



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, June 8, 2011
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, June 8, 2011, on the 8th Floor Conference Room, 40 Fountain Street, Providence, RI by Vice Chair William B. Finelli.

I. Roll Call of Members

The following members were present at roll call: General Counsel and Deputy Treasurer Mark A. Dingley for General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger; Daniel L. Beardsley; Michael R. Boyce; M. Carl Heintzelman; Richard A. Licht; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau, and Jean Rondeau.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director; Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Vice Chair Finelli called the meeting to order.

II. Approval of Minutes

On a motion by M. Carl Heintzelman and seconded by Linda C. Riendeau, it was unanimously

VOTED: To approve the draft minutes of the May 11, 2011 meeting of the Employees' Retirement System of Rhode Island Board and the Executive Session minutes of the May 11, 2011 meeting

III. Chairperson's Report

In the Treasurer's absence, General Counsel and Deputy Treasurer Mark A. Dingley provided the Board with an investment update. He said within the last few weeks the markets have been difficult; however, the Plan's investments year to date have been very strong. Attorney Dingley said the most recent information shows that assets are up approximately 19% on the fiscal year. Attorney Dingley told the Board that the Treasurer enjoyed the one-on-one meetings with the Board members. He said she welcomes the opportunity at any time to discuss any matters.

IV. Executive Director's Report

Director Karpinski noted that the Board members were in possession of an updated agenda regarding the items under the Procurement Subcommittee, a presentation by Gabriel, Roeder, Smith and Company (GRS), the Pension Application Processing Report, a contract cost sheet to discuss an extension with Hewlett Packard State and

Local Services, a table from GRS that was requested from the last Board meeting that included an explanation of the funded ratio change and the Disability Subcommittee Report.

Director Karpinski reminded the Board of the training session being provided by GRS after the meeting on actuarial basics.

The Director apprised the Board that the National Council on Teacher Retirement is providing a Retirement Trustee Education Seminar in Boston from August 1 – 3, 2011. He said if anyone is interested they should contact him.

Director Karpinski told the Board that the Procurement Subcommittee met on Friday, June 3, 2011, to discuss the actuarial bids. Thomas A. Mullaney chaired the meeting. He said the process was that members received copies of the proposals and score sheets to help review them. Director Karpinski said he collected the score sheets and consolidated them. Based on the rankings, the top 3 candidates were determined and would subsequently be interviewed by the Subcommittee in June.

The Director reminded the Board that if acceptable, at the conclusion of the presentation of the State Police and Judges Valuation by GRS, a motion to accept the results will be requested.

Director Karpinski told the Board that Attorney Michael Robinson and his firm are reviewing the possibility of obtaining fiduciary liability insurance to determine what benefit such insurance might provide in light of available coverages, and statutory or other immunities that individual members and/or ERSRI may already have. Finally, Director Karpinski told the Board that board elections will be occurring this year. He said a newsletter notification will be sent to members apprising them of the elections and eligibility which are those members active and retired as of September 15th. The Director said potential candidates may come to the office to get necessary forms and declare candidacy. He said candidate eligibility requires members secure 100 signatures from their prospective constituency groups; ERSRI will then validate the signatures. The Treasurer will then assemble an election subcommittee. Director Karpinski told the Board that ballots will be mailed out at the end of December for a January 2012 vote. Ballot counting will take place in February by the Board of Elections who will certify the vote. New members will officially be sworn in at the March 2012 Board meeting.

Vice Chair Finelli questioned when ERSRI would be moving. Attorney Dingley said the targeted date is August 28, 2011.

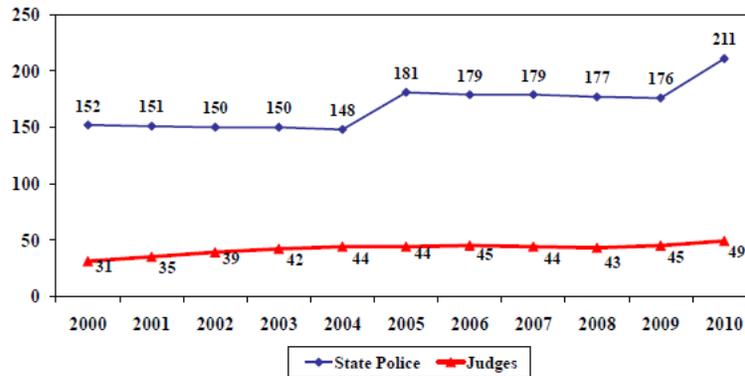
V. Presentation of the Actuarial Valuations as of June 30, 2010 by Gabriel, Roeder, Smith and Company for the Judicial and State Police.

