



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

The Monthly Meeting of the Retirement Board was called to order at 9:00 a.m. Wednesday, March 9, 2016, in the 2nd Floor Conference Room, 50 Service Avenue, Warwick, RI.

I. Chairperson Call to Order

Oath of Office for New Members

Treasurer Magaziner administered the oath of office for all the newly elected and re-elected members who included William B. Finelli, Roger P. Boudreau, Thomas M. Lambert, John P. Maguire, Joanne A. Matisewski and Claire M. Newell. Mr. Paul L. Dion was absent.

Executive Director Karpinski joined Treasurer Magaziner, by congratulating the newly elected and re-elected Retirement Board members for the new 4-year term, and stated that he looked forward to working with the new members in the future.

Treasurer Magaziner apprised the Board members of the experimental new seating layout, anonymously suggested by a Board member, and indicated that it was designed to emphasize that the Board members' goals are to assist both the members and employers. The Treasurer welcomed the Board's feedback regarding this trial basis seating layout.

II. Roll Call of Members

The following members were present at roll call: Treasurer Seth Magaziner; William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Michael Sligar, Esq., designee for Michael DiBiase; Thomas M. Lambert; John P. Maguire; Joanne A. Matisewski; Marianne F. Monte; 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.

Nominations and Election of Vice-Chair of the Employees' Retirement System of Rhode Island Board

In accordance with the General Administrative Rules of the Retirement Board Section (1) Board Administration (A)(9) Officers, Roger P. Boudreau nominated William B. Finelli as the Vice-Chairperson of the Retirement Board; the nomination was seconded by Thomas A. Mullaney. There being no further nominations, Mr. Boudreau motioned to approve Mr. Finelli as Vice-Chair and it was unanimously

VOTED: To re-elect William B. Finelli, Elected Teacher Representative, as Vice-Chairman of the Retirement Board for a term of four years.

III. Approval of Minutes

Mr. Boudreau noted there should be mention in the minutes of his request that General Counsel Jeffrey Padwa, Esq., periodically update any securities' litigation matters to the Board.

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

VOTED: To approve the draft minutes of the February 10, 2016 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island, as amended.

IV. Chairperson's Report

Treasurer Magaziner apprised the Board of the vacancies on all subcommittees which need to be filled, specifically on the Disability Subcommittee and Procurement Subcommittee. The Treasurer asked Board members to please advise him of any interest in serving on any one of the committees. The Treasurer expressed an expectation and hope of having the vacancies filled by next month, especially for the Disability Subcommittee meeting which is scheduled for April 8, 2016.

V. Executive Director's Report

Director Karpinski apprised the Board that Mr. Joseph Newton from Gabriel, Roeder, Smith and Company (GRS) will provide a presentation of the Actuarial Valuations as of June 30, 2015 for the State Police and Judges.

The Director then apprised the Board that they were in possession of a revised agenda which included consideration of a potential pension revocation action regarding Paul LaFrance, and stated that documents had previously been provided via email and were distributed this morning to the Board. He indicated that they were also in possession of the February 2016 *Pension Application Report*, the Disability Subcommittee Report of March 4, 2016, the State Police and Judges Valuation as of June 30, 2015 provided by GRS, and lastly an updated revised delinquency report for the MERS contributions paid up to present.

Approval of the Actuarial Valuation as of June 30, 2015 by Gabriel, Roeder, Smith and Company of the State Police and Judges Valuation.

Director Karpinski then introduced Mr. Joseph Newton of GRS to provide the valuation of both the State Police and Judges Valuation as of June 30, 2015.

Mr. Newton stressed these two plans are much smaller and are well-funded mostly due to not having many retirees at present. Mr. Newton said that all of the COLA changes that occurred during the mediation do apply to these plans as well.

