



**Employees' Retirement Board of Rhode Island**  
**Monthly Meeting Minutes**  
**Wednesday, June 10, 2015**  
**9:00 a.m.**  
**2<sup>nd</sup> Floor Conference Room, 50 Service Avenue**

The Monthly Meeting of the Retirement Board was called to order at 9:03 a.m. Wednesday, June 10, 2015, in the 2<sup>nd</sup> Floor Conference Room, 50 Service Avenue, Warwick, RI.

**I. Roll Call of Members**

The following members were present at roll call: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Michael R. Boyce; Mark A. Carruolo; Michael A. Sligar, Esq., designee for Michael DiBiase; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

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

Recognizing a quorum, Chairman Magaziner called the meeting to order.

Roger P. Boudreau arrived at 9:22 a.m.

**II. Approval of Minutes**

On a motion by Jean Rondeau and seconded by William B. Finelli, it was unanimously

**VOTED: To approve the draft minutes of the May 13, 2015 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.**

**III. Chairperson's Report**

Treasurer Magaziner reported that Frank R. Benell, Jr.'s term, after serving as an 8-year member of the State Retirement Board, has now expired. The Treasurer said after a discussion with Mr. Benell, it was decided that he should now take time off and enjoy his retirement. Treasurer Magaziner said he has nominated Ms. Marianne Monte and is hopeful that she will be confirmed by the Senate as his appointee. Ms. Monte is expected to be present at the July 2015 Board meeting.

Treasurer Magaziner asked Attorney Jeff Padwa for an update of the pension reform litigation. Attorney Padwa said that yesterday Judge Taft-Carter issued a 65-page ruling finding that the settlement is fair, reasonable and adequate, stressing that ERSRI was expedient in distributing the notice. He said the Judge has approved the form of the final judgment and will enter it if the General Assembly enacts the legislation and it is signed by the Governor. Attorney Padwa said there is still pending litigation relative to Municipal Police and Cranston Fire. He said there was a status conference with the Judge on Monday and another status conference is scheduled for July 29, 2015. Attorney Padwa said the pending litigation will probably be affected by the legislation.

Mr. Alger asked Attorney Padwa how the Municipal Police and Cranston Fire, who are continuing the suit, are affected given the pending legislation. Attorney Padwa said it appears that the General Assembly will be passing legislation that will extend the changes to include Municipal Police. Treasurer Magaziner said the House released its budget late last evening and it included language to include the Municipal Police. Attorney Padwa noted that the outstanding litigation of the Municipal Police and Cranston Fire will be impacted by the legislation although exactly how is not clear at this time.

Treasurer Magaziner announced to the Board a state of the art transparency portal, which the Treasurer referred to as "Transparency version 1.0". He said that this is the beginning of a long standing implementation which he sees growing in the future. The Treasurer said a main concentration of the disclosure is with reference to investments and how the pension system invests the funds. Treasurer Magaziner said effective June 1, 2015; potential new fund managers would be required to agree prior to making presentations to the State Investment Commission to allow Treasury to publish their performance, fees and expenses. He noted that we are contacting existing managers, and asking them to voluntarily comply with this new requirement, which is strongly recommended.

Treasurer Magaziner said a second important factor on transparency is contracts for vendors with which the Treasury does business. The Treasurer said his new policy provides transparency around contracting and there will be a public score card system used when evaluating responses to RFP's ultimately disclosing the results online once the contract is awarded.

The Treasurer said he will post more details about state investments, open meetings and other subjects on the State Treasury web site, and will use a coordinator to implement transparent approaches throughout all departments. He said his office is making public the total spending on previously undisclosed fees charged by investment managers of state pensions, and will break down the cost by individual companies later this year.

Treasurer Magaziner told the Board that this has never been done before in Rhode Island, and he believed it is not being in any other state nationally. He said the cost of the initiative is estimated at about \$1,000 a year, due to the cost of software.

Treasurer Magaziner then introduced Deputy Treasurer and Director of Administration Patrick Marr, to provide a demonstration of the portal. Mr. Marr said the main reason for building such a site was the concern of previous efforts to communicate performance of the State's \$8 billion pension investments and other various investments which now would be in full accessible disclosure. Mr. Marr said information is now accessible for downloading, including more in-depth financial data such as cash flows on a month-to-month basis or NAV over time.