Vice Chair Finelli introduced Mr. Joseph Newton of GRS to present the Judicial and State Police valuations as of June 30, 2010. Mr. Newton began by saying that the valuations are prepared using member data provided by ERSRI Staff, audited financial data, current benefit and contribution provisions and actuarial assumptions and methods previously approved by the Retirement Board.

Mr. Newton discussed the active membership and provided the following graph to the Board:



Active Membership



6.4% average increase for State Police since 1997
 4.6% average increase for Judges since 1997

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GRS

Mr. Newton then discussed the change in employer contribution rates with the Board for both State Police and Judges. He provided the following analysis:



Change In Employer Rate – State Police & Judges

Basis	State Police	Judges
1. Employer contribution rate from 2009 valuation	25.39%	18.69%
2. Impact of changes		
a. Non-salary liability (gain)/loss	(0.10%)	0.20%
b. Salary (gain)/loss	(1.43%)	(1.52%)
c. Total payroll growth (gain)/loss	(0.81%)	(0.19%)
d. Investment experience (gain)/loss	2.34%	2.88%
e. Changes in assumptions	10.73%	8.11%
f. Changes in benefit provisions	<u>0.00%</u>	<u>0.00%</u>
3. Employer contribution rate from 2010 valuation	36.12%	28.17%

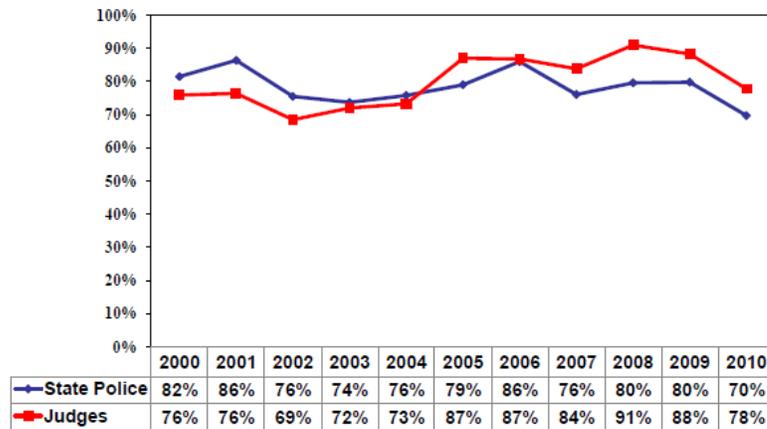
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GRS

Mr. Newton next reviewed the GASB funded ratios with the Board and provided the following chart:



GASB 25 Funded Ratios



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GRS

Mr. Newton concluded his presentation with the following analysis of the contribution rates and dollar requirements.

State Police

Item	2010	2009
Employer NC%	21.11%	17.14%
Amortization rate	15.01%	8.25%
Total	36.12%	25.39%
FY ending June 30,	2013	2012
Payroll Projected 2 Yrs.	\$16.6	\$14.5
Projected Contribution	\$6.0	\$3.7

Dollar amounts in millions

Judges

Item	2010	2009
Employer NC%	16.54%	13.46%
Amortization rate	11.63%	5.23%
Total	28.17%	18.69%
FY ending June 30,	2013	2012
Payroll Projected 2 Yrs.	\$8.4	\$7.8
Projected Contribution	\$2.36	\$1.45

Dollar amounts in millions

Vice Chair Finelli thanked Mr. Newton for his presentation and the Board for their attention. He then asked for a motion to accept the rates as presented by GRS for the valuation period ending June 30, 2010.

On a motion by Jean Rondeau and seconded by Linda C. Riendeau it was unanimously **VOTED: To accept the June 30, 2010 valuation results for the State Police and Judges plans as presented by GRS and certify the contribution rates for fiscal year 2013.**

VI. Administrative Decisions

None this Month

VII. Approval of the May Pensions as Presented by ERSRI

On a motion by Gary R. Alger and seconded by Thomas A. Mullaney, it was unanimously **VOTED: To approve the May pensions as presented.**

Vice Chair Finelli requested that the committee reports be presented first before going to the legal report and into Executive Session.

On a motion by Linda C. Riendeau and seconded by Louis M. Prata, it was unanimously voted to modify the agenda.

VIII. Committee Reports

Disability Subcommittee: The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on June 3, 2011:

Name	Membership Group	Type	Action
1. Juvita Darosa	State	Ordinary	Postponed
2. Conceicao Medeiros	State	Disability	Deny
3. Janice Evans	State	Accidental	Approved @50%
4. Olga Ortiz	State	Accidental	Deny
5. Lisa Poirier	Teacher	Ordinary	Approved
6. Everett McCain	Municipal	Ordinary	Postponed
7. David Narcavage	State	Ordinary	Postponed

On a motion by Michael R. Boyce and seconded by Daniel L. Beardsley, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday June 3, 2011 on item 4.

