



**Employees' Retirement Board of Rhode Island**  
**Monthly Meeting Minutes**  
**Wednesday, September 14, 2011**  
**9:00 a.m.**  
**8<sup>th</sup> Floor Conference Room, 40 Fountain Street**

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m. Wednesday, September 14, 2011, on the 8<sup>th</sup> Floor Conference Room, 40 Fountain Street, Providence, RI.

**I. Roll Call of Members**

The following members were present at roll call: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; Richard A. Licht; John J. Meehan; Thomas A. Mullaney; Louis M. Prata, and Jean Rondeau.

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

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

Linda C. Riendeau arrived at 9:13 a.m.

**II. Approval of Minutes**

On a motion by Frank R. Benell, Jr., and seconded by Richard A. Licht, it was unanimously

**VOTED: To approve the draft minutes of the July 13, 2011 meeting of the Employees' Retirement System of Rhode Island Board.**

**III. Chairperson's Report**

Treasurer Raimondo provided the Board with a brief investment update. Even though August is a challenging month in the market, the Treasurer was pleased that ERSRI was down only 3.3%. She said the return as of the fiscal year-to-date was 1.3%; the one-year return, 13%. Total assets under management now are \$7.1 billion.

Treasurer Raimondo then provided the Board with an update on the disability review done by Sullivan & Company LLP, ERSRI's internal auditor. She reminded the Board that since the update from the last meeting on the findings that ERSRI had serious inconsistencies with the disability paperwork, she said the staff of ERSRI has spent considerable time redoing a manual and revised internal procedures to tighten up the way disability is administered. The Treasurer said she was satisfied that the procedures have been modified and will be in full compliance with the law.

The Treasurer gave an update on the new building and said the move is tentatively planned for the first week in November. She told the Board that there will be two tours on September 20, 2011 for Treasury employees and Board members. The Treasurer said

there is a delay that DOIT is dealing with. Mr. Licht said part of the issue is with testing electrical systems and backups to validate that they are working properly. Director Karpinski said there is to be a 30-day “burn-in” test for the wiring. Mr. Licht said another issue is the dependency on Verizon and a possible labor dispute which may delay the move.

Treasurer Raimondo then thanked those who have come to the forums and her office to talk one-on-one about the pension system; she said she appreciated the engagement and efforts given.

#### **IV. Executive Director’s Report**

Director Karpinski noted that the Board members were in possession of two copies of the Pension Application Processing Report; one for July and one for August, an ERSRI newsletter, a schedule for the Retirement Board elections (3-page memo), the Disability Subcommittee Report, and an Audit Report. The Director said ERSRI had 3 Subcommittee meetings during the month. The Rules and Regulations Subcommittee met on August 4, 2011. Director Karpinski said that Mr. Maguire, who chaired the meeting, was unavailable to provide the update due to an emergency at his home. Consequently, Director Karpinski said he would provide the update. Next, he said the Election Subcommittee met on August 23, 2011 and was chaired by Mr. Alger who will provide an update. Lastly, the Audit Subcommittee met on August 25, 2011 and was chaired by Attorney Dingley who will provide an update.

The Director then introduced Attorney Gayle Mambro-Martin, ERSRI’s Legal Counsel/Policy Analyst, to give an update on post-retirement employment. Attorney Mambro-Martin said that at the July meeting she presented information regarding post-retirement employment of teachers. She said that at the request of the General Treasurer, an informal group which included John P. Maguire, William B. Finelli, Director Karpinski, Melissa Malone, Esq., Assistant Director of Member Services and Attorney Mambro-Martin, met to discuss some of the issues surrounding post-retirement employment. The following items were considered:

- Meet with union leaders and local presidents representing both active and retired teachers, i.e. NEA, AFT, RIASBO and the RI Association of School Committees to remind and inform them of post-retirement laws and requirements and brief them on some of the types of positions which are being filled by retirees.
- Present policies which ERSRI has adopted or will adopt to the Legislative Subcommittee for possible consideration of legislation such as including a penalty to the employer for failing to comply with the RIGL’s, and a limit on the number of years retirees can work. In addition, present draft legislation to the Subcommittee which would enable the Retirement System to obtain information on retirees from the Department of Labor and Training and the Rhode Island Division of Taxation.
- Post information on the ERSRI website each month which includes the names of the retirees and the districts engaging in post-retirement employment. This is the same information which is provided to the Retirement Board each month.
- Continue to contact retirees via U.S. mail regarding their rights and responsibilities when engaging in post-retirement employment.

