Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, September 11, 2013
9:00 a.m.
2nd Floor Conference Room, 50 Service Avenue

The Monthly Meeting of the Retirement Board was called to order at 9:09 a.m. Wednesday, September 11, 2013, in the 2nd Floor Conference Room, 50 Service Avenue, Warwick, RI.

I. Roll Call of Members

Before the September 2013 Board meeting commenced, Treasurer Raimondo asked for a moment of silence in observance of those who lost their lives on September 11, 2001.

The following members were present at roll call: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell 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.

Mr. Louis M. Prata arrived at 9:45 a.m.

II. Approval of Minutes

On a motion by John P. Maguire and seconded by Frank R. Benell, Jr., it was unanimously

VOTED: To approve the draft minutes and executive session minutes of the July 10, 2013 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.

III. Chairperson's Report

The Treasurer first asked Chief Investment Officer Anne-Marie Fink to provide the Board with the quarterly update on performance and answer any questions the Board may have. Ms. Fink reviewed the portfolio's performance for the last month. She said the portfolio is up 11.1% fiscal year to date compared to 11.3% for the total plan benchmark and compared to the 9.6% return for a 60% equity/40% bonds portfolio. She said the outperformance vs. 60/40 means asset allocation has paid off and risk is also lower. She noted that since the hedge funds were added 20 months ago, return is higher and risk is lower compared to the 60/40 plan. She said ERSRI's risk is 6% versus 7.2% of the 60/40 approach.

She mentioned stocks fell about 2.9% and bonds fell 1.6% having the worry of the Fed hurting all markets. Hedge funds were down collectively 9/10 of a percent in June 2013

where they outperformed both the bond and equities markets. July 2013 recouped 2.7% with risk falling slightly under 8% having a very strong market.

Mr. Alger wanted to confirm with Ms. Fink her attribution of reduction of risk was due to the hedge funds, and she agreed along with attributing to bank loans, and Global Inflation Linked Bonds (aka TIPS).

Treasurer Raimondo noted Ms. Fink and her staff had a meeting with Mr. Boudreau to review more detail on investments. Mr. Boudreau said both the active and retirees should have an understanding of how the SIC's decisions affect members of the System. He thought the COMPASS Newsletter may be a good source of information to simplify such information to members.

IV. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of the August and September Disability Subcommittee Reports, the Pension Application Report, a Budget Presentation for Fiscal Year 2015, a TIAA-CREF booklet with a letter from Director Karpinski regarding the DC Plan and fees applicable to the plan, a booklet from Cheiron regarding the actual audit report (Director Karpinski noted that an electronic copy had been provided to the Board as well) and an article from the Wall Street Journal entitled "Hedge Funds Cut Back on Fees".

Director Karpinski provided the Board with an update on the municipal audit noting that it is still ongoing. He said 10 cities and towns, who may have 4 or 5 plans each, have been completed and there does not appear to be any significant issues at this point. The Director said an update will be provided to the Board in the near future by the auditors.

The Director noted that the work with the IT contractor, Morneau Shepell (MS), is moving smoothly. He noted that MS has been on-site at the ERSRI office working on the development of the requirements traceability matrix i.e. basically taking the RFP and condensing it into a tracking spreadsheet. MS will shortly be on-site having a workshop to build the implementation strategy as well as the business process. The Director noted that Target date to bring up the payroll system is July of 2014 and the remainder of the system in November 2015 which would generally include the website and the active membership.

The Director told the Board that the Board planning session meeting he is proposing will be October 21, 2013 at 1 p.m. and asked to get a response by those who have not already responded to an on-line scheduler.

Director Karpinski then said that the Rules and Regulations Subcommittee met on August 28, 2013, to consider a proposal for the SRA Plus Option and a one-time modification adjustment. He noted that a draft regulation is included in the Board book. He said John P. Maguire, chair of the Rules and Regulations Subcommittee, will update the Board and if the Board is in agreement, a motion would be required to promulgate the draft rule.

