted Nay: Michael R. Boyce, William B. Finelli, John P. Maguire, John J. Meehan, Louis M. Prata, and Linda C. Riendeau.

There being 14 votes cast, 8 voted in the affirmative and 6 nay, consistent with Rhode Island General Laws §36-8-6, *Votes of Board – Record of proceedings*, there being a majority vote of the members present and voting at which a quorum is present, it was

VOTED: To affirm the decision of the hearing officer in the matter of *Donna Francis and Donna Hassell v. ERSRI*.

Providence Coaches/Athletic Directors v. ERSRI

Included in Board Members books was the decision, exhibits and supporting information for the matter of *Providence Coaches/Athletic Directors v. ERSRI*. In addition, the Board was provided with the following proposed settlement as requested at the December 2006 meeting:

Providence Coaches Settlement Recommendation

1. The Providence Coaches matter began in 2001 with a policy issued by ERSRI confirming the position that pension contributions could not be made with respect to coaching stipends. Shortly after the issuance of the policy, the Providence Coaches, via their Attorney the late Dick Skolnik, sought relief through ERSRI’s administrative process. In October of 2003, the hearing officer opined in favor of ERSRI by upholding the long-standing policy prohibiting contributions on coaching stipends.
2. From October 2003 to November 2006, the parties attempted unsuccessfully to resolve the matter. The matter went to the ERSRI Board in December of 2006 for a formal hearing. Both parties presented their cases. After hearing the arguments, the Board instructed staff and counsel to present a resolution to the Board accordingly:

VOTED: To table the matter and give the System and Counsel for the Providence Coaches, sixty days to reach a settlement and bring it to the Board for final approval.

3. The following settlement is proposed:
 - Both parties will acknowledge the validity of the long-standing policy prohibiting contributions on coaching stipends.
 - All coaches who retired on or before June 30, 2007, for whom the Retirement System receives all contributions (both employer and

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employee) for coaching stipends paid prior to June 30, 2007, will receive credit in the Retirement System for those contributions.

- Any prior contributions (employer and employee) made with respect to coaching stipends not covered by the settlement will be returned appropriately.
 - The Providence Coaches will dismiss their declaratory judgment action in Superior Court and accept the decision of the Hearing Officer.
 - All Providence Coaches who have not retired prior to June 30, 2007 will provide the Retirement System with a Release with regard to any claims regarding retirement contributions based on coaching stipends.
 - The City of Providence will agree to this resolution of the matter.
4. The benefits of the foregoing proposal are as follows:
- Matter is finally resolved and future risk of litigation is eliminated.
 - ERSRI policy is confirmed.
 - The System is made whole on requisite contributions for the allowed coaching stipends.

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. There being none, Attorney O'Gara then provided a synopsis of the Providence Coaches matter. He apprised the Board that Attorney John J. DeSimone was present and representing the Providence Coaches. There being a stenographer present, the parties presented their cases.

At the conclusion of the hearing, a motion was made by William B. Finelli and seconded by Michael R. Boyce, to affirm the decision of the hearing officer and accept the settlement recommendation as provided by the system, it was then unanimously

VOTED: To affirm the decision of the hearing officer in the matter of *Providence Coaches/Athletic Directors v. ERSRI* and to accept the settlement recommendation as provided by the system.

Mr. Maguire recused himself from the Providence Coaches matter.

Given the elapsed time, Treasurer Caprio asked that the Board adjust the agenda and address the committee reports, approval of the July and August Pensions and the legal report at the present time. The Board agreed.

VI. Approval of the July / August pensions as presented by ERSRI

A motion was made by Daniel L. Beardsley and seconded by Linda C. Riendeau and it was unanimously

VOTED: To approve the July / August pensions as presented.

VII. Committee Reports

Procurement Subcommittee: Director Karpinski provided the Board with an update of the September 6, 2007 procurement subcommittee meeting.

Director Karpinski first thanked the members of the committee; Rosemary Booth Gallogly, William B. Finelli, Louis M. Prata, James P. Yancy and Mark Dingley. The Director told the Board that he requested a sole source contract with Cost Effective Measurement Inc. of Toronto Canada (CEM). This contract will enable ERSRI to participate in and benefit from CEM's Benefit Administration Benchmarking Project. The cost of the contract for the upcoming year would be \$35,000. He requested a contract period of three years.

Director Karpinski told the Board that he discussed the study with other Directors of several leading public retirement systems around the country. All have consistently advised him to participate in the Benefit Administration Benchmarking Project rather than try to accumulate the comparison on his own. They found that once they had the data, it was relatively difficult to produce an "apples to apples" comparison between the states, due to the numerous differences in the systems. Two significant differences include the number of members served and the complexity of the plans administered. Considering the amount of time staff members spent working with the other states, the difficulties associated with having data that is not fully comparable and the potential conflict that the data was developed by a system employee, they believe a contract with CEM is both cost effective and much quicker than if the system were to attempt to gather this information on its own.