John J. Meehan recused himself from the vote on number 4.

On a motion by Michael R. Boyce and seconded by Daniel L. Beardsley, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, June 3, 2011 on item 5.

John P. Maguire recused himself from the vote on number 5.

On a motion by Michael R. Boyce and seconded by Daniel L. Beardsley, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of June 3, 2011 on items 1, 2, 3, 6, and 7.

Procurement Subcommittee: Mr. Thomas Mullaney first thanked the members of the committee; Mark A. Dingley, William B. Finelli, Louis M. Prata and Jean Rondeau. He then said the Procurement Subcommittee met on June 3rd to discuss and recommend finalists for ERSRI Actuarial Services Contract, discuss an extension of the current System Maintenance Contract Extension with Hewlett Packard State and Local Enterprise Services, Inc. and discuss an addendum to LRWL Ltd. IT Consulting Contract for Assistance in Developing an IT Governance and Strategic Plan.

Regarding the Actuarial RFP, Mr. Mullaney said the subcommittee reviewed 6 proposals submitted by qualified firms. Each proposal was evaluated and scored applying a consistent format. He said based on a review of the proposals by the committee, and consistent with Regulation 3 Section 2.6, they recommended interviewing the top 3 candidates who were (in alphabetical order):

- Cavanaugh Macdonald Consulting, LLC
- Gabriel, Roeder, Smith and Company
- The Segal Company

Mr. Mullaney apprised the Board that the committee instructed the Director to schedule dates to interview the candidates during the month of June. He said based on the interviews, the committee will determine the candidate they find best capable of providing actuarial services consistent with RIGL §36-8-10 and make a recommendation to the full Board in July. In the interim, Mr. Mullaney said the committee recommended the Board extend GRS's contract by one month should any study work be required/requested.

Regarding the System Maintenance contract, Mr. Mullaney said the committee discussed a contract extension which involves the ANCHOR system day-to-day mechanical operation and daily system maintenance. He said the committee discussed the proposal and Section 2.1.5, *Sole Source Procurement and Emergency Procurements* which provides for the supply or service item to be awarded without competition when the System determines that there is only one source for the required supply or service item.

Mr. Mullaney told the Board that the ANCHOR system is quite sophisticated and has unique application to ERSRI. The base solution, known as Clarety, is proprietary software and given its boutique market, has no other vendors who possess the necessary technical expertise to support the product coupled with its unique application to ERSRI. Consequently, the committee felt that Regulation 2, Section 2.1.5 clearly applies to HP Government Solutions as a sole source provider.

Mr. Mullaney told the Board that the committee recommends securing a 3 to 4 year contract with the Hewlett Packard State and Local Enterprise Services, Inc. to ensure

adequate resources are available given that it is estimated that the upgrade being sought by ERSRI to the ANCHOR system is likely to take 2-3 years to install. He said the proposed contract annual fees will increase from the current \$741,180 per year to \$763,500 for calendar year 2011, \$778,800 for 2012, \$794,400 in 2013 and \$810,360 in 2014 which represents a 2% increase per year. The committee also instructed the Director to ensure the ability to exit the contract if necessary given the project upgrade. Mr. Mullaney apprised the Board that the committee recommended approval of the contract extension.

Lastly, Mr. Mullaney discussed the LRWL, Ltd Amendment. He said ERSRI requested the committee consider an amendment to its contract with LRWL, Ltd, executed in January 2009, to perform an IT Governance and Strategic Plan. He said ERSRI has no dedicated Information Technology (IT) resources; its business is heavily dependent on technology. As such, the necessity to ensure that its technology is reliably available and fully functional is critical to the fulfillment of its mission. He told the Board that an Information Technology Governance and Strategic Plan (IT-GSP) will provide ERSRI with the necessary steps to ensure that it gets the proper IT support and that it achieves the necessary governance and oversight of that IT support. The IT-GSP will also serve to improve ERSRI's ability to better support its upcoming project to replace its major retirement administration applications. Additionally, Mr. Mullaney said ERSRI's fiscal year 2010 audit, conducted by the Office of the Auditor General recommended that the System "Develop and implement an Information Technology Governance and Strategic Plan."

Under the options provided for in LRWL's contract, Mr. Mullaney said that number 11 Option A –provides the Board the ability to retain LRWL to assist in the procurement of solutions and such support as may reasonably include but not be limited to: defining business and technical requirements. Given this provision, he said the committee considered the amendment and recommended its approval at a cost of \$36,000:

The Board then discussed the 1 month extension with GRS and said given the discussions surrounding pension reform, they felt it may be more advantageous to extend the contract by 6 months. On a motion by Richard A. Licht and seconded by Louis M. Prata it was

VOTED: To amend the extension from 1 month to 6 months with GRS.

