



**Employees' Retirement Board of Rhode Island**  
**Monthly Meeting Minutes**  
**Wednesday, April 13, 2016**  
**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. Wednesday, April 13, 2016, in the 2<sup>nd</sup> Floor Conference Room, 50 Service Avenue, Warwick, RI.

**I. Chairperson Call to Order**

**Oath of Office for New Member**

Treasurer Magaziner administered the oath of office to Paul L. Dion, newly elected State Employee representative member. Executive Director Karpinski joined Treasurer Magaziner in congratulating Mr. Dion and stated that they looked forward to working with Mr. Dion in the future.

**II. Roll Call of Members**

The following members were present at roll call: Treasurer Seth Magaziner; William B. Finelli; Daniel L. Beardsley; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; Paul L. Dion; 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.

**III. Approval of Minutes**

Mr. Paul L. Dion abstained from the vote as he was not present at the March 9, 2016 meeting.

On a motion by John P. Maguire, and seconded by Joanne A. Matisewski, it was

**VOTED: To approve the draft regular session minutes and the draft executive session minutes of the March 9, 2016 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.**

**IV. Chairperson's Report**

Treasurer Magaziner thanked the Board for offering to volunteer on subcommittee vacancies which have now been filled. He provided an updated list of the committees which meet actively; namely, the Rules and Regulations, Disability, Procurement and Audit subcommittees. The Treasurer said the remaining committees will be reviewed during the Governance Study.

Treasurer Magaziner apprised the Board that a new lawsuit has been filed based on the pension reform, and recommended that the Board convene into executive session for discussion.

Attorney Robinson then suggested that a motion would be in order for the Board to convene in Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a) (2) to discuss the matter identified on the agenda as listed below involving pending litigation against the System:

- *\*Discussion of 1:16-CV-00130-ML-LDA Cranston Firefighters, IAFF Local 1363, AFL-CIO, on its own behalf and on behalf of its members, and International Brotherhood Of Police Officers, Local 301, AFL-CIO, on its own behalf and on behalf of its members vs. Gina Raimondo, in her capacity as Governor of the State of Rhode Island, Seth Magaziner, in his capacity as the General Treasurer of the State of Rhode Island, the Employees' Retirement System Of Rhode Island, by and through Seth Magaziner, in his capacity as Chairperson of the Retirement Board, and Frank J. Karpinski, in his capacity as Executive Director of the Retirement Board, Including Discussion and Consideration of Legal Counsel.*

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 Claire M. Newell. A roll call vote was taken to enter into Executive Session, and the following members were present and voted Yea: Treasurer Seth Magaziner; William B. Finelli; Daniel L. Beardsley; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; Paul L. Dion; 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 convene the Board in Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a) (2) to discuss the litigation matter identified on the agenda.**

**[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 two unanimous votes had been taken in Executive Session.

A motion was made by John P. Maguire and seconded by Thomas A. Mullaney to seal the executive session minutes pursuant to R.I.G.L. §42-46-5 (a)(2), as the discussion involved confidential communications and discussion related to litigation strategy. A roll call was taken, and the following voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; Paul L. Dion; Thomas M. Lambert; John P. Maguire; Joanne A. Matisewski; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau.

A motion was then made by Claire M. Newell and seconded by Marianne F. Monte 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; Mark A. Carruolo; Mark A. Dingley, Esq., designee for Michael DiBiase; Paul L. Dion; Thomas M. Lambert; John P. Maguire; Joanne A. Matisewski; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau.

## V. Executive Director's Report

The Director then apprised the Board that they were in possession of the March 2016 *Pension Application Report*, the Disability Subcommittee Report of April 8, 2016, the ERSRI Subcommittee Membership as of April 2016 Report and Post-Retirement Employment Report Presentation.

Director Karpinski welcomed newly elected Board member Paul L. Dion to the Retirement Board.

Director Karpinski reminded the Board of the Friday, May 13, 2016 annual fiduciary training and continuing education session at the Whispering Pines Conference Center at the University of Rhode Island Alton Jones Campus.

Director Karpinski apprised the Board that speaker Mr. Joseph P. Newton from Gabriel Roeder Smith & Company (GRS) will be discussing how to manage fund risks through assumptions and funding policies at the training. The Director said the second part of the day's training will be predicated on the Board's consideration of the Governance Study with Funston Advisory Services LLC which Chair Mullaney will discuss during the Procurement Subcommittee report.