Director Karpinski apprised the Board that the "Report of Contributions" delinquency reports are included in the Board book and noted that Town of Foster, Foster Police, City of Newport and Cumberland Fire District have made contributions and they are current. The Union Fire District will be contacted with an official letter requesting immediate receipt of contributions.

Mr. Boudreau noted that he received an inquiry regarding post retirement employment and the combining of employment, e.g., a public school teaching and a higher education adjunct professor and noted potential negative impact on a members retirement benefit. Director Karpinski noted that the policy regarding "mixing and matching" of post-retirement employment has been extensively disclosed in mailings and COMPASS Newsletters as well as, numerous presentations by staff. He noted that very recently, he and Attorney Mambro-Martin delivered a presentation to employers specific to post-retirement employment which included the mix and match policy. Regardless, Mr. Boudreau felt that it would be prudent to officially codify the policy and asked that the matter be placed on the Rules and Regulations subcommittee agenda. Director Karpinski agreed.

Update on the Defined Contribution Plan as of June 30, 2013 by TIAA-CREF

Director Karpinski introduced Messer's Darren Lopes, Senior Relationship Manager, Institutional Relationships, and Laurence Brown, Director, Investment Product and Strategy, of TIAA-CREF. Mr. Lopes discussed the communications letter provided informing participants that the $8 administration fee (paid quarterly) that the State paid in the initial year will now be paid by the plan participant along with a $2 quarterly state fee for administrative expenses. Thus he noted the $10 fee will be assessed for 4 quarters for a total of a $40 annual fee to the participant. He also mentioned that 93% of the assets are in the Target Date Vanguard Retirement funds and the SIC recently voted to move the Vanguard Target Date series, the investment vehicle used by the majority of participants, into a commingled trust. He said this change will benefit participants with lower expenses for this series, while keeping the same investment strategy. Mr. Brown said the fees will eventually decrease from 18 basis points to 5-6 points less. Reflection of this decrease will be in the 4th quarter.

Treasurer Raimondo wanted to give recognition to Mark Rhoads, of the Treasury Investment Staff, who has shown much dedication and hard work in the timely communication that changes are made working with TIAA-CREF.

Mr. Lopes then discussed the plan's 15-month statistics, as of June 2013. He noted that there were about $122 million of assets as of the quarter ending June 2013 and said that roughly $10 million in contributions are received from both employer and employee on a monthly basis; the 14-month totals mark about $144 million. He apprised the Board that of the $122 million of contributions invested, only $9 million are invested outside of the Lifecycle Target Date Funds. Mr. Lopes also told the Board that 60% of participants are between mid-career and retirement age.

Mr. Lopes discussed participant investment counseling performed to date and welcomed the opportunity to reach out to more participants. He noted that TIAA-CREF's representatives have met with plan administrators to ensure they are fully educated on the plans.

Mr. Brown then summarized the quarterly investment report distributed to the Board. He echoed many of CIO Fink's comments about the market and highlighted the performance, plan fee information and returns on the family of funds managed by TIAA-CREF. Treasurer Raimondo then thanked Messer's Darren Lopes and Laurence Brown for their presentation.

Presentation of the Actuarial Audit as of June 30, 2012 by Cheiron

Director Karpinski began the next item on the agenda and introduced Cheiron, the firm who performed the actuarial audit. He introduced Mr. Kevin Woodrich, Ms. Elizabeth Wiley, and Ms. Fiona Listen to deliver the results of the audit. He noted that Mr. Joseph Newton of Gabriel, Roeder, Smith and Company (GRS), ERSRI's actuarial consultant, was also present.

The Director reiterated that the policy of the Board is that an actuarial audit be performed, consistent with the industry standard, every 5 to 8 years. Director Karpinski said the study is timely in the 8-year window and any recommendations from the report, approved by the Board, will be applied to the FY 2013 valuation and upcoming experience study which is scheduled to be presented in the first quarter of 2014. The Director said the scope of the audit was to replicate the 2012 valuation and opine on whether the methods, considerations and actuarial assumptions are within the actuarial standards of practice. He also reminded the Board that only the ERS and MERS plans were done.