Mr. Marr demonstrated the asset allocation data (target asset allocation vs. actual asset allocation). He said the portal has an asset class directory for the general public to easily understand. Mr. Marr said a performance tab shows the one, five and ten-year returns of the fund, also displaying the 7.5% target rate of return set for the fund. Mr. Marr said the chart is going to be expanded to retrieve historical performance back to 1983.

Mr. Marr noted an Investment Manager Directory is broken out by asset class, and shows the managers' investment approach, how much money is invested with them, what their role in the portfolio is and a brief description of the manager.

Mr. Marr then told the Board that there are 77 data sets compiling information which may be requested whether through Access to Public Records Requests (APRA) or the media. Additionally, Mr. Marr discussed an RFP calendar tab on the portal which would provide estimated issue dates of every RFP.

Treasurer Magaziner stressed there was much time, effort and work placed on this "Transparency 1.0" project by Patrick Marr, Kerri Baker, Jeffrey Padwa, Andrew Roos, Anne-Marie Fink and others and that he is extremely proud of its accomplishments thus far and its imminent growth.

Treasurer Magaziner then discussed an open records request he received and said that he welcomes debate and discussion on how Treasury does its investing, and that discussion provides an opportunity for Treasury to benefit from outside comments/ideas. However, the Treasurer said he was a bit dismayed by the recent article by Mr. Ted Siedle, due to many of the facts and figures being incorrect. He said he welcomes opinions; however, they should be based off of accurate facts and not based on erroneous statements. A memo on this issue was distributed to the Board members. Chief of Staff Andrew Roos said that Mr. Siedle's comment that he was denied an APRA request was categorically false. Mr. Roos said information was provided to Mr. Seidle, with many hours dedicated to responding to the request.

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

Director Karpinski apprised the Board that they were in possession of the Pension Application Report and the Disability Subcommittee Report.

Director Karpinski expressed his thanks and appreciation to those Board members who were present at the annual fiduciary training and continuing education session at the University of Rhode Island. The Director welcomed any feedback as to enhancing the event for next year's educational training.

Director Karpinski said the original request for information for a Board governance review was converted to an RFP and posted on Monday, June 15, 2015 to the public. The RFP will be published in both this Friday's edition of the Providence Journal and the June 15<sup>th</sup> edition of Pensions & Investment Magazine as well as online. The Director said he will bring the proposals to the Board in September 2015 for consideration.

Director Karpinski apprised the Board on preparations being made to implement the pension settlement. He said information has been provided to all member cities and towns. He said they received three sheets; namely 10-15, 15 to 20 and 20 plus years of service credit, so employers could help ensure that their members are in the correct categories for appropriate benefits. Director Karpinski said that he and Mr. Saul went to the Rhode Island Association of School Business Officials (RIASBO) meeting to work with them on implementation plans.

Director Karpinski updated the Board on the "*Report of Contributions*" delinquency report in the Board book. He noted that the Town of Scituate, Town of Lincoln, Lincoln Rescue and Newport Housing Authority are now all current. He noted the ongoing matter of the Central Coventry Fire District is still pending. The remaining outstanding employers will be addressed using the normal collection of funds procedure if payment of contributions is not received today.

Mr. Boudreau asked Director Karpinski about the question last month from Mr. Maguire regarding litigation expenses and budget line overage and what the State's responsibility is. Director Karpinski said he was working with the Budget office to

obtain that information and said he would have the information before the next Board meeting.

Ms. Newell asked about the effective date for the pension settlement. Both Treasurer Magaziner and Attorney Padwa said it was July 1, 2015. Ms. Newell then asked about those members in the 20 plus years of service category. She inquired about whether they could roll over their funds into another qualified plan. Director Karpinski stressed that the statute is clear that the money may not be withdrawn until they retire or separate from service. Treasurer Magaziner assured Ms. Newell there will be a response for this matter soon.