Mr. Mullaney then summarized the subcommittee recommendations to authorize the Director to secure a 3-4 year contract with Hewlett Packard State and Local Enterprise Services for \$763,500 for calendar year 2011, \$778,800 for 2012, \$794,400 in 2013 and \$810,360 for 2014 and have the ability to exit the contract if necessary; secure an amendment to its contract with LRWL, Ltd, executed in January 2009, to perform an IT Governance and Strategic Plan at the proposed cost of \$36,000 and negotiate a price for a six-month extension of GRS's contract.

On a motion by Jean Rondeau and seconded by Linda C. Riendeau it was unanimously

VOTED: To Authorize the Director to secure a 3-4 year contract with Hewlett Packard State and Local Enterprise Services for \$763,500 for calendar year 2011, \$778,800 for 2012, \$794,400 in 2013 and \$810,360 for

2014 and to have the ability to exit the contract if necessary; an amendment to its contract with LRWL, Ltd, to perform an IT Governance and Strategic Plan at the proposed cost of \$36,000 and to negotiate a price for a six-month extension of GRS's contract.

IX. Legal Counsel Report

Attorney Robinson updated the Board on a recent Superior Court decision in the matter of *Barth vs. ERSRI*, involving a correctional officer who sought a disability pension in 1999. The Superior Court bench decision was made in favor of ERSRI by Judge Hurst. He then apprised the Board on the matter of *Linda Acciardo vs. ERSRI*. The appellant in that case had sought to subpoena Doctor Ley, who is the medical advisor for the Disability Subcommittee, to a deposition. ERSRI moved to quash the subpoena, and the motion was granted.

Consistent with Rhode Island General Laws section §42-46-5 (a)(2) regarding potential litigation involving the retirement system, a motion was made by John P. Maguire and seconded by Linda C. Riendeau to convene the Board in Executive Session to discuss and possibly authorize pension revocation/reduction actions against the following individuals pursuant to R.I.G.L. §36-10.1, *et seq.*

- Raymond L. Douglas
- Joseph S. Burchfield
- David Paiva
- David L. Charello

A roll call vote was taken to enter into Executive Session. The following members were present and voted Yea: General Counsel and Deputy Treasurer Mark Dingley; Vice Chair William B. Finelli; Gary R. Alger; Daniel L. Beardsley; Michael R. Boyce; M. Carl Heintzelman; Richard A. Licht; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau and Jean Rondeau. It was unanimously

VOTED: To convene the Board in Executive Session pursuant to Rhode Island General Laws section 42-46-5 (a)(2) to discuss and possibly authorize pension revocation/reduction actions against the following individuals pursuant to R.I.G.L. §36-10.1, *et seq.*: Raymond L. Douglas, Joseph S. Burchfield, David Paiva, and David L. Charello.

[Executive Session]

The Board thereafter convened in executive session.

[Return to Open Session]

Upon returning to open session, Attorney Robinson said that the Board took 3 votes in Executive Session. Regarding Joseph S. Burchfield, Director Karpinski provided the following votes for the record:

The following members voted Yea to begin a pension revocation action pursuant to R.I.G.L. §36-10.1, *et seq.*: Deputy Treasurer Mark A. Dingley; William B. Finelli; Gary R. Alger; Daniel L. Beardsley; M. Carl Heintzelman; Richard A. Licht; John P. Maguire; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau, and Jean Rondeau. The following members voted Nay: Michael R. Boyce and John J. Meehan.

Regarding David Paiva, the following members voted Yea to begin a pension revocation action pursuant to R.I.G.L. §36-10.1, *et seq.*: Deputy Treasurer Mark A. Dingley; William B. Finelli; Gary R. Alger; Daniel L. Beardsley; M. Carl Heintzelman; Richard A. Licht; John P. Maguire; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau and Jean Rondeau. The following members voted Nay: Michael R. Boyce and John J. Meehan.

A motion to seal the executive session minutes was unanimous, pursuant to R.I.G.L. §42-46-5(a)(2) as the discussion related to pension revocation litigation involving ERSRI.

A motion was made by Richard A. Licht and seconded by Thomas A. Mullaney to exit executive session and return to open session. It was then unanimously

VOTED: To exit executive session and return to open session.

X. New Business

Mr. Maguire asked Director Karpinski if he could supply contribution and valuation information from 2005 when there were changes to the pension system. He asked to have the results of the valuations before and after the changes. Director Karpinski said he would furnish the information.

XI. Adjournment

There being no other business to come before the Board, on a motion by Gary R. Alger and seconded by Louis M. Prata the meeting adjourned at 10:24 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director