Director Karpinski said that in order to take any action, he would convene the Legislative Subcommittee to discuss and consider legislative changes governing post retirement employment and then formalize and present the recommended legislative changes to the full Board for its consideration.

The Treasurer asked the Director for the members of the Legislative Subcommittee. The Director confirmed the members who included Louis M. Prata, Mark A. Dingley, Esq., Roger P. Boudreau and Frank R. Benell, Jr. Linda C. Riendeau asked to be added to the committee, and the Treasurer welcomed the assistance.

Mr. Boudreau queried the Treasurer as to what role the Legislative Subcommittee would play in the upcoming pension reform proposal to the General Assembly. The Treasurer said she did not contemplate a role but suggested that there could be a special meeting to provide the Board with the direction being considered. Attorney Dingley said the Board has never been actively involved with developing legislative changes other than addressing administrative inefficiencies in the general laws. The Treasurer mentioned that two members of the ERSRI Board are members of the Pension Advisory Group, namely Mr. Maguire and Mr. Licht. Mr. Boudreau felt that while they were members, neither were members of the Legislative Subcommittee, and he presented some scenarios where an administrative inefficiency could be prevalent. Mr. Licht concurred with Attorney Dingley regarding the Subcommittee's role in legislation but felt an update meeting would be appropriate. Mr. Boudreau concurred with both Attorney Dingley and Mr. Licht and confirmed that he was not suggesting a vote on any proposal but rather a discussion of potential administrative inefficiencies that could surface as a result of reform.

Mr. Boyce voiced some concern over the Q and A section of the recent *Summer 2011 COMPASS Newsletter*. He felt there was some ambiguity in one of the questions regarding the States contributions to the pension fund. Attorney Dingley referred to the Treasurer's "Truth in Numbers" report that referenced the 1990 and 1991 contributions that were not made by the Legislature and the Governor who took money out of the plan in 1991 which subsequently was ruled as a violation of IRS rules. The Treasurer empathized with Mr. Boyce and acknowledged the issues of the past. She said that we must move forward to resolve the issues facing the plan.

Treasurer Raimondo acknowledged her gratitude and thanks to Attorney Mambro-Martin for her commendable work on the post-retirement matter.

Director Karpinski then apprised the Board that ERSRI had received three proposals for the IT system which came in on Friday. The three proposals are: Affiliated Computer Services., Inc. (ACS), Mercer HR Consulting, and Morneau Shepell. The Director said that ERSRI will have ERSRI's IT consultant review the proposals for the Procurement Subcommittee and begin to internally evaluate the proposals and potentially determine a finalist for the Board to consider in December.

Director Karpinski acknowledged thanks to Mr. Licht for DOIT's assistance in a Disaster Recovery test plan recently performed.

Mr. Rondeau asked about the status of Fiduciary Liability Insurance. Director Karpinski said that Attorney Robinson has a copy of a draft policy. Attorney Robinson said there is a requirement that an insured plan be able to subrogate (go after) an individual fiduciary who causes a loss to the plan. He explained how one can avoid that by purchasing a non-recourse rider that must be paid for by the individual fiduciary. He

said a meeting will be set up with the broker to explore some of these questions and to get some numbers for the cost of a policy and for a non-recourse rider.

## V. Administrative Decisions

### **Administrative Appeal - Carol Antonizio and Robin Ruzzo vs. ERSRI**

Included in Board Members' Books was the Hearing Officer's written decision, along with exhibits and supporting information in the matter of *Carol Antonizio and Robin Ruzzo 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.

Attorney Robinson then provided a synopsis of the *Carol Antonizio and Robin Ruzzo* matter. He said the matters are consolidated appeals that are challenging the Executive Director's administrative decision to deny Carol Antonizio and Robin Ruzzo's request for inclusion in the membership of the retirement system during the early portion of their careers when they were classified by their employers as successive emergency appointees. Neither appellant made contributions to the retirement system during these respective periods, but sought to be permitted to purchase the time based on the argument that they were doing the work of regular employees during the relevant time periods, and because, pursuant to Rhode Island General Laws 36-4-32, which governs emergency appointments, successive emergency appointments are not permissible under the law. There being a stenographer present, the parties presented their cases.