Ms. Listen provided the Board with the Actuarial audit steps performed. She said Cheiron first reviewed census data used in valuations to replicate liabilities and contributions by independently programming their valuation system and applying the System's actuarial methods. They then review reports for completeness and compliance with Actuarial Standards of Practice. They review the experience studies and consider the reasonableness of actuarial assumptions. Lastly, she said they review and assess appropriateness of methods employed in the valuation. Mr. Woodrich then provided the Board with the audits primary conclusions. He first apprised the Board that GRS's June 30, 2012 valuation results can be relied upon as Cheiron's replication of GRS's results were within acceptable tolerance levels. Mr. Woodrich said that Cheiron's results were within 0.5% of replicating ERS liabilities (State Employees and Teachers) but noted that there were larger differences with some individual MERS units. He said that Cheiron finds GRS's actuarial methods to be reasonable. He did note that there were various technical issues identified by Cheiron, but none materially affect the valuation results.

Mr. Woodrich told the Board that Cheiron observed some assumptions/items were omitted from the valuation report. He noted that using stated assumptions in GRS's valuations, Cheiron's calculated liabilities would have been materially different. He recommends adding such assumptions to satisfy Actuarial Standards of Practice (ASOP) requirements and also recommend including projections and stress testing be included in their report.

Mr. Woodrich then provided the Board with an audit summary. He apprised the Board that for State Employees, the total liabilities were within 0.5% and Cheiron's FYE 2015 contribution rate was 23.53% compared to 23.33% for GRS. For Teachers, total liabilities were also within 0.5% and Cheiron's FYE 2015 contribution rate was 22.61% compared to 22.60% for GRS. Mr. Woodrich noted that Cheiron's active liabilities by decrement vary from GRS which can be due to different valuation systems and or differences in decrement timing.

For the MERS plan, Mr. Woodrich apprised the Board that General Employee's liabilities were within 2.4% and Police and Fire were within 1.6%. He said that there was more variability in contribution rate results for individual units which he noted was partly expected due to effect of leverage and provided the Board with the following example of how a change in UAL can result in larger variability:

Liabilities	$102,400,000	$100,000,000	2.4%
Assets	80,000,000	80,000,000	0.0%
UAL	22,400,000	20,000,000	12.0%

He said the FY 2015 contribution rate was more than 10% different (relative) in 27 of the 68 General units and 8 of the 45 Police and Fire units.

Mr. Woodrich then provided a discussion of the experience study audit results. He noted that the experience studies performed by GRS and the resulting assumptions adopted by the Board conform to the applicable ASOPs. He apprised the Board the assumptions suggested by GRS and adopted by the Board are reasonable. Cheiron noted some items that should be considered in future studies. Namely, Cheiron recommended that demographic assumptions be refined to be more reflective of benefit provisions under RIRSA and recommended the Board consider lowering the discount rate further given GRS's long-term investment return expectations.

Ms. Wiley then reviewed the detailed valuation replication results with the Board. She discussed the counts and present value of future benefits for the ERS and MERS plans.

Ms. Liston and Mr. Woodrich concluded the presentation with some detailed comments on the experience study. They noted that the current 7.5% investment assumption is reasonable, but the Board may consider lowering it further. They said GRS's experience Study indicated a 60% chance that the System would not meet the 7.5% annual return over 20-year period and the trend of lower discount rates in the public sector. Mr. Woodrich noted the consideration should reflect the Board's risk preference.

They noted that GRS's "building block" approach to develop the investment rate of return is reasonable and allowed under ASOP 27. The current assumption is to deduct 0.40% from the investment return assumption for investment and administrative expenses. Average expenses were 0.43% during the study period however they were 0.35% in last year of study period.

