



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

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

I. Roll Call of Members

The following members were present at roll call: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley, designee for Michael DiBiase; John P. Maguire; Marianne F. Monte; 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, Treasurer Magaziner called the meeting to order.

II. Approval of Minutes

On a motion by John P. Maguire and seconded by Mark A. Carruolo, Esq., it was unanimously

VOTED: To approve the draft minutes of the November 10, 2015 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.

III. Chairperson's Report

Treasurer Magaziner welcomed the new Director of Member Services for ERSRI, Ms. Kate Brock; he said the position has been vacant for some time. The Treasurer said ERSRI will be focusing on enhancing customer service and Ms. Brock will be concentrating on a plan while she learns the system.

Treasurer Magaziner apprised the Board that in October the System gained 3.65% on the investments yielding 1.44% on the 1-year performance; 7.4% on the 3-year performance; 7.3% on the 5-year performance and 5.7% on the 10-year performance.

IV. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of a presentation from Gabriel, Roeder, Smith and Company (GRS) of the Actuarial Valuations as of June 30, 2015 for the ERS and MERS plans, a schedule for the 2016 Retirement Board and Disability Subcommittee meetings, the monthly Pension Application Report and two Disability Subcommittee Reports from their December 3, 2015 and December 4, 2015 meetings. The Director said Ms. Donoyan has hard copies of both valuations if needed

for today's meeting. The Director said that the State Police and Judges valuations will be provided early in 2016.

Director Karpinski apprised the Board that if they are in agreement with the contribution rates as presented in the FY2015 actuarial valuations, they will need a motion to approve. Director Karpinski noted in the valuation that the provision under Rhode Island General Law §36-10-2(e) requires that an appropriation be made if the contribution rate is lower than the previous year. He said the amount is estimated to be \$820,000.

The Director said there was an adjustment made to the teacher contribution rates for five towns, namely Burrillville, East Greenwich, Little Compton, New Shoreham and North Smithfield, who did not participate in the early retirement provision in 1990 and had a separate employer contribution rate. The Director said the funding methodology in 1990 stated that if a change in the UAAL was less than 10% of the existing UAAL, the change would be amortized over the remaining funding period which then was 24 years. He said that amount has now been fully amortized and there will only be one contribution rate for all teacher employers in FY2018.

The Director apprised the Board that there will be a COLA this year of 0.94% (based on the calculations of the settlement). Director Karpinski said there are still the same 58 MERS plans from last year who are 80% or more funded who will receive COLA's based on their plan provisions. The Director did note that there are some plans that have reached 80% but do not have a COLA provision.

Director Karpinski apprised the Board that the Procurement Subcommittee met on November 25, 2015. Chairman Thomas A. Mullaney will provide an update on a Board Governance review. He noted this review was the result of the 2013 Board education session on fiduciary duty from Attorney Robert Klausner's recommended strategic goals. The recommended goals included a Board self-evaluation and an Executive Director Evaluation.

Mr. Boudreau asked Director Karpinski what the COLA cap was. The Director said this year's COLA will be based on \$25,855. For next year the cap will be \$26,098. Mr. Boudreau asked that the cap for those not receiving a COLA regarding \$30,000 be included on the website which the Director will do.

V. Administrative Decisions

Administrative Appeal – Sandra M. Tiernan vs. ERSRI

Included in Board Members' Books was the Hearing Officer's written decision, along with exhibits and supporting information in the matter of *Sandra M. Tiernan 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 will not 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 Gregory L. Boyer was representing Ms. Tiernan who was present in the audience. The parties thereafter presented their respective positions.

At the conclusion of the presentation, a motion was made by Jean Rondeau and seconded by Roger P. Boudreau to affirm and adopt the decision and recommendation of the Hearing Officer, which upheld the Executive Director's decision to offset workers' compensation benefits received by Ms. Sandra Tiernan against her accidental disability pension pursuant to Rhode Island General Law §36-10-31. A roll call was taken, and the following members voted Yea: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; John P. Maguire; Marianne F. Monte; 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 offset workers' compensation benefits received by Ms. Sandra Tiernan against her accidental disability pension pursuant to Rhode Island General Law §36-10-31.

