



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

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

I. Oath of Office for New Members

Prior to the commencement of the call to order, Treasurer Caprio administered the Oath of Office to the following board members: Michael R. Boyce; William B. Finelli; John P. Maguire; John J. Meehan; Louis M. Prata and Linda C. Riendeau.

The Treasurer congratulated the members on their new terms. He then instructed Director Karpinski to take the roll call.

Roll Call of Members

The following members were present at roll call: Daniel L. Beardsley; Frank R. Benell Jr.; Rosemary Booth Gallogly; 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 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.

Nominations and Election of Vice-Chair of the Employees Retirement Board of Rhode Island

In accordance with the General Administrative Rules of the Retirement Board Section (1) Board Administration (A)(9) Officers, Treasurer Caprio requested a Board vote to elect a Vice Chairperson of the Employees Retirement System of Rhode Island Board. He then opened the floor for nominations for Vice Chair of the ERSRI Board. Mr. Boyce nominated William B. Finelli. There being no further nominations, on a motion by Michael R. Boyce and seconded by Frank R. Benell Jr. it was unanimously

VOTED: To reelect William B Finelli, Elected Teacher Representative, as Vice Chairman of the Retirement Board for a term of four years.

II. Approval of Minutes

As requested from the March meeting, the February minutes were not approved pending a question by Mr. Boyce to the Treasurer regarding an understanding of the use of the System actuary by the current pension commission. Mr. Boyce reiterated his understanding of the use of the actuary. He said he understood that anyone on the commission could use the actuary provided the interested party would be responsible for any associated fees. Mr. Boyce apprised the Board that the minutes reflected that

the entire commission had to authorize any analysis. The Treasurer stated that the sentence "The Treasurer stated that his intention for access to the actuary is that no individual can request use, the study group must agree as a whole" must be stricken. He agreed with Mr. Boyce and provided the following correction; "*any member of the commission or group of a representative of the commission may have access to the actuary, however, any cost associated with such study will be borne by the member or group making the request.*" On a motion by Michael R. Boyce and seconded by Linda C. Riendeau it was unanimously

VOTED: To approve of the minutes of the February 13, 2008 meeting of the Employees' Retirement System of Rhode Island Board as amended.

On a motion by M. Carl Heintzelman and seconded by Frank R. Benell Jr. it was unanimously

VOTED: To approve the minutes of the March 12, 2008 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

The Treasurer apprised that Board that the draft CEM benchmarking study was complete. He said the report review process is similar to an audit report in that the initial findings are reviewed with management first. Treasurer Caprio said a presentation for the Retirement Board will be ready soon. The Treasurer said one interesting statistic was a low ranking amongst peers in the way ERSRI handles telephone calls. Treasurer Caprio apprised the Board that the system, as part of his administration's goals, has already initiated organization of a new call center.

Treasurer Caprio then apprised the Board of a matter involving the billing of state share of contributions for Teacher pensions. He said the system staff had confirmed a programming issue that caused an underpayment for Fiscal Years 2003 through 2007 to the Department of Education (DOE). Treasurer Caprio emphasized this was not a material issue in dollars. He said Director Karpinski would discuss the details and then requested him to further elaborate on the issue.

IV. Executive Director's Report

Director Karpinski briefed the Board on the DOE contribution matter. He told the Board that consistent with RIGL, the State shares the employer contribution to the pension fund with the Local Education Authorities (LEA's). The ratio translates to 60% paid by the LEA and 40% by the State of Rhode Island. On a payroll frequency basis, the LEAs submit data and their share of the contribution to ERSRI. At month-end, ERSRI invoices the State for the remaining 40% of the contribution.

The Director said that the LEAs submit their payroll data into the ANCHOR system via an online interface. If at least 95% of the submitted records pass through the system's data edits, they will be posted. The remaining 5% will require the LEA to review and/or correct the data before posting. The LEAs may, and do, post prior period adjustment transactions. Director Karpinski informed the Board that mechanically, the State share of contributions is only invoiced when the payroll becomes 100% posted.

Director Karpinski said an internal review of the process described above detected an inconsistency in the programming that resulted in suppressing the invoicing on state

share contributions when certain conditions were met. Two unique conditions involved particular combinations of negative adjustments to member's records and if the 5% of un-posted transactions resulted in a net negative value. As a result, at month-end no state share contributions for these particular payrolls were billed to the DOE for receipt by the pension fund. Director Karpinski said the two sporadic situations suppressed roughly \$2.3 million dollars in the state share contributions payable to the pension fund over 5 fiscal years. As pointed out by the Treasurer, the Director said the amounts were immaterial. He said in 2003 and 2007 for example, a total contribution made by the state was \$83.4 and \$188.8 million dollars respectively. The amounts needed to be billed are \$250,471 and \$678,533 respectively.

Director Karpinski said with the Treasurer deploying the necessary resources, staff was able to quickly audit the process and correct the situation by suspending the functionality to post with only 95% of the edited records. Prospectively, Director Karpinski told the Board the System will require 100% of edited records before posting. Additionally, he said the System will shortly deploy new program code to address the unique conditions with particular combinations of negative adjustments to member's records. In the interim, the staff will employ manual auditing procedures for current invoicing.

Director Karpinski then apprised the Board that the Trustee Education Committee met on March 2nd to make recommendations and changes to the draft charter. The Director said he will reconvene the committee after the changes are made. Upon approval by the committee, the Director said the full Board will vote on the charter.

Director Karpinski then directed the Board's attention to three military purchases in the board book. He said the matters of Mr. Louis Martone, Anthony Dequattro and William J. Smith, Jr. involved military purchases based on bills generated prior to the promulgation of Regulation 6 and RIGL §36-9-31, 16-16-7.1 and 45-21-53. The Director told the Board that the enclosed invoices and fact patterns are similar to those of Messrs, Nixon and Soscia and under those conditions, in the past, the Board has voted to allow the members to purchase the credit at the old invoices. After some discussion, on a motion by James P. Yancy and seconded by Louis M. Prata, it was unanimously

VOTED: To allow Messrs, Louis Martone, Anthony Dequattro and William J. Smith, Jr. to purchase their military credit at the old invoices.

Director Karpinski then provided the Board with the pension application processing report.

V. Administrative Decisions

Ann Krajewski vs. ERSRI

Included in Board Members' books was the decision, exhibits and supporting information for the matter of *Ann Krajewski vs. 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 Jeffrey Sowa did have additional documents that had not yet been reviewed by the Disability Subcommittee. The Board discussed the addition of the new documents and remanded the matter back to the Disability Subcommittee to review the addition of these new documents. On a motion by William B. Finelli and seconded by Frank R. Benell, Jr. it was unanimously

VOTED: To remand the *Ann Krajewski vs. ERSRI* matter to the Disability Subcommittee for review of the new documents.

John P. Maguire recused himself on this matter.

VI. Approval of the March pensions as presented by ERSRI

A motion was made by William B. Finelli and seconded by Michael R. Boyce and it was unanimously

VOTED: To approve the March pensions as presented.

VII. Legal Counsel Report

Attorney Michael P. Robinson informed the Board that the April litigation report was enclosed in their books. He informed them that there were a number of matters that were recently resolved and would be removed from the litigation report by the next meeting. Attorney Robinson then directed the Board's attention to a Supreme Court decision included in their books. He gave a brief summary on the *Heidi Iselin vs. ERSRI* case and informed the Board that he thought it was an important Supreme Court decision. The case involved a question about the statute of limitations. Mr. Maguire asked Mr. Robinson for the definition of the word "tolling" which was mentioned in the case. Mr. Robinson explained that "tolling" was a legal term, and the Treasurer elaborated on the definition of the word.

VIII. Committee Report

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

Name	Membership Group	Type	Action
1. Marcus Desroches	Municipal	Accidental	Deny
2. Everett McCain	Municipal	Accidental	Deny
3. John McNulty	State	Accidental	Table
4. Carrie Pariseau	Municipal	Accidental	Table
5. William Ferreira	State	Accidental	Table
6. William Porter	State	Accidental	Table
7. Diane Luther Baxter	Teacher	Ordinary	Approve
8. Magdalene Bochner	Teacher	Ordinary	Approve
9. Rebecca Chase	Teacher	Ordinary	Approve
10. Donna Ciafrei	State	Ordinary	Approve
11. Eugene Hackett	State	Ordinary	Approve
12. Charlene Mills Kleiner	State	Ordinary	Approve

Name	Membership Group	Type	Action
13. Marcos Rico	State	Ordinary	Approve
14. Alan Grace	State	Accidental	Table
15. Brian Castro	State	Accidental	Table
16. Patricia Logan	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 Subcommittee meeting of Friday, April 4, 2008 on items 3 and 14.

John J. Meehan recused himself from items 3 and 14.

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, April 4, 2008 on item 8.

John P. Maguire recused himself from item 8.

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, April 4, 2008 on items 1,2,4,5,6,7,9,10, 11, 12, 13, 15 and 16.

IX. New Business

(none)

X. Adjournment

There being no other business to come before the Board, on a motion by Daniel L. Beardsley and seconded by Frank R. Benell, Jr. the meeting adjourned at 10:20 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director