Ms. Liston said the current inflation assumption is 2.75% which is on the low end to peers and the trend recently toward lower inflation rates. Regarding general wage growth, Mr. Woodrich said the current assumption is 2.75% for inflation, plus 1.25% (1.50% for MERS Police and Fire) as a real across-the board increase. He said the assumption was reasonable based on history, but given the continued pressures on government costs, the board may be justified in lowering it.

Regarding the COLA assumption, Mr. Woodrich said ERS assumes a 2% annual COLA in 2018, 2023, 2028, and thereafter. For the MERS plan, a 2% annual COLA is assumed for all units regardless of whether unit is eligible (i.e. greater than 80% funded). He said the approach is not unreasonable, but it is inconsistent with ERS, and will result in additional COLAs being paid. He said the reasoning should be properly disclosed in the report and Board should have opportunity to provide input.

Ms. Wiley discussed the mortality assumption and said the tables are reasonable based on the experience study results. ASOP No. 35 requires actuary to identify underlying mortality as well as a provision for future mortality improvement. She noted no improvement built into mortality for pre-retirement mortality or disabled mortality. She also said GRS currently assumes mortality for MERS Police and Fire to be same as State ERS. She recommended GRS consider looking into actual experience. She noted no significant issues on withdrawal or disability assumptions.

Regarding the actuarial asset method, Ms. Liston said it adjusts market value by spreading asset gains and losses over five years but with an offsetting of unrecognized gains and losses. She noted that the five-year smoothing period is common in public plans and is an appropriate method. She said the actuarial cost method known as Entry Age Normal (EAN) is reasonable and is by far the most prevalent method used in the public sector. However, she recommends explicitly valuing deferred vested liabilities as opposed to using a load on member account balances.

Lastly, Mr. Woodrich discussed the current amortization method. He said the UAL as of June 30, 2012 is amortized over a closed 23 years; future gains or losses established on or after June 30, 2015 will be amortized over 20 years with level percent of pay, with payments growing at 3.75% per year. He said more details are needed in the report regarding what happens in 2015 and after. He noted that the funding method does not appear to be passing experience of the past onto future generations.

At the conclusion of Cheiron's actuarial audit of GRS, Treasurer Raimondo thanked the represented actuaries for their presentation as well as Director Karpinski for all of his hard work and implementation in working with Cheiron.

Mr. Joseph P. Newton of GRS provided the Board with his comments regarding the audit. He said GRS was naturally quite pleased with the results of Cheiron's findings. He noted that as stated in the Executive Summary of their report, Cheiron reached the following conclusions about GRS's work:

1. *The Board may rely on the results found in the June 30, 2012 actuarial reports for both ERS and MERS. Our liability replication for both ERS and MERS were within acceptable tolerance levels.*
2. *The valuation results have been based on reasonable actuarial methods.*
3. *The experience studies performed by GRS and the resulting assumptions adopted by the Board conform to the applicable ASOPs.*

Mr. Newton said it was gratifying to have GRS's work confirmed by an independent actuary, and this should increase the Board's understanding and increase its comfort in relying upon GRS's work, analysis and reports.

He noted that the audit report did raise some minor issues about GRS's work. He referred to his letter which was provided to the Board and noted for illustrative purposes, GRS revalued the June 30, 2012 valuations with the changes noted by Cheiron. Mr. Newton provided following impact on the liabilities and contribution rates to the Board:

Unfunded Accrued Liability (UAAL)				FY2015 Contribution Rate		
	Valuation	With Changes	Impact	Valuation	With Changes	Impact
State Employees	$4,297	$4,305	$8	23.33%	23.41%	0.08%
Teachers	6,373	6,390	17	22.60%	22.71%	0.11%
General MERS	1,024	1,024	0	12.63%	12.55%	-0.08%
P&F MERS	477	478	1	17.26%	17.33%	0.07%

*in millions

Mr. Newton concluded his comments and said GRS is pleased with the outcome of the audit, and believes the Retirement Board should take great comfort in these results.

