

Minutes of the January 14, 1998 Retirement Board Meeting

The monthly meeting of the Retirement Board was held Wednesday, January 14, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. The meeting was called to order at 9:05 a.m. by Nancy Mayer, Chairperson.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; Linda M. Masse; Rosemary Booth Gallogly, designee for Stephen McAllister; Michael O'Keefe; and General Treasurer Nancy J. Mayer. Senator William Enos arrived at 9:25 a.m.

II. Approval of Minutes

Ms. Clark moved and Mr. Finelli seconded the motion to approve the December 10, 1997 minutes. It was unanimously

VOTED: To approve the minutes of the Board meeting of December 10, 1997.

III. Chairperson's Report

Chairperson Mayer referred to a letter in the board packet sent to Rhode Island Mayors and Town Managers informing them of future penalties if monthly contributions are not remitted in a timely fashion. Director Flaminio indicated there was an influx of contributions after the letter was sent out on December 23, 1997.

Mrs. Mayer reported that the State Investment Commission is currently reviewing 50 responses for a Request for Proposal for a 'core equity' allocation. She noted the applicants had to have \$2 billion under management in order to respond to the RFP.

She stated the fund rate of return is in the double digits and is far exceeding the investment assumption adopted by the Board.

She also referred to the reconstructed Legislative Sub-Committee composed of Linda Riendeau, Dr. Robert Carl; Sen. William Enos; Rep. Antonio Pires and Mrs. Mayer.

IV. Executive Director's Report

With regard to personnel, the retirement system is in the process of filling the Communications Coordinator position. Also, two of the three retirement analyst positions are currently vacant: one analyst has been terminated and a second is currently on medical leave.

She noted that December is a busy time for retirements as approximately 100 state employees retire each December.

Ms. Flaminio described the complexity and confusion surrounding our retiree rules for public re-employment. A short two-page Compass newsletter on the subject is being mailed to every ERSRI and MERS retiree. It will also be included in every prospective retiree's retirement packet.

Director Flaminio also advised the Board of an issue regarding a Charlestown retiree who spent a large portion of his career working in another MERS municipality. Since there is no charge-back provision currently in effect, the last municipality pays the entire employer cost of the employee's pension without any contribution from the initial employing unit. Charlestown taxpayers are angry about the situation and have asked for an actuarial study and other individual calculations that Ms. Flaminio, after consultation with legal counsel, has not prepared since they are not done "in the normal course of business" according to the standard found in R.I.G.L. 38-2-3-(f) and would require the system to incur additional costs.

Mrs. Mayer suggested that the subject be considered by the Legislative Sub-Committee.

Ms. Flaminio also referred to the delinquency of employer-employee contributions and stated that after the General Treasurer's letter went out just before Christmas, the system took in close to \$9 million dollars in delinquent contributions. She noted the gravity of the situation with regard to the Town of Johnston municipal plan and Johnston teachers. She also stated that the Johnston Teachers union has sued Johnston to compel the town to pay based on provisions within their collective bargaining agreement.

On the Boards and Commissions issue, Director Flaminio stated that she has heard only from the Public Utilities Commission and the Board of Review of the Department of Employment & Training, both of whom stated that its members are full-time employees and entitled to membership. In addition, Jonathan Farnum, a member of the Board of Elections, has stated that he will serve as an unpaid member of the Board of Elections.

Mrs. Mayer asked if there was authority in the retirement statutes to charge the delinquent towns interest in order to make the system whole on the delinquent amounts. Attorney Barricelli stated he would look into that question on behalf of the retirement system.

Mr. Boyce commented that he would like the minutes to read that the Board owes thanks to the Providence teachers and the teacher's union for its role in getting the City of Providence to remit its contributions in a timely manner.

V. Hearing Officer Decisions

(No appeals for the month of January)

VI. Legal Counsel Report

Attorney Barricelli reported that new stringent Ethics Commission regulations would regulate Boards and Commissions and prohibit state officials including volunteers from accepting 'anything of value' from state vendors and potential vendors. He noted that many state boards are concerned about the effect these new regulations will have on the ability of private citizens to serve in a volunteer capacity.

Dan Beardsley, Board Member representing the League of Cities and Towns, expressed similar concerns regarding the new regulations.

VII. Committee Reports

Special Committee on MERS Report: Mr. Beardsley reported the next meeting will be held on Monday, January 26th at 1:30 p.m.

Disability Sub-Committee: Mr. Finelli moved and Mr. O'Keefe seconded the motion to approve the report of the January 9, 1998 Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of January 9, 1998.

VIII. Pension Revocation

Thomas Palumbo, Special Assistant Attorney General, addressed the Board regarding R.I.G.L. 36-10.1-1—the Public Employee Pension Revocation and Reduction Act, which requires that the retirement board initiate a civil action in the superior court for the revocation or reduction of a retirement benefit or any other payment whenever a public employee or official is convicted or pleads guilty to a crime related to his/her employment.

Specifically, Attorney Palumbo brought to the Board the matter of Thomas L. Ucci, a former employee of the Town of Johnston, who has been convicted in the federal court of a crime related to his public employment, 18 U.S.C. S371, conspiracy to commit mail fraud. Mr. Ucci served a short time in federal prison and was released. He asked for the Board's authorization to commence proceedings immediately under the Pension Revocation Act. (As determined by the retirement system, Mr. Ucci is currently eligible to retire from the retirement system with an estimated annual benefit of \$21,616.90).

Mrs. Mayer raised the question as to whether it is ripe to proceed in these cases in anticipation of the member's receipt of a pension. Attorney Palumbo noted that the Board did authorize cases to be brought against Anthony B. Izzo and Benjamin R. Zanni, both of whom were not receiving pensions at the time the Board authorized the actions.

Mr. Barricelli advised that the Pension Revocation Act does state that the Board "shall initiate," but that Section (d) of the Act indicates that the judge in making his decision must consider certain factors which the retirement system will have no knowledge of unless the member has applied for and is in receipt of his pension.

Mr. Beardsley inquired as to the harm of waiting for the application to be submitted rather than authorizing an immediate revocation action. Mr. Finelli reminded Board Member Beardsley that, in the Izzo and Zanni cases, counsel for the Board offered similar advice and that was the reason he voted against immediate authorization.

Ms. Crowe moved and Ms. Masse seconded the motion that if Thomas L. Ucci does not apply for his pension in 30 days, the Board shall authorize the revocation and refer the action to the Attorney General's office to proceed.

Prior to the vote, Mr. Finelli suggested that the issue be referred to the Legislative Subcommittee to request the General Assembly to change the law to address the issue of when the revocation action should be initiated (i.e. upon application by the retiring member).

A roll call vote was taken. Mr. Angelone, yes; Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, yes; Ms. Murphy-Crowe, yes; Sen. Enos, no; Mr. Finelli, no; Ms. Masse, yes; Ms. Gallogly, yes; Mr. O'Keefe, no; Mrs. Mayer, yes. Vote tally: 7 votes in the affirmative; 4 votes in the negative. Motion failed.

