



**Employees' Retirement Board of Rhode Island**  
**Monthly Meeting Minutes**  
**Tuesday, November 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 9:07 a.m. Tuesday, November 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; Mark A. Dingley Esq., designee for Michael DiBiase; John P. Maguire; Liz Leach, designee for Thomas A. Mullaney; Claire M. Newell and Jean Rondeau.

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

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

## **II. Approval of Minutes**

Mr. Rondeau noted on page 7 that he was not present at the Procurement Subcommittee meeting on October 8, 2015. Director Karpinski noted that the mention on page 7 was that Subcommittee Chairman Mullaney generally thanked the entire subcommittee even though Mr. Rondeau was not present for the meeting. However, to avoid confusion the Director said Mr. Rondeau's name will be omitted from the minutes.

On a motion by Gary R. Alger, Esq., and seconded by John P. Maguire, it was unanimously

**VOTED: To approve the draft regular session minutes as amended, and the draft executive session minutes of the October 16, 2015 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.**

## **III. Chairperson's Report**

Treasurer Magaziner discussed the customer service email survey with the Board. The Treasurer said ERSRI has a hard working staff that interacts with members, especially the counselors, with group meetings. He said the purpose of the survey is to see what members want and understand and then seek to find the best ways to educate and enhance ERSRI's customer service. The Treasurer said ERSRI is very fortunate to have assistance from Brown University Professor Shankar K. Prasad, PhD with the design of the survey and the preparation of an analysis of the results. The Treasurer noted that the results of the survey are in the board book.

- **Update on Member Survey**

Professor Prasad thanked Treasurer Magaziner for the introduction, and the opportunities to appear in front of the Retirement Board and to conduct this member

satisfaction survey. He said there were 3 basic goals for this survey: 1) To determine how the public currently interacts with ERSRI to learn about and/or better understand their benefits; 2) To determine what measures outside of the current interaction vehicles the public would like ERSRI to explore and/or offer to improve service delivery and overall user satisfaction; and 3) To find out what the current level of knowledge is among the public about their pension/retirement savings plans to filter potential knowledge gaps.

The Professor said the ERSRI survey was launched on October 2, 2015, and remained in the field until October 19, 2015. The survey was emailed to 32,625 current and retired participants in ERSRI. He said during this 12-day period, 6,734 individuals responded to the survey, representing a 21% response rate, and three reminder notifications were sent out to increase total responses. On average, the Professor said respondents spent approximately 12 minutes to complete the survey. A majority of respondents were Female (61%), Retired (59%), and between the ages of 35-74 (88%), with an average age of 62. He said the report provides top line results for each question and is organized by: (1.) Current Employees; (2.) Retirees; (3.) Knowledge Test; (4.) Online Access; and (5.) Conclusion.

The professor reviewed some questions asked of the members. Of interest was where employees can obtain access to their pension information, and their level of trust in the information obtained. The least area for access to information was from the supervisors and managers for whom they worked.

The Professor said the survey indicated overall satisfaction from the group sessions and the call center. However, one-on-one individual counselling sessions took priority as the choice for obtaining information, even if it meant not having peers' inquiries to hear and learn from. Members also preferred multiple counselling sessions throughout their career rather than only 3-6 months prior to retiring.

Professor Prasad said the membership base is eager for information, and is generally trusting of key sources of information (i.e., website, colleagues and friends), and is looking to learn more about their DB and DC plans. He noted that 80% would prefer a single portal for DB and DC plan information, 90% prefer an option to schedule regular counseling sessions and more than 50% prefer one-on-one to group sessions.

The Professor said the reason for the knowledge test was to find any gaps in knowledge of the membership. He noted that when asked if they specifically knew something, the answers were at each end of the spectrum, either yes they understood or no they did not understand.

The professor said over 90% of respondents has access to the internet and use it daily or every other day; older respondents showed home access since retirement.

Treasurer Magaziner thanked Professor Prasad for his service and presentation and asked the Board if they had any questions or observations.

Mr. Maguire asked if there is a benchmark to compare these results. The professor said there was none that he was aware of, as each survey has its own set of questioning. Mr. Maguire asked if we could use this survey as a baseline, and if so, what would be needed to do so going forward.

The Professor said the last question asked in the survey was from time to time can the members be surveyed. As 85% agreed, the Professor felt this could be used as a benchmark.

Treasurer Magaziner said another upcoming step is the planned hiring for the position of Director of Member Services, which has been vacant for some time. One of the responsibilities of that position will be to take these results, meet with the different stakeholders, and implement a plan for how to improve their levels of knowledge and satisfaction. The Treasurer reiterated that because the breakdown of information, e.g. gender/age, type of employee etc., is available, some areas may need more attention which is what the new Director of Member Services will focus on. Director Karpinski said now, as a result of the three reforms, there are 38 benefit structures versus 4 ten years ago. He said a majority of time was devoted to implementing the multiple legislative changes to the system, and not enough educating the membership. He said the survey helps identify what areas need attention and what kind of attention is needed.