Director Karpinski updated the Board on the "*Report of Contributions*" delinquency report in the Board book. The Director noted that everyone is paid up with the exception of Warren Housing Authority and the ongoing Central Coventry Fire District. The remaining outstanding employers will be addressed using the normal collection of funds procedure if payment of contributions is not received today.

Director Karpinski then began the presentation of an analysis of post-retirement employment of retired teachers. He said he would first provide the Board with a summary of current post-retirement rules and general laws relating to post-retirement employment of teachers. He said the second half, and main part of the presentation, is the analysis to be delivered by Ms. Jeni Mansolillo, a Bryant University Student in the actuarial program. Director Karpinski said this presentation is a response to a question by Mr. Maguire regarding year-to-year that a retiree is working and reporting post retirement employment.

Director Karpinski summarized the important requirement of a 45-day break in service, the post-retirement limits i.e., the 90/180 day rule, the required "good faith effort" for vacant positions, the use of substitute teaching, the penalties and procedures for exceeding the limits prescribed by statute and the process of tracking and self-reporting information as noted in the statute.

Mr. Dion asked for confirmation that no contributions are being made by either the member or employer during the period of post-retirement employment. Director Karpinski affirmed that the law permits a retiree to work up to 90 full days and collect a monthly pension, and that no contributions are made by either the employer or retiree during that period.

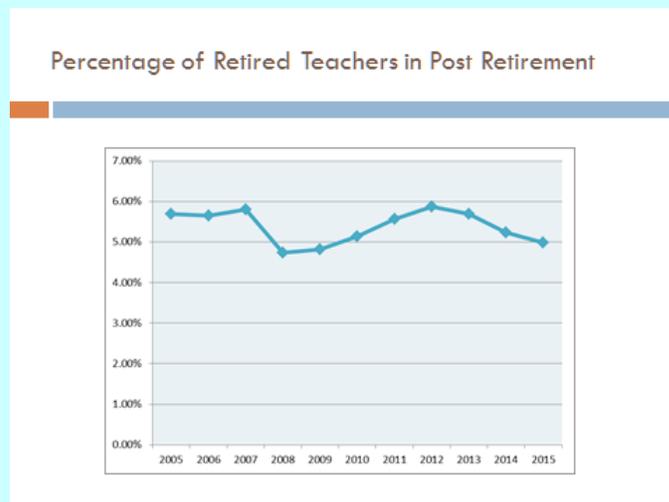
Mr. Dingley asked Director Karpinski if the Retirement System is ever questioned or challenged on the receipt of the "good faith effort" letter for vacancy situations. The Director said yes there are periodically interested parties who request copies of such letters and note that such information was not received by the appropriate parties as required by RIGL §16-16-24.

Mr. Dingley noted his concern that school departments tend to hire retirees since there are no contributions being made thus negatively impacting cash flow and ultimately depriving an active member of being hired in the open position.

Mr. Finelli asked the Director about the higher education institutions and those retirees working post-retirement. Mr. Finelli felt there are retirees working there that are not being reported to ERSRI. The Director said that under the Rhode Island General Laws, as it is with others (teachers/municipalities) data collection is a self-reporting process. Director Karpinski said that unless ERSRI is informed of such employment by either the employer or retirees there is no proof positive way to confirm such employment absent legislation to verify earnings with the Department of Taxation. Mr. Beardsley felt there should be penalization of any retirees not adhering to the post-retirement laws, RIGL §36-10-36 and RIGL §16-16-24.

Director Karpinski then introduced Jeni Mansolillo to provide the presentation on Post-Retirement Employment. Ms. Mansolillo thanked Director Karpinski and apprised the Board that she collected data from Ms. Donoyan listing the specifics of those retirees working post-retirement year to year broken down by month. Ms. Mansolillo said she then analyzed the percentage of retired teachers who engage in post-retirement employment and how many continuous years they have worked. Also, she said she calculated the contributions which could have been obtained if these retirees were contributing to the Pension plan.

First, Ms. Mansolillo provided the following graph and said the percentage of retired teachers working post-retirement over a 10 year study (2005-2015) was a constant rate of 5%-6%.



Ms. Mansolillo said she then analyzed the number of years teachers worked in post-retirement employment using the following chart. She said of 1,900 individuals 35% were engaging in only one year of post-retirement employment.

