



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, February 10, 2016
9:00 a.m.
2nd Floor Conference Room, 50 Service Avenue

The Monthly Meeting of the Retirement Board was called to order at 9:08 a.m. Wednesday, February 10, 2016, in the 2nd 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.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley Esq., designee for Michael DiBiase; John P. Maguire; 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, Treasurer Magaziner called the meeting to order.

II. Approval of 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 of the January 13, 2016 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.

III. Chairperson's Report

Treasurer Magaziner asked the Board if they were in agreement with moving the agenda and to have the Election Subcommittee Report (under the Committee Reports) heard in connection with the Chairperson's Report.

On a motion by Roger P. Boudreau and seconded by John P. Maguire, it was unanimously

VOTED: To adjust the agenda and move the Election Subcommittee Report to be heard in connection with the Chairperson's report.

Election Subcommittee Report:

Chairman Alger provided a report to the Board on this morning's Election Subcommittee meeting at 8:45 a.m. regarding the certification of the voting results. He said the committee met to certify the results of the elections as required by ERSRI Regulation No.5, Article I, Section 10 and noted that the members of the committee present were Dan Beardsley, Mark Carruolo and Jean Rondeau.

Chairman Alger said that the Director informed the committee that the Board of Elections (BOE) certified that it had received 11,384 ballots. The counting of ballots occurred on Thursday February 4th at the BOE and the committee was provided with the official certified results from the BOE.

For the Retiree Representative (voted for two seats) the results are:

Roger P. Boudreau	5,170
Joanne A. Matisewski	5,145
Michael R. Boyce	4,572

For the Active State Employee Representative (voted for two seats) the results are:

Paul L. Dion	931
Claire M. Newell	751
Wilfredo H. Martinez	610
John J. Meehan	605
Arthur Abraham	491
Robert J. Pelletier	403

Treasurer Magaziner also took the opportunity to recognize those members leaving the Board for their time and expertise on the Retirement Board. Citations were awarded for the 11 years of service by John J. Meehan as State Representative and 15 years of service by Louis M. Prata as Municipal Representative. The Treasurer also recognized Michael R. Boyce (absent today) serving as a retiree representative for 28 years.

Mr. Meehan thanked the Board for having had the opportunity to work with them throughout his term serving as Active Representative. He offered special thanks to Executive Director Frank J. Karpinski, Assistant Director Diane S. Bourne, the retirement counselors and ERSRI staff. Mr. Meehan recognized Director Karpinski for his professionalism and dedication with the ERSRI staff during some difficult, challenging times and expressed his appreciation and pleasure serving on the Board.

Mr. Prata also expressed his thanks and gratitude to Executive Director Karpinski for his dedication to his profession and especially for always being available to answer his inquiries, and to the ERSRI staff and Board members. Mr. Prata wished for the Director and ERSRI staff the best in the future.

On a motion by John P. Maguire and seconded by Claire M. Newell, it was unanimously **VOTED: Consistent with Regulation No. 5 Section 10, to certify the results of the Election based on the February 9, 2016 letter from the BOE and to direct the Executive Director to publish the results.**

Treasurer Magaziner thanked the Election Subcommittee for their work in facilitating a smooth process for this election.

Chairman Alger informed the Board that the elected members will be sworn in and take office at the March 9th Board Meeting.

Treasurer Magaziner then asked Chief of Staff / General Counsel Jeffrey Padwa, Esq. to update the Board on pending securities litigation matters. Attorney Padwa explained that Treasury uses several law firms to monitor the portfolio for losses caused by

corporate misconduct. There are no charges for the monitoring services, but rather the firms earn legal fees when they prosecute cases successfully and obtain recoveries. Attorney Padwa discussed 3 cases, which are currently pending:

- 1) A lawsuit has been filed on behalf of ERSRI against a number of the primary dealers designated to trade in U.S. Treasury securities. The lawsuit alleges that the defendants colluded in manipulating the market for U.S. Treasury securities. It has been reported that the Department of Justice is investigating possible fraudulent manipulation in the Treasuries market. Although in its early stages, the DOJ's investigation of the Treasuries market reportedly grew out of its investigations into anticompetitive conduct in various financial markets and benchmarks, including LIBOR, ISDAFix and the foreign exchange market, where regulators have uncovered extensive evidence of information-sharing through electronic chat rooms and other means. The lawsuit along with other similar cases is pending in the U.S. District Court, Southern District of New York. No decision has been made yet in the selection of lead plaintiff and/or lead counsel.
- 2) A lawsuit has been filed against British Petroleum for alleged violations of securities laws in connection with oil pipeline spills and the aftermath in the North Slope region of Alaska in 2006. There has been a long procedural history with the case pending currently in the Ninth Circuit Court of Appeal.
- 3) A lawsuit has been filed against Plains All-American, which owns pipelines for transporting oil. The case involves alleged violations of securities laws in connection with an oil pipeline spill and its aftermath on the California coast near Santa Barbara in 2015. ERSRI was not selected as lead plaintiff.