Director Karpinski told the Board the he is unaware of any qualified resource that could perform this service, especially at this price. The only other firm that has bid on another States' study is a firm known as Gildner and Associates in Arizona. That firm was rejected because of their focus on private and corporate plans only.

The Director told the Board that public retirement system administrative cost benchmarking, which is designed to achieve comparability by recognizing and adjusting for each system's unique characteristics that drive costs, is a very specialized service. CEM has experience in performing this service and they also have the benefit of the participation of up to 45 other peer systems. Their project would compare ERSRI's costs to those peer entities for 14 core administrative activities adjusting for seven characteristics. Director Karpinski told the Board that the study provides the Board with an opportunity to find out where they do well, what they want to do better and make adjustments.

Director Karpinski told the Board that the procurement subcommittee recommended he secure a contract with CEM and begin the study.

On a motion by Frank R. Benell Jr, and seconded by Susan K. Rodriguez, it was unanimously

VOTED: To approve a 1 year contract with CEM.

Election Subcommittee: Director Karpinski provided the Board with an update of the September 6, 2007 election subcommittee meeting.

Director Karpinski first thanked the members of the committee; Gary R. Alger, Frank R. Benell Jr., M. Carl Heintzleman, James P. Yancy and Mark Dingley. The Director

apprised the Board that the Employees Retirement System of Rhode Island will be conducting a retirement board election during the month of January, 2008. He said the election will seat the following members: two active state employees (or state employee union representatives) to be elected by the state membership, two active teachers (or teacher union representatives) to be elected by the teacher membership, one municipal employee (or municipal union representative) elected by the municipal membership and two retired members elected by the ERSRI retiree membership. All elected members serve four-year terms.

The Director said the Election Subcommittee is established to review the retirement board election rules prior to the beginning of the election cycle. He said he reviewed that information with the subcommittee. The Election Subcommittee is also available to oversee the election process and to meet should there be a challenge or necessity for an election hearing. Most, if not all, of the work is done by retirement staff. Director Karpinski apprised the Board that the counting of ballots, the vendor selection for printing of ballots, pick up of mail from the post office and scheduling of counting are all performed by the Board of Elections.

Director Karpinski provided the Board and Subcommittee with the following schedule of events:

09/04-07/2007	Consistent with Regulation number 5, Section (1) (A) section two, an official notice will be received by all eligible members consistent with Section (1) (A), section three.
09/04/2007	Nomination papers available for pick up at ERSRI by eligible candidates.
10/16/2007	Nomination papers consistent with Section (1) (A) section four must be received by this date.
10/17/2007 to 11/05/2007	ERSRI to validate eligible candidates' signatures.
11/07/2007	Notify candidates of eligibility or non-eligibility and notify the Board Members that at the 11/14/2007 board meeting there will be a lottery for ballot order.
11/14/2007	Board meeting will hold lottery for ballot order.
11/15/2007	<ol style="list-style-type: none"> 1. Notify candidates of ballot positions from lottery and request profile for each candidate. 2. Notify Board of Elections of ballot order.
11/26/2007	Send Election poster sheets to all state departments, schools, municipalities and the State House to post in conspicuous place.
12/26/2007 to 12/31/2007	Ballots to be mailed to all eligible members.
January, 2008	<ol style="list-style-type: none"> 1. Send letter to Board of Elections regarding a notice of posting in Retirement and State House of the counting of the ballots, and mail each candidate a copy of this notice. 2. Board of Elections to determine schedule to come in for counting of ballots. 3. Board of Elections posts legal notice in classified ads on counting of ballots per open meetings law.
01/31/2008	All ballots to be postmarked by this date.
February, 2008	Board of Elections determines date for coming in for counting of ballots.
02/13/2008	February Board Meeting - Consistent with Section (1) (A) section ten, Executive

	Director will certify to the board the results and the names of the candidates elected. The board shall then certify and publish the results. This will be done via news letter and our web site.
03/12/2008	March Board Meeting – Consistent with Regulation No. 1, Section (B)(2), elected members will be sworn in.
April 30,2008	Destroy ballots

Then on a motion by Frank R. Benell Jr. and seconded by Gary R. Alger, it was unanimously

VOTED: To approve the report of the Election Subcommittee.