VI. Presentation and Approval of the Actuarial Valuations as of June 30, 2015 by Gabriel, Roeder, Smith and Company (GRS)

The Director then introduced Mr. Joseph P. Newton, FSA, of GRS to present the Employees' Retirement System (ERS) (State Employees and Teachers) valuation as of June 30, 2015. Mr. Newton then introduced Mr. Paul Wood of GRS, formerly from the Chicago Illinois office of GRS who has joined the team handling the Municipal Employees' Retirement System (MERS) account and who will present the (General Employees, local Police and Fire) valuations as of June 30, 2015.

Mr. Newton said he would provide a recap of Article 21, an illustration of the amortization policy, the valuation results of ERS and MERS and new projections. He said the purpose of the valuation is to measure the System's liabilities, determine employer contribution rates for FY 2018 (the FY 2016 rate was set by the June 30, 2013 valuation, and the FY 2017 rate was set by the June 30, 2014 valuation and Article 21). The valuation also provides other information for reporting for GASB #67/68 and the system CAFR. The valuation also explains changes in the actuarial condition of ERSRI and tracks changes over time.

Mr. Newton said the valuation was prepared as of June 30, 2015, using member data provided by ERSRI Staff, unaudited financial data, current benefit and contribution provisions revised in Article 21 and actuarial assumptions and methods previously approved by the Retirement Board.

Mr. Newton first reiterated the provisions of the Settlement enacted under Article 21 of the 2015 budget. He then discussed the Article 21 impact on contribution requirements and said the local employer portion of the Teacher contribution was re-amortized to 25

years. For MERS, the employer had an option to remain on the current amortization schedule or re-amortize to 25 years. Mr. Newton apprised the Board that there are 86 units which are underfunded and had the option to re-amortize and 37 units chose the re-amortization option. Mr. Newton provided the following chart of projected FY2017 employer contributions (DB and DC), reflecting re-amortization choices:

	Previous Provisions	Article 21	Difference
ERSRI-State Employees	\$178.4 M	\$188.6 M	\$10.2 M
ERSRI-Teachers (State portion)	102.7 M	109.7 M	7.0 M
ERSRI-Teachers (Local portion)	149.8 M	146.4M	(3.4 M)
MERS – General Employees	32.0 M	33.5 M	1.5 M
MERS – Public Safety	16.4 M	17.1 M	0.7 M

Mr. Newton said the current amortization policy is a closed amortization period for current unfunded actuarial accrued liability (UAAL) ending June 30, 2035 (20 Years from June 30, 2015), the local portion of Teachers and some MERS over 24 years from June 30, 2015. The current funding policy utilizes a process of “laddering” new gains and losses over an individual closed amortization period. He said this methodology ensures the System will move towards 100% funding over a closed period of time. The current UAAL will be fully amortized over the next 20/24 years if the contribution schedule is fulfilled.

Mr. Newton discussed the actuarial valuation key changes and issues. He said the funded ratio increased from last year and the UAAL decreased from last year (post Article 21). However, if not for Article 21, the funded ratio for State and Teachers would have increased for the third year in a row and the UAAL would have decreased for the 3rd year in a row. He noted the FY2018 projected employer contribution dollar amounts are lower than anticipated. The 2015 investment performance is below expectations, there was a 2.2% return on market value of assets however the expected return is 7.50%. Mr. Newton said he offset all of the prior investment gains and then added deferred losses; thus, there is a net small loss on actuarial assets for FY2015. He said there is a 7.38% return on a 5-year smoothed basis. For 2016, there is a COLA of 0.94% payable on a \$25,855 limit which will also grow by 0.94% (\$26,098 in 2017)

