



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, April 14, 2010
9:00 a.m.
8th Floor Conference Room, 40 Fountain Street

The Monthly Meeting of the Retirement Board was called to order at 9:06 a.m., Wednesday April 14, 2010 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 Alger; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Louis M. Prata; Linda C. Riendeau; Susan Knorr Rodriguez; Jean Rondeau; and Greg Stack, designee for Thomas A. Mullaney.

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 M. Carl Heintzelman and seconded by Frank R. Benell, Jr., it was unanimously

VOTED: To approve the draft minutes of the March 10, 2010 meeting of the Employees' Retirement System of Rhode Island Board.

Review and Approval of sealed draft Executive Session Minutes of the March 10, 2010 Session.

The following votes were taken at the end of the meeting to accommodate the parties appearing for Administrative Hearings.

A motion was made by Roger P. Boudreau and seconded by Frank R. Benell, Jr. to convene into executive session consistent with RIGL §42-46-5 (a)(3) of the Rhode Island General Laws to discuss the study of and possible implementation of ANCHOR security risk mitigation solutions, and other matters affecting ERSRI's security, including but not limited to, the deployment of security personnel and devices, and to review and approve the sealed draft executive session minutes of the March 10, 2010 session, which related to 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: General Treasurer Frank T. Caprio; William B. Finelli; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Linda C. Riendeau; Susan Knorr Rodriguez; Jean Rondeau; and Greg Stack, designee for Thomas A. Mullaney.

VOTED: To convene into executive session consistent with RIGL §42-46-5 (a) (3) to discuss the study of and possible implementation of ANCHOR security risk mitigation solutions, and other matters affecting ERSRI's security, including but not limited to, the deployment of security personnel and devices, and to review and approve the sealed draft executive session minutes of the March 10, 2010 session, which related to matters affecting ERSRI's security, including but not limited to, the deployment of security personnel and devices.

[Executive Session]

The Board thereafter convened in executive session.

[Return to Open Session]

Upon returning to open session, the Board noted for the record that the following actions and votes had been taken in executive session:

A motion was made in executive session by Roger P. Boudreau and seconded by Frank R. Benell, Jr. to unseal the draft minutes of the executive session of March 10, 2010, consistent with RIGL §42-46-5 (a)(3) of the Rhode Island General Laws, due to the sensitivity of the discussion, which related to the deployment of security devices and personnel. It was then unanimously

VOTED: To unseal the draft minutes of the executive session of March 10, 2010, consistent with RIGL §42-46-5 (a) (3).

A motion was then made by Roger P. Boudreau and seconded by Frank R. Benell, Jr. to approve the draft executive session minutes of the executive session of March 10, 2010, as presented in the April 14, 2010 Board Book. It was then unanimously

VOTED: To approve the draft executive session minutes of the March 10, 2010 session.

A motion was made by Frank R. Benell, Jr. and seconded by Roger P. Boudreau to re-seal the minutes of the executive session of March 10, 2010, consistent with RIGL §42-46-5 (a)(3) of the Rhode Island General Laws, due to the sensitivity of the matters, which related to the deployment of security devices and personnel.

A roll call was taken. The following members voted Yea: General Treasurer Frank T. Caprio; William B. Finelli; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Linda C. Riendeau; Susan Knorr Rodriguez; Jean Rondeau; and Greg Stack, designee for Thomas A. Mullaney.

VOTED: To re-seal the approved minutes of the executive session of March 10, 2010, consistent with RIGL §42-46-5 (a) (3).

A motion was made by Roger P. Boudreau and seconded by Frank R. Benell, Jr. to authorize the Director to proceed with implementation of ANCHOR security risk mitigation solutions 1A, 1B and 2 provided by Hewlett-Packard (HP) and recommended by ERSRI's system security auditor UNICOM at the quoted price of \$255,000.

VOTED: To authorize the Director to proceed with implementation of ANCHOR security risk mitigation solutions 1A, 1B and 2 provided by Hewlett-Packard (HP) and recommended by ERSRI's system security auditor UNICOM at the quoted price of \$255,000.

A motion was made by Roger P. Boudreau and seconded by Frank R. Benell, Jr. 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.