Disability Subcommittee: The Disability Subcommittee recommended the following actions on disability applications as a result of its August 3, 2007 meeting for approval by the full Board:

- | | | | |
|-----------------------|-----------|------------|---------|
| 1. Wayne Flaherty | State | Ordinary | Approve |
| 2. Mary Anne Kwolek | Teacher | Ordinary | Approve |
| 3. Dean Pacia | State | Ordinary | Approve |
| 4. Patricia Quinn | Teacher | Ordinary | Approve |
| 5. Alan Grace | State | Accidental | Table |
| 6. Paula Harrington | State | Accidental | Approve |
| 7. Diane Prout | State | Accidental | Approve |
| 8. Mitchell Adams | Municipal | Accidental | Deny |
| 9. Gayle Leonard | State | Accidental | Table |
| 10. Leslie Theberge | State | Accidental | Approve |
| 11. Michael Marcello | Municipal | Accidental | Table |
| 12. Beatriz Maldonado | Teacher | 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 Subcommittee meeting of Friday, August 3, 2007 on items 1,2,3,6,7,9,10, and 11.

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 of Friday, August 3, 2007 on items 4 and 8

John P. Maguire recused himself from items 4 and 8.

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, August 3, 2007 on item 5.

John J. Meehan recused himself from item 5.

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 of Friday, August 3, 2007 on item 12.

John P. Maguire recused himself from item 12.

The Disability Subcommittee recommended the following actions on disability applications as a result of its September 7, 2007 meeting for approval by the full Board:

Name	Membership Group	Type	Action
1. Marie Aharonian	State	Ordinary	Approve
2. Pamela Domenicone	Teacher	Ordinary	Approve
3. Jeffrey Ferrante	Municipal	Ordinary	Approve
4. Sherri Actis	State	Accidental	Deny
5. Michael Beyer	Municipal	Accidental	Approve
6. Stephen Bishop	Municipal	Accidental	Approve
7. Thomas Johnson	State	Accidental	Approve
8. Deborah Perito	State	Accidental	Table
9. Robert Simeone	Municipal	Accidental	Approve
10. Alan Grace	State	Accidental	Deny
11. Gayle Leonard	State	Accidental	Deny
12. Lynn Vinacco	State	Accidental	Approve
13. Barbara Day	Municipal	Ordinary	Deny
14. David Boni	Municipal	Accidental	Approve
15. Meredith Arcaro	Municipal	Accidental	Deny

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, September 7, 2007 on item 2

John P. Maguire recused himself on this matter.

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 of Friday, September 7, 2007 on item 10

John J. Meehan recused himself from item 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 Subcommittee meeting of Friday, September 7, 2007 on items 1, 3, 4 through 9, and 11 through 15

Disability Appeals:

Alan Barth v. ERSRI

Included in Board Members books was the decision, exhibits and supporting information for the matter of *Alan Barth 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. There being none, Attorney O’Gara then provided a synopsis of the *Alan Barth* matter. He apprised the Board that Mr. Barth was being represented by Attorney Jodi M. Gladstone, Esq. There being a stenographer present, the parties presented their cases.

At the conclusion of the hearing, a motion was made by Frank R. Benell Jr. and seconded by Daniel L. Beardsley, it was unanimously

VOTED: To affirm the decision of the Disability Subcommittee denying Alan Barth’s application for accidental disability benefits.

John J. Meehan recused himself on this matter

Edward Cardillo v. ERSRI

Director Karpinski apprised the Board that Edward Cardillo, via a letter from his attorney Thomas M. Bruzzese Esq., has withdrawn his appeal regarding the denial of his application for accidental disability benefits.

On a motion made by James P. Yancy and seconded by Frank R. Benell Jr., it was unanimously

VOTED: To re-affirm the decision of the Disability Subcommittee denying Edward Cardillo’s application for accidental disability benefits.

Craig Marciniak v. ERSRI

Included in Board Members books was the decision, exhibits and supporting information for the matter of *Craig Marciniak 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. There being none, Attorney O’Gara then provided a synopsis of the Craig Marciniak matter. He apprised the Board that Mr. Marciniak was being represented by Attorney James E. Kelleher. There being a stenographer present, the parties presented their cases.

At the conclusion of the hearing a motion was made by Daniel L. Beardsley and seconded by Frank R. Benell Jr. to uphold the decision of the Disability Subcommittee denying Mr. Marciniak’s application for accidental disability benefits. A roll call was taken. The following members voted Yea: Gary R. Alger; Daniel L. Beardsley; Frank R.

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Benell, Jr.; Peder Schaefer; General Treasurer Frank T. Caprio; William B. Finelli; M. Carl Heintzelman; John J. Meehan; Susan K. Rodriguez; and James P. Yancy. The following members voted Nay: Michael R. Boyce; John P. Maguire; Louis M. Prata and Linda C. Riendeau.

There being 14 votes cast, 10 voted in the affirmative and 4 nay, consistent with Rhode Island General Laws §36-8-6, *Votes of Board – Record of proceedings*, there being a majority vote of the members present and voting at which a quorum is present, it was

VOTED: To affirm the decision of the Disability Subcommittee denying Mr. Marciniak’s application for accidental disability benefits.

VIII. Adjournment

There being no other business to come before the Board, on a motion by Daniel L. Beardsley and seconded by Susan K. Rodriguez, the meeting adjourned at 11:55 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director