



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

The Monthly Meeting of the Retirement Board was called to order at 9:45 a.m. (due to inclement weather), Wednesday December 9, 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; Rosemary Booth-Gallogly; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; and Jean Rondeau.

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 Jean Rondeau, it was unanimously

VOTED: To approve the draft minutes of the November 12, 2009 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

The Treasurer told the Board that the ERSRI website now has online calculators available for members, affected by Article 7, to compute their new minimum retirement age. He apprised the Board that new benefit estimate/computation functionality is being tested by the ERSRI staff and should be integrated into the production system in approximately four to six weeks.

Treasurer Caprio then announced that monthly direct deposit statements for retirement payments will eventually be emailed to members. He said an email notification will be sent to each member notifying them that they can visit their website account and view or download their statement. He added this is a cost saving measure which will reduce postal costs and paper costs. He noted that a member can opt to have a hard copy mailed rather than receiving email notification. Director Karpinski said a newsletter will be sent prior to the change and a notice will be included with the last hard copy of the direct deposit statement announcing the change. The Treasurer mentioned that many retirees have requested the change to electronic statements as a cost saving measure.

IV. Executive Director's Report

As noted in the agenda, Director Karpinski told the Board of the discussion regarding the ANCHOR Computer System Feasibility and Technology Study and the need to go into executive session.

A motion was then made by Jean Rondeau and seconded by M. Carl Heintzleman and Rosemary Booth-Gallogly to convene into executive session consistent with RIGL §42-46-5 (a)(3) of the Rhode Island General Laws to discuss the study, and matters affecting ERSRI's security, including but not limited to, the deployment of security personnel and devices.

A roll call was taken. The following members voted Yea: Treasurer Frank T. Caprio; William B. Finelli, Gary R. Alger; Daniel L. Beardsley; Rosemary Booth-Gallogly; Michael R. Boyce; M. Carl Heintzleman; John P. Maguire; John J. Meehan; and Jean Rondeau. It was then unanimously

VOTED: To convene into executive session consistent with RIGL §42-46-5 (a) (3).

A motion was made by Daniel L. Beardsley and seconded by Rosemary Booth-Gallogly to exit executive session and return to open session consistent with RIGL §42-46-5 (a)(3) of the Rhode Island General Laws. It was then unanimously

VOTED: To exit executive session and return to open session. It was noted upon convening in open session that no vote was taken during the executive session.

A motion was made by Rosemary Booth-Gallogly and seconded by Jean Rondeau to seal the minutes of the executive session consistent with RIGL §42-46-5 (a)(3) of the Rhode Island General Laws, due to the sensitivity of the discussion, which is related to security devices and personnel.

A roll call was taken. The following members voted Yea: Treasurer Frank T. Caprio; William B. Finelli, Gary R. Alger; Daniel L. Beardsley; Rosemary Booth-Gallogly; Michael R. Boyce; M. Carl Heintzleman; John P. Maguire; John J. Meehan; and Jean Rondeau. It was then unanimously

VOTED: To seal the minutes of the executive session consistent with RIGL §42-46-5 (a) (3).

Director Karpinski then went on to discuss the actuarial contract with Gabriel, Roeder, Smith and Company (GRS). Director Karpinski advised the Board that the contract for actuarial services will expire on June 30, 2010. He told the Board that the contract has a provision permitting extensions in one-year increments. He asked the Board if they would prefer to continue the contract with GRS for another year or issue an RFP for actuarial services. Director Karpinski noted that it will take approximately six months to complete the RFP process if that option is selected. He reminded the Board that their original premise was to maintain the same actuary (provided there were no issues) to leverage their knowledge over many valuation cycles and perform actuarial audits every 7-10 years.

Mr. Beardsley asked if there are limitations regarding how long a state department or agency can continue to honor a contract with a vendor that has multiple extension increments before issuing an RFP. Attorney Robinson replied that he would research the applicable state law and advise the Board next month.