III. Chairman's Report

The Treasurer referred to an analysis prepared by Gabriel, Roeder, Smith and Company (GRS) regarding the assumed rate of return assumption. He asked that members review the information for the next Board meeting when it will be considered to determine if there should be a reduction in the rate of return.

He noted that the current investment returns within the fund have been relatively strong and he referenced the *Summary of ERSRI Fund Performance* which had been distributed to the members. He projected that the return for fiscal year 2010 should be around 15%.

Treasurer Caprio stated that the House of Representatives acted on a deficit-closing plan recently that included changes to legislation that will affect pension benefits. He said if the plan is finalized the changes will be communicated to the membership through the website and any other means that the Board deems appropriate.

Mr. Maguire referred to the Fund Performance Report and asked if there is data for years prior to 1984. Attorney Mark Dingley, Chief of Staff, replied that in 1984 State Street Bank became ERSRI's custodial bank, so the information was readily available for those years. He added that he was able to find rolling returns for years prior, but not annual returns. He told Mr. Maguire that he will try to obtain the requested information.

IV. Executive Director's Report

The Director began with a review of the documentation that had been distributed to the Board.

Director Karpinski apprised the Board that the Rules and Regulations Subcommittee has been rescheduled to April 26, 2010 at 1:30 p.m. He added that the agenda items will remain the same, but he has included an additional item regarding the purchase of service credits. He reported that the Legislative Subcommittee met on April 12, 2010 to discuss amendments to two statutes involving Correctional Officers and MHRH Nurses, which he will discuss in detail during the Committee Reports.

The Director advised Board members that the State Investment Commission's (SIC) General Investment Consultant, Pension Consulting Alliance (PCA), and the system Actuary, Gabriel, Roeder, Smith and Company (GRS), will attend next month's meeting to review the distributed investment return assumption analysis. He noted that in preparation for the discussion regarding the Fund's assumed rate of return he has asked Mr. John J. Burns, CFA, Managing Director at Pension Consulting Alliance to deliver a presentation on basic investment principles on April 28, 2010 at 1:00 p.m. He urged everyone to attend.

The Director then referred to the *Analysis of Investment Return Assumption* from GRS. He noted that the report is in draft format. He said that although the Board has agreed to delay the total experience study, as recommended by GRS, a review of the investment return assumption is prudent at this time.

The Treasurer asked Director Karpinski if the pension changes being considered by the Legislature will affect the data contained in the exhibits in GRS's report regarding the rate of return assumption. The Director replied that if a change is made it is anticipated that the new return rate will first be utilized in the actuarial valuation performed as of June 30, 2009, which is used to determine the contribution requirements for the fiscal year beginning July 1, 2011. Director Karpinski said any changes to pension benefits effective this year would be in addition to the changes computed in the study. He said if pension benefit changes are adopted effective for FY10, they will be included in the June 30, 2009 valuation and if the Board were to consider an investment rate reduction, the June 30, 2009 valuation would then include pension reform changes and the investment rate of return adjustment.

Mr. Maguire and Mr. Beardsley both raised concerns regarding the impact a change in the assumed rate of return may have on the unfunded liability and the pension changes currently being considered by the General Assembly. The Treasurer asked the Director what the impact could be on the valuation if a lower assumed rate of return were to be considered by the Board and the Legislature does decide to re-amortize the unfunded liability and enact benefit changes approved by the House recently. The Director said that while a savings in contributions due to benefit reductions and re-amortization would occur, there would likely be an offset by the reduction in the assumed rate of return. The order of magnitude of that "offset" would require an analysis by the actuary. He said that until there is a clear confirmation of pension benefit changes to be enacted, it would be difficult to determine the offset between savings from benefit reductions and increased cost from a reduction in the assumed rate of return. Director Karpinski said the Board should not make any decisions until they have had an opportunity to review the assumed rate of return analysis and have a clearer knowledge of benefit reform changes. He said that while the study was prepared based on the June 30, 2008 valuation and does not include market losses in FY09, it is meant as a means to give the Board some perspective of the order of magnitude a change can have and some perspective on current market conditions.

Mr. Maguire asked the Director for a copy of a study performed earlier that addressed pension fund earnings and benefit sustainability. Director Karpinski said he will furnish a copy.

