



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

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m., Wednesday, July 8, 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; Rosemary Booth-Gallogly; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Louis M. Prata; Susan K. Rodriguez and Jean Rondeau. Gary R. Alger left the meeting at 11:30 a.m.

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 Mr. Prata and seconded by Mr. Alger and Mr. Heintzelman, it was unanimously

VOTED: To approve the draft minutes of the June 10, 2009 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

The Treasurer stated that Director Karpinski would follow his report with a summarization of the search for an Internal Auditor. He thanked the Procurement Subcommittee for their work regarding the RFP for Internal Audit Services and noted that a presentation would follow.

IV. Executive Director's Report

Director Karpinski discussed the prudence of having an Internal Auditor to advance the risk management and compliance of ERSRI. He added that the majority of public retirement funds utilize the services of an Internal Auditor either as an employee or contracted by the system. He said that there would be a presentation from the three finalist companies selected by the Procurement Subcommittee.

Presentations were then provided by the following Internal Audit Service firms: *CBIZ Tofias* represented by Bill Daisy, Bill Karbon, Bernard Kaplan, and John Robichaud; *Braver PC* represented by Peter Chatellier and James Wilkinson; and *Sullivan Company* represented by Michael Hanna. Representatives from each company gave an overview of their qualifications and the details of their proposal for technical services.

V. Administrative Decisions

Administrative Appeal – Charles Pepin vs. ERSRI

Included in the Board Members' Books was the decision, exhibits and supporting information for the matter of *Charles Pepin vs. ERSRI*. There being a stenographer present the hearing began. Neither Mr. Pepin nor his Attorney Ms. Carly Iafrate was present at the start of the hearing. Considering the members present and the absence of the plaintiffs, Treasurer Caprio asked that the matter be postponed to when the plaintiff and a full Board are in attendance. Mr. Maguire objected and asked the Board to continue with the matter. There was a general discussion related to postponement of hearings in the event of a tie vote.

Attorney Carly Iafrate, counsel for Mr. Pepin, then arrived. Attorney Robinson updated Attorney Iafrate on the previous discussion to postpone the matter pending presence of the full Retirement Board. Attorney Iafrate concurred and Mr. Maguire withdrew his objection. A motion was then made by Mr. Boyce and seconded by Mr. Boudreau to postpone the matter pending a full compliment of the Board.

There being 11 votes to cast in the affirmative, consistent with Rhode Island General Laws section 36-8-6, Votes of the Board–Record of Proceedings, there being a majority vote of the members present and voting at which a quorum was present, it was unanimously

VOTED: To postpone the matter of *Charles Pepin vs. ERSRI* pending presence of the full Retirement Board.

Mr. Meehan recused himself from the matter.

A discussion then continued on the matter of tie votes of the Board. Attorney Iafrate then addressed the Board and offered that they could reconsider her request and perhaps hear the matter. After additional discussion, a motion was made by Mr. Finelli and seconded by Mr. Boyce to reconsider the previous vote of postponement and hear the Pepin matter.

A roll call was taken. The following members voted Yea: William B. Finelli; Michael R. Boyce; John P. Maguire; and Louis M. Prata. The following members voted Nay: General Treasurer Frank T. Caprio; Gary R. Alger; Rosemary Booth Gallogly; Roger P. Boudreau; M. Carl Heintzelman; Susan K. Rodriguez; and Jean Rondeau. John J. Meehan recused himself from the vote.

There being 11 votes cast, 4 voted in the affirmative and 7 nay, consistent with Rhode General Laws §36-8-6, *Votes of the Board – Record of Proceedings*, there not being an affirmative majority vote of the members present and voting at which a quorum was present, the motion failed.

Consequently, the original vote to postpone prevailed in the matter of *Charles Pepin vs. ERSRI* pending the presence of the full Retirement Board.

Disability Appeal – Eugene Matera vs. ERSRI

Included in Board Member's Book, under 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 *Eugene Matera vs. ERSRI*. Treasurer Caprio asked Mr. Matera if he had an Attorney and if so, if he or she would be present. If not, the Treasurer asked Mr. Matera if he would prefer to have his hearing postponed to when he could secure his Attorneys presence. Mr. Matera thanked the Treasurer and the Board and asked to postpone his hearing. A motion was made by Mr. Finelli and seconded by Mr. Alger, and it was unanimously

VOTED: To postpone the *Eugene Matera vs. ERSRI* matter until the September 2, 2009 Board Meeting.