Mr. Beardsley inquired if the actuarial valuations due in June 2010 will be based upon an experience study as a result of the dramatic changes that have recently been enacted within ERSRI's retirement benefits and volatile market conditions. Director Karpinski replied that GRS has recommended that an experience study be completed in 2011 or 2012, but no later than 2012. GRS told Director Karpinski that due to the dramatic changes that occurred as a result of Healthcare and Pension reform, the retirement and termination patterns during FY 2008 and 2009 will be atypical and will make the experience results a poor guide for setting those assumptions. GRS apprised Director Karpinski that many systems conduct experience studies every fifth year and thus do not believe the delay is harmful. Mr. Beardsley remarked that since the assumed rate of return has not been met, he anticipates there will soon be proposals to extend the full actuarial funded date to enable the state to save money. Director Karpinski said it would not be unreasonable to request that GRS complete a study regarding the assumed rate of return and its effect on the contribution rate, separate from the experience study, and prior to starting the valuation cycle.

Ms. Booth-Gallogly discussed a request from the Department of Administration to utilize the services of GRS to perform an actuarial study on the Employees' Retirement System. A discussion ensued regarding the matter and the request was granted. Director Karpinski noted that the Department Of Administration would be covering the cost of these services for GRS.

The Director closed by confirming that Attorney Robinson will have information regarding the extension limitations for the contract with GRS. He said the item will be back on the January Board Meeting Agenda and the discussion will continue at that time.

V. Administrative Decisions

Administrative Appeal – Brian Sullivan vs. ERSRI

Included in Board Members' Books was the Hearing Officer's written decision, along with exhibits and supporting information in the matter of *Brian Sullivan vs. ERSRI*. The Treasurer asked if consistent with Regulation Number 4, Rules of Practice and Procedure for Hearings, there were any written briefs, legal memoranda, or exceptions to the decision of the Hearing Officer which must have been submitted to the Executive Director not later than 10 days prior to the hearing. Director Karpinski apprised the Board that there were no additional documents submitted.

Treasurer Caprio then said that pursuant to ERSRI's regulations, each party to the proceeding has the right to appear and to make oral arguments before the Retirement Board. He apprised the appellant that it is not an opportunity to present new factual material to the Board and pursuant to ERSRI's regulations and Rhode Island case law, the Board owes deference to the Hearing Officer on factual determinations and

questions of credibility, and cannot overturn the Hearing Officer on determinations of fact or credibility unless such determinations are found to be clearly wrong.

Treasurer Caprio asked the appellant's Attorney, Vincent Santaniello, if Mr. Sullivan intended to make any presentation or oral argument to the Board. Attorney Santaniello replied that there would be no testimony from Mr. Sullivan.

Attorney Robinson then provided a synopsis of the *Brian Sullivan* matter. He said the matter is here on appeal from the decision of Hearing Officer Marcaccio. The Hearing Officer in this matter affirmed the Retirement System's position to deny the petitioner's request to purchase retirement service credit for the difference between a full time position and the .69 FTE position which he held with the Newport Public School Department during the 1983-1984 school year, the petitioner claimed the difference in the full time and .69 FTE position was due to a partial layoff. There being a stenographer present, the parties presented their cases.

At the conclusion of the discussion, a motion was made by William B. Finelli and seconded by Michael R. Boyce to overturn the Hearing Officer's decision. A roll call was taken. The following members voted Yea: William B. Finelli; Michael R. Boyce; John P. Maguire; and John J. Meehan. The following members voted Nay: Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Rosemary Booth-Gallogly; M. Carl Heintzelman; and Jean Rondeau.

There being 10 votes cast, 4 voted in the affirmative and 6 nay, consistent with Rhode General Laws §36-8-6, *Votes of the Board – Record of Proceedings*, there not being a majority vote of the members present and voting at which a quorum was present, the motion failed.