V. Administrative Decisions

Disability Appeal – Linda Acciardo vs. ERSRI

Included in the board books, 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 *Linda Acciardo 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 Disability Subcommittee 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 was additional information provided from the appellant's attorney and each Board Member has been provided with a copy.

Treasurer Caprio 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 this is not an opportunity to present new factual material or evidence to the Board. He said the Board affords deference to the conclusions of its Disability Subcommittee on factual determinations and questions of credibility, and will not overturn those determinations and assessments unless they are found to be clearly wrong.

Treasurer Caprio asked the appellant's attorney, Gregory Acciardo, if Ms. Acciardo intended to make any presentation or oral argument to the Board. Attorney Acciardo replied that she would not. Attorney Robinson then provided a synopsis of the matter. There being a stenographer present, the parties presented their cases.

At the conclusion of the hearing a motion was made by Jean Rondeau and seconded by Greg Stack to affirm the decision of the hearing officer. A roll call was taken. The following members voted Yea: General Treasurer Frank T. Caprio; William B. Finelli; Gary Alger; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Louis M. Prata; Linda C. Riendeau; Susan Knorr Rodriguez; Jean Rondeau; and Greg Stack, designee for Thomas A. Mullaney.

There being 15 votes cast, 15 voted in the affirmative, consistent with Rhode General Laws §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 is present, it was then unanimously

VOTED: To accept the recommendation of the Disability Subcommittee to affirm the Board's prior denial of the application for Disability benefits in the matter of *Linda Acciardo vs. ERSRI*.

VI. Approval of the March Pensions as Presented by ERSRI

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the March pensions as presented.

VII. Legal Counsel Report

Attorney Michael Robinson stated that Justice Indeglia issued a decision on March 24, 2010 affirming the Board's decision in the matter of *Brian McElroy vs. ERSRI* denying Mr. McElroy's application for accidental disability retirement. He also noted that the matter of *John Card vs. ERSRI* was heard before Justice Gibney on April 1, 2010, at which time the Court entered an order revoking Mr. Card's pension benefits in their entirety.

VIII. Committee Report

Disability Subcommittee: The Disability Subcommittee recommended the following actions on disability applications as a result of its April 9, 2010 meeting for approval by the full Board.

Name	Membership Group	Type	Action
1. Randy Hagenberg	State	Accidental	Approve
2. Anthony Riccitelli	Municipal	Accidental	Approve
3. Kevin Furtado	Municipal	Accidental	Approve
4. John Houle	State	Accidental	Approve
5. Michelle Carlow	State	Accidental	Approve
6. Anne Melvin	State	Accidental	Deny
7. John Wheeler	Municipal	Accidental	Postpone
8. Jennifer Leyden	Teacher	Accidental	Deny
9. Frederick Bricker	Municipal	Accidental	Approve
10. Lisa Thomas	State	Accidental	Approve
11. Edward Gaboriault	Municipal	Accidental	Deny
12. Lynn Gonyea	State	Ordinary	Approve
13. William Breault	Municipal	Ordinary	Approve
14. Luigi Intieri	State	Accidental	Deny

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, April 9, 2010 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 9, 2010 on items 1-7 and items 9-14.

Legislative Subcommittee: The Director explained that the Subcommittee met and discussed an issue regarding retirement eligibility for Correctional Officers (CO's) and MHRH Nurses. He noted that members who retire after October 1, 2009 need to attain the age of 55 and have 25 years of total service within their respective departments to be eligible for retirement benefits. The Subcommittee considered drafting a proposed change to the statute to allow those members who do not meet the eligibility requirements of a CO or MHRH Nurse to retire as a State Employee. Once the change has been drafted, the Subcommittee will present the draft to the full Board for review. The Subcommittee will also make a technical amendment to §16-16-6.1, §16-16-6.2, and §16-16-6.4 referencing the correct statutes and present these changes to the full Board for approval. Additionally, they will draft necessary changes to §28-42-38 regarding the ability to acquire relevant information from the Department of Labor and Training for the purpose of administering and performing any of its obligations under ordinary and accidental disability retirement and to present these changes to the full Retirement Board for approval.

IX. New Business

(None)

X. Adjournment

There being no other business to come before the Board, on a motion by John P. Maguire and seconded by Roger P. Boudreau, the meeting adjourned at 11:20 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director