At the conclusion of the hearing a motion was made by Michael R. Boyce and seconded by Roger P. Boudreau to overturn the decision of the hearing officer and to grant Carol Antonizio and Robin Ruzzo the opportunity to buy time when they were improperly classified as successive emergency appointees. A roll call was taken. The following members voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; Richard A. Licht; John J. Meehan; Thomas A. Mullaney; Louis M. Prata, Linda C. Riendeau and Jean Rondeau. The following members voted nay: Gary R. Alger.

There being 13 votes to cast, 12 voted in the affirmative and 1 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 overturn the decision of the hearing officer in the matter of *Carol Antonizio and Robin Ruzzo vs. ERSRI* and to permit the appellants the opportunity to purchase time when they were improperly classified as successive emergency appointees.**

## VI. Approval of the July and August Pensions as Presented by ERSRI

On a motion by Gary R. Alger and seconded by Roger Boudreau, it was unanimously

**VOTED: To approve the July and August pensions as presented.**

## VII. Legal Counsel Report

Attorney Robinson updated the Board on two pending pension revocation matters; John A. Zambarano and David Paiva. He said he would continue to update the Board as the matters proceed.

## 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 September 9, 2011:

Name	Membership Group	Type	Action
1. Edward Young	State	Accidental	Deny
2. Jennifer Csizmesia	Municipal	Accidental	Deny
3. Louise Pearson	State	Accidental (New Law)	Approve @ 66 2/3%
4. William Kluth	Municipal	Accidental	Approve
5. Lynus Berube, Jr.	State	Accidental	Postponed
6. David Narcavage	State	Ordinary	Postponed
7. Mariapia Lugini	State	Accidental	Deny
8. Michael Maselli	State	Accidental	Deny
9. Roland Trudeau	Municipal	Ordinary	Approve
10. Joseph Duffy	Municipal	Ordinary	Approve
11. Edward Donovan	Teacher	Ordinary	Approve
12. Kathleen Adams	Teacher	Ordinary	Approve

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, September 9, 2011 on item 1.**

John J. Meehan recused himself from the vote on number 1.

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, September 9, 2011 on items 2 through 12.**

Mr. Boudreau queried about expediting some disability cases as he has been contacted by certain constituents waiting on medical evaluations. Ms. Melissa A. Malone, Esq., Assistant Director of Member Services, said she is aware that there are delays and said they are related to an increase in psychological examinations and the lack of available physicians. She said she is and has been attempting to supplement providers to perform the required evaluations.

**Rules and Regulations Subcommittee:** In the absence of Mr. Maguire, Director Karpinski provided the report. He first thanked the members of the committee, Attorney Mark Dingley, John J. Meehan, M. Carl Heintzelman and Thomas A. Mullaney

He said the Rules and Regulations Subcommittee met on Thursday August 4th to continue their review of draft regulations regarding the purchase of service credit and a draft regulation that relates to the Definition of Police and Fire Members of the system under RIGL §45-21.2. The Director said the committee first considered the draft regulation regarding the definitions for Police Official, Police Officer and Firefighter described in Rhode Island General Laws Title 45, Chapter 21.2. The committee had previously discussed the proposed rule but had instructed the Director to obtain and incorporate any applicable comments from interested /affected parties. The Director had informed the committee that such notifications were made and their comments were incorporated. After discussion and review, the committee recommended approval of the draft regulation. Director Karpinski said a final copy of the regulation was included in Board Members books for review.

The Director then said the committee continued their review of a draft set of regulations relating to 14 rules covering the administration of Rhode Island General Laws (RIGL) related to purchase of service credit under titles §36, 16 and 45. These draft rules cover the administration of 26 different types of purchases. There will actually be 15 total rules which will cover all RIGL's. However, the Director said the System is currently litigating one purchase type and will wait until that matter has been settled before bringing the rule to the committee. The committee reviewed previous requested changes to 8 of the purchase rules and requested the Director make various modifications to the remaining 6 rules. Upon completion, the committee will review the changes and make the appropriate recommendation to the full Board.