Ms. Crowe moved and Sen. Enos seconded the motion to put the pension revocation matter of Thomas L. Ucci on the agenda for the February meeting. A roll call vote was taken: Mr. Angelone, no; Mr. Beardsley, yes; Mr. Boyce, yes; Ms. Clark, yes; Ms. Murphy Crowe, yes; Sen. Enos, yes; Mr. Finelli, yes; Ms. Masse, yes; Ms. Gallogly, yes; Mr. O'Keefe, yes, Mrs. Mayer, yes. Vote tally: 10 votes in the affirmative, 1 vote in the negative. It was

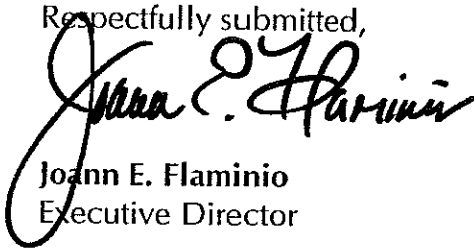
VOTED: To wait 30 days and place the Matter of Thomas L. Ucci on the February agenda of the Retirement Board.

IX. New Business (no new business)

X. Adjournment

There being no other business to come before the Board on a motion by Ms. Murphy Crowe and seconded by Mr. O'Keefe, the meeting was adjourned at 10:35 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joann E. Flaminio". The signature is written in a cursive style with a large initial "J".

Joann E. Flaminio
Executive Director

vlp

Minutes of the February 11, 1998 Retirement Board Meeting

The monthly meeting of the Retirement Board was held Wednesday, February 11, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. The meeting was called to order at 9:10 a.m. by Nancy Mayer, Chairperson.

I. Roll Call of Members

The following members were present at roll call: Daniel Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; Sen. William Enos, designee for Senate Finance Chairman; William B. Finelli; John P. Maguire; Linda M. Masse; Dr. Robert Griffith, designee for Stephen McAllister; Michael O'Keefe; and General Treasurer Nancy J. Mayer.

II. Approval of Minutes

Mr. Boyce requested that the minutes be amended to reflect his comments at the last meeting regarding Providence teachers and their ability to get the City of Providence to remit its contributions in a timely manner. Mr. Boyce wanted the minutes to reflect the fact that the Board has had trouble getting cities and towns to remit in a timely manner and the system owes its thanks to the Providence teachers and the union for its role in getting the City of Providence to remit promptly.

Mr. Finelli moved and Ms. Masse and Mr. Maguire seconded the motion to approve the January 14, 1998 minutes as amended. It was unanimously

VOTED: To approve the minutes of the January 14, 1998 Board meeting as amended.

III. Chairperson's Report

Chairperson Mayer stated that the State Investment Commission is entering the final stages of its search for a core equity manager or perhaps two core equity managers given the size of the allocation. In the near future, they will be visiting with the seven finalists and based upon their findings, will make a final choice in early spring. She invited the Board members to attend the SIC meetings and specifically the manager interviews.

She mentioned that the SIC has dedicated 7 1/2% of the fund portfolio to alternative investments, which is an allocation to investments other than stocks and bonds. The investment of this allocation has been assigned to a new sub-committee made up of Senator Paul Tavares, James Seed and General Treasurer Mayer.

She stated the fund is very solid and is nearing the 5 1/2 billion dollar mark.

IV. Executive Director's Report

In the absence of Executive Director Flaminio, Mr. Reilly reported on his attendance at a recent NASRA seminar in Washington, D.C. He noted that much legislation has been passed in the past few years relating to retirement, but stated that this year was unlikely to see any major legislation or an additional tax bill. He noted that there are proposals to eliminate the restrictions on the portability of Section 403(b) and 457 assets into defined benefit plans for the purpose of purchasing credit.

V. Hearing Officer Decisions

ERSRI vs. Kenerson: Mr. Kenerson did prevail in his ERSRI appeal before the hearing officer. He was represented by his attorney, Angelica Gosz. This case involves the application of Rhode Island General Law 36-10.10.4, the purpose of which was to 'hold harmless' those ERSRI members affected by a salary reduction plan in effect for state employees during the early 1990's. Mr. Kenerson sought to utilize the statute upon his retirement in 1996. The system however, denied Mr. Kenerson's request to purchase a deferral. The denial was based on the limitation found in Section C of the statute, i.e. that he must retire prior to June 30, 1995. Previously, the retirement system had only allowed those members who retired prior to June 30, 1995 to utilize Section 36-10-10.4 as it is the opinion of the retirement system that Section C represents a condition on the use of the salary deferral statute.

On behalf of Mr. Kenerson, Ms. Gosz argued that the basis of the statute was not to penalize any employee affected by the salary deferral for the purposes of retirement.

Mr. Maguire noted that if Section C was not a section of limitation, there would not have been a need for the 1995 General Assembly to extend the date in Section C from June 30, 1994 to June 30, 1995.

Mr. Carlotti stated that the issue was one of statutory interpretation and the Board would have to decide if the hearing officer's interpretation was correct.

Mr. Finelli moved and Mr. Boyce seconded the motion to affirm the hearing officer's decision and allow Mr. Kenerson to purchase his deferral time and have his pension based on his three highest years. A rollcall vote was taken: Mr. Beardsley, no; Mr. Boyce, yes; Ms. Clark, no; Ms. Murphy Crowe, no; Sen. Enos, no; Mr. Finelli, yes; Mr. Maguire, no; Ms. Masse, no; Dr. Griffith, no; Mr. O'Keefe, no; Mrs. Mayer, yes. Vote tally: 3 affirmative, 8 negative. The motion did not pass.

Ms. Murphy Crowe moved and Ms. Masse seconded the motion to reverse the hearing officer's decision. A rollcall vote was taken: Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, yes; Ms. Murphy Crowe, yes; Sen. Enos, yes; Mr. Finelli, no; Mr. Maguire, yes; Ms. Masse, yes; Dr. Griffith, yes; Mr. O'Keefe, yes; Mrs. Mayer, no. Vote tally: 8 affirmative, 3 negative. It was

VOTED: To reverse the hearing officer's decision in the case of ERSRI v. Kenerson thus denying Mr. Kenerson to purchase deferral time pursuant to R.I.G.L. 36-10-10.4.

ERSRI v. Anderson: (no action taken. Mr. Anderson will be sent a letter indicating that the Board will vote on this matter at the March meeting.)

VI. Legal Counsel Report

(no legal counsel report for February)

VII. Committee Reports

Special Committee on MERS Report: There was no report from the Special Committee.

Disability Sub-Committee: Mr. Finelli moved and Ms. Masse seconded the motion to approve the report of the February 6, 1998 Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of February 6, 1998.

Legislative Sub-Committee: Sandra Murphy Crowe, Chairperson of the Legislative Committee, introduced the packet of legislative initiatives that was considered by the Legislative Sub-Committee and recommended for passage:

(1) Legislation that would require new retirees as of July 1, 1998 to utilize electronic funds transfer. On a motion by Senator Enos and seconded by Ms. Murphy Crowe it was unanimously

VOTED: To endorse Senate Bill 2193 regarding the use of electronic funds transfer for all new ERSRI and MERS retirees.

(2) Legislation that would establish a statutory mechanism to pay administrative costs of the State Police and Judicial Retirement Plans. On a motion by Dan Beardsley and seconded by Senator Enos, it was unanimously

VOTED: To endorse a bill recommended by the Legislative Sub-Committee regarding the establishment of a statutory mechanism to pay administrative costs of the State Police and Judicial Retirement Plans.