Upon additional discussion, a motion was made by Jean Rondeau and seconded by Gary R. Alger to affirm the decision of the Hearing Officer. A roll call was taken. The following members voted Yea: Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Rosemary Booth Gallogly; M. Carl Heintzelman; and Jean Rondeau. The following members voted Nay: William B. Finelli; Michael R. Boyce; John P. Maguire; and John J. Meehan.

There being 10 votes cast, 6 voted in the affirmative and 4 nay, 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

VOTED: To affirm the decision of the hearing officer in the matter of *Brian Sullivan vs. ERSRI* denying the petitioner's request to purchase retirement service credit for the difference between a full time position and the .69 FTE position which he held with the Newport Public School Department during the 1983-1984 school year.

VI. Approval of the November Pensions as Presented by ERSRI

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

VOTED: To approve the November pensions as presented.

VII. Legal Counsel Report

Attorney Michael Robinson noted that there were two matters that were not in the legal report, *Galvin vs. ERSRI* and *Richard vs. ERSRI*. He said both matters have been appealed to Superior Court.

Attorney Robinson remarked that he had copies of a recent Supreme Court decision regarding a Worker's Compensation offset. He said that the court used very strong language regarding the unambiguous wording of RIGL §36-10-31 in regard to the legitimacy of the offset. Attorney Robinson added that this decision should have an impact on some of the matters pending before the Hearing Officers and Board. The Treasurer asked if this decision will have an impact on the matter of *McNulty vs. ERSRI*, which was before the Board last month. Attorney Robinson replied that it should, and explained that he intended to contact the appellant's attorney regarding the matter.

VIII. Committee Report

Disability Sub-Committee: The Disability Sub-Committee recommended the following actions on disability applications as a result of its December 4, 2009 meeting for approval by the full Board.

Name	Membership Group	Type	Action
1. Patricia Hunt	State	Accidental	Approve
2. Patricia Santaniello	Teacher	Accidental	Approve
3. Alfred Benjamin	Municipal	Accidental	Approve
4. Kevin Horning	State	Ordinary	Approve
5. Joseph Galligan	State	Ordinary	Approve
6. Kathleen Lowery	State	Ordinary	Approve
7. Conceicao Medeiros	State	Accidental	Deny
8. Edward Simone	Municipal	Accidental	Postpone
9. Jeffery Tefft	State	Accidental	Postpone
10. Jeffery Chagnon	Municipal	Ordinary	Approve
11. Lois Conway	Teacher	Ordinary	Approve
12. Paula Windsor	Municipal	Ordinary	Approve
13. Michelle Mencarini	State	Accidental	Deny
14. Carmela Coppa	Municipal	Accidental	Postpone
15. Luigi Intriери	State	Accidental	Postpone

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was **VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, December 4, 2009 on items 2 and 11.**

John P. Maguire recused himself from items 2 and 11.

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was **VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, December 4, 2009 on item 6.**

John J. Meehan recused himself from item 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, December 4, 2009 on items 1,3,4,5,7,8,9,10,12,13,14, and 15.

IX. New Business

Mr. Finelli referred to the matter of *Pepin vs. ERSRI*. He felt that the Board should not wait for a full complement of the Board before voting on the matter. Attorney Robinson said he has been in contact with Mr. Pepin's attorney and feels she might be inclined to withdraw her request for a full complement of the Board.

Mr. Boyce referred to the October Cash Flow report from the State Investment Commission. He noted that a transfer was made from long-term investments of \$24.5 million to meet pension obligations. He asked the Treasurer if this was unusual. The Treasurer responded that there is a short fall between contributions collected from employees and employers and the pension payments. Mr. Boyce then asked the Director if any of the municipalities were delinquent with their contributions. The Director said that there were no employers who are delinquent at this point.

Director Karpinski announced that the Trustee Education Subcommittee, Rules and Regulations Subcommittee, and the Procurement Subcommittee will convene next month. Notices for these meetings will be sent shortly.

X. Adjournment

There being no other business to come before the Board, on a motion by John J. Meehan and seconded by Jean Rondeau, the meeting adjourned at 11:30 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director