Lastly, Mr. Newton apprised the Board as noted on page 2 of the August 26, 2013 letter sent to Director Karpinski from GRS that he will incorporate the numbers illustrating

the impact on the liabilities and contribution rates in the next valuation relative to the unfunded accrued liability (UAAL) and FY2015 contribution rate.

Treasurer Raimondo commended Mr. Newton for the results of his efforts as the actuary for the Employees' Retirement System of Rhode Island which was approved and validated by the actuarial auditor, Cheiron. On a motion by John P. Maguire and seconded by William B. Finelli, it was unanimously

VOTED: To accept the Actuarial Audit as presented by Cheiron as of the June 30, 2012 valuations for ERS and MERS.

Treasurer Raimondo then asked the Board if they would be in acceptance of altering the order of the agenda to advance the administrative hearings.

On a motion by William B. Finelli and seconded by Roger P. Boudreau, it was unanimously

VOTED: To move the two administrative disability appeals ahead of the presentation, discussion and potential acceptance of the fiscal year 2015 proposed budget

V. Administrative Decisions

Disability Appeal – Benita Fernandez vs. ERSRI

Included in the board books, under separate cover, were 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 *Benita Fernandez vs. ERSRI*. Attorney Robinson asked if consistent with Regulation Number 9, *Rules pertaining to the application to receive an Ordinary or Accidental Disability Pension*, there were any written briefs, legal memoranda, or exceptions to the conclusions and recommendation 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 all the information that was received relative to the case from the Disability Subcommittee was included in the Board members' books. Attorney Robinson 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 in support of the application.

Mr. Rondeau observed information in the Board packet that was noted as being recently received medical records from a Dr. Santos. Attorney Robinson apprised the Board that according to the Board's regulations, no additional documentation will be accepted for a hearing before the full Board with the exception of legal memoranda. Attorney Robinson told the Board that the information which Mr. Rondeau noted did not appear to have been presented to the Disability Subcommittee, and Attorney Testa agreed.

A motion was made by Jean Rondeau and seconded by Roger P. Boudreau to remand the matter back to the Disability Subcommittee for consideration of the new information. A roll call was taken, the following members voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

There being 14 votes cast, 14 voted in the affirmative, consistent with Rhode Island 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

VOTED: To remand the matter of *Benita Fernandez vs. ERSRI* back to the Disability Subcommittee for consideration of the new medical documentation provided by the applicant.

Disability Appeal – Carlo M. Gentile vs. ERSRI

Included in the board books, under separate cover, were 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 *Carlo M. Gentile vs. ERSRI*. Attorney Robinson asked if consistent with Regulation Number 9, *Rules pertaining to the application to receive an Ordinary or Accidental Disability Pension*, there were any written briefs, legal memoranda, or exceptions to the conclusions and recommendation 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 everything had been included in the Board book.

Attorney Robinson 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. Consistent with the Board's long standing policy and regulations, 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. Attorney Robinson apprised the Board that Mr. Gentile was being represented by Attorney Timothy J. Dodd. Attorney Robinson then provided a synopsis of the *Carlo M. Gentile vs. ERSRI* matter. There being a stenographer present, the parties presented their cases. At the conclusion of the hearing, a motion was made by Daniel L. Beardsley and seconded by Jean Rondeau to affirm the decision of the Disability Subcommittee to deny Mr. Gentile's application for accidental disability benefits. A roll call was taken. The following members voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

There being 14 votes cast, 14 voted in the affirmative, consistent with Rhode Island 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

VOTED: To affirm the decision of the Disability Subcommittee in the matter of *Carlo M. Gentile vs. ERSRI* denying his application for accidental disability benefits.