Treasurer Magaziner added that if companies represent that they have been adhering to applicable regulations/laws and it turns out the representations are untrue and as a result the stock price drops, then investors including pension funds can claim economic damages. He noted no legal expenses are incurred unless we are successful in recovering some of the funds lost.

Mr. Boudreau asked if the actions being taken by the Treasury could be recognized in the next COMPASS Newsletter as members would be interested in the efforts being done to collect funds as well as he requested that General Counsel Jeffrey Padwa, Esq., update any securities' litigation matters to the Board.

Quarterly Update on the Investment Portfolio as of December 31, 2015 by CIO Anne-Marie Fink.

Treasurer Magaziner then asked Chief Investment Officer Anne-Marie Fink to provide the December 31, 2015 quarter's update on investments. Ms. Fink said she would speak about the short-term, specifically the December quarter and the calendar year, as well as the longer term.

Ms. Fink described the last quarter as a strong one mainly due to equity market performance in October 2015 that offset declines in November and December 2015. Ms. Fink noted that the portfolio was up 2% whereas the bottom-up benchmark (which uses the SIC's asset allocation and index returns) was up 2.2%, and the basic allocation of 60% equity/40% fixed income was up 2.8%. Ms. Fink said the risk-controlled nature of the portfolio meant it was not unexpected that the portfolio would lag in a strong up move. Looking further out, she said the portfolio outperformed over the calendar year, which was a tough year in the markets. The portfolio fell -0.3% compared to the bottom-up benchmark's -0.4% drop and the 60/40's -1% fall. She noted the lower-risk approach

contributed to this outperformance; the portfolio has risk or standard deviation of 6.3% compared to the benchmark's 7.1% and the 60% equity/40% fixed income allocation's 7.6%. Addressing the fund's year-end value, she noted the change in value is determined by both investment performance and outflows to cover payroll. The fund's \$7.5 billion value is down more than 0.3% from last year's value, because the portfolio paid out \$418 million over the course of calendar 2015 to cover the shortfall between the pension payments and incoming contributions. She explained how this negative cash flow drives the portfolio's risk-controlled approach and emphasis on diversification; performance will suffer if assets need to be force-sold at low valuations to meet payroll.

Next Ms. Fink described the performance by asset class in calendar year 2015. While the overall portfolio was -0.3%, she noted that the alternative investments were the strongest performing, with the real estate portfolio up 14%, private equity up 7% and hedge funds up about 1%. The MLP sector was the worst performer, falling -15.3%. She explained MLPs own energy pipelines. These companies generally do not profit based on the price of oil, but rather on the service of transporting oil and gas. While the companies are not directly impacted by cost of the commodity, the stocks tend to move with energy prices, which have dropped dramatically over the last 18 months from over \$100 per barrel for oil to under \$30. Moreover, MLPs are illiquid so a few trades can have a significant effect on prices in the short term. Ms. Fink explained that at a 1.5% allocation, the MLP investment is not a huge part of the portfolio but it was impactful given the size of the drop. She concluded that the SIC is sticking with the investment as it has a high dividend, yielding 8%-9% compared to a Treasury return of 2%. 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. Among other sectors, she said global equities were down 2.5% last year due to non US-equities being down 5.8%. She noted that equities have been the biggest return driver since the financial crisis and it's not realistic to expect double-digit gains every year. She believes the equities which benefit from the growth of corporate profitability will be strong performers over time, which is why they are the portfolio's largest allocation. They are also the biggest contributor to portfolio risk.

Ms. Fink stated that for the fiscal year-to-date, which began July 1, the portfolio is -2.8% due to the difficult markets. Looking longer term, the portfolio's performance on a 3-year basis was up 5.9%, on a 5-year basis up 6.3%, and on 10-year basis up 5.1% (which period includes the global financial crisis). The portfolio outperformed the basic 60% equity/40% fixed income allocation over all three time horizons. The SIC is continuing to work on refining fund manager selections to seek to beat the bottom-up benchmark, which isolates manager selection.

In concluding, Ms. Fink gave brief comments on 2016, noting that the market started the year with a drop in equity prices. She explained that the SIC is continuing to manage the portfolio to balance both risk and return, seeking to outperform over the long run.