VI. Discussion and Certification of Contribution Rates for Fiscal Years 09, 10 and 11 from Article 7 Pension Reform

Director Karpinski asked Board Members to refer to the letter in the Board Book dated June 22, 2009 from Gabriel Roeder Smith & Company (GRS) to Mr. Michael O'Keefe, House Fiscal Advisor that provided an actuarial analysis of the changes enacted under *Article 7 Substitute A as Amended*. He reviewed the changes referenced in the letter and how they affect ERSRI Members under Schedule A and Schedule B. The Director explained that he will continue to review the changes and will provide an analysis to the Rules and Regulations Committee to determine any regulations required. He told the Board that the ERSRI website has information to help members decipher how these changes will affect them. Also, Director Karpinski told the Board a spreadsheet is being developed as a tool to help the Retirement Counselors compute the revised retirement age and benefit. When the spreadsheet is complete it will be posted on the website so members can utilize it. Mr. Finelli asked the Director to provide Board Members with a condensed version and summary of all the related pension amendments.

Director Karpinski then discussed the changes regarding purchase of service credit. He explained that all service credit purchases requested after June 16, 2009, except military and restoration (i.e. buy back) credit, will be at full actuarial value. He further explained that any requests received before September 30, 2009 will be at full actuarial costs, but the purchase will be applied against the member's account and will aide in the calculation used to reduce the retirement eligibility age from 62 years. Purchases received after September 30, 2009 will only add years of service credit to the member's account.

The Director then noted that any disability application filed after September 30, 2009 will only be available at 66 2/3% to members who are deemed to be permanently and totally disabled from any employment. If the disability is determined to be partial and the member is able to work at another job, the benefit will be limited to 50%. Finally, he added that all Judges appointed after July 1, 2009 will receive a full pension of 80% and a reduced pension of 65%. Their final average salary basis will be their 5 highest consecutive years of salary.

Mr. Meehan then asked the Director to further explain the statute regarding the formula to determine a member's retirement eligibility date. Mr. Maguire felt that the section of *Article 7 Substitute A as Amended* relating to the formula was ambiguous and would be hard for the membership to understand. Treasurer Caprio proposed that Attorney Robinson and Director Karpinski review the section of the statute that provides the formula in question and then discuss their finding with the legislature.

Director Karpinski then referred the Board to the section of the analysis containing the contribution rates for State Employees, Teachers and Judges for fiscal years 2009, 2010 and 2011. He told the Board that the analysis is basically the result of a valuation done given the benefit changes enacted under Article 7. Director Karpinski said GRS will provide the Board with details of the valuation at the September 2, 2009 Retirement Board Meeting. In addition, he said GRS will present the 2011 contribution rates for MERS and State Police since there were no legislative changes to their plan. After some additional discussion of the analysis, a motion was made by Ms. Booth Gallogly and seconded by Mr. Alger to approve the contribution rates for fiscal years 2009, 2010, and 2011 as presented in the June 22, 2009 letter. It was then unanimously

VOTED: To approve the contribution rates for fiscal years 2009, 2010, and 2011 for State Employees, Teachers, and Judges as presented in the June 22, 2009 letter from Gabriel Roeder & Smith Company.

VII. Approval of the January Pensions as Presented by ERSRI

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

VOTED: To approve the June pensions as presented.

VIII. Legal Counsel Report

Attorney Robinson referred to the updated Litigation Report in the Board Book. He said there had been no new cases initiated against ERSRI. There being no questions from the Board Members, he concluded his report.

IX. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following actions on disability applications as a result of its June 12, 2009 meeting for approval by the full Board.