Mr. Newton noted that in the statute for State Police, for those retiring after 2015 the COLA eligibility is now Social Security age due to the mediation. The previous COLA provision was at the later age of 55 or 3 years after retirement

Mr. Newton then discussed the 2015 State Police valuation results and provided the following analysis:

	June 30, 2014		
	June 30, 2014 (1)	Article 21 (2)	June 30, 2015 (3)
1. Actuarial accrued liability			
a. Actives & Inactives	\$ 85,444,332	\$ 83,733,821	\$ 76,717,212
b. Annuitants	24,177,415	24,629,716	40,339,515
2. Total actuarial accrued liability (1a +1b)	\$ 109,621,747	\$ 108,363,537	\$ 117,056,727
3. Actuarial value of assets	104,781,384	104,781,384	115,585,013
4. UAAL (2 - 3)	\$ 4,840,363	\$ 3,582,153	\$ 1,471,714
5. Funded ratio (3 / 2)	95.6%	96.7%	98.7%
6. UAAL/Payroll	21.0%	15.5%	7.5%
Weighted Average Contribution Rate for Applicable Fiscal Year			
7. Full retirement rate			
a. Normal cost	12.56%	12.22%	11.82%
b. Prior service	0.87%	0.44%	0.40%
c. Full retirement rate	13.43%	12.66%	12.22%

Treasurer Magaziner asked Mr. Newton why the normal cost is high, and Mr. Newton said the employer portion of the normal cost is actually lower for this system. Typically, for MERS Police and Fire and State Police plans, higher normal costs are expected as contributions must be paid over a shorter period of time i.e. lower retirement ages. Mr. Newton said overall results are as expected and nothing out of range for the State Police.

Mr. Newton then discussed the Judges Plan (JRBT) and provided the following analysis:

	June 30, 2014		
	June 30, 2014 (1)	Article 21 (2)	June 30, 2015 (3)
1. Actuarial accrued liability			
a. Actives & Inactives	\$ 43,211,114	\$ 43,288,595	\$ 43,134,122
b. Annuitants	14,040,584	14,216,068	18,829,550
2. Total actuarial accrued liability (1a +1b)	\$ 57,251,698	\$ 57,504,663	\$ 61,963,672
3. Actuarial value of assets	53,830,516	53,830,516	60,004,470
4. UAAL (2 - 3)	\$ 3,421,182	\$ 3,674,147	\$ 1,959,202
5. Funded ratio (3 / 2)	94.0%	93.6%	96.8%
6. UAAL/Payroll	36.7%	39.5%	21.1%
Weighted Average Contribution Rate for Applicable Fiscal Year			
7. Full retirement rate			
a. Normal cost	19.60%	19.67%	19.83%
b. Prior service	1.70%	1.91%	1.27%
c. Full retirement rate	21.30%	21.58%	21.10%

He noted the funding ratio went from 93.6% to 96.8% and the contribution rate went down from 21.58% to 21.10%. He said for this year there were some gains but they were lower than expected.

Mr. Maguire noted that in the State Police valuation, the number of retirees was not as large as expected nor was the salary increase expected. Mr. Newton said he monitors these plans closely and said for these small public safety groups, it is necessary to be overly conservative on these retirement patterns; even one person can cause a change in the group that can make a big impact on its numbers, mostly because there is not much data to compare to at present.

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

VOTED: To approve the State Police and Judges Actuarial Valuations as presented by Gabriel, Roeder, Smith and Company for the period ending June 30, 2015.

Consideration of Private Letter Ruling on Defined Contribution Plan Relating to 20 Year Members

Treasurer Magaziner then discussed the matter of a *Private Letter Ruling* (PLR) regarding those members who had more than 20 years of service as of June 30, 2015 and are contributing into the Defined Contribution (DC) Plan. The Treasurer said the question continuously is being asked by those members who are no longer contributing if they can withdraw or roll over their funds to another qualified plan or IRA. The Treasurer said the matter has been discussed with tax counsel, and in their analysis of pertinent tax information, they believe the IRS will likely not allow such transactions from the DC plan until the members separate from service.

The Treasurer said to be 100% assured of this assessment, a request for a PLR from the IRS would be prudent. He said the process would be to draft a formal request to the IRS, which is not obligated to respond, and the cost would be about \$20,000 (including fees to legal counsel to draft the letter and fees to the IRS of \$10,000). He also said the fee is paid upfront whether the question is answered or not. Both Ms. Newell and Mr. Boudreau were in agreement with pursuing the private letter ruling due to the influx of members' inquiries.

Mr. Maguire queried Director Karpinski if the Board has in the past sought private letter rulings from the IRS, and the Director replied in the affirmative.

A motion was made by Roger P. Boudreau and seconded by Claire M. Newell to pursue the private letter ruling from the IRS. A roll call was taken, and the following voted yea: Treasurer Seth Magaziner; William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Michael Sligar, Esq., designee for Michael DiBiase; Thomas M. Lambert; John P. Maguire; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau. The following voted nay: Gary R. Alger, Esq. and Joanne A. Matisewski.