Director Karpinski noted that ERSRI's strategic plan is considering an on-line chat session for those who aren't able to come to ERSRI's Warwick office, as well as possibly having a satellite office for service availability.

- **Quarterly Update on the Investment Portfolio as of September 30, 2015 by CIO Anne-Marie Fink.**

Treasurer Magaziner then asked Chief Investment Officer Anne-Marie Fink to provide the September 30, 2015 quarter's fiscal year update on investments. Ms. Fink said she would speak on the short-term, specifically the month of September and the third calendar quarter, as well as the longer term and industry comps.

Ms. Fink referred on page 33 of the State Investment Commission section of the Board book noting the total performance summary. She said for the month, the portfolio returned -2.05%. Ms. Fink noted that global equity markets were down -4.05%, mostly due to worries about companies' earnings and fear of an economic slowdown when the Federal Reserve did not raise rates in September as expected. There were also selloffs internationally due to concerns about European and Chinese economic growth.

Ms. Fink explained the reason for the fund's underperformance relative to the benchmark. She referred to page 33 noting the *Harvest Fund Advisor* and the associated *Alerian MLP Index*. Ms. Fink said the MLP sector fell -15.28%. She explained MLPs invest in the oil and gas pipelines and that the companies do not make money on the price of oil but rather moving oil and gas. Ms. Fink said though the companies' earnings are relatively stable, the stocks tend to move with energy prices and they are illiquid so a few trades can have a significant effect on near-term prices. She concluded saying that the SIC is sticking with the investment and not overreacting to short-term movements. They understand why the stocks have moved and the investment is paying a 7% dividend. Ms. Fink said the goal is to have 2% of the portfolio in this investment and the SIC realizes it may be a bit volatile along the way.

Looking longer term, Ms. Fink said for the fiscal year-to-date (began July 1); the portfolio outperformed the basic 60% equity/40% fixed income allocation. She said the difference between the basic 60%/40% benchmark and the plan's bottom-up benchmark is the net impact of the SIC's asset allocation decisions. She reiterated that the outperformance confirms that the SIC's asset allocation decisions from 4 years ago are working, and said that manager selection needs some additional monitoring.

Ms. Fink then compared the portfolio's performance with the Wilshire Total Universe Comparison Service (TUCS) index, a measure of other large institutional portfolios. She said for the third quarter the median fund's performance was -4.5% compared to the SIC's -4.7%. She said on a year-to-date basis the broad TUCS universe (meaning all the

different categories) was -2.5% and the SIC was -2.2%. Ms. Fink said over time the asset allocation is working for SIC.

Ms. Fink then introduced Messrs. David Iden, Relationship Manager, and Mr. Matthew DiCroce, Institutional Investment Strategist, both from TIAA-CREF Financial Services.

Mr. Iden started with a summary of the 401(a) Defined Contribution Plan, stating that total plan assets were \$404,776,917 million as of September 30, 2015, growing approximately \$10 million monthly. He noted that 91% of assets are in Vanguard Lifecycle trusts. The total contributions on a rolling 12-month period were \$124,431,378.

Mr. Iden then provided a breakdown of participants, noting that a majority of participants (58%) are between mid-career and retirement age. Mr. Iden stated that the total participants, both active and retired, in the plan are 33,336. He mentioned that \$37.4 million of the total plan assets are invested outside of the lifecycle product. He discussed the plan assets by investments, which are a mix of active investments and index funds, and noted how participants' average asset balances continue to exceed the \$10,000 mark, averaging \$12,139. He noted that Generation X (ages 35-54) has the highest average accumulations between \$13,000 - \$14,000.

Mr. Iden described the engagement statistics. Secure web identifications have increased, while logons are down. There is a continued rise in online advice sessions where individuals receive guidance on specific investments.

Mr. Iden discussed the field consulting group activity. He said of the 203 individual counseling sessions offered, 168 were taken. He noted there were 8 group meetings ranging attendance from 15-100. TIAA-CREF has had education sessions with participation of 75% from ERSRI. Mr. Iden noted that Ms. Shockley (ERSRI's Operation Manager) has a session scheduled for November 18<sup>th</sup> for RIASBO with 90-100 school officials that a TIAA-CREF representative will attend to help educate on the DC Plan.