(3) Legislation to clarify the definition of disability within the retirement statutes to include a permanency requirement. After discussion, a motion was made by Sandy Murphy Crowe and seconded by Dan Beardsley to approve the initiative. A roll-call vote was taken: Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, no; Ms. Crowe, yes; Sen. Enos, yes; Mr. Finelli, no; Mr. Maguire, no; Ms. Masse, yes; Dr. Griffith, yes; Mr. O'Keefe and Mrs. Mayer, yes. Vote tally: 5 affirmative, 6 negative. The motion did not carry and the Board did not approve the initiative.

(4) Legislation that would subject the retirement system to the Open Meetings Law, exempt the retirement system from the 7% surcharge for administrative expenses, and exempt the statutory CLU requirement for one public member. On a motion by Mr. Finelli and seconded by Ms. Masse it was unanimously

VOTED: To endorse a bill recommended by the Legislative Sub-Committee to subject the retirement system to the Open Meetings Law and to exempt the retirement system from the 7% surcharge for administrative expenses.

(5) Legislation to clarify definition of active employee by adding an explanation in the definitional section. On a motion by Ms. Murphy Crowe and seconded by Senator Enos it was unanimously

VOTED: To endorse a bill recommended by the Legislative Sub-Committee to establish a definition of 'active member' within the definitional section of R.I.G.L. 36-8-1.

(6) Legislation that would allow the transfer of employee and employer contributions when a member changes from one MERS participating municipality to another. On a motion by Ms. Murphy Crowe and seconded by Mr. Beardsley it was unanimously

VOTED: To endorse a bill recommended by the Legislative Sub-Committee to allow the transfer of employee and employer contributions when a member changes from one MERS participating municipality to another.

(7) Legislation to amend the Pension Revocation and Reduction Act to include all felonies committed through the abuse of one's public position. (Currently, the act only applies to financial crimes.) After discussion, a motion was made by Ms. Murphy Crowe and seconded by Mr. O'Keefe to approve the initiative. A roll-call vote was taken: Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, no; Ms. Crowe, yes; Sen. Enos, no; Mr. Finelli, no; Mr. Maquire, no; Ms. Masse, yes; Dr. Griffith, yes; Mr. O'Keefe, yes; Mrs. Mayer, yes. Vote tally: 6 affirmative, 5 negative. The motion did not carry and the Board did not approve the initiative.

(8) Legislation that would allow a retired state employee to go to work for a MERS participating municipality (the Romano situation). This bill would also allow a retired MERS member to go to work for the State of Rhode Island. *This initiative was tabled until the March meeting.*

(9) Legislation to amend R.I.G.L. 36-10-9(5) to specify that the section applies to the purchase of service credit. On a motion by Mr. Finelli and seconded by Mr. Beardsley, it was unanimously

VOTED: To endorse a bill recommended by the Legislative Sub-Committee to amend 36-10-9(5) to prohibit a member from purchasing service credit for any period of time for which he or she is already vested or receiving a pension.

(10) Legislation relating to Qualified Domestic Relations Orders. This initiative was tabled for further study by Assistant Executive Director Reilly.

(11) Legislation to restrict the ability to change joint and survivor options after retirement and to provide an automatic "pop-up" provision for those retirees whose joint and survivor beneficiary predeceases them. After discussion, a motion was made by Ms. Murphy Crowe and seconded by Mr. Beardsley. A rollcall vote was taken: Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, no; Ms. Murphy Crowe, yes; Sen. Enos, yes; Mr. Finelli, no; Mr. Maguire, no; Ms. Masse, no; Dr. Griffith, yes; Mr. O'Keefe, yes; Mrs. Mayer, yes. Vote tally: 6 affirmative, 5 negative. The motion did not carry and the Board did not approve the initiative.

(12) Municipal Retiree Health Care. At the October 8, 1997 meeting, the Board endorsed a bill recommended by a Special Sub-Committee on Health Care Pension Deductions which would allow municipal retirees to purchase his/her health care through an ERSRI pension check deduction.

VIII. Pension Revocation

Thomas Palumbo, Special Assistant Attorney General, has agreed to defer the Pension Revocation and Reduction Act on Mr. Thomas L. Ucci until he makes application for a retirement benefit. On a motion by Ms. Murphy-Crowe and seconded by Ms. Masse, it was unanimously

VOTED: To table the Thomas L. Ucci Pension Revocation and Reduction matter until such time as the member makes application for retirement.

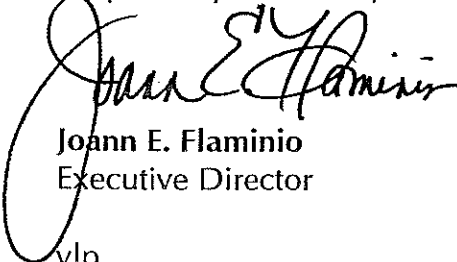
IX. New Business

(no new business)

X. Adjournment

There being no other business to come before the Board on a motion by Mr. Finelli and seconded by Sen. Enos, the meeting was adjourned at 11:17 a.m. > 20 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Minutes of the March 11, 1998 Retirement Board Meeting

The monthly meeting of the Retirement Board was held Wednesday, March 11, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. The meeting was called to order at 9:08 a.m. by William Finelli, Vice-Chairperson of the Employees Retirement Board.

I. Roll Call of Members

The following members were present at roll call: Ponzi Angelone, C.L.U.; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; Linda M. Masse; Linda Riendeau; and Dr. Robert Griffith, designee for Stephen McAllister.

II. Approval of Minutes

Ms. Clark moved and Ms. Masse seconded the motion to approve the February 11, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the February 11, 1998 Board meeting.

III. Chairperson's Report

(In the absence of the Chairperson, no report was given).

IV. Executive Director's Report

The Executive Director, as required by regulation of the retirement system, provided a summary of the FY'99 Budget request of the retirement system to the retirement board. For FY'99, the Level B Governor's administrative budget request is \$3,271,131 while the Level A administrative budget is \$6,712,415. This latter number includes automation costs if necessary. Director Flaminio noted that currently the Governor's budget reflects a transcription error with regard to the exact amount of the retirement system's FY'99 budget. Both the retirement system and the Treasurer's office have requested that this be amended when taken up by the General Assembly. Ms. Flaminio highlighted four areas of concern regarding the administrative budget: (1) personnel; (2) legal and actuarial expenses; (3) automation and computerization costs; and (4) communications. She noted that the FY'99 budget allots 25 full-time employees to the retirement system at a cost of \$1,015,043. Legal FY'99 expenses are budgeted at \$175,000 while FY'99 actuarial expenses are budgeted at \$200,000. The retirement system will pay \$113,213 in lease payments during FY'99 for its space at 40 Fountain Street.

On a motion by Ms. Masse and seconded by Ms. Riendeau, it was unanimously

VOTED: To support the administrative budget of the retirement system for FY'99 / Level B as submitted by the retirement system and the Office of the General Treasurer.