Name	Membership Group	Type	Action
1. Robert Bastien	State	Accidental	Approve
2. Sylvia Sampson	State	Accidental	Postpone
3. Paul Cassavant	Municipal	Accidental	Postpone
4. Patricia Hunt	State	Accidental	Postpone
5. Dawn Done	Teacher	Ordinary	Deny
6. Hilda Durango	Municipal	Ordinary	Approve
7. Karl Swanson	State	Ordinary	Postpone
8. Rosemary Osei	State	Accidental	Postpone
9. Roland Broady	State	Accidental	Deny
10. Lori Gelinas	State	Ordinary	Approve
11. Donna Darnbrough	State	Ordinary	Approve
12. Marsha Monteliberto	State	Ordinary	Approve
13. Rachel Dumas	Municipal	Accidental	Deny
14. Patricia Patterson	State	Accidental	Deny

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

VOTED: To approve the recommendation of the Disability Sub-Committee meeting of Friday, June 12, 2009 on item 1.

Mr. Meehan recused himself from item 1.

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, June 5, 2009 on items 2,3,4,5,6,7,8,9,10,11,12,13,14.

Procurement Subcommittee: Ms. Booth Gallogly thanked the Procurement Subcommittee for their assistance with the review of the RFP's for Internal Audit Services. She said the bid process was conducted consistent with ERSRI Regulation No. 3, *Rules Concerning The Selection Of Consultants*. Advertisement was posted in the Providence Journal, the Rhode Island Society of CPA's and the ERSRI Web-site. Bidders were afforded an opportunity to submit questions to the system and receive responses.

She told the Board that the committee received eight proposals in response to the RFP namely; Sullivan & Company; Coclin Associates, Inc; CBIZ Tofias; Larson Allen; Ernst & Young; Braver PC; Deloitte& Touche and KPMG

She said the committee was provided a cost analysis of the bids. The committee discussed the eight proposals based on their review using a score sheet provided by the staff. Ms. Booth Gallogly said the committee unanimously recommended the Board review three firms that presented to the Board earlier namely:

- CBIZ Tofias
- Braver PC
- Sullivan & Company

Ms. Booth Gallogly said the committee unanimously recommended Sullivan & Company as the firm the system should secure a contract with. She said based on the submitted proposals, Sullivan & Company appeared to be the only local Rhode Island firm, which was a preference noted in the RFP. Additionally, they were also the lowest price bid and the committee felt they clearly demonstrated their ability to perform the services identified in the RFP. Consequently, Ms. Booth Gallogly said the subcommittee would recommend the system authorize the Director to secure a contract with Sullivan & Company to perform the internal audit services enumerated in RFP No. 0409 for ERSRI at the proposed cost of \$68,150.

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

VOTED: To accept the recommendation of the Procurement Subcommittee and authorize the Director to secure a contract with Sullivan & Company to perform the internal audit services enumerated in RFP No. 0409 for ERSRI at the proposed cost of \$68,150.

X. New Business

The Treasurer informed the Board that the September 9, 2009 Board Meeting has been rescheduled to September 2, 2009 at 9:00 a.m. and that there will not be a meeting in August 2009. A motion was made by Mr. Boudreau and seconded by Ms. Rodriguez, and it was unanimously

VOTED: To reschedule the September Board Meeting to September 2, 2009 at 9:00 a.m., and that there be no August 2009 meeting of the Retirement Board but with the ability to call one if necessary.

Mr. Finelli referred to the legislative changes to Article 7, specifically the changes related to disability pensions. Mr. Finelli requested that the Disability Subcommittee should meet in a timely manner to discuss relevant issues regarding these changes. Attorney Robinson suggested that the Board vote to add this matter to the Agenda, and then vote to refer it to the next Disability Subcommittee Meeting under the Open Meetings Law. A motion was then made by Ms. Booth Gallogly and seconded by Mr. Finelli, and it was unanimously

VOTED: To amend the current Agenda to add a discussion of changes related to Article 7 regarding disability.

A second motion was then made by Ms. Booth Gallogly and seconded by Mr. Finelli to refer the matter to the disability subcommittee for review, and it was unanimously

VOTED: To refer the matter to the disability subcommittee for review.

Director Karpinski noted that there is another piece of legislation under Senate Bill 1048 establishing a committee to review the Municipal Employees' Retirement System (MERS) similar to the committee that reviewed the State Employee's and Teacher's Fund.

XI. Adjournment

There being no other business to come before the Board, on a motion by Mr. Heintzelman and seconded by Mr. Rondeau, the meeting adjourned at 11:48 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director