## V. Administrative Decisions

### Administrative Appeal – Susan R. Lapisky vs. ERSRI

Included in Board Members' Books was the Hearing Officer's written decision, along with exhibits and supporting information in the matter of *Susan R. Lapisky vs. ERSRI*. Attorney Robinson 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 everything received by ERSRI is included in the packet.

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, he apprised the appellant's attorney that this is not an opportunity to present new factual material to the Board, and that pursuant to ERSRI's regulations and Rhode Island case law, the Board owes deference to the Hearing Officer on factual determinations and questions of credibility, and cannot overturn the Hearing Officer on determinations of fact or credibility unless such determinations are found to be clearly wrong.

There being a stenographer present, Attorney Robinson then provided a synopsis of the matter. Attorney William G. DeMagistris was representing Ms. Lapisky. The parties thereafter presented their respective positions.

At the conclusion of the presentation, a motion was made by Roger P. Boudreau and seconded by Mark A. Carruolo to affirm and adopt the decision and recommendation of the Hearing Officer, which upheld the Executive Director's decision to deny Ms. Lapisky's request for a purchase of service credit. A roll call was taken, and the following members voted Yea: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Roger P. Boudreau; Michael R. Boyce; Mark A. Carruolo; Michael A. Sligar, designee for Michael DiBiase; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

There being 12 votes cast, 12 voted in the affirmative, and 0 voted in the negative consistent with Rhode Island General Laws §36-8-6, *Votes of the Board -- Record of Proceedings*, and there being a quorum present, it was then

**VOTED: To affirm and adopt the decision and recommendation of the Hearing Officer, which upheld the Executive Director's decision to deny Ms. Lapisky's request for a purchase of service credit.**

## VI. Approval of the May Pensions as Presented by ERSRI

On a motion by Roger P. Boudreau and seconded by Thomas A. Mullaney, it was unanimously

**VOTED: To approve the May pensions as presented.**

## VII. Legal Counsel Report

Attorney Robinson noted the legal report was in the Board book and asked if there were any questions. Attorney Alger queried about the *Albert Turcotte v. ERSRI matter* and asked if there was any additional update as the case has been ongoing for 2 years. Attorney Mambro-Martin said it has been before the Disability Subcommittee, which is waiting for information from the member. Attorney Alger asked how long the matter should remain outstanding with the Disability Subcommittee. Attorney Mambro-Martin said she continues to reach out to the member by correspondence but has been unsuccessful. Attorney Robinson suggested bringing the matter to the Subcommittee on the next agenda to consider next steps.

## 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 Friday, June 5, 2015:

Name	Membership Group	Type	Action
1. Joseph Cuzzo	State	Accidental	Postpone
2. Rosendo Vicioso	Teacher	Accidental	Postpone
3. Darin Lucas	State	Accidental	Approved @ 66 2/3%
4. Michael Peloquin	Municipal	Accidental	Approved @ 66 2/3%
5. Darin Lucas	State	Ordinary	No Action Taken
6. Emilio Volpicelli	State	Ordinary	Approve
7. Brian McElroy	Teacher	Ordinary	Postpone

<b>Name</b>	<b>Membership Group</b>	<b>Type</b>	<b>Action</b>
8. Gary Chobanian	State	Ordinary	Approve
9. Michael Umbriano	State	Ordinary	Approve
10. Richard Barton	State	Ordinary	Approve
11. Charles Hirst	Municipal	Ordinary	Approve
12. Katherina Braun	State	Ordinary	Approve

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

**VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, June 5, 2015 on items 1, 3, 6, 9, 10 and 12.**

Claire M. Newell recused herself from the vote on numbers 1, 3, 6, 9, 10 and 12.

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

**VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, June 5, 2015 on item 2, 4, 7, 8 and 11.**

Mr. Boyce commented that when he heard former Executive Director Joann E. Flaminio's name in today's meeting, he wanted to say that from the day she took on her position and passed it on to Executive Director Frank J. Karpinski, ERSRI system has only continued to move forward.

## **IX. Adjournment**

There being no other business to come before the Board, on a motion by Roger P. Boudreau and seconded by William B. Finelli, the meeting adjourned at 10:55 a.m.

Respectfully submitted,

**Frank J. Karpinski**  
Executive Director