Presentation, discussion and potential acceptance of Fiscal Year 2015 Proposed Budget

Director Karpinski introduced Mr. Zachary Saul, Director of Finance, to provide the Board with a presentation on the fiscal 2015 proposed budget for ERSRI. Mr. Saul told the Board that consistent with Regulation 1 (A) 5 (10) Board Authority and Duties, the Board must approve a yearly budget. He said the approved Budget is part of the overall Treasury budget submitted to the General Assembly for ultimate approval. He also pointed out that since the Retirement System is a restricted receipt account, RIGL §36-8-10.1 defines states how the State's budget cap is calculated. Mr. Saul then highlighted some primary budget changes for the Board. He noted ERSRI will be migrating off of the existing line of business system (i.e., ANCHOR) and moving into the Ariel System from Morneau Shepell. He told the Board that by fiscal 2015 there will be components of the system up and running for payroll and accounting where there will be implementation costs incurred as well as increased service level agreements. He also noted the increase in legal fees. Mr. Saul said the legal services contingency is related to pension reform and potential litigation.

Mr. Saul then discussed actuarial expenses. He said RIGL §36-10-39 provides the general assembly the authority to request studies of the ERSRI's actuaries at the expense of the System. He also noted cost associated with new accounting standard GASB 68 and its effective date with fiscal years beginning after 6/15/2014.

Mr. Saul then discussed in the *Personnel Costs* relative to the FY 2015 budget and noted the subtotal salaries and wages of $2,877,020 plus subtotal fringe benefits of $1,758,848, totaling salary and benefits to $4,635,868. Mr. Saul mentioned the breakdown of the *Fiscal year 2015 Personnel Supplement* which includes administrative and investment staff in the FTE count. He said the total head count is 44.5, but noted the actual retirement program has 32.7 FTE's. Mr. Saul said that included in the total count are 11.8 FTE's that break down into two more components, the investment division accounts for 8.6 FTE's and there are 4 FTE's within Treasury e.g. Human Resources, Management, Information Technology, Operations (Accounts Payable, Bank Reconciliation), Communications and Legal Services. Mr. Saul noted a reimbursement of 0.8 FTE to ERSRI for the DC plan. Mr. Boyce asked how the proposed FTE count compares to what ERSRI has currently. Mr. Saul affirmed that currently it is roughly the same noting that the total FTE count will be reduced from fiscal 14 to fiscal 15 stating that one FTE was an accounting position and one was in the operational groups.

Mr. Mullaney asked if the FY 2014 is the enacted numbers and Mr. Saul said the FY 2014 is the enacted number. Mr. Boyce sought confirmation regarding 23 position titles and asked are they all the same from prior years or have there been any changes in the title itself, Mr. Saul said they are all the same with no changes.

Mr. Saul discussed the *Purchased Services* noting the disability determination of $190,000 budgeted for FY 2015. He said the number is higher than in past years as it is difficult to estimate the number of disabilities that may occur in a given year as well as the estimated expenses of the investigative services firm recently hired.

Mr. Saul then discussed the increase in auditing. As noted by Director Karpinski, the municipal review is still ongoing. He reiterated in FY 2014 the auditors have reached out to 10 communities and in FY 2015 they will continue reviewing additional communities resulting in a cost increase.

Mr. Saul noted the IT System Support/General Services appropriation; he said the majority of the $3,601,314 is the service level agreement with Morneau Shepell. There will also be a continued cost that ERSRI will continue to pay to HP (i.e. the existing Anchor system) until moving over to the new system. He also noted an additional project cost for project management by LRWL, Inc., that will continue into FY 2015.

Mr. Saul noted the computer licensing fee of $40,000 which is an estimate Director Karpinski included to develop the capability of providing the Board members with electronic copies of the monthly board books.

Mr. Beardsley asked about the investigative services and asked if ERSRI has anyone on staff who assumes responsibility of reporting to the Disability Subcommittee such investigations as ERSRI previously had on staff. Treasurer Raimondo said it is Andrew Marcaccio, Esq.