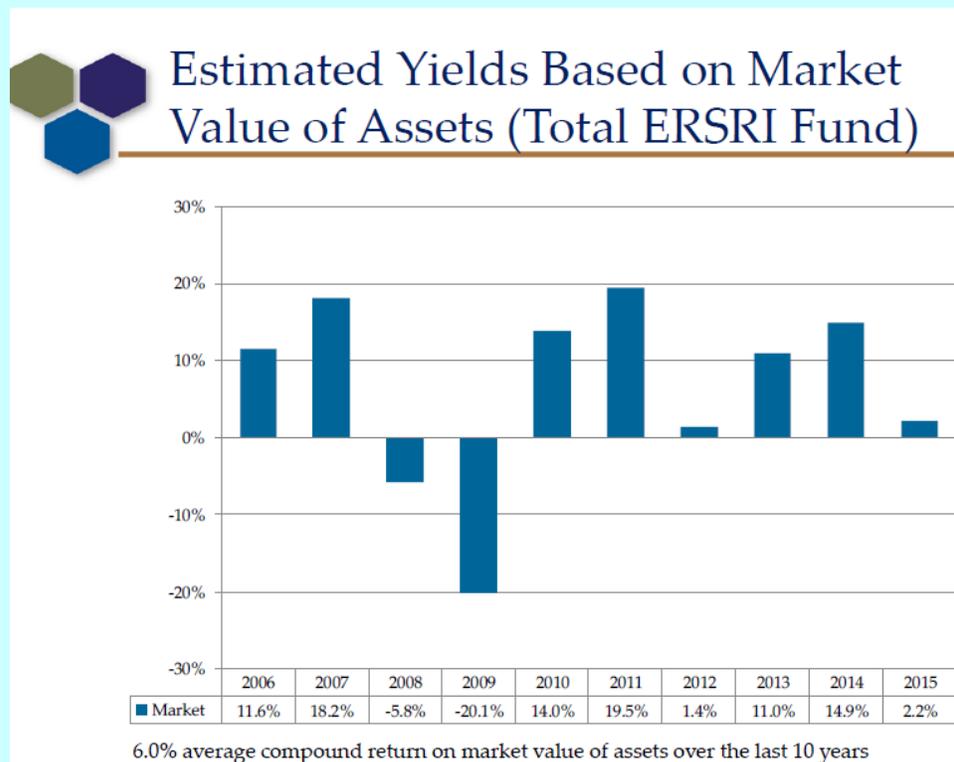
He told the Board that projections took a small step back from last year because of Article 21 and market return, but are mainly in line. Mr. Newton said projected from market assets, the funded ratio is expected to be 79.8% as of 6/30/2030, compared to 80.3% as of 6/30/2030 last year. Projected from smoothed assets, the funded ratio is expected to be 80.8% as of 6/30/2030, compared to 79.0% as of 6/30/2030 last year.

Mr. Newton provided the Board with the 2015 actuarial results of State Employees and Teachers combined:

	June 30, 2014			Projection of 2015
	June 30, 2014 (1)	Article 21 (2)	June 30, 2015 (3)	from Last Year (Article 21)
1. Actuarial accrued liability				
a. Actives & Inactives	\$ 3,236,821,350	\$ 3,286,592,102	\$ 3,404,835,627	
b. Annuitants	7,306,123,128	7,507,086,037	7,405,686,374	
2. Total actuarial accrued liability (1a + 1b)	\$ 10,542,944,478	\$ 10,793,678,139	\$ 10,810,522,001	\$ 10,895,251,627
3. Actuarial value of assets	6,191,278,135	6,191,278,135	6,260,086,380	6,269,981,021
4. UAAL (2 - 3)	\$ 4,351,666,343	\$ 4,602,400,004	\$ 4,550,435,621	\$ 4,625,270,606
5. Funded ratio (3 / 2)	58.7%	57.4%	57.9%	57.5%
6. UAAL/Payroll	262.5%	277.6%	269.6%	270.7%
Weighted Average Contribution Rate for Applicable Fiscal Year				
7. Full retirement rate				
a. Normal cost	4.10%	4.46%	4.39%	4.46%
b. Prior service	19.08%	19.57%	19.46%	19.57%
c. Full retirement rate	23.18%	24.03%	23.85%	24.03%
8. Projected FY Payroll	\$ 1,762,209,883	\$ 1,762,209,883	\$ 1,793,887,895	\$ 1,816,185,173
9. Estimated Contributions	\$ 408,420,993	\$ 423,506,864	\$ 427,754,196	\$ 436,478,591