## Multiple Years Worked by Post-Retiree Teachers

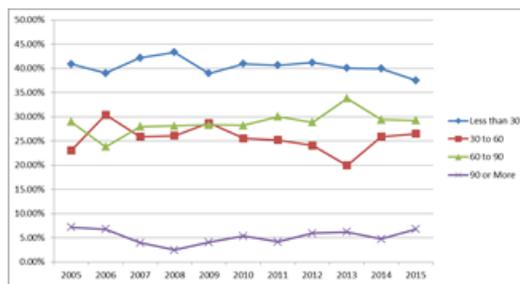


| Number of Years Worked | Total Number of Retirees | Percentage of Retirees Working Continuous Years |
|------------------------|--------------------------|---|
| 1                      | 669                      | 34.89%  |
| 2                      | 244                      | 18.21%  |
| 3                      | 252                      | 13.34%  |
| 4                      | 195                      | 10.32%  |
| 5                      | 152                      | 8.05%   |
| 6                      | 90                       | 4.76%   |
| Total                  | 89.57%                   |   |

Sum of Working 6 or Less Years in Post-Retirement 89.57%

Ms. Mansolillo then discussed the amount of days worked by year and provided the following chart:

## Amount of Days Worked by Year



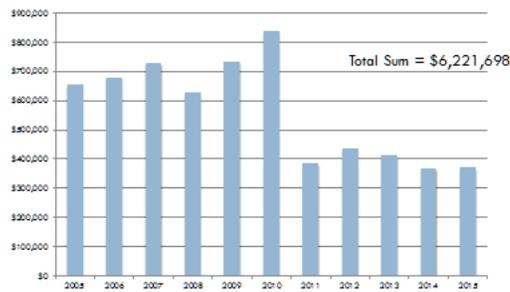
- Every year a majority of the post-retiree teachers work between the 30 to 90 day range.
- Another 40% chose to work less than 30 days.

She noted with the limitation of 90 days to work, almost yearly 50-55% of teachers are working 30-90 days; the other half less than 30 days and 10% choose to work 90 days and beyond (to choose to suspend pension).

Ms. Mansolillo next discussed potential contributions not received by the system on a strictly cash flow basis. She said she collected both the employee and employer contribution rates and average salary of the teacher to determine a daily rate multiplied by the number of days working to see what dollars could have been collected. She provided the following two graphs to give the Board some perspective on potential funds:

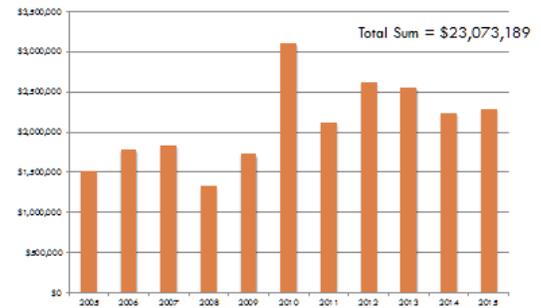
## Possible Contributions

Employee Contributions from Post-Retiree Teachers



## Possible Contributions

Employer Contributions from Post-Retiree Teachers



Mr. Maguire asked if it is possible to find those retirees that can be occupying the same position year to year working in post-retirement employment. Director Karpinski said he would work with Ms. Mansolillo to provide this information.

Mr. Dion echoed Mr. Dingley's concern about non-compliance with post-retirement employment restrictions, and felt there should be an incentive to comply accurately and perhaps penalties for violations.

Treasurer Magaziner thanked Ms. Mansolillo for her analysis and congratulated her on a great presentation and for the Board's participation.

## VI. Administrative Decisions

### **Disability Appeal – Herminia Collado 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 *Herminia Collado 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.

John P. Maguire recused on this hearing matter. Mark A. Carruolo left the meeting at 10:10a.m.

Attorney Robinson noted for the record that Ms. Collado was represented by legal counsel Attorney Stephen P. Maguire. 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 Maguire and Ms. Collado 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. Ms. Collado was sworn in by the stenographer present.