V. Hearing Officer Decisions

ERSRI v. Anderson: Mr. Gerald Anderson did not prevail in his ERSRI appeal. Mr. Anderson, a disability retiree, had requested to purchase additional military credit following his retirement. R.I.G.L. Section 36-9-31, the statute governing military credit, states that a member

must be an active employee in order to purchase military credit. The hearing officer denied Mr. Anderson's request and ruled in favor of the retirement system. In accordance with the Administrative Procedures Act, Mr. Anderson was notified of his right to file exceptions to the Board prior to the Board's final consideration of the case. Mr. Anderson has chosen not to appear. On a motion by Ms. Clark and seconded by Mr. Angelone, it was unanimously

VOTED: To affirm the decision of the hearing officer in the matter of ERSRI v. Anderson.

VI. Legal Counsel Report

Board Counsel Carlotti stated there is a bill introduced by Rep. Mesolella regarding the establishment by the retirement system of an excess benefit plan to alleviate the effect of IRS Code Section 415 (m) for certain ERSRI state retirees. He noted that he had reviewed the bill on behalf of the retirement system.

Referring to the case of Craveiro v. ERSRI, the Supreme Court affirmed the retirement board's decision not to grant Mr. Craveiro an accidental disability retirement on procedural grounds only. Mr. Carlotti noted that the case also brings up the confusing issue as to whether or not the system is subject to the provisions of the Administrative Procedures Act. He recommended that the retirement system take a position that they are subject to the Administrative Procedures Act and that legislation be filed in the General Assembly to clarify what is currently conflicting provisions on the subject.

Mr. Carlotti referred to a letter from Arlene Violet relating to traffic court judges, i.e. questioning the hours worked by Rhode Island Traffic Court judges and their eligibility to participate in the retirement program. Mr. Carlotti noted that although new judges do contribute and assets are invested on their behalf, issues regarding eligibility and membership are not currently controlled by the retirement system, but rather by the administrative arm of the judiciary. He stated the firm will assist Director Flaminio in drafting an appropriate reply to Ms. Violet.

In response to Mr. Maguire's inquiry as to how the Board gets updates on cases the Attorney General's Office is handling, Mr. Carlotti stated they request updates from the Attorney General's office once a month.

At the request of Mr. Carlotti, on a motion by Ms. Masse and seconded by Ms. Riendeau it was unanimously

VOTED: To go into Executive Session to discuss pending litigation.

Upon coming out of Executive Session, upon a motion by Ms. Murphy Crowe and seconded by Dr. Griffith it was unanimously

VOTED: To authorize Board Counsel to file a Notice of Appeal in the Parella case and to seal the minutes of the March 11, 1998 Executive Session until disposition of the Parella matter.

VII. Committee Reports

Disability Sub-Committee: Ms. Masse moved and Mr. Angelone seconded the motion to approve the report of the March 6, 1998 Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of March 6, 1998.

VIII. New Business

Legislative: Mr. Boyce referred to packet information regarding House Bill 8190, legislation on health care pension deductions for municipal retirees and a Sub A filed by the Treasurer's office. He questioned the conclusion of a report undertaken by Blue Cross /Blue Shield actuaries that allowing municipal retirees under 65 to be part of the state pool would increase the cost of retiree health care to the state. Mr. Boyce noted his concern that the new information regarding the bill was not brought before the retirement board. Ms. Binder noted that the Sub A addresses the Treasurer's concerns on the bill.

Delinquent Contributions: Ms. Riendeau questioned delinquent employer contribution amounts and particularly delinquent employee contribution amounts. Ms. Binder said the Treasurer had previously sent out a letter to the municipalities giving them until July 1 to remit in a more timely basis and a few have responded with payment plans on the delinquent amounts. Director Flaminio noted that she hoped a future municipal conference would also stress timely payment of employer contributions.

Post-Retirement Employment: The Board unanimously approved a motion by Mr. Boyce and seconded by Ms. Masse. It was

VOTED: To take the legislative initiative regarding post-retirement employment off the table.

Mr. Boyce moved and Ms. Murphy Crowe seconded the motion to approve the legislation as recommended by the Executive Director.

Discussion ensued by Vice-Chairperson Finelli and others regarding the current complexity of the statutes regarding post-retirement employment. Board Counsel Carlotti noted that the overriding principle of the statutes is to prevent an individual from receiving a pension benefit and returning to work. Mr. Finelli noted that even with the amendments, the statute has certain inequities. For instance, should a state nurse retire, they would be ineligible to work for a school department as a part-time certified nurse/teacher but they would be allowed to work for a general municipality. He advocated for a general rule that instituted a cap on the amount of public post-retirement employment for all retirees.

Mr. Boyce noted that, in his opinion, the 1994 amendment is far reaching and that system policies regarding post-retirement employment for retirees are severe and need to be reviewed and revamped.

Mr. Boyce and Ms. Murphy Crowe withdrew their motion for approval. Mr. Boyce moved and Ms. Riendeau seconded the motion to table the legislation. It was unanimously

VOTED: To table consideration indefinitely of legislation regarding post-retirement employment.

IX. Adjournment

There being no other business to come before the Board on a motion by Ms. Riendeau and seconded by Mr. Boyce, the meeting was adjourned at 10:37 a.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director

vlp

Minutes of the April 8, 1998 Retirement Board Meeting

The monthly meeting of the Retirement Board was held Wednesday, April 8, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. William Finelli, Vice-Chairperson of the Employees Retirement Board, called the meeting to order at 9:20 a.m.

I. Roll Call of Members

The following members were present at roll call: Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; Linda M. Masse; Michael O'Keefe; Linda Riendeau; and Dr. Robert Griffith, designee for Stephen McAllister.

II. Approval of Minutes

Ms. Clark moved and Ms. Masse seconded the motion to approve the March 11, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the March 11, 1998 Board meeting.

III. Chairperson's Report

In the absence of General Treasurer Mayer, Ms. Barbara Binder, Treasury Chief of Staff, noted that the value of the pension fund had exceeded \$6 billion. (*Director Flaminio added that when Mrs. Mayer became Treasurer some six years ago, the pension fund was valued at \$2.9 billion.*) Ms. Binder also reported that interviews for a Core Equity Manager would be conducted at the next State Investment Commission Meeting.

IV. Executive Director's Report

Executive Director Flaminio noted the following personnel changes: (1) Nancy Baronian has been hired to replace Charlie Casey as a Retirement Analyst; and (2) Shirley Berriman-Rutter has retired from the Employees Retirement System. Her position and current duties will be evaluated prior to re-filling the post.

During the first week of April, Annual Statements were mailed to all active members of the retirement system. Additionally, Ms. Flaminio noted that the Annual Financial Report for June 30, 1996 for both ERSRI and MERS has been issued and distributed to all member municipalities. She thanked Mr. Karpinski and Ms. Trahan for their work in the preparation of the report. She noted that system financial statements have been prepared and audited for the fiscal year ending June 30, 1997, and included for the first time an accounting for the State Police Retirement Plan and the Judicial Retirement Plan. The system is interested in pursuing a Certificate of Achievement For Excellence In Financial Reporting issued by the Government Finance Officers Association (GFOA). However, this means that the system would have to issue its reports in a very short time frame and hasten the Auditor General's audit of the plan.

Ms. Flaminio informed the Board that she will redraft a bill on post-retirement employment incorporating the concerns that were expressed at the March meeting.

