



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, May 13, 2009
9:00 a.m.
8th Floor Conference Room, 40 Fountain Street

The Monthly Meeting of the Retirement Board was called to order at 9:09 a.m., Wednesday, May 13, 2009 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. Roll Call of Members

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

Also in attendance: Frank J. Karpinski, ERSRI Executive Director; Attorney John H. McCann, Board Counsel.

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

II. Approval of Minutes

On a motion by Mr. Benell and seconded by Mr. Prata, it was unanimously

VOTED: To approve the draft minutes of the April 8, 2009 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

Treasurer Caprio stated that the Board has given authorization to Gabriel, Roeder, Smith and Company (GRS) to commence work on actuarial studies regarding proposed changes in pension legislation. As discussed at the April Retirement Meeting, this request came from a number of public employees' unions. The Treasurer said the results of the study are intended to be used by the Legislature to determine the impact of their proposed pension reform. He reiterated that the Board and the Treasury Staff will not be privy to the results until it becomes public information. Mr. Prata asked if the Treasury Staff will be reviewing any potential legislative changes regarding reforms. Chief of Staff Dingley answered that the staff will have the opportunity to review the results when the studies/legislation is ready for publication. Treasurer Caprio informed the Board that the changes being studied by the actuary for organized labor will not necessarily be implemented by the Legislature.

The Treasurer went on to report that the ERSRI portfolio has performed very well in the last sixty days. The portfolio has gained approximately \$700 million; increasing from \$5.3 billion to over \$6 billion. He explained that the State Investment Commission (SIC) is in the process of transitioning the portfolio from the current asset allocation strategy of active management to a more passive approach of indexing the asset allocations within the portfolio. Active management fees are generally 25 to 40 basis

points, where as indexing fees will be less than 3 basis points. The actual dollar amount for active management fees would equate to \$10 to \$13 million, in comparison to the indexing fees of less than \$2 million. The Treasurer said that the goal is to achieve positive returns while keeping fees to a minimum. He added that in addition to reducing fees, there is more flexibility within an index fund when trying to re-balance asset allocations. In closing, Treasurer Caprio stated that due to the state guidelines followed when making investments, the SIC has avoided the need to sell assets disadvantageously due to liquidity issues or to meet capital requirements.

Mr. Boyce asked if the deferred employer contributions from the State and Teachers fund from April 2, 2009 to June 30, 2009 as a result of Article 10 will cause cash flow problems. Director Karpinski told the Board that the deferral of contributions by the Local Education Authorities (LEA's), the Department of Education (DOE) and the State do present an issue. The Director said that since the inception of H 5019Aaa, as of April 30th, the system would have received roughly \$12.7 million dollars from the LEA's and the DOE and \$9.8 million dollars from the State in employer contributions. These contributions plus withdrawals from the trust fund investments generate the cash necessary to meet the average monthly pension payroll of roughly \$55 million dollars. As a result, Director Karpinski said the lack of \$22.7 million dollars may force the fund to sell investments at perhaps an inopportune time thus lowering investment returns. Mr. Boudreau asked if there would be any actuarial effect by the deferral. Both the Treasurer and Director Karpinski concluded that there would not be an actuarial effect, as the payments are only being deferred for two months.

IV. Executive Director's Report

Director Karpinski updated the Board regarding the impending tax table changes due to the "Making Work Pay Credit". A newsletter has been prepared informing members of the reduction in the tax table and the effect this may have on their federal withholding tax. Just prior to sending out the newsletter, the Director was informed by the National Council on Teacher Retirement and the National Association of State Retirement Administrators that the withholding tables are likely to be modified. As a result, Director Karpinski said he will wait on sending the newsletter until he receives additional information from the IRS. If there is no response from the IRS shortly, the Director said he will send out the newsletter with a notation that there may be an additional change to the tax table forthcoming.