There being 14 votes cast, 12 voted in the affirmative, and 2 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 pursue a Private Letter Ruling from the IRS regarding the early distribution of funds from the Defined Contribution Plan for members with 20 or more years of service that are no longer in the DC plan.

Cyber Insurance – 2016 Policy Premium Approval

Director Karpinski updated the Board on the Cyber Insurance Policy with AIG and said it is an annual policy and there are no coverage adjustments. The Director apprised the Board that the premium for the coverage had a 3.1% increase from \$69,994 to \$72,220. The Director stated that if the Board is in agreement with this increase for this annual renewal of the insurance policy, a motion would be in order.

Treasurer Magaziner asked if the State had yet procured an umbrella policy where ERSRI could be included. Director Karpinski said he would follow-up with the State's Risk Manager, Kevin Carvalho, but to the best of knowledge, they have not yet procured a policy.

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

VOTED: To approve the payment for the one-year premium to AIG for coverage of the cyber insurance policy at its annual premium of \$72,220.

Director Karpinski updated the Board on the Computer System upgrade. He said the 'go-live' target date is June 6, 2016. He said the 'go-dark' period will begin on May 9, 2016. As previously mentioned, postcards will be sent out at the end of April 2016 to membership informing them of these dates. The Director said ERSRI is negotiating with Morneau Shepell for costs relating to the extension, and stated that he will apprise the Board at next month's meeting.

Mr. Maguire asked Director Karpinski if there has been any update since the ERSRI Report of Contributions period ending March 2, 2016 of the delinquencies regarding contributions owed, specifically by the certified East Providence Schools group.

Director Karpinski updated the Board on the "Report of Contributions" delinquency report in the Board book in response to Mr. Maguire's inquiry. The Director said there was no additional update from the East Providence Schools, but noted that the issue is more of a technical matter than a cash issue. Lastly, Mr. Maguire asked if the East Providence School Department transferred the funds on behalf of the employees to TIAA-CREF, and the Director said there was no delinquency for the TIAA contributions.

The remaining outstanding employers will be addressed using the normal collection of funds procedure if payment of contributions is not received today.

VI. Administrative Decisions

None this Month

VII. Approval of the February Pensions as Presented by ERSRI

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

VOTED: To approve the February pensions as presented.

VIII. Legal Counsel Report

Mr. Beardsley asked about *Robert L. Lincourt vs. Employees' Retirement System of Rhode Island* in the litigation report, saying he is aware there is an appeal in Superior Court. Mr. Robinson provided an update with regard to the litigation.

Treasurer Magaziner asked if Mr. Lincourt had submitted an additional application which Director Karpinski confirmed was a submission of an ordinary disability application.

Mr. Boudreau asked about the status of the Kevin Lang matter, and Attorney Robinson provided an update.

Attorney Robinson then suggested that a motion would be in order should the Board wish to convene in Executive Session to discuss potential litigation identified on the agenda, involving the possible initiation of a pension revocation action against Paul LaFrance. John P. Maguire made a motion to enter into executive session pursuant to Rhode Island General Laws section §42-46-5 (a)(2), which was seconded by Roger P. Boudreau. 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; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Michael Sligar, Esq., designee for Michael DiBiase; Thomas M. Lambert; John P. Maguire; Joanne A. Matisewski; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau. It was unanimously

VOTED: To enter into Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a)(2) to discuss the possible initiation of a pension revocation action against Paul LaFrance pursuant to R.I.G.L. §36-10.1-1, et seq., following the entry of a Judgment of Conviction and Commitment in *State of Rhode Island v. Paul LaFrance*, Case No. W2-2015-0137A.36-10

[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 Jean Rondeau and seconded by Marianne F. Monte, the Board authorized Board Counsel, Michael P. Robinson Esq., to bring a pension revocation action against Paul LaFrance. A roll call was taken, and the following voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Michael Sligar, Esq., designee for Michael DiBiase; Thomas M. Lambert; John P. Maguire; Joanne A. Matisewski; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau

The second vote, on a motion made by Roger P. Boudreau and seconded by Claire M. Newell, was to seal the executive session minutes pursuant to R.I.G.L. §42-46-5 (a)(2), as the discussion involved confidential attorney client communications relating to potential pension revocation litigation against Paul LaFrance. A roll call was taken, and the following voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Esq., Michael Sligar, designee for Michael DiBiase; John P. Maguire; Joanne A. Matisewski; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau.