At the conclusion of the presentations, a motion was made by Jean Rondeau and seconded by Mark A. Dingley, Esq., to affirm and adopt the findings and conclusions of the Disability Subcommittee, and to accept the recommendation to deny the ordinary disability pension application. The following voted Yea: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Daniel L. Beardsley; Mark A. Dingley Esq., designee for Michael DiBiase; Paul L. Dion; Thomas M. Lambert; Joanne A. Matisewski; Marianne F. Monte; Thomas A. Mullaney; Claire M. Newell 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 affirm and adopt the findings and conclusions of the Disability Subcommittee, and to accept the recommendation to deny the ordinary disability application of *Herminia Collado*.**

## **VII. Approval of the March Pensions as Presented by ERSRI**

On a motion by William B. Finelli and seconded by Claire M. Newell it was unanimously

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

## **VIII. Legal Counsel Report**

Attorney Robinson noted no specific new matters to discuss and there were no questions on the Litigation Report.

## **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, April 8, 2016:

| <b>Name</b>         | <b>Membership Group</b> | <b>Type</b> | <b>Action</b>   |
|---------------------|-------------------------|-------------|---|
| 1. Charles Karboski | Municipal               | Accidental  | Approve   |
| 2. Joseph Nascenzi  | State                   | Accidental  | Reconsideration Denied.   |
| 3. Jacqueline Lee   | Teacher                 | Ordinary    | (Retired); Questions: Re: Post-Retirement Employment. No indication that recipient's status should be changed at this time. |
| 4. Cynthia Silva    | State                   | Accidental  | Deny  |
| 5. Richard Labreche | Municipal               | Accidental  | Approve   |

| <b>Name</b>           | <b>Membership Group</b> | <b>Type</b> | <b>Action</b>   |
|-----------------------|-------------------------|-------------|---|
| 6. Wayne Cushman      | Municipal               | Accidental  | Deny  |
| 7. Domenica Champagne | State                   | Accidental  | Deny  |
| 8. Freda Lury         | State                   | Accidental  | Deny  |
| 9. Mary Darlene King  | State                   | Accidental  | Postpone  |
| 10. Roy Casey         | State                   | Accidental  | Approved @ 50%  |
| 11. Robert Carpenter  | State                   | Accidental  | Appealed award of 50%; previous approval of 50% was overturned. Approved for 66 2/3%. |

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 Friday, April 8, 2016 on items 2, 4, 7, 8 and 10.**

Claire M. Newell recused herself from the vote on numbers 2, 4, 7, 8 and 10.

On a motion by William B. Finelli and seconded by Thomas A. Mullaney, it was unanimously

**VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, April 8, 2016 on items 1, 3, 5, 6, 9 and 11.**

**Procurement Subcommittee:**

**• Governance Policy review by Funston Advisory Services**

Chairman Thomas Mullaney provided the Board with an update of the Procurement Subcommittee that met on Monday, April 11 to discuss and consider the previously approved Governance Policy review by Funston Advisory Services LLC (FAS). He thanked the committee members who were present, including Amy Crane, Esq., designee for Jeffrey Padwa, Esq., Jean Rondeau, William B. Finelli, and Claire M. Newell.

Chairman Mullaney apprised the Board that after an initial review by the committee to identify services that may be beneficial for the Board to consider at the March Retirement Board meeting, the Board agreed with the additional engagement efforts but requested that the Director further negotiate with FAS for a lower cost and report back to the committee.

Chairman Mullaney said that Director Karpinski provided the committee with a revised cost that reduced the number of site visits to two (from three) and will utilize teleconferences for initial staff and Board interviews during the first phase. Chairman Mullaney said the revised proposal will also have FAS meet with staff and the Board, after the interviews to discuss identified issues at the Board’s May 13th training session at URI.

Chairman Mullaney said the revised cost is \$169,000 down from \$195,000 and the committee recommends approval. Treasurer Magaziner recommended that this procurement matter be voted on individually. On a motion by John P. Maguire and seconded by William B. Finelli and Jean Rondeau, it was unanimously

**VOTED: To authorize Director Karpinski to engage the services of Funston Advisory Services to perform the Governance Policy review at a cost of \$169,000.**

**• Actuarial RFP**

Chairman Mullaney provided the Board with an update on the actuarial RFP. He noted that Director Karpinski apprised the committee that the contract with Gabriel, Roeder, Smith and Company (GRS) will expire on July 1st. As done in prior years, the first phase of the RFP process will involve review of written proposals by the committee; a best and final offer from three finalists selected by the committee, and the committee's recommendation of the firm to be awarded the contract. Phase four will involve interviews of the three finalists with the full ERSRI Board who will make the final selection.

In conclusion, Mr. Mullaney said that the committee will meet during June to bring the matter to the full Board in July.