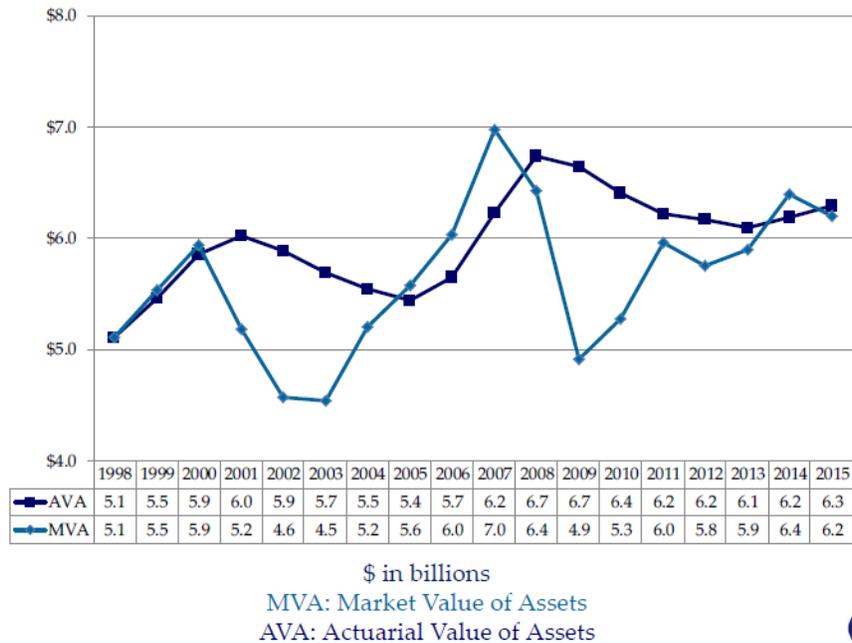
He discussed the sources of impact on contribution rates and noted negative experience (to the Plan) on two of three potential sources, namely investments underperformed 7.50% assumption on market and smoothed basis (Negative), liabilities grew slower than expected, mostly due to lower than anticipated salary increases (Positive) and contributions in dollars are expected to be smaller in the future than projected from last year (Negative on contribution rate, but positive on projected dollars). He noted lower than anticipated salary increases means smaller pays (and contributions) in the future if the rates remain the same.

Mr. Newton then provided the following charts to discuss the estimated yields based on market value of assets and the asset values for State Employees and Teachers combined:





Asset Values – State Employees and Teachers Combined



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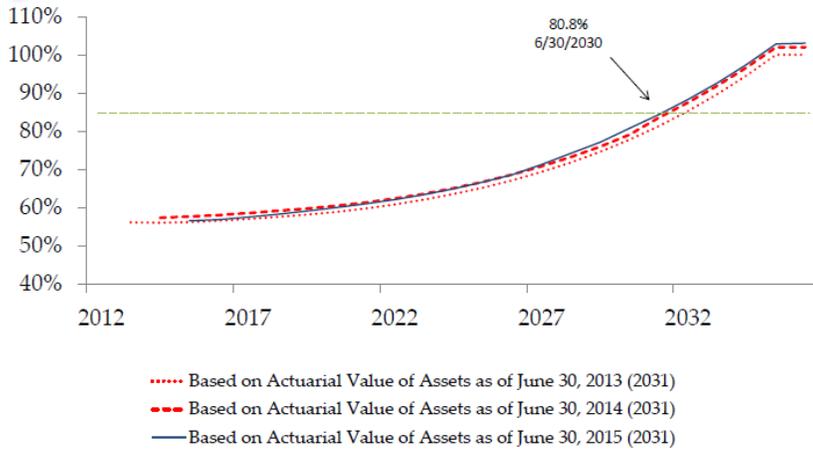
Mr. Newton next discussed the membership of State Employees and Teachers. For State Employees he noted that there was a 1.3% average decrease in active members since 2005 and an increase of +0.1% per year since 2010. For retirees, there was a 1.1% average increase in retired members since 2005 but a -0.7% per year since 2010. For Teachers, there was a 0.9% average decrease in active members since 2005 and 0.0% this year. For retirees, there was a 2.4% average increase in retired members since 2005 and 0.6% this year.

Mr. Newton discussed the covered payroll of Teachers and noted that there has been a 1.0% average since 2005 and an overall 1.0% increase since 2008. He said the prospective assumption is 3.00% per year. He also said there is 17% less payroll in FY2015 than projected from FY2005 and this has had a cumulative impact of 2.35% of payroll on the contribution rate.