Lastly, she reported that the Johnston Fire Department has requested a study regarding their entry into the MERS plan. The previous plan of the Johnston Fire Department, managed by Provident, is no longer solvent and accepting contributions. Director Flaminio noted her concern regarding the ability of the Town to contribute should a new plan be established. She feared that the liability of this group would be borne by the remaining Rhode Island MERS municipalities. She requested ideas and guidance from the Board as to how to proceed.

Mr. Carlotti stated that fire departments have a statutory provision that permits them to ask for a study. He suggested that the retirement system: (1) find out the exact parameters of the

study; (2) inquire as the cost of the study by Watson Wyatt; and (3) inquire with Johnston as to who will pay for the study. It was agreed that the system would proceed in this fashion.

Ms. Flaminio referred to an article in RI Lawyer's Weekly regarding a new Supreme Court decision on disability pensions and Qualified Domestic Relations Orders. Previously, disability pay was considered in lieu of Worker's Compensation and was not divisible by a Qualified Domestic Relations Order. The court distinguished this case from previous case law in Rhode Island by stating that, in this particular case, the member had the option of retiring normally or receiving a disability benefit (not divisible). Because of the option, the court allowed a division of one-half of the pension for the ex-spouse. For ERSRI, this means that disability pensions will now be divisible by a Qualified Domestic Relations Order.

Mr. Maguire referred to correspondence by a recent retiree regarding the length of time taken by the retirement system to process a retirement benefit. He stated that if the system needs additional personnel, they should be hired. Board Member Beardsley, who shared Mr. Maguire's concern, suggested that a Budget Committee be formed to work with the Executive Director on recommendations for FY'2000. Mr. Boyce added that for as long as he has been connected with the Board, there has been a shortage of personnel calculating pensions.

Ms. Binder indicated that the General Treasurer feels there should be a management study prior to hiring new employees.

After discussion, the meeting was turned over to Leon Wechsler, the system's computer consultant, for his report regarding the retirement systems Request for Proposal. Mr. Wechsler began by reminding the Board that the project involves devising an overall *solution* for the retirement system. He advised the Board that *four to five* new people would be needed to replace the people that are involved with working with the vendor.

Mr. Wechsler updated the Board on the progress of the system automation project. In assessing the document, he stated that the RFP has within it built-in controls and safeguards to protect the retirement system and to minimize the risk exposure of the project. The RFP is complete and has been reviewed both internally by the retirement system and externally by other state officials. In his estimation, once awarded, the project will take two years to complete. The next step is for the Board to approve the RFP and for the system to undertake the bid process.

Mr. Finelli expressed his desire that a back up of the data files be a front-end task of the hired vendor. Mr. O'Keefe agreed.

Upon the completion of Mr. Wechsler's presentation, on a motion by Mr. O'Keefe and seconded by Dr. Griffith, it was unanimously

VOTED: To amend the RFP to require that a back-up of the historical data files be made a front-end requirement of the contract.

On a motion by Mr. O'Keefe and seconded by Dr. Griffith, it was unanimously

VOTED: To approve the RFP as amended.

On a motion by Mr. O'Keefe and seconded by Mr. Beardsley, it was unanimously

VOTED: To establish a sub-committee, appointed by the Chair of the Retirement Board, to review retirement system operations to make budget recommendations based on future needs for the revised FY'99 budget and FY'2000 budget requests. The sub-committee should complete its work by September 1st for presentation to the September Board meeting and inclusion in the October 1st budget submission.

V. Hearing Officer Decisions

(There were no decisions for the month of April)

VI. Legal Counsel Report

On a motion by Mr. Maguire and seconded by Ms. Masse, it was unanimously

VOTED: To go into Executive Session.

Upon returning to Open Session, on a motion by Dr. Griffith and seconded by Ms. Murphy Crowe, it was unanimously

VOTED: To seal the minutes of the Executive Session.

VII. Committee Reports

Disability Sub-Committee: Ms. Masse moved and Mr. Beardsley seconded the motion to approve the report of the April 3, 1998 Disability Sub-Committee. It was unanimously
VOTED: To approve the Disability Sub-Committee report of April 3, 1998.

VIII. Pension Revocation

Matter of Thomas L. Ucci: Stephen Carlotti, Board Counsel, informed the Board that Thomas L. Ucci, who was previously convicted of a felony, has applied for his retirement. Mr. Carlotti recommended that the Board table consideration of the granting of the pension, pending a determination of the Superior Court as to whether or not Mr. Ucci's pension should be forfeited or reduced, and that the matter be referred to the Attorney General in accordance with the Pension Revocation Act.

In response to Director Flaminio's question as to whether ERSRI has the right to withhold a pension, Mr. Carlotti referred to R.I.G.L. 36-10.1-3 (B) (2) which states that "The superior court shall order the public official or employee to appear and show cause as to why any retirement or other benefit or payment to which the public official or public employee is otherwise entitled should not be withheld pending adjudication of said civil action in the superior court." Thus, the burden is on the applicant to explain why the benefit should not be withheld pending the pension revocation suit.

Mr. Maguire questioned if there were other cases such as this and Mr. Carlotti answered that this is the first time that someone applied when there was knowledge of the felony.

Mr. Carlotti noted that the Pension and Revocation Act states that the Board shall proceed when the member has been convicted of a crime related to his public employment. He noted that the Board could proceed in either of two ways: (1) adopt an Almeida approach and refer the matter to a hearing officer to determine honorable service, or (2) refer the matter to the Attorney General for proceedings under the Pension and Revocation Act in Superior Court.

Mr. Boyce was concerned about the length of time of the revocation suit and the hardship this would place on the member if the pension was not paid. Mr. Carlotti felt that once the pension is granted, there is no way to recoup the payments, should the pension ultimately be revoked.

Ms. Murphy Crowe moved and Mr. Beardsley seconded the motion to accept the recommendation of legal counsel to delay the processing of the retirement payment and refer the matter to the Attorney General for prosecution under the Pension and Revocation Act (including a show cause hearing regarding whether or not payment shall be received pending the revocation suit). A rollcall vote was taken. Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, yes; Ms. Murphy Crowe, yes; Mr. Finelli, no; Mr. Maguire, no; Ms. Masse, yes; Dr. Griffith, yes; Mr. O'Keefe, yes; Ms. Riendeau, no. Vote tally: 6 votes in the affirmative, 4 votes in the negative. Motion failed due to lack of majority.

On a motion by Mr. O'Keefe and seconded by Ms. Murphy Crowe, it was unanimously

VOTED: To refer the matter to the Attorney General for prosecution under the Pension Revocation and Reduction Act.

The final issue involved whether or not the Board wished to direct the Executive Director to pay Mr. Ucci his retirement benefit pending the adjudication of the Pension Revocation and Reduction suit.

Mr. O'Keefe moved and Mr. Beardsley seconded the motion to direct the Executive Director to process Mr. Ucci's retirement application and pay him his pension pending the revocation suit. A rollcall vote was taken. Mr. Beardsley, no; Mr. Boyce, no; Ms. Clark, no; Ms. Murphy Crowe, no; Mr. Finelli, no; Mr. Maguire, no; Ms. Masse, no; Dr. Griffith, no; Mr. O'Keefe, no; Ms. Riendeau, no. Motion failed due to lack of majority.