In conclusion, Director Karpinski said the committee would recommend approval of the proposed draft rule for definitions regarding Rhode Island General Laws Title 45, Chapter 21.2, of Police Official, Police Officer and Firefighter and to authorize the Executive Director to begin the formal promulgation process. On a motion by Roger Boudreau and seconded by Frank R. Benell, Jr., it was unanimously

**VOTED: To accept the recommendation of the Rules and Regulations Subcommittee regarding the proposed draft regulation on the Definition of Police and Fire Members of the system under RIGL §45-21.2 and to authorize the Executive Director to begin the formal promulgation process.**

**Election Subcommittee:** Gary R. Alger chaired the Subcommittee and provided the following report. He first thanked the members of the committee, Attorney Mark Dingley, Jean Rondeau, Frank R. Benell, Jr. and Daniel Beardsley. Chairman Alger said the committee met on August 23rd to discuss the 2012 Retirement Board Elections process which will be conducted during the month of January 2012. He said the election will seat the following members:

- two active state employees (or state employee union representatives) to be elected by the state membership.
- two active teachers (or teacher union representatives) to be elected by the teacher membership.
- one municipal employee (or municipal union representative) elected by the municipal membership.
- two retired members elected by the ERSRI retiree membership.
- All elected members serve four-year terms.

Chairman Alger said the Subcommittee reviewed the Retirement Board election rules and the tentative timeline for the process. The Subcommittee then discussed the counting of ballots, which is performed by the Board of Elections (BOE), and the procedure for delivery of the ballots to the BOE. Chairman Alger said a memorandum with the tentative schedule was provided to Board members. He also told the Board that the Director informed the committee that a newsletter will be mailed to all members this week apprising them of the election. Additionally, the ERSRI website has also been updated with information about the election.

**Audit Subcommittee:** Mark A. Dingley, Esq. said the members should be in possession of the Audit Subcommittee Report and thanked Michael R. Boyce, Louis M. Prata, M. Carl Heintzelman, and Jean Rondeau for the August 25<sup>th</sup> meeting. Attorney Dingley said there was one finding from the auditor general's report this year and 15 management comments. He said the committee was provided with a copy of the 15 items in the *Schedule of Findings and Responses* from the Auditor General dated March 11, 2011 and a schedule of the action plans developed by the System. Attorney Dingley said the system was able to address four of findings by June 30, 2011.

Attorney Dingley then referred the Boards attention to item MC2010-1C which relates to member file completeness. He said reference is made to the original data conversion to the ANCHOR system in 2001. He mentioned that there are 17,000 member records that are not audited by ERSRI staff. He said the Director has narrowed a preliminary list down to 2,000 records for initial review. However, in order to verify all of the records, Attorney Dingley said it could take several years to complete validation given that it takes counselors an average of one hour per account to complete. Attorney Dingley told the Board that at the time when a member may retire, ERSRI may not know the accuracy of service credits and there may be large fluctuations in service which may create unfunded liabilities. As a result of these fluctuations, an estimate of \$10 million can be added to the total unfunded liability on an annual basis.

Director Karpinski said that it should be noted that prior to the development of the ANCHOR system, member service credit was not a data element in the legacy system and was manually calculated using various other data elements. Therefore, the issue is not one of “data” conversion. During development, algorithms were performed to calculate service credits from data available in the legacy systems. In tests of the applicable algorithms, calculation of service credit produced a 95% accuracy level. Since the implementation of ANCHOR, technically trained staff has been working to validate accounts. However, efforts were somewhat compromised with the enactment of pension and healthcare reforms in recent years.

Attorney Dingley told the Board that ERSRI will confer with the actuary (GRS) to see if they can give an actuarial estimate of the inclusion of the additional liability relating to the unaudited records to be added to the valuation and continue to work on the auditing of the remaining records.

Attorney Dingley told the Board that the material weakness cited in the report related to controls in reporting contributions receivable. He said the Director and Assistant Director for Finance provided the committee with an explanation of the reasons for the finding and confirmed a procedure and methodology to prevent the issue from occurring again.

Attorney Dingley concluded the report telling the Board that the Subcommittee also considered an audit procedure to audit employer reporting of contributions. The system recommended the use of the Bureau of Audits to develop an annual audit plan of municipal and teacher employers. The purpose is to ensure that all applicable members and employers are contributing consistent with the statute, and the amounts are accurate. The Director and Assistant Director for Finance have recently met with the Bureau and are in the process of formulating an audit plan. In conclusion, Attorney Dingley said the committee approved the Systems plan for resolution of the schedule of findings from the Auditor General and the proposed use of Bureau of Audits to develop an annual audit plan of municipal and teacher employers.

## **IX. New Business**

*None this month*

## **X. Adjournment**

There being no other business to come before the Board, on a motion by Frank R. Benell, Jr. and seconded by Richard A. Licht the meeting adjourned at 11:06 a.m.

Respectfully submitted,

**Frank J. Karpinski**  
Executive Director