Mr. Newton then discussed funded ratios, and provided an analysis of State Employees' projected funded ratios using the following two graphs:



Projected Funded Ratio: State Employees



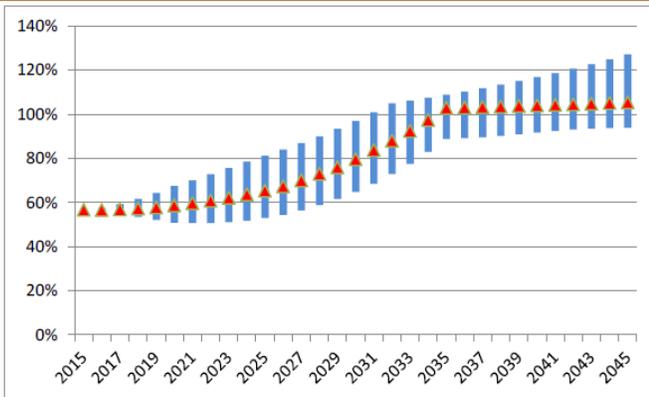
- Assumes ARC met each year and actual investment return of 7.50% during each year
- Assumes continuation of current amortization policy and current member contribution rate
- Payroll grows at assumed 3.25% per year

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GRS



Projected Funded Ratio: State Employees



- ▲ Median Expectation ■ 25th-75th percentile of expectation

- Assumes ARC met each year, projected from market value of assets as of June 30, 2015
- Assumes continuation of current amortization policy and current member rate
- Payroll grows at assumed 3.25% per year

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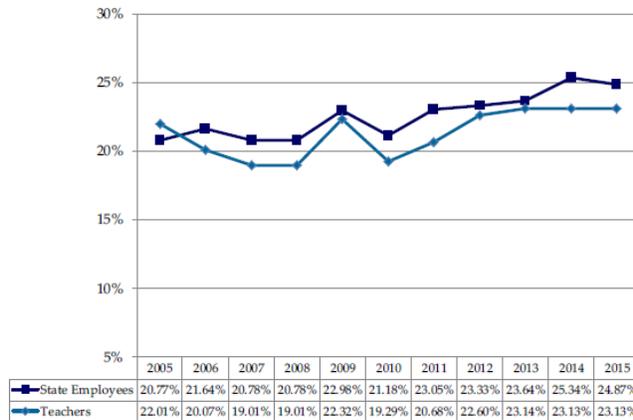
GRS

He also provided the history of employer contribution rates with the following graph:



Employer Contribution Rates

State Employees & Teachers



²⁶ Rates for 2006, 2007, 2010, and 2014 are restated after reflecting plan amendments.

GRS

He then then discussed the State Employee and Teacher contribution rates by providing adjustments for the enactment of Article 21 relating to the Settlement and the projected and actual FY 2015 details with the following tables:



Employer Contribution Rates – State Employees

Item	2014	2014 Article 21	Projected 2015	Actual 2015
Total Normal Cost %	8.66%	8.96%	8.64%	8.79%
Member Contribution	(4.24%)	(4.24%)	(4.26%)	(4.21%)
Employer Normal Cost%	4.42%	4.72%	4.38%	4.58%
Amortization rate	19.36%	20.62%	20.62%	20.29%
Total Employer Contribution	23.78%	25.34%	25.00%	24.87%
FY ending June 30,	2017	2017	2018	2018
Payroll Projected 2 Years	\$719.8	\$719.8	\$743.2	\$737.2
Projected Contribution	\$171.2	\$182.4	\$185.8	\$183.4

Above dollar amounts in millions

²⁷ All projections assume all assumptions exactly met including 7.5% return on smoothed assets

GRS



Employer Contribution Rates – Teachers

Item	2014	2014 Article 21	Projected 2015	Actual 2015
Total Normal Cost %	7.63%	8.03%	7.81%	8.00%
Member Contribution	(3.75%)	(3.75%)	(3.75%)	(3.75%)
Employer Normal Cost %	3.88%	4.28%	4.05%	4.25%
Amortization rate	18.88%	18.85%	18.85%	18.88%
Total Contribution	22.76%	23.13%	22.90%	23.13%
FY ending June 30,	2017	2017	2018	2018
Payroll Projected 2 Years	\$1,042.4	\$1,042.4	\$1,073.7	\$1,056.7
Projected Contribution	\$237.3	\$241.1	\$245.9	\$244.4

Above dollar amounts in millions

All projections assume all assumptions exactly met including 7.5% return on smoothed assets

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GRS

Mr. Newton apprised the Board of potential changes to the plan. He prepared the following sensitivity analysis of market rates of return for State Employees to demonstrate the sensitivity:



Next Year Projections: State Employees

	Market Return for 12 month period ending June 30, 2016					
	16%	12%	7.5%	4%	0%	-4%
UAAL	\$1,876	\$1,895	\$1,918	\$1,935	\$1,954	\$1,972
Funded Ratio	57.5%	57.1%	56.5%	56.1%	55.7%	55.3%
Employer Contribution Rate	24.45%	24.66%	24.93%	25.12%	25.33%	25.54%
Estimated FY2019 Contribution	\$184.9	\$186.5	\$188.6	\$190.0	\$191.6	\$193.2

Values as of June 30, 2015: UAAL of \$1,895, Funded Ratio of 56.6%, ER Rate of 24.87%, estimated contribution of \$183.4M

Actual 2017 COLA taken into account based on variable return

Assumes all other assumptions are exactly met

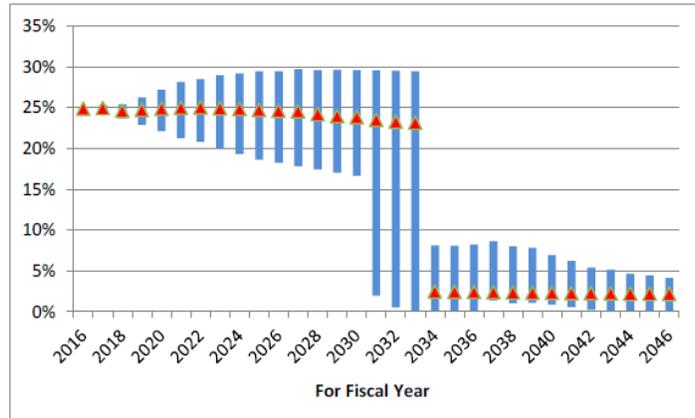
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GRS

He also discussed projected State Employee contribution rates by providing the following graph:



Projected Employer Contribution Rate: State Employees



▲ Median Expectation ■ 25th-75th percentile of expectation

- Assumes ARC met each year, projected from market value of assets as of June 30, 2014
- Assumes continuation of current amortization policy and current member rate
- 29 • Payroll grows at assumed 3.25% per year

GRS

Mr. Newton then concluded his comments on the ERS plan and summarized his findings. He noted the projected 2018 Employer contributions are close to prior projections stating that there are slightly lower rates, and projected contributions are almost \$9 million lower. He said there are new investment losses to recognize in the future. The contribution rates are expected to have peaked at current levels and begin a process of drifting lower over the next couple of decades, perhaps one more small increase next year. Lastly, based on current assumptions, asset levels, contribution and amortization policies, benefit adjustments are projected to be suspended until calendar year 2031.

Mr. Wood then began his presentation regarding the MERS plan. He noted that there were no new units, no closed units and no merged units and no new COLA elections.

Regarding the actuarial results, Mr. Wood told the Board that for MERS, the unfunded actuarial accrued liability (UAAL) for all units combined is \$272 million, compared to \$292 million last year after Article 21. The aggregate funded ratio (actuarial assets divided by actuarial accrued liability) for all units combined increased from 82.1% to 83.8%. Mr. Wood apprised the Board that 32 units have funded ratios over 100%, the same as last year, and 71 units have funded ratios over 80%; there were 70 last year.

Mr. Wood provided a summary of General MERS results in the aggregate using the following table:

	MERS General	MERS P&F	Total
FY2017 Employer Rate (Post Article 21)	12.69%	16.58%	13.80%
Change due to:			
Suspension of 2015 COLA for those <80%	(0.18%)	(0.61%)	(0.30%)
Asset Performance	0.00%	0.01%	0.00%
Actual 2016 COLA (0.94%)	(0.18%)	(0.19%)	(0.18%)
Individual salary increases	(0.15%)	(0.42%)	(0.23%)
Overall payroll growth	0.04%	0.09%	0.05%
Noneconomic liability growth	<u>(0.32%)</u>	<u>0.44%</u>	<u>(0.09%)</u>
Total Change	(0.78%)	(0.68%)	(0.74%)
FY2018 Employer Rate	11.91%	15.90%	13.06%

Messrs. Newton and Wood concluded their presentation by noting some items for the upcoming year, namely no changes to assumptions or benefits are anticipated between now and the June 30, 2016 valuations. As always, payroll growth and investment performance will be the largest source of unanticipated changes, and FY15 will be the first year for employers to show GASB NPL on their balance sheets.