IX. New Business

Director Flaminio reminded the members that a photograph will be taken next month for inclusion in the next financial report.


Mr. Beardsley referred to the subject of delinquent municipal contributions. He inquired as to whether or not the Treasurer has decided to withhold state aid to delinquent communities commencing July 1, 1998. Ms. Binder, Treasury Chief of Staff, stated the decision has not been made but there is a distinct possibility that it will be done. Mr. Beardsley requested that should the decision be made to withhold state aid, he would like to see a second communication go out to municipalities before action is taken. Ms. Binder indicated that was being done.

Mr. Maguire questioned Ms. Binder regarding the Johnston situation. She replied that because of the voluntary take-over by the Department of Administration, the Treasury will not withhold state aid but Director of Administration has agreed that Johnston will pay back any delinquent contributions with an 8% interest rate. She indicated that the situation is being monitored closely by the General Treasurer along with the Director of Administration.

X. Adjournment

There being no other business to come before the Board on a motion by Ms. Murphy Crowe and seconded by Mr. Riendeau, the meeting was adjourned at 11:08 a.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director
vlp

Minutes of the May 13, 1998 Retirement Board Meeting

The monthly meeting of the Retirement Board was held Wednesday, May 13, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. Nancy J. Mayer, Chairperson of the Employees Retirement Board, called the meeting to order at 9:12 a.m.

Prior to the roll call, Mrs. Mayer welcomed Mr. John Marginson, the new public representative to the board appointed by Governor Almond.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; Sen. William Enos; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Linda Riendeau; and Treasurer Nancy J. Mayer.

II. Approval of Minutes

Ms. Murphy Crowe moved and Ms. Clark seconded the motion to approve the April 8th, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the April 8th Board Meeting.

Mr. Finelli moved and Ms. Masse seconded the motion to approve the minutes of the Special Board Meeting of April 23rd, 1998. It was unanimously

VOTED: To approve the minutes of the Special Board Meeting of April 23, 1998.

III. Chairperson's Report

Mrs. Mayer referred to the recent decision issued by Judge Ronald R. Lagueux evicting Richard R. DeOrsey, one of the plaintiffs in NEA v. Rhode Island from the retirement system. She stated that Judge Lagueux ordered that the file be turned over to the Attorney General's office for possible criminal prosecution. With this eviction, the savings to the retirement system as a result of the suit will be close to \$6 million (present value dollars).

Mrs. Mayer stated that the Treasurer's office and the State Investment Commission had concluded the search for two core domestic equity managers and selected J.P. Morgan and State Street Global Advisors. J.P. Morgan uses a more traditional analysis in selecting equities while State Street is a quantitative manager. She indicated that the fund has a quality stable of managers and its value is over \$6 billion.

IV. Executive Director's Report

Monthly Update: Executive Director Flaminio introduced Nancy Baronian to the Board who will be responsible for the computation of purchases and retirements. The addition of Ms. Baronian to the staff should help with the summer swell of teacher retirements.

Ms. Flaminio thanked the Board for their ongoing support with the computerization project. The RFP has been prepared and is being sent to those vendors who submit a letter of interest.

With regard to the Budget Sub-Committee, Ms. Flaminio stated that she would set up the Committee's first meeting after conferring with retirement system department heads.

The Department of Administration has published the final report of the Special Pension Commission. She invited Board members to request a copy of the report that recommends a flat 2% benefit formula and a switch to a five-year salary average.

Ms. Flaminio informed the Board that Watson Wyatt would be at the July 8th Board meeting to unveil the results of the experience study and the next valuation results.

Lastly, she noted that Assistant Executive Director had turned 60 and is thus eligible to retire from the retirement system.

Matter Robert Scheidler: Ms. Flaminio spoke on the issue of municipal liability and specifically regarding the issue of municipal liability when the member/retiree has worked in more than one participating municipality.

Since 1951 when the Municipal Employees Retirement System was established, there has been no method in Rhode Island to share or apportion municipal liability. Thus, the unit where the retiring member worked last carries the entire liability of the pension regardless of the length of service in the last MERS municipality or any other MERS municipality. She also stated that the system has never tracked how many employees have service credit in more than one municipality upon retirement.

Noted: David Barricelli of Hinckley, Allen & Snyder recused himself from any consideration of this matter and left the room. Hinckley, Allen & Snyder was formerly counsel to the Town of Barrington, Rhode Island.

Without considering the circumstances of the pension, Director Flaminio sought guidance from the Board regarding what, if any, action should be taken regarding the liability aspect of the former town manager's pension. It is noted that the pensioner was credited with 18 years of service credit from the Town of Barrington and close to 2 years with the Town of Charlestown. *(The pensioner retired with over 24 years of service credit as he also purchased four years of military service credit.)*

Mrs. Mayer said that her office had researched the municipal statutes and could find no evidence that dictated that the last town an individual worked for should assume the full liability of the pension. She felt that an administrative mistake had occurred and that the Board should refer the issue to the actuary to pro-rate the pension in some fashion. Should another municipality feel they have a similar situation, each matter should be dealt with individually by the Board.

Board member Beardsley expressed his concern about admitting an "administrative mistake". He felt the administration merely followed system history in not apportioning municipal pensions. He questioned: (1) if the past policy could be changed retroactively, and (2) if the Board can resolve this matter and not similar cases in all other MERS communities. He requested that the issue be reviewed by legal counsel.

Mr. Boyce referred the Board back to the Town of Barrington's request in accordance with a resolution submitted by the Town of Barrington, adopted by the Town Council, on January 3, 1989, and a letter dated January 19, 1989 from Lorraine Derois, Town Clerk, to

reinstate the Town Manager's department and to amortize any unfunded liability relating to the re-entry through future payroll contributions.

Sen. Enos questioned how future cases would be handled and if this motion would establish a precedent. In response, Mrs. Mayer stated that the MERS Sub-Committee has designed legislation to resolve the problem on a prospective basis.

On a motion by Mr. Boyce and seconded by Sen. Enos, it was unanimously

VOTEED: That the Town of Barrington be assessed the full cost of the unfunded liability related to the reentry of the town manager's department into the Municipal Employees Retirement System in accordance with a resolution submitted by the Town of Barrington, adopted by the Town Council, on January 3, 1989, Anthony DeSisto, Town Council President, and letter dated January 10, 1989, from Lorraine A. Derois, Town Clerk, to Mr. John F. Sullivan, Assistant Director, Employees Retirement System.

Mr. Boyce requested that the Executive Director re-examine the retirement file of Mr. Robert Scheidler to determine whether any error occurred in the calculation of the pension. Mrs. Mayer noted that there is a pending Ethics Complaint on this issue.

Mr. Maguire questioned if the employee was required to contribute when the Town Manager's department re-entered MERS. Ms. Flaminio replied that when the department first reenters, no employee contributions are required as the town assumes all past liability.

On a motion by Mr. Boyce and seconded by Sen. Enos, it was unanimously

VOTED: To request the Executive Director to re-examine the pension file of Mr. Robert Scheidler and report back to the Board regarding the pension calculations.

Again, in response to a question by Board Member Maguire, Director Flaminio stated that it is important that new communities entering MERS understand the rules regarding liability.