Lastly, on a motion made by Gary R. Alger, Esq.; and seconded by Roger P. Boudreau, it was unanimously voted to exit executive session and return to open session.

IX. 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, March 4, 2016:

Name	Membership Group	Type	Action
1. Timothy Koback	Municipal	Accidental	Reconsideration postponed
2. Lysa O'Donnell	State	Accidental	The Board's 11/10/15 decision to deny Ms. O'Donnell an accidental disability pension was overturned. Reconsideration Approved @ 50%
3. Jennifer Coccia	Municipal	Accidental	The Board's 11/10/15 decision to deny Ms. Coccia an accidental disability pension was overturned. Reconsideration Approved at 66 2/3%
4. Jennifer Coccia	Municipal	Ordinary	No action taken
5. Robert Carpenter	State	Accidental	Appealing award of 50%. No affirmative findings were made by the Subcommittee Denial Stands.
6. Elizabeth Nogueira Liptak	Teacher	Ordinary	Approve
7. Steven Souza	State	Accidental	Approved @ 50%
8. Charles Karboski	Municipal	Accidental	Postpone
9. Thomas Bowen	State	Accidental	Approved @ 50%
10. Richard Delbonis	Municipal	Accidental	Deny (66 2/3%)
11. Amy DiFilippo	State	Ordinary	Approve
12. Kristin Conville	State	Ordinary	Approve
13. Kim Matteo	State	Ordinary	Approve
14. Cherylann Leaver	Teacher	Ordinary	Deny

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, March 4, 2016 on items 2, 5, 7 and 13.

Claire M. Newell recused herself from the vote on numbers 2, 5, 7 and 13.

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, March 4, 2016 on items 1, 3, 4, 6, 8, 9, 10, 11, 12, and 14.

Procurement Subcommittee

Chairman Thomas Mullaney provided the Board with an update of the Procurement Subcommittee that met on Monday March 7 to discuss the previously approved Governance Policy review by Funston Advisory Services LLC (FAS) to identify services they believe would be beneficial for the Board to consider. He thanked the committee members who were present, including Jeffrey Padwa, Esq., Jean Rondeau, William B. Finelli and Louis M. Prata.

Chairman Mullaney said the original scope of services at \$100,000 was approved by the Board at the December 2015 Board meeting which contained a reduced combination of on-site visits and engagement team size. There was no reduction in the scope of services. He said the committee reviewed a modified cost proposal of \$195,000 that included additional on-site visits, engagement effort and increased team size. After consideration, the committee agreed with the additional engagement efforts but requested that the Director further negotiate with FAS on cost and report back to the committee.

Treasurer Magaziner apprised the new Board members that at last month's meeting, a discussion ensued that having a governance study is advantageous to ensure ERSRI's structure is good and is keeping with best practices as other retirement systems do in the country. Funston Advisory Services offered a governance study for \$100,000 and offered additional services.

Director Karpinski apprised the Board that the original proposal of \$100,000 was basic policy development with very limited face-to-face interaction; it would be best practice policy development for board members to review. He said with the \$195,000 cost, there would be more interaction with the Board.

Mr. Maguire asked Director Karpinski to clarify when he says the scope will not change. The Director said the original proposal was \$290,000, with a team of 5 representatives by FAS in a 16-week program. The \$100,000 proposal is presented as a 3-person servicing over an 8-week period.

Mr. Mullaney said when the subcommittee met on March 7th, the \$100,000 proposal under consideration had no face to face interaction with the Board, but rather policy delivery for the Board to review and consider. The second option had interaction as a component of the study. The Subcommittee felt further negotiation of the \$195,000 offer was prudent.

Treasurer Magaziner suggested that that Director Karpinski negotiate with FAS to get a lower price for the \$195,000 option with more use of phone or Skype® communications to reduce the cost.

On a motion by Jean Rondeau and seconded by Roger P. Boudreau, it was unanimously

VOTED: To negotiate with Funston Advisory Services to obtain a scope for services at a lower price option.

Mr. Boudreau asked if a date has been reserved for the annual Board training seminar, and Director Karpinski said it is May 13, 2016 (Friday).

X. Adjournment

There being no other business to come before the Board, on a motion by Jean Rondeau and seconded by Roger P. Boudreau, the meeting adjourned at 10:22 a.m.

Respectfully submitted,

Frank J. Karpinski
Executive Director