Treasurer Magaziner thanked Mr. Newton and Mr. Wood for their presentations and the Board for their efforts. On a motion by John P. Maguire and seconded by Marianne F. Monte, it was unanimously

VOTED: To approve the ERS and MERS actuarial valuations as presented by Gabriel, Roeder, Smith and Company for the period ending June 30, 2015, and the revised FY2017 contribution rates relating to the reamortization.

VII. Approval of the November Pensions as Presented by ERSRI

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

VOTED: To approve the November pensions as presented.

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 Thursday, December 3, 2015:

Name	Membership Group	Type	Action
1. Andrew Butler	Municipal	Accidental	Motion to amend the application was granted
2. Peter Souza	Municipal	Accidental	Approved @ 66 2/3%
3. Patricia Pryor	State	Accidental	Appealed @ 50%; Approved @ 66 2/3%
4. Emanuel Rodrigues	Municipal	Accidental	Approved @ 66 2/3%

On a motion by Daniel L. Beardsley and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Thursday, December 3, 2015 on items 2 and 4.

William B. Finelli recused himself from the vote on numbers 2 and 4.

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

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Thursday, December 3, 2015 on item 3.

Claire M. Newell recused herself from the vote on number 3.

On a motion by William B. Finelli and seconded by Daniel L. Beardsley it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Thursday, December 3, 2015 on item 1.

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on Friday, December 4, 2015:

Name	Membership Group	Type	Action
1. Emile Ziadeh	State	Accidental	Deny Reaffirmed (from 11/12/14)

Name	Membership Group	Type	Action
2. Jacqueline Lee	Teacher	Ordinary	Request for continuance granted
3. Robert Carpenter	State	Accidental	Postpone (Appealing 50%)
4. Michelle Desrosiers	State	Accidental	Deny Reaffirmed (from 04/08/2014)
5. Brian McElroy	Teacher	Ordinary	Approve
6. Michael Stevens	Municipal	Accidental	Deny
7. Paulo Cordeiro	Municipal	Accidental	Approve
8. Cheyanne Snow	State	Accidental	Approved @ 50%
9. Sung Lee	State	Accidental	Approved @ 66 2/3%
10. John Carney	State	Accidental	Approved @ 50%
11. Sule Omaiye	Municipal	Ordinary	Approve
12. Brian Lane	State	Ordinary	Approve

On a motion by William B. Finelli and seconded by Daniel L. Beardsley it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, December 4, 2015 on item 2 and 5.

John P. Maguire recused himself from the vote on numbers 2 and 5.

On a motion by William B. Finelli and seconded by Daniel L. Beardsley it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, December 4, 2015 on item 3, 8, 10 and 12.

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

On a motion by William B. Finelli and seconded by Daniel L. Beardsley it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, December 4, 2015 on item 1, 4, 6, 7, 9 and 11.

Mr. Finelli thanked the Staff and Disability Subcommittee for their diligence in preparing for and attending both meetings.

Procurement Subcommittee:

Chairman Thomas Mullaney provided the Board with an update of the Procurement Subcommittee that met on Wednesday November 25th to discuss and consider a potential recommendation of a vendor for a comprehensive governance policy review. He thanked the committee members who were present, including Jeff Padwa, Esq. and Jean Rondeau.

Mr. Mullaney noted that at the Board's March 13, 2013 training, the session speaker identified strategic goals and objectives the Board should consider. He said the two top goals prioritized by the Board in October 2013 were an Executive Director evaluation and a Board self-evaluation. The recommended approach was to identify a facilitator with trustee knowledge.

He said in June of 2014, an RFI was circulated to collect information and identify potential costs of such a study, and at the May 2015 Board training, 3 vendors (some RFI responders partnered) presented the Board with their thoughts and approach on Board Governance. In June 2015, an RFP (*Request for Proposal for a Comprehensive Governance Policy* - Issue Date: June 15, 2015) was nationally circulated. The same 3 vendors from the May 2015 meeting responded. One vendor proposal was deemed non-responsive and was not considered.

Chairman Mullaney referred the Board to the Governance Review Vendor Analysis sheet in the Board book. Upon internal review of the responses, a request was made of the vendors that provided bids to provide the Board an option to deliver services not to exceed \$100,000. He explained the analysis that showed the breakdown and comparison between the original bids and services at \$100,000. Chairman Mullaney said the analysis for the \$100k options reduces some combination of on-site visits, team size and overall effort size.