**• Change controls for Ariel System modified go-live**

Chairman Mullaney apprised the Board, as mentioned at the March Board meeting, that there has been a revised go-live date of the Ariel® system to June 6th. This is largely due to additional reconciliation of data from the old system to the new system and accordingly there are costs involved for the extension. Mr. Mullaney then asked Director Karpinski to provide a presentation on the *Computer System Update—System Go-Live June 6, 2016*.

Director Karpinski apprised the Board of the extension for the new go-live date of June 6, 2016 and again noted that it was largely due to additional reconciliation of data from the old system to the new system. Director Karpinski said as with any extension, there are costs involved and that the cost from Morneau Shepell for the extension is \$150,000. The Director said no vote is required on this matter as the board approved, in June of 2013 when the contract was finalized, a provision permitting 1.5% over contract cost (total of \$321,000) of additional spending authority for incidental changes that may occur during project planning/GAP analysis. The Director said the \$150,000 will be applied against that amount.

Director Karpinski said that given the go-live extension, it will be necessary to run the existing system longer at the present functionality which will require an extension of HP's contract to August 1, 2016. The Director said he will be running the ANCHOR system parallel with the new system for the month of June and potentially July. If it appears the parallel run testing is not needed in July since June performed well, a reduced amount of maintenance and operation can be saved.

Director Karpinski also requested a change control with HP of up to 654 hours at a total of \$85,282 for any miscellaneous conversion requests and conversion of the existing email system to the State System. The Director said the total cost for the extension is \$226,543. Mr. Dion asked if the Board was being asked to authorize up to \$226,543, and Director Karpinski said yes.

Director Karpinski said after implementation of the Ariel system, unrelated to the extended go-live, there will be a need for reduced services from HP for the existing system until December 31, 2016. He said the existing system would be operational to internal staff only for reference and issue resolution. The post implementation services to end of year would be \$175,000. Director Karpinski said after January 1, 2017, he will negotiate an as-needed contract with HP on Anchor.

Director Karpinski said the oversight project management and quality assurance with LRWL Inc. will need to be extended given the extended go-live date. The additional services required will be to assist in final go-live and post go-live efforts. He anticipates LRWL's services to be provided through September 1, 2016. He said the current contract expires on May 1, 2016, thus services to September 1 would amount to \$89,376.

In summary, Director Karpinski said the total cost is \$490,919 as noted in the table below:

|                            |                  |   |
|----------------------------|------------------|---|
| Hewlett Packard Enterprise | \$226,543        | M&O 2 Month Contract Extension to August 1st                    |
| Hewlett Packard Enterprise | \$175,000        | Post go-live services to December 31st                          |
| LRWL Inc.                  | \$89,376         | Oversight project management/quality assurance to September 1st |
| <b>Total</b>               | <b>\$490,919</b> |   |

Mr. Dion asked why the post-go live date of December 31, 2016 for HP of \$35,000 appears longer than other extensions needed to complete this conversion. The Director said the system will need to continue to provide access for the auditors to audit the conversion as well as for internal staff needs should there be questions on converted data.

Mr. Dingley asked about the \$150,000 cost for Morneau Shepell and how long the cost is applicable to MS's services. Director Karpinski said until June 6, 2016. Mr. Dingley asked why ERSRI is keeping LRWL on until September 1. Director Karpinski said LRWL will be reconciling items asked for in the RFP to actual services delivered so ERSRI can track final implementation.

Treasurer Magaziner said he was pleased that implementation is very close and thanked Director Karpinski, Finance Director Zachary Saul and Chief Operating Officer Marr. The Treasurer recommended voting on the separate authorizations of Director Karpinski in one vote.

On a motion by Thomas A. Mullaney as Chairman of the Procurement Subcommittee and seconded by John P. Maguire, it was unanimously

**VOTED: To authorize Director Karpinski to:**

- **Amend the existing contract with Hewlett Packard Enterprise at a total cost for the go-live extension of \$226,543 and for post implementation services to December 31, 2016 of \$175,000; and to**
- **Amend the existing Oversight project management/quality assurance contract with LRWL Inc. to \$89,376.**

## **X. Adjournment**

There being no other business to come before the Board, on a motion by Mark A. Dingley, Esq., and seconded by John P. Maguire, the meeting adjourned at 11:24 a.m.

Respectfully submitted,

**Frank J. Karpinski**

Executive Director