Mr. Matthew DiCroce then discussed the 2015 year-to-date performance as of September 30, 2015. Mr. DiCroce referred to page 19 of the 2015 YTD Performance Summary indicated by column J, noting the "gray" column gives a comparison to Morningstar peers. He noted everything except PIMCO Real Return is an index fund. Mr. DiCroce said TIAA-CREF offers 12 options and noted the options permit participants to fully participate in the market. Mr. DiCroce talked about the stable value fund that is yielding 1.8% year to date and money market fund options (where the fee is being waived to preserve value). He said the PIMCO Real Return fund is an inflation-linked securities portfolio having both US and foreign TIPS exposure. He noted that this PIMCO fund has had some slight underperformance in the quarter and year-to-date periods due to foreign TIPS exposure relative to the benchmark (US TIPS index). Next he noted the Large Cap Blend portfolios have performed well versus peers for the 1-, 5-, and 10-year periods. Mr. DiCroce noted for the past 6 years emerging markets have struggled.

Treasurer Magaziner thanked Ms. Fink, Messrs. Iden and DiCroce for their presentation.

On a motion by Jean Rondeau and seconded by Gary R. Alger, Esq., it was unanimously **VOTED: To adjust the agenda, and to have the Administrative Decisions be presented next.**

## IV. Administrative Decisions

### *Disability Appeal – Benita Fernandez vs. ERSRI*

Included in Board Members' Books, under separate cover, were the Findings of Fact as concluded by the Disability Subcommittee, transcripts from the appeal to the subcommittee, medical and supporting information in 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 there was and that such material was included in the Board members' books.

Attorney Robinson noted for the record that Ms. Fernandez was not present for the hearing and was represented by Attorney Robert Testa. 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 Attorney Testa that this is not an opportunity to present new factual material or evidence to the Board, and that pursuant to ERSRI's regulations and Rhode Island case law, the Board owes deference to the Disability Subcommittee on factual determinations and questions of credibility, and will not overturn those 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.

At the conclusion of the presentations, a motion was made by Jean Rondeau and seconded by Gary R. Alger, Esq., to uphold the decision of the Disability Subcommittee and deny an accidental disability pension. The following voted Yea: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Michael R. Boyce; Mark A. Carruolo; Mark A. Dingley Esq., designee for Michael DiBiase; John P. Maguire; Liz Leach, designee for Thomas A. Mullaney; Claire M. Newell and Jean Rondeau.

There being 10 votes cast, 10 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*, there being a majority vote of the members present and voting at which a quorum is present, it was:

**VOTED: To affirm the recommendation of the Disability Subcommittee and deny the accidental disability application of *Benita Fernandez vs. ERSRI*.**

## V. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of the Disability Subcommittee Report dated November 6, 2015, as well as the October 2015 *Pension Application Report* and a memo regarding the Retirement Board Election certification.

The Director apprised the Board that he is going to convene the Procurement Subcommittee to consider candidates for the Board Governance review.

The Director then apprised the Board that at the December Board meeting the June 30, 2015 valuations will be presented by Gabriel, Roeder, Smith and Company (GRS).

The Director noted that the Finance Director Zachary Saul has organized GASB 68 workshop sessions which have begun at the ERSRI office with the Auditor General assisting employers with making journal entries, footnotes and basically providing them information to complete their financial reporting.

Lastly, Director Karpinski updated the Board on the “*Report of Contributions*” delinquency report, specifically on the *updated Municipal Employees’ Retirement System of Rhode Island*. Director Karpinski noted many payments were made by both the teachers and municipal units, which are marked in red on the revised report. Those highlighted in yellow are delinquent. He stated that the remaining delinquent employers will be addressed using the normal collection of funds procedure if payment of contributions is not received today.

## **VI. Approval of the October Pensions as Presented by ERSRI**

On a motion by Gary R. Alger, Esq., and seconded by John P. Maguire, it was unanimously

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

## **VII. Legal Counsel Report**

Attorney Robinson updated the Board regarding the *John R. Grasso v. ERSRI* matter, and said on Thursday of last week, Judge Vogel rendered a bench decision in the case. He said he is in the process of obtaining transcripts and will update the Board in December.