Mr. Saul discussed operating costs where the largest item is postage. He said the number includes 4 newsletters being sent to 65,000 members; 28,000 1099R's to retirees; 7,000 direct deposit remittances per month; 2,000 hard copy checks and general correspondence.

Ms. Newell questioned the increase of $16,000 in dues and fees from $22,000 to $38,000. Mr. Saul said in FY 2015 there are two new subscriptions that ERSRI has a membership with, the Council of Institutional Investors which is approximately $9,000 and the remainder is the National Association of State Auditors, Comptrollers, and Treasurers.

Mr. Saul said the printing from outside vendors comes from the 4 -5 newsletters (typically 4-paged colored piece) of $43,000. He noted the travel account is consistent with prior years.

Mr. Saul said occupancy costs have increased as ERSRI is looking to procure the services of Capitol Police to maintain and secure the property at 50 Service Ave. He said discussion has transpired with DOA and Department of Information technology to have a security guard in place sometime in 2014. He said the cost of being in the new location in Warwick has incrementally increased but still not as costly as the cost on Fountain Street in Providence.

Mr. Alger questioned the *employer cost of employee medical insurance* and why it was increasing from FY 2013(actual) of $409,456 to FY 2014(budget) of $556,499. Mr. Saul explained that during the fiscal year, 2 vacancies were filled and 2 new FTE's were being budgeted.

In conclusion, Mr. Saul said the large increase under operating costs for insurance is for ERSRI to procure cyber security insurance coverage.

The being no further questions, on a motion by Gary R. Alger, Esq., and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the Fiscal 2015 Budget of the Employees' Retirement System of Rhode Island as presented.

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

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

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

VII. Legal Counsel Report

Attorney Robinson suggested that the Board consider convening in Executive Session to discuss the pending litigation matter involving *Glen Matteson vs. ERSRI*.

Consistent with Rhode Island General Laws section §42-46-5 (a)(2) regarding pending or potential litigation involving the Retirement System, a motion was made by John P. Maguire and seconded by William B. Finelli to convene the Board in Executive Session. A roll call vote was taken to enter into Executive Session, the following members were present and voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Frank R. Benell, Jr.; Roger P. Boudreau; Michael R. Boyce; M. Carl Heintzelman; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata 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 pending or potential litigation involving the matter of *Glen Matteson vs. ERSRI*.

[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 votes had been taken in executive session:

Board Counsel Robinson said there were two unanimous votes taken by the Board while in executive session. The first was regarding the matter of *Glen Matteson vs. ERSRI* in which the Board authorized the Board Counsel to proceed with a proposed resolution of the matter involving a waiver of any entitlement to benefits on the part of Mr. Matteson, his spouse, and any dependents in exchange for a return of contributions less any sums due and owing pursuant to the applicable pension revocation statutes, and subject to judicial approval. The Board also took a unanimous vote to exit executive session and reconvene in open session.

A motion was made by Roger P. Boudreau and seconded by William B. Finelli and it was unanimously

VOTED: To authorize Board Counsel Michael P Robinson, Esq. to proceed with a proposed resolution of the matter of *Glen Matteson v. ERSRI* involving a waiver of any entitlement to benefits on the part of Mr. Matteson, his spouse, and any dependents in exchange for a return of contributions less any sums due and owing pursuant to the applicable pension revocation statutes, and subject to judicial approval.

Lastly, on a motion made by Jean Rondeau and seconded by M. Carl Heintzelman, to exit executive session and return to open session, it was unanimously

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

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 August 9, 2013:

	Name	Membership Group	Type	Action
1.	Albert Delmastro, Jr.	State	Accidental	Deny
2.	Lynn Hazard	Municipal	Accidental	Approve
3.	Henry Jacques	State	Accidental	Approve
4.	Lynus Berube, Jr.	State	Accidental	Approve
5.	David Narcavage	State	Ordinary	Approve
6.	Gregg Marnane	State	Ordinary	Approve
7.	Ronald Broady	State	Ordinary	Postpone
8.	Susan Hamilton	State	Ordinary	Postpone
9.	David Silva	State	Ordinary	Approve
10.	Candace Mendes	Teacher	Ordinary	Approve
11.	Dennis Jones	State	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, August 9, 2013 on items 3, 4, 7, 8 and 11.