V. Hearing Officer Decisions

(There were no decisions for the month of April)

VI. Legal Counsel Report

Attorney Barricelli noted that the legal report is contained in the monthly materials. In response to a question from Mr. Maguire concerning the lengthy time frame of some of the cases, Attorney Barricelli noted that answers have been filed in all cited cases. If plaintiffs do not respond, a motion for dismissal may be filed after the expiration of five years.

A motion to dismiss has been filed in the cases of Yarbroudy vs. ERSRI and Robert Toolin v. ERSRI. Both motions will be heard on August 4th, 1998. Mr. Maguire also requested an update on the cases being handled by the Office of the Attorney General.

Mr. Barricelli referred to a recent Rhode Island Supreme Court decision, Allard v. Allard, which states that a disability may be divisible to the extent that the pension is a benefit based on years of service. Mr. Barricelli noted that he is putting together QDRO regulations on behalf of the retirement system.

Finally, Mr. Barricelli has recommended an amendment to the Administrative Procedures Act that will clear up present statutory confusion regarding whether or not ERSRI is subject to the Rhode Island Administrative Procedures Act. An amendment has been drafted (making the

retirement system subject to the APA) and forwarded to the General Assembly for their consideration.

VII. Committee Reports

The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Susan Raisner	State	Ordinary
Karla Moran	Teacher	Ordinary
Elizabeth Newell	Teacher	Ordinary
Mary Paiva	State	Accidental
Ronald E. Levesque	Municipal	Accidental
Susan A. Tillson	State	Accidental
Leonard Washington	State	Accidental

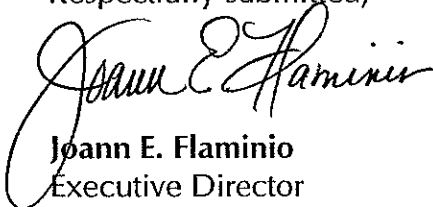
Mr. Finelli moved and Ms. Murphy Crowe seconded the motion to approve the report of the May 8, 1998 Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of May 8, 1998.

VIII. Adjournment

There being no other business to come before the Board, on a motion by Mr. Finelli and seconded by Mr. Maguire, the meeting was adjourned at 10:25 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Minutes of the June 8, 1998 Retirement Board Meeting

Due to lack of quorum the June 8, 1998 meeting was cancelled.

Minutes of the June 30, 1998 Special Meeting of the Employees' Retirement Board

A Special Meeting of the Employees' Retirement Board was held Tuesday, June 30, 1998 in the 5th Floor Conference Room, 40 Fountain Street. Nancy J. Mayer, General Treasurer, called the meeting to order at 9:45 a.m.

I. Roll Call of Members

The following members of the retirement board were present: Ponzi A. Angelone, C.L.U., Michael R. Boyce, Peter Dennehy, designee for Dr. Robert Carl, Leslie E. Clark, Sen. William Enos, John P. Maguire, John A. Marginson, Linda Masse, Stephen McAllister, Rep. Antonio J. Pires, Linda Riendeau and Nancy J. Mayer.

Others present were Board Counsel Stephen Carlotti, Neil Kelly and Tom Palombo of the Attorney General's office, Joan McPhee of Ropes & Gray, and other members of the Treasurer's staff.

II. NEA vs. Retirement Board

Mrs. Mayer explained that the purpose of the meeting was to discuss an appeal in the case of National Education Association vs. Retirement Board and that the last day to file a notice of appeal is July 2nd. She noted that one of the plaintiffs who did not prevail at trial, Mr. Richard DeOrsey, has already filed an appeal in the matter.

Mr. Maguire recused himself from all discussion and voting on the matter as he is Treasurer of the RI Federation of Teachers and Health Professionals, which is a plaintiff in the case.

On a motion by Mrs. Mayer and seconded by Mr. Marginson it was unanimously

VOTED: To go into Executive Session to discuss litigation pursuant to R.I.G.L. 42-46-5(2).

On a motion by Rep. Pires and seconded by Mr. Marginson, it was unanimously

VOTED: To return to Open Session.

After much discussion, Mr. Pires moved and Ms. Masse seconded the motion to appeal that part of the NEA decision which was decided adversely to the Employees Retirement System which held that certain individuals had vested property interests in ERSRI pensions that could not be taken away by the Pension Eviction Act.

A rollcall vote was taken. Mr. Angelone, yes; Mr. Boyce no; Ms. Clark, yes; Mr. Dennehy, yes; Sen. Enos, yes; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Rep. Pires, yes; Ms. Riendeau, no; Mrs. Mayer, yes. Vote tally. 9 votes yes, 2 votes no. Motion passed. It was

VOTED: To appeal that part of the NEA decision which was decided adversely to the Employees Retirement System which held that certain individuals had vested property interests in ERSRI pensions that could not be taken away by the Pension Eviction Act.

On a motion by Sen. Enos and seconded by Ms. Clark it was unanimously

VOTED: To seal the minutes of the June 30, 1998 Special Retirement Board Meeting Executive Session until litigation was decided.

A short recess was taken at 10:55.

The meeting resumed at 11:05.

Mrs. Mayer gave a brief summary of the credentials of the lawyers at Ropes and Gray.

Following Mrs. Mayer's summary, Mr. Carlotti advised the Board that there was a decision to be made regarding attorneys' fees for Ropes & Gray. Mr. McAllister stated that in his opinion the Retirement Board should take an aggressive stance in this matter and that we (the Board) should utilize available resources to continue to contest the issue.

Ms. McPhee explained to the Board the fee proposal of Ropes & Gray to continue the case on behalf of the retirement board. The maximum that would be paid Ropes and Gray in the

event the appeal stands still or goes backwards would be \$190 an hour up to a maximum of \$75,000. In the event that the Board prevails, they would multiply their hours by a higher amount of \$375 an hour with a maximum of \$150,000, plus out-of-pocket expenses.

Sen. Enos moved and Mr. Marginson seconded the motion to engage Ropes and Gray at the stated fees for the purpose of the appeal. During discussion, Mr. Boyce and Sen. Pires both inquired about a letter of engagement from Ropes and Gray.

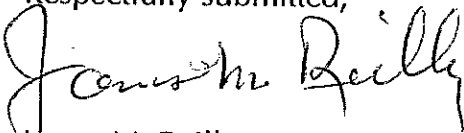
A rollcall vote was taken. Mr. Angelone, yes; Mr. Boyce, no; Ms. Clark, yes; Mr. Dennehy, yes; Sen. Enos, no; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Rep. Pires, no; Ms. Riendeau, no; Mrs. Mayer, yes. Vote tally: 7 votes yes, 4 votes no. Motion did not carry.

Rep. Pires requested a letter of engagement from Ropes and Gray and that the matter be put on the agenda for the July 8th, 1998 Retirement Board Meeting. The engagement letter will be delivered to the Retirement System offices to be distributed in the Board Packet.

Ms. McPhee questioned if the appeal should be jointly submitted with the Attorney General's office and Mr. Carlotti answered in the affirmative.

On a motion by Rep. Pires and seconded by Mr. Marginson, it was unanimously voted to adjourn the meeting at 11:23 p.m.