## **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, November 6, 2015:

<b>Name</b>	<b>Membership Group</b>	<b>Type</b>	<b>Action</b>
1. William Kerwin	State	Accidental	Request for continuance granted
2. Jorge Lomastro	Teacher	Accidental	Previous approval to deny disability was overturned. Approved for 66 2/3%
3. Lillian Kizekai	State	Accidental	Deny
4. Stephen Alfonso	State	Accidental	Postpone

<b>Name</b>	<b>Membership Group</b>	<b>Type</b>	<b>Action</b>
5. Jennifer Coccia	Municipal	Accidental-Deny	Ordinary-- Postpone
6. Silvana Gentile	State	Accidental	Postpone
7. Cynthia Silva	State	Accidental	Postpone
8. Linda Beck	State	Accidental	Approved @ 50%
9. Timothy Koback	Municipal	Accidental	Deny
10. Lysa O'Donnell	State	Accidental	Deny
11. Kenneth Lucia	State	Accidental	Approved @ 50%
12. Cynthia Sampson	State	Ordinary	Approve
13. Sandra-Lynn White	Teacher	Ordinary	Approve
14. Joan DiOrio	Teacher	Ordinary	Approve

On a motion by William B. Finelli and seconded by John P. Maguire, it was unanimously **VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, November 6, 2015 on items 3, 4, 6, 7, 8, 10 and 12.**

Claire M. Newell recused herself from the vote on numbers 3, 4, 6, 7, 8, 10 and 12.

On a motion by William B. Finelli and seconded by John P. Maguire, it was unanimously **VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, November 6, 2015 on items 1, 2, 5, 9, 11, 13 and 14.**

Mr. Finelli said the Disability Subcommittee is reviewing open meetings versus executive session for members' applications. When a decision is reached, he said he would update the Board.

### **Elections Subcommittee:**

Chairman Gary R. Alger, Esq. provided the Board with the report of the Elections Subcommittee. He first thanked the members of the committee present, Mark A. Carruolo; Bea Lanzi (designee of the General Treasurer) and Jean Rondeau.

He said the committee met before this morning's Board Meeting to review the validation and certification of the candidates seeking elected positions on the Retirement Board and noted that there will be an election for the two (2) Retiree Representatives and the two (2) Active State Employee Representatives.

Chairman Alger said the Director provided the Committee with official certification from his office that the following candidates had in fact secured 100 valid signatures of

their respective membership groups as required. The committee voted and accepted the certification that the declared candidates were eligible for election to the Board as presented.

There are 3 candidates for the Retiree Representative namely:

- Roger P. Boudreau Retired Teacher - Lincoln
- Michael R. Boyce Retired Municipal Employee - City of East Providence
- Joanne A. Matisewski Retired Teacher- North Kingstown

There are 6 candidates for the Active State Employee Representative namely:

- Arthur Abraham Active state employee of the State Office of Health and Human Services
- Paul L. Dion Active state employee of the State Department of Revenue/Office of Revenue Analysis
- Wilfredo H. Martinez Active state employee of the State Department of Revenue/Division of Taxation
- John J. Meehan Active state employee of the State Department of Corrections
- Claire M. Newell Active state employee of the State Department of Education
- Robert J. Pelletier Active state employee of the State Department of Administration/DOIT.

Chairman Alger asked Director Karpinski to provide the Board with the remaining election details. Director Karpinski said two candidates did not return 100 signatures as required, i.e. Mr. John Mansolillo and Mr. Paul Kulpa. He said they were notified of their disqualification. For the positions of Active Teacher Representative and Active Municipal Employee Representative, there will be no election as required by Regulation No. 5, Article 1, Section Four (4). That regulation provides that in the event that only one municipal candidate qualifies or if only two active teacher representatives qualify, they shall be deemed elected and no election shall be necessary.

Consequently, the Director said that William B. Finelli and John P. Maguire were the only two candidates to produce 100 validated signatures as active teacher representatives and they will be deemed elected.

Louis Prata chose not to seek re-election as the Active Municipal Employee Representative. Consequently, Thomas M. Lambert of North Smithfield, an employee of the City of Woonsocket, was the only candidate to produce 100 validated signatures and shall be deemed elected.

There being no further questions or comments from the Board, Chairman Alger requested the lottery for ballot order. Treasurer Magaziner then asked Ms. Roxanne Donoyan to pick the names from the "hat" for the ballot order. For the Active State employees, the following order was picked: Wilfredo H. Martinez; Arthur Abraham; Claire M. Newell; Robert J. Pelletier; John J. Meehan and Paul L. Dion. For retirees, the following ballot order was picked: Roger P. Boudreau; Michael R. Boyce and Joanne A. Matisewski.

Director Karpinski said the ballot order for both the active state employees and the retirees will be transmitted to the Board of Elections, where production will commence. The Director said he will keep the Subcommittee apprised of progress.

On a motion by John P. Maguire and seconded by Claire M. Newell, it was unanimously

**VOTED: To accept the report of the Election Subcommittee and the results of the lottery for ballot order.**

## **IX. Adjournment**

There being no other business to come before the Board, on a motion by John P. Maguire and seconded by William B. Finelli, the meeting adjourned at 10:20 a.m.

Respectfully submitted,

**Frank J. Karpinski**

Executive Director