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 defined contribution plan, stating that total plan assets were \$447,020,325 million as of December 31, 2015, including the FICA Alternative Retirement Plan as well as the 401(a) plan. He noted that 91% of assets are in Vanguard Lifecycle trusts. Total contributions on a rolling 12-month period were \$120,034,209.

Mr. Iden also gave a summary of the 401(a) Defined Contribution Plan, stating that total plan assets were \$445,288,166 million as of December 31, 2015 and 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 \$119,607,706.

Mr. Iden then provided a breakdown of participants, noting that a majority of participants (58%) are between mid-career and retirement age. He mentioned that \$40.0 million of the total plan assets are invested outside of the Lifecycle products. He noted that 91% of the plan assets are in the Lifecycle age-based collective trust—a preferred result as the funds are diversified and effective portfolio for participants. He described the menu of individual investment options, noting the mix of active and index funds. He said participants' average asset balances average \$13,260.

Next, Mr. Iden described the engagement statistics. He noted that Ms. Fink and her investment staff joined TIAA-CREF recently for their annual planning meeting to review and improve member outreach. Mr. Iden asked the Board to not hesitate in reaching out to him to coordinate for those who have inquiries or suggestions on how TIAA-CREF can improve outreach. He showed engagement statistics that showed increases in secure web identifications and online advice sessions. Total call volume continues to rise as well. Mr. Iden discussed the field consulting group activity, which has been trailing prior years. He said there was an increase in Q4 of 2015 for member engagement, and expressed confidence that the frequency of one-on-one sessions will continue to increase with the pension litigation matter settled, strengthening members' confidence in TIAA-CREF and the plan itself.

Mr. Iden then opened the discussion to questions. Mr. Boudreau asked about the ages of active members who are currently making contributions, and whether the Board could receive statistics about withdrawals as plan participants retire. He questioned if these withdrawals would have any impact on the overall DC plan. Mr. Iden said those numbers can be provided. Mr. Iden said he would keep the Board apprised of such reporting quarterly updates.

Treasurer Magaziner said along with the contributions being reported, both the distributions and rollovers would be helpful as well.

Mr. Mark Dingley said the impact of withdrawals would be small due to plan investing in much larger, commingled Vanguard Funds.

Treasurer Magaziner asked Mr. Matthew DiCroce to provide the 2015 year-to-date performance. Mr. DiCroce referred to page 19 of the 2015 YTD Performance Summary indicated by column K, and column L noting the percentile relative to Morningstar peers. He noted everything is an index fund except PIMCO Real Return and the TIAA Real Estate. Mr. DiCroce said TIAA-CREF offers 12 options and noted the options permit participants to fully participate in the markets. 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 TIPS and foreign inflation-linked bonds exposure. He noted that this PIMCO fund has had some slight underperformance in the quarter and year-to-date (2.75%) due to foreign TIPS exposure relative to the benchmark (US TIPS index). Treasurer Magaziner asked about the design of the DC plan's socially responsible investment fund option. Mr. DiCroce explained that the fund considers numerous environmental, social and governance factors. The underperformance in 2015 was largely due to the lack of investments in large companies such as Amazon, Facebook, Microsoft, and GE. Mr. DiCroce then noted the Large Cap Blend portfolios have performed well versus peers for the 1-, 5-, and 10-

year periods, and that Emerging Markets were hurt by low commodities pricing and the Chinese currency devaluation. Countries heavily relying on export markets have struggled in recent years. Regarding the Target Date Funds, he noted that Vanguard is lowering the fee from 11 basis points to 8 basis points as of January 1, 2016.

Mr. Mullaney asked why the over-65 category on page 17 showed an average asset balance of \$64,545.80. Ms. Fink said she believes there are only a few members in this category in the FARP Plan. Mr. Iden will confirm what this is and report to the Board.

Mr. Dingley asked about the missing percentile rankings for the Vanguard Retirement Trusts. Ms. Fink said the reason the rankings are not shown is the investments are in collective trust structures, which results in lower costs for the same strategy. While it's not strictly comparable, Mr. DiCroce said comparison can be done with an equivalent mutual fund universe. On that basis, the funds are in the 23rd percentile on a 1-year basis, the 16th percentile on a 3-year basis, 16th percentile on a 5-year basis, and 12th percentile on a 10-year basis (lower numbers are better).

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

IV. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of the January 2016 *Pension Application Report*; Disability Subcommittee Report dated February 5, 2016; the "*Report of Contributions*" delinquency report, specifically on the *updated Municipal Employees' Retirement System of Rhode Island* noting those agencies recently paid; a resolution from Central Coventry Fire District and lastly a PowerPoint presentation of the Computer System Update.