Chairman Mullaney said the committee considered the three candidates and noted for the \$100k option, Funston Advisory Services and Cortex Consulting would perform the services requested in the RFP albeit with reduced staffing and efforts. AON would reduce the scope, and perform roughly half of their original proposal.

After consideration of the responses to the RFP and the presentations made at the May 2015 board training session, Chairman Mullaney said the committee is recommending that the Board engage Funston Advisory Services at the \$100,000 cost. He also said the committee recommended authorizing the Executive Director to negotiate with Funston

Advisory Services in order to identify services they believe would be beneficial for the Board to consider, and to thereafter present them for consideration.

On a motion by Thomas A. Mullaney and seconded by John P. Maguire, it was unanimously

VOTED: To engage Funston Advisory Services at the \$100,000 cost to provide a Comprehensive Governance Policy Review and to authorize the Executive Director to negotiate with Funston Advisory Services to identify services they believe would be beneficial for the Board to consider.

IX. Legal Counsel Report

Attorney Robinson apprised the Board regarding the Kevin Lang matter, involving a Cranston firefighter who was denied an accidental disability pension based on alleged occupational cancer. He said the worker's compensation court agreed to certify the legal question of whether or not a presumption attaches to firefighters applying for accidental disability pensions based on cancer contracted while in active employment, and if so whether the presumption is conclusive or rebuttable, to the Rhode Island Supreme Court. Attorney Robinson said that if the Supreme Court accepts the case, it would be the most expedient method of reaching a resolution of that legal issue in this case. Attorney Robinson also said this process could take 6 months or more to resolve.

Mr. Beardsley asked Attorney Robinson in what statement would the matter be presented for a response? Attorney Robinson said he would anticipate language such as *"Is there a presumption that a firefighter who contracts cancer during the course of his employment is entitled to an accidental disability pension pursuant to RIGL 45-21.2-9; and if so, is that presumption conclusive or rebuttable?"*

Attorney Robinson then suggested that a motion would be in order for the Board to convene in Executive Session to discuss the litigation matter identified on the agenda pursuant to Rhode Island General Laws section §42-46-5 (a)(2) regarding *John R. Grasso vs. ERSRI*. Consistent with Rhode Island General Laws section §42-46-5(a)(2) regarding pending litigation involving the Retirement System, a motion was made by John P. Maguire and seconded by Roger P. Boudreau to convene the Board in Executive Session to discuss the identified litigation matter on the agenda.

A roll call vote was taken to enter into Executive Session, and the following members were present and voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; John P. Maguire; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was unanimously

VOTED: To convene the Board into Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a)(2) to discuss the *John R. Grasso vs. Employees' Retirement System of Rhode Island Board* matter (C.A. No. 14-4953 and C.A. No. 13-3121).

[Executive Session]

The Board thereafter convened in executive session.

[Return to Open Session]

Upon returning to open session, Board Counsel Michael P. Robinson noted for the record that three unanimous votes had been taken in Executive Session.

On a motion made by Daniel L. Beardsley and seconded by Roger P. Boudreau, the Board authorized Board Counsel, Michael P. Robinson Esq., to pursue an appeal to the Rhode Island Supreme Court in the consolidated cases of *John R. Grasso vs. Employees' Retirement System of Rhode Island Board C.A. No. 14-4953 and C.A. No. 13-3121*. A roll call was taken, and the following voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; John P. Maguire; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was then unanimously

VOTED: To authorize Board Counsel Michael P. Robinson to appeal to the Rhode Island Supreme Court in the consolidated cases of *John R. Grasso vs. Employees' Retirement System of Rhode Island Board C.A. No. 14-4953 and C.A. No. 13-3121*.

The second vote, on a motion made by Daniel L. Beardsley and seconded by Marianne F. Monte, was to seal the executive session minutes pursuant to R.I.G.L. §42-46-5 (a)(2), as the discussions implicated confidential attorney client communications relating to legal strategy. A roll call was taken, and the following voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; John P. Maguire; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was then unanimously

VOTED: To seal the executive session minutes pursuant to Rhode Island General Laws §42-46-5 (a)(2).

The third vote, on a motion made by Daniel L. Beardsley and seconded by Marianne F. Monte, was to exit executive session and return to open session. A roll call was taken, and the following voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; John P. Maguire; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was then unanimously

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

X. Adjournment

There being no other business to come before the Board, on a motion by Mark A. Carruolo and seconded by Roger P. Boudreau, the meeting adjourned at 11:55 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director