Claire Newell recused herself from the vote on numbers 3, 4, 7, 8 and 11.

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, August 9, 2013 on item 4.

John P. Maguire recused himself from the vote on numbers 4.

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, August 9, 2013 on item 9.

John J. Meehan recused himself from the vote on number 9.

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, August 9, 2013 on item 10.

John P. Maguire recused himself from the vote on number 10.

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, August 9, 2013 on items 1, 2, 5 and 6.

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on September 6, 2013:

	Name	Membership Group	Type	Action
1.	Stephen Campbell, Sr.	Municipal	Accidental	Approve
2.	David Palumbo	State	Accidental	Postpone
3.	Philip DeBeaulieu	State	Accidental	Postpone
4.	Jennifer Lambert	Teacher	Ordinary	Deny
5.	David Collins	State	Ordinary	Approve
6.	Nicholas Guilmette	Municipal	Accidental	Pending(new application and need to see 3 IME'S)
7.	Alan Purtee	State	Accidental	Postpone
8.	Kimberly Rawson	State	Accidental	Postpone
9.	Carolyn Gallant	Municipal	Ordinary	Approve
10.	Martha Whitaker	Teacher	Ordinary	Approve
11.	Rossy Ayala	Teacher	Ordinary	Approve
12.	Joann Fandetti	State	Ordinary	Postpone

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 6, 2013 on items 2 and 12.

Claire Newell recused herself from the vote on numbers 2 and 12.

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 6, 2013 on items 4, 10 and 11.

John P. Maguire recused himself from the vote on numbers 4, 10 and 11.

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 6, 2013 on item 5.

John J. Meehan recused himself from the vote on number 5.

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 6, 2013 on items 1, 3, 6, 7, 8 and 9.

Rules and Regulations Subcommittee:

Chairman John P. Maguire said the Rules and Regulations Subcommittee met on Wednesday August 28th to consider a proposal which would allow current retirees, less than age 62 and receiving SRA Plus Option (A.K.A the Social Security Option), a one-time option to modify the optional form of payment. He said the members of the committee present were Melissa Malone, Carl Heintzelman, John Meehan and Thomas Mullaney. The SRA Plus Option provides for payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The benefits payable before and after the attainment of age 62 are actuarially determined to be equivalent to the lifetime service retirement allowance.

He said the committee reviewed a presentation prepared by the system actuary Gabriel, Roeder, Smith and Company (GRS) which discussed the logistics of the one-time option and a letter from GRS noting that there would be no impact to the system if the proposed adjustment were to be approved by the full Board. Under the proposed adjustment, the retiree would realize a smaller reduction than currently anticipated, but the reduction would occur sooner. He said Retirees, before the attainment of age 62, who select this adjustment, will have their current benefit adjusted during calendar year 2014 (January 1, 2014 to December 31, 2014).

On a motion by Roger P. Boudreau and seconded by Frank R. Benell, Jr., it was unanimously

VOTED: To accept the recommendation of the Rules and Regulations Subcommittee and promulgate the proposed regulation regarding the adjustment to the SRA Plus option and to authorize the Executive Director to begin the formal promulgation process.

Mr. Boudreau thanked the members of the Legislative Subcommittee and members of the Rules and Regulations Subcommittee. He stressed that it is important that a choice is available to affected members. Treasurer Raimondo agreed stating this change impacts roughly 1,500 people.

IX. Adjournment

There being no other business to come before the Board, on a motion by John J. Meehan and seconded by Thomas A. Mullaney, the meeting adjourned at 12:17 p.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director