The Director apprised the Board on the recent 1099R mailing distribution error. He stressed that the issue was a print problem only; state taxes were taken out though not included on the form. Tax identification numbers and return addresses were also not included. The Director said ERSRI communicated with the vendor and quickly verified 1,500 new 1099R's for quality control and contacted accountants through the AICPA Rhode Island and the State taxation department through their newsletter by Neil Downing. The Director said corrected forms were mailed out on the 28th of January to all members. Online versions were originally correct and accessible from the initial stage. Communication was sent to retirees to discard the first 1099R received and refer to the corrected version that was resent.

Treasurer Magaziner commended the ERSRI staff in responding so quickly and reiterated it was a printer error; within 24 hours a letter was sent to all the members explaining the printer problem. The Treasurer acknowledged his gratitude of thanks to Director Karpinski and his staff as well as Chief Operating Officer Patrick Marr and Director of Finance Zachary Saul.

Mr. Maguire asked if the System incurred any additional expenses, and the Treasurer said the printing company acknowledged responsibility on its part and incurred the printing costs for the second delivery of the 1099R forms to the members.

Director Karpinski updated the Board on the Computer System upgrade. He noted in January that there were two critical path project areas that impact the 'go-live' date, and final data conversion validation was one that could present time challenges. After analysis ERSRI recognized that data conversion / reconciliation is taking longer than

anticipated and accuracy and proper conversion is paramount to implementation go-live time.

He noted that the other critical path item of imaging conversion is on target and will be converted on time; the system has converted over 1.2 million images. Director Karpinski said that calculations have been and are being tested and are accurate.

The Director said that ERSRI is currently considering two dates with Morneau Shepell of May 2nd or June 1st and the team is reviewing what the most advantageous date is for ERSRI. Director Karpinski said he will report back to the Board at next month's meeting with a definitive go-live date.

Mr. Boudreau asked how the change in the "go-live date" will affect the blackout dates provided by the Director from last month's meeting. The Director said once he has the date, he will update the Board and he will utilize the same communication plan noted last month.

The Director then apprised the Board that at the March 2016 Board meeting the June 30, 2015 valuations will be presented by Gabriel, Roeder, Smith and Company (GRS) for the State Police and Judges valuations.

Director Karpinski then apprised the Board that the new Board members will take their seats at the March meeting as well as the remaining members who did not have an election and the Treasurer will administer the oath of office as the Board begins a new 4-year term cycle.

V. Administrative Decisions

Disability Appeal – Pamela M. Azar 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 *Pamela M. Azar 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.

Treasurer Magaziner and Mr. Boudreau recused themselves from this matter. Treasurer Magaziner asked that Vice Chairman Finelli chair the hearing portion of the meeting in his absence.

Attorney Robinson noted for the record that Ms. Azar was representing herself. 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 Ms. Azar 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 Mark A. Dingley, Esq., and seconded by Jean Rondeau to uphold and adopt the findings and recommendation of the Disability Subcommittee to not permit Ms. Azar to apply for an accidental disability pension after having already applied for, been approved for, and received an ordinary disability pension. The following voted Yea: Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Mark A. Carruolo; Mark A. Dingley Esq., designee for Michael DiBiase; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

There being 11 votes cast, 11 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 uphold and adopt the findings and recommendation of the Disability Subcommittee to not permit Ms. Azar to apply for an accidental disability pension after having already applied for, been approved for, and received an ordinary disability pension.

Disability Appeal – Eubalda Coates 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 *Eubalda Coates 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. Coates was represented by legal counsel Attorney Denise Lombardo Myers. Also in attendance was a Spanish language interpreter Eveling Vasquez provided for Ms. Coates. The interpreter and Ms. Coates were sworn in. 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 Myers 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 Mark A. Dingley, Esq., to uphold and adopt the findings and recommendation of the Disability Subcommittee to deny the accidental disability pension application. The following voted Yea: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley Esq., designee for Michael DiBiase; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

There being 13 votes cast, 13 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 uphold and adopt the findings and recommendation of the Disability Subcommittee to deny the accidental disability application of Eubalda Coates vs. ERSRI.

VI. Approval of the January Pensions as Presented by ERSRI

On a motion by William B. Finelli, and seconded by John P. Maguire, it was unanimously

VOTED: To approve the January pensions as presented.