Respectfully submitted,



James M. Reilly
Assistant Executive Director

vlp

Minutes of the July 8th, 1998 Retirement Board Meeting

The monthly meeting of the Retirement Board was held Wednesday, July 8, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. Nancy J. Mayer, Chairperson of the Employees Retirement Board, called the meeting to order at 9:10 a.m.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; John P. Maguire; John A. Marginson; Linda M. Masse; Stephen McAllister, Michael O'Keefe; Linda Riendeau; and General Treasurer Nancy J. Mayer.

II. Approval of Minutes

Ms. Murphy Crowe moved and Mr. Marginson seconded the motion to approve the May 13th, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the May 13th Board Meeting.

The approval of the minutes of the June 30th Special Board Meeting Board was deferred until the next meeting.

III. Director's Report

Mrs. Mayer stated that the State Investment Commission has completed its search for two domestic 'core' equity managers and selected J.P. Morgan of New York and State Street Global Advisors of Boston as new investment advisors. She reaffirmed the fund's recent success and the current favorable market conditions.

IV. Executive Director's Report

Year in Review: Director Flaminio called specific attention to Item No. 5 of the Year-In-Review memorandum provided in the materials and the need for additional personnel to pursue the automation project. She stressed that without the Board's support for additional personnel, the project could not go forward.

Ms. Flaminio referred to the annual National Council on Teacher Retirement conference. If any member of the Board is interested in attending, he/she should contact her.

Watson Wyatt Presentation: Director Flaminio then turned the meeting over to Chris Conradi and Wilson Lowry of Watson Wyatt to make their presentation. The first part of the presentation revolved around the experience study done by Watson Wyatt in an effort to determine the adequacy of the system's assumptions. Overall, the conclusion of the 3-year experience study was that in some categories, the assumptions of the retirement system are not conservative enough. Watson stressed that adopting more conservative assumptions would mean an increase in system liabilities.

Based on the results of the experience study, Wyatt recommended the following revised assumptions:

Inflation assumption recommendation: 3.5%. This is in line with the inflation assumption utilized by other large state retirement systems. Board members O'Keefe and Mr. McAllister questioned the use of a 3.5% inflation assumption.

Investment return assumption recommendation: 8%. This is the rate most commonly used by large public retirement systems. Watson recommended that the system continue to utilize this assumption.

Salary Increase Assumption Recommendation: 5.0% - 5.8% depending on group. Watson Wyatt felt that the 4.5% salary increase assumption utilized by Mercer was too low. Responding to a question from Mr. Beardsley regarding what specific payroll data was reviewed, Mr. Conradi explained that they received historical salary information from the retirement system for the years 1994 to 1997 on every active member, and analyzed it by each fiscal year.

Payroll Growth Rate Assumption Methodology Recommendation (This figure is utilized in determining amortization payments, not in projecting benefits): Mercer utilized a 4.5% rate, the same rate that they used in projecting salary increases. Watson Wyatt suggests utilizing a reduced 3.5% assumption. Mrs. Mayer expressed concern that some of the assumptions are based on true experience (e.g. salary increase) while others are not (e.g. investment returns are actually much higher during the last 15 year period than what is expressed by the adoption of an 8 % investment assumption). Wilson Lowry responded that historically investment returns are cyclical and will not remain consistently high. Mrs. Mayer posited the possibility of redesigning the current pension fund asset allocation policy.

Mortality Rate Assumption Recommendation: Watson's Wyatt conclusion regarding mortality is that retired members are living longer, particularly teachers. The use of the 1971 Group Annuity Mortality table by Mercer is currently understating liabilities within the system. Watson Wyatt recommends the use of a more modern mortality table / UP 1994 mortality table. With regard to disability, the current assumption is overstating current experience and they recommended changing to tables based on social security experience.

Retirement Age Assumption: With regard to state employees and teachers, Watson Wyatt found that the average age of retirement was much lower than what was previously assumed, especially for teachers who they found retiring much earlier than assumed. (State/ average age at retirement: 60.6 for males, 61.3 for females; teachers/average age at retirement: 54.9 for males, 57.3 for females.) They recommended adopting new tables with a probability of retirement by age rather than assuming all retirements at a single age. MERS employees are also retiring at earlier ages and they recommended age-based rates for those employees too. Police & Fire and State Police data was limited and thus they recommended no change. They did suggest an assumption change for judicial retirement ages.

Termination: Watson Wyatt recommended termination rates based on service and not age for the state, teachers, and MERS groups. For State Police, Judges and the Police & Fire groups, they recommended using the present assumptions based on limited experience.

Membership Information: At the end of June 30, 1997, there were 5,511 teacher retirees (average benefit: \$2,146) and 8,879 state retirees (average benefit \$1,054).

Suggested Employer Contribution Rates for FY'2000: For state employees, Watson recommended an employer contribution rate of 13.76% as compared with 9.85% for FY'99. For teachers, Watson recommended an employer contribution rate of 19.45% as compared with 11.52% for FY'99. This is due, largely, to earlier retirements and increased mortality.

For judges, Watson recommended an increase in the employer contribution rate to 32.65% as compared to 23.36% for FY'99. For state police, Watson recommended an increase in the employer contribution rate to 29.49% as compared to 11.43% for FY'99.

For MERS, Watson recommended utilizing excess benefits to reduce both the normal cost and amortized liabilities. By adopting this different approach, approximately 1/2 of the municipalities will have no employer contribution.

Mr. Beardsley inquired as to the availability of detailed information for each MERS municipality—particularly for those 30 units who may experience a FY'2000 increase. Mr. Conradi stated that this information could be produced but has not been budgeted for at present.

Mrs. Mayer questioned if Watson Wyatt could recalculate the amortization of the unfunded liability based on different (entry age normal) methodology in order that the Board could determine whether or not they want to explore introducing legislation to change the methodology.

Director Flaminio summarized options available to the Board: (1) alter both our current investment assumption and the fund's asset allocation strategy; (2) 'mark to market' as was done during the last fiscal year; (3) change the actuarial liability methodology and adopt a new amortization schedule; (4) look at the fund's investment gain; and (5) decrease benefits.

Mrs. Mayer questioned current retirement ages in conjunction with the selection of the Social Security Option and the effect on plan liabilities.

(Note: Mr. Beardsley left at 12:00 noon)

Watson Wyatt suggested that given the extreme volatility of the suggested FY'2000 rates that 'marking to market' would be a reasonable path given that FY'98 investment performance (*which is already in*) has been very good and would soften future volatility. This should decrease proposed increased FY' employer contributions by 50%.

It was concluded that more information was needed before setting the rates. The actuaries will return to the September Board meeting with responses to the many questions posed at the July Board meeting and a discussion of the various actuarial options open to the Board.

V. Hearing Officer Decisions

(There were no decisions for the month of July)

VI. Legal Counsel Report

Mrs. Mayer reviewed the engagement letter of Ropes & Gray requested by Rep. Pires, pertaining to the retention of counsel for NEA vs Retirement Board. As stated in the letter, the fees charged to the retirement system would be as follows:

- (1) If there are no additional savings or savings of less than \$1 million above and beyond those attained in the district, the Ropes & Gray fee would be calculated by multiplying \$190 by the total number of lawyer hours actually expended on the appeal or \$75,000, whichever is lesser, plus normal charges for out-of-pocket disbursements.