



# **Employees' Retirement Board Of Rhode Island Monthly Meeting Minutes Date of Meeting: January 9, 2008**

The Monthly Meeting of the Retirement Board was called to order at 9:05 a.m., Wednesday, January 9, 2008 in the 8<sup>th</sup> Floor Conference Room, 40 Fountain Street, Providence, RI.

Treasurer Caprio introduced Roger P. Boudreau, a new member consistent with RIGL §36-8-4, to the Board. Mr. Boudreau is the second retiree representative. The Treasurer then reiterated the circumstances involving the board election. He said consistent with Regulation No. 5, had there been an election, it would have taken place during the month of January, ballots would have been counted in February and the member sworn into office in March. However, since there was no election, as provided for by Regulation No. 5 Section Four, the Board felt it would be appropriate to begin Mr. Boudreau's term as of the January 9, 2008 Board meeting.

The Treasurer said that technically, Mr. Boudreau's term will expire on January 11, 2012. However, in order to align his term with the six other elected members, the Board agreed to extend his term until the March 14, 2012 board meeting. This is accomplished by Regulation No. 1, Section 1(a)(4) which provides that all elected and appointed members serve a term of 4 years or until such time as their successors are named, the successor would be seated at the March 14, 2012 board meeting as a result of the 2012 election. As a result, the Board recommended beginning Mr. Boudreau's term as of January 9, 2008. He then administered the Oath of Office to Mr. Boudreau and congratulated him.

## **I. Roll Call of Members**

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

Also in attendance: Frank J. Karpinski, ERSRI Executive Director; Attorney Michael P. Robinson, Board Counsel.

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

## **II. Approval of Minutes**

On a motion by Gary R. Alger and seconded by Frank R. Benell Jr., it was

**VOTED: To approve the minutes of the December 12, 2007 meeting of the Employees' Retirement System of Rhode Island Board.**

### **III. Chairman's Report**

Treasurer Caprio informed the Board of a former state employee who was terminated from her employment due to allegations that she was issuing fraudulent documents to individuals. The terminated employee applied for a refund of contributions and the system stopped payment on the check. The Chairman informed the Board that it is believed the statute permits the system to withhold the funds pending the outcome of the matter. He told the Board that he also referred the question to the Attorney General's office. He expected the next step would be to turn the matter over to the courts. Treasurer Caprio informed the Board that he would keep them updated on the case.

Mr. Boyce asked the Treasurer if a case like this had occurred in the past. Director Karpinski told the Board the use of pension revocation and reduction statutes under Rhode Island General Law has been engaged in the past. He cited some recent examples of where action was taken with former Governor Edward DiPrete and Johnston Town Councilman Thomas Ucci. He told the Board that in short, provided there is a criminal conviction, the revocation statutes confer legal standing on the Board to initiate and maintain a civil action against a member if no finding is made by the Judge regarding the member's pension. Mr. Maguire asked if this case was a matter of pension revocation. The Treasurer pointed out that the member did not have the required ten years of contributory service credit and thus, was not eligible for a pension. He said the member sought a return of their contributions. Mr. Maguire requested a copy of the relevant statutes related to the matter.

### **IV. Executive Director's Report**

Director Karpinski told the Board there was a last minute cancellation on a scheduled hearing regarding a disability. He then told the Board that the Procurement Subcommittee met on January 3, 2008 and the chair, Ms. Booth Gallogly, would update the Board.

He told the Board that January is a busy administrative month for staff. He said it is mainly devoted to the annual efforts involved in testing and printing 1099R's and COLA processing.

Director Karpinski pointed out the pension application report. He told the Board that the number of outstanding applications for State Employees in the 0 to 30 day category is higher than normal compared to other years, although not the highest, it is unusual.

### **V. Administrative Decisions**

*(None)*

### **VI. Approval of the December pensions as presented by ERSRI**

A motion was made by William B. Finelli and seconded by Gary R. Alger and it was unanimously

**VOTED: To approve the December pensions as presented.**

## VII. Legal Counsel Report

It being Attorney Robinson's first Board Meeting as counsel to the Board, he said that he looked forward to working with them. He presented the Board with a litigation report as of December 12, 2007. Attorney Robinson told the Board he conferred with the outgoing counsel on all of the outstanding matters and would review them to determine if some can be disposed. He then apprised the Board of one new case in the Supreme Court involving two school lunch workers whose case had been denied by the Board.

## VIII. Committee Report

**Disability Subcommittee:** The Disability Subcommittee recommended the following actions on disability applications as a result of its January 4, 2008 meeting for approval by the full Board:

Name	Membership Group	Type	Action
1. Gayle Leonard	State	Accidental	Approve
2. Debra Pacheco	Teacher	Accidental	Table
3. Patricia Plante	State	Accidental	Table
4. Gerald Ragosta	State	Accidental	Approve
5. Cindy Collins	Municipal	Accidental	Table
6. Cindy Conti-Cook	State	Accidental	Deny
7. Donald Deshaies	State	Accidental	Table
8. Virginia Lewis	State	Accidental	Table
9. Duc Powers	Municipal	Accidental	Deny
10. Lillian Rivera	Municipal	Accidental	Deny
11. William Porter	State	Accidental	Table

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

**VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, January 4, 2008 on item 2.**

John P. Maguire recused himself from item 2.