VII. 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, February 5, 2016:

Name	Membership Group	Type	Action
1. Timothy Moffat	State	Accidental	The Board's 7/8/15 decision to deny Mr. Moffat an accidental disability pension was reaffirmed (66 2/3 or 50%)
2. Jennifer Csizmesia	Municipal	Accidental	The Board's 9/9/15 decision to deny Ms. Csizmesia an accidental disability pension was overturned. Approved @ 66 2/3%
3. Jacqueline Lee	Teacher	Accidental	Retired (Ordinary); Request for continuance granted
4. Damon Borrelli	Municipal	Accidental	The Board's 10/8/14 decision to deny Mr. Borrelli an accidental disability pension was reaffirmed (66 2/3%)
5. Stephen Alfonso	State	Accidental	Approved @ 50%
6. Kevin Lewis	State	Accidental	Employer will be notified that Mr. Lewis should be put on their employment recall list (retired)
7. Donald Ditusa	Municipal	Accidental	Postpone

Name	Membership Group	Type	Action
8. Richard Labreche	Municipal	Accidental	Postpone
9. Tracy Schiavulli	State	Accidental	Approved @ 50%
10. Linda Folco	State	Accidental	Deny
11. Rita Petrella Guadagno	Teacher	Ordinary	Approve
12. Peter Ramaglia	Municipal	Ordinary	Approve
13. Steven Dail	Municipal	Ordinary	Approve

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 Friday, February 5, 2016 on items 3 and 11.

John P. Maguire recused himself from the vote on numbers 3 and 11.

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 Friday, February 5, 2016 on item 5.

Claire M. Newell recused herself from the vote on number 5.

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 Friday, February 5, 2016 on items 1, 2, 4, 6, 7, 8, 9, 10, 12 and 13.

VIII. Legal Counsel Report

Consideration of Central Coventry Fire District Resolution Regarding Repayment of Outstanding Debt

Attorney Robinson discussed the outstanding debt owed by the *Central Coventry Fire District* (CCFD). A resolution (No. 16-01 signed by the Board of Directors and the District Clerk) dated January 21, 2016 was provided. He said he and Director Karpinski with the President of the CCFD Board of Directors and their legal counsel to discuss their proposition to consider including the \$431,181 outstanding employer contributions in the CCFD's unfunded liability, thus being paid back through their annual required contribution (ARC). The CCFD resolution provides that the district would agree to pay the applicable actuarial study cost.

Director Karpinski said he spoke with the actuary (Gabriel Roeder Smith & Company - GRS) and two options were estimated. One option would be to amortize the amount over the remaining 20 year amortization period which would provide an approximate

1.5% increase in the contribution rate or \$11,500 annually or amortize the amount over a 5-year period at an annual cost of \$139,000.

Treasurer Magaziner and Attorney Dingley raised concerns of there being no consequence to the employer for being delinquent in making contributions thus setting a dangerous precedent, and both reminded the Board that they are fiduciaries of the members of the plan. Treasurer Magaziner and Attorney Dingley also suggested shortening the fire district's payment time frame.

Mr. Maguire asked Director Karpinski about the UAAL size and funded ratio. The Director said the UAAL is \$3.6 million, and the funded ratio is 73%.

Attorney Dingley asked if it is known what the impact would be to the retirees getting a COLA and Director Karpinski said there would be an impact, but it would require an actuarial analysis.

Mr. Maguire questioned what would happen if a 5-year option is considered and the district fires their Board? He had concerns about the long-term impact given the history of the District.

Mr. Beardsley said shortening the period is more appropriate but was also concerned about the impact on employees, and felt it would be unfair as the employee is missing a COLA due to the employer's error.

Board Counsel Robinson said he can go back and apprise CCFD that the Board would not consider amortization over the remaining funding period and ask CCFD to consider something much shorter. Attorney Dingley said since this is a debt owed, ERSRI should consider some security to have an extra layer of protection while helping them with their cash flow and have something to secure the debt.

Treasurer Magaziner requested a motion to decline this offer and authorize Director Karpinski, Chief of Staff Padwa and Board Counsel to negotiate a much shorter payment plan and possibly one that includes some other protection for the System.

A motion was then made by Roger P. Boudreau and seconded by Mark A. Dingley, Esq., to authorize negotiation with CCFD in order to obtain a revised proposal for a shorter amortization period for repayment of the amounts owed to the System. A roll call was taken, and the following voted yea: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Mark A. Dingley Esq., designee for Michael DiBiase; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

There being 13 votes cast, 13 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 then

VOTED: To authorize negotiation with CCFD in order to obtain a revised proposal for a shorter amortization period for repayment of the amounts owed to the System.

IX. Adjournment

There being no other business to come before the Board, on a motion by John P. Maguire and seconded by Claire M. Newell, the meeting adjourned at 11:32 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director