The Director explained that the transition toward "going green" will begin with this month's newsletter. The newsletter will be sent via regular mail and email, with a notation advising members that future newsletters will be sent via email. If a member does not have an email account, the newsletter contains information on how to set one up. In addition to the newsletter, Director Karpinski told the Board that the "Statement of Earnings and Deductions Direct Deposit Receipt" will cease being sent to members via hard copy. He said the system is in the process of putting the information on-line for members to view and print. The process will send, via email, a notification that the members' information for the pay period is available on-line. Director Karpinski said the target date for cut-off of hard copies will be the end of the calendar year. He said those members unable to establish an email account will be able to continue to receive their receipt in hard copy by contacting ERSRI. Finally, the Director added that the website will be undergoing a redesign.

Director Karpinski closed by notifying the Board that given their approval of the April minutes, he will be emailing the policy that ERSRI will employ regarding service credit related to furlough days to all towns and municipalities today. As discussed last month, the policy will be in accordance with changes to RIGL §45-21-59 amended by H 5019Aaa, Article 10.

V. Administrative Decisions

None this month

VI. Approval of the April Pensions as Presented by ERSRI

On a motion by Mr. Boyce and seconded by Mr. Boudreau, it was unanimously **VOTED: To approve the April pensions as presented.**

VII. Legal Counsel Report

Attorney McCann noted that *Brian McElroy vs. ERSRI* was the only new matter. This case arises out of the denial by the Retirement Board of Mr. McElroy's application for accidental disability. The Designation of Record of Administrative Appeal will be filed with the Superior Court by May 26, 2009.

Lastly, Attorney McCann explained to the Board that according to Robert's Rules of Order when a matter is neither approved nor denied the correct action is to **postpone** rather than **table**. He advised the Board that going forward, the action of **postpone** should be used.

VIII. Committee Report

Disability Sub-Committee: The Disability Sub-Committee recommended the following actions on disability applications as a result of the May 8, 2009 meeting for approval by the full Board.

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>	<u>Action</u>
1. David Metcalf	Municipal	Accidental	Approve
2. Richard Ferrelito	State	Accidental	Approve
3. Michael Andrescavage	Municipal	Accidental	Deny
4. Patricia Logan	State	Accidental	Deny
5. Theodore DeWolf	State	Accidental	Approve
6. John LaPlume	State	Accidental	Approve
7. Brent Gomez Palhus	Municipal	Accidental	Postpone
8. Nicholas Guilmette	State	Accidental	Postpone
9. Patricia Santaniello	Teacher	Accidental	Postpone
10. Robert Bastien	State	Accidental	Postpone
11. Christopher Shiels	Municipal	Accidental	Postpone

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>	<u>Action</u>
12. Sherry Quigley	State	Accidental	Postpone
13. William MacDonald	State	Accidental	Deny
14. Paul Cassavant	Municipal	Accidental	Postpone
15. Mildred Grieve	Municipal	Accidental	Deny
16. Mary Ellen Malone	Teacher	Accidental	Postpone
17. Dawn Dove	Teacher	Ordinary	Postpone
18. Joan Nevins	State	Ordinary	Approve
19. Mark Hanlon	State	Ordinary	Postpone
20. Murial Dejardins	State	Ordinary	Approve

On a motion by Mr. Finelli and seconded by Mr. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Sub-Committee meeting of Friday, May 8, 2009 on items 9 and 16.

Mr. Maguire recused himself from items 9 and 16.

On a motion by Mr. Finelli and seconded by Mr. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Sub-Committee meeting of Friday, May 8, 2009 on items 5,6 and 10.

Mr. Meehan recused himself from items 5, 6 and 10.

On a motion by Mr. Finelli and seconded by Mr. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Sub-Committee meeting of Friday, May 8, 2009 on items 1,2,3,4,7,8,11,12,13,14,15,17,18,19 and 20.

IX. New Business

Mr. Boudreau asked the Board to address his request from the April meeting, suggesting that a Newsletter Subcommittee be formed to expedite communication to members. Director Karpinski agreed to help facilitate the formation of the subcommittee. Director Karpinski added that changes are currently being implemented to improve ERSRI's website and encourage members to utilize their ERSRI email account as a means of communication. This action will help the transition toward "going green" and expedite communication.

X. Adjournment

There being no other business to come before the Board, on a motion by Mr. Benell and seconded by Mr. Boudreau, the meeting adjourned at 10:42 p.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director