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, January 4, 2008 on items 4 and 6.**

John J. Meehan recused himself from items 4 and 6.

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, January 4, 2008 on items 1,3,5,7,8,9,10 and 11.**

**Procurement Subcommittee:** Ms. Booth Gallogly thanked the members of the Subcommittee: Mark A. Dingley, William B. Finelli and Louis M. Prata. She informed the Board that the Procurement Subcommittee met on January 3rd to discuss 2 contract extensions, a request to secure services to update the risk analysis/vulnerability assessment of ERSRI's computer systems and to secure a consultant to review the ANCHOR system for possible updates. Ms. Booth Gallogly informed the Board that the Anchor system was 9 years old and that it was time to start looking at the current system and identify any changes necessary. Ms. Booth Gallogly then asked Director Karpinski to provide the Board a summary of the items discussed.

Director Karpinski summarized the first contract extension. He said it involved the ANCHOR system day-to-day mechanical operation and daily system maintenance. He reminded the Board that the amendment approved last year permits ERSRI to extend these services in one-year increments. The Director recommended effectuating the final renewal provision and continue the relationship with the Saber Corporation for another year. He then summarized the following information for the Board.

	Proposal A ( <i>approved last year</i> )	Renewal ( <i>as of 12/07</i> )
Total Price	\$ 783,360	\$ 719,400
Effort in Hours	7,536	6,600
Per Hours Price	\$104	\$109
Per Month CCR Hours	157	157

Director Karpinski apprised the Board that the Subcommittee recommended approval and authorization to extend the contract with Saber Corporation for one additional year at \$719,400.

He then told the Board that the committee discussed a contract awarded to UNICOM last year to perform a risk analysis/vulnerability assessment of ERSRI's computer systems and develop information systems security policies and procedures. The analysis was completed on June 30, 2007. As a result of the analysis, certain items required update and/or modification. The Director said in an ongoing effort to maintain or enhance security, ERSRI seeks to contract with UNICOM again to perform similar analysis on a semi-annual basis. The Director recommended the committee authorize semi-annual negotiation of these services. He told the Board that the Committee recommended he negotiate fees with UNICOM.

Director Karpinski said the Committee next discussed a request he made to secure the services of a consultant for an update/review of the ANCHOR System. He stated that with the ANCHOR system being 9 years old next year, and due to the age of technology and advances in the market place, it would be prudent for ERSRI to analyze the current system and identify where upgrades were necessary. Director Karpinski then informed the Board that the Subcommittee recommended he develop and issue an RFP to secure the services of a consultant for a systems review.

Director Karpinski then discussed the second contract extension which involves the system actuary, Gabriel, Roeder, Smith and Company (GRS). He said ERSRI entered

into a four (4) year contract with GRS that became effective July 1, 2003. The initial contract expired on June 30, 2007. The Director said GRS has been the System's actuary since 1997.

He told the Board that the contract has a provision permitting extension in one-year increments. He said it is common practice in the industry to leverage an actuary's skill and knowledge over many valuation cycles and perform actuarial audits, by other firms, of the system actuary every 5 to 8 years to validate the assumptions and practices. The Board felt this was an appropriate strategy for ERSRI and the Segal Company satisfactorily performed an actuarial audit of GRS in October of 2005 for the period ending June 30, 2003.

Provided there were no other issues, the Director recommended ERSRI negotiate a one-year extension with GRS. He told the Board the Committee unanimously felt that there were no issues, to their knowledge, with the work performed by GRS and agreed with the value of consistency and institutional knowledge by the actuary. The Committee instructed Director Karpinski to negotiate a price for a one-year extension of GRS's contract. The Director said the Committee will reconvene and determine if GRS's fee is satisfactory and make its recommendation to the full board at that time

The Director informed the Board of the final recommendation from the Procurement Subcommittee. He told the Board that he made a request to the Committee to authorize an increase in the hourly fee charged by hearing officers used for administrative hearings. Director Karpinski requested an increase from \$100 per hour to \$120 per hour.

Ms. Booth Gallogly then informed the Board that the Subcommittee would recommend:

1. The system to proceed with effectuating the renewal provision and continue the relationship with the Saber Corporation for another year at \$ 719,400
2. Authorize the Director to secure the services of UNICOM to update the risk analysis/vulnerability assessment of ERSRI's computer systems.
3. Authorize the Director to negotiate a price for a one-year extension of GRS's contact. The committee will reconvene and determine if GRS's fee is satisfactory and make its recommendation to the full board at that time.
4. Authorize the Director to issue an RFP to secure the services of a consultant for the ANCHOR systems review and recommend appropriate changes.
5. Increase the hourly fees charged by hearing officers from \$100 per hour to \$120 per hour.

On a motion by Rosemary Booth Gallogly and seconded by John P. Maguire it was unanimously

**VOTED: To approve the five recommendations of the Procurement Subcommittee from its meeting of Thursday January 3, 2008.**

## **IX. New Business**

*(None)*

## **X. Adjournment**

There being no other business to come before the Board, on a motion by William B. Finelli and seconded by Linda C. Riendeau, the meeting adjourned at 9:50 a.m.

Respectfully submitted,

**Frank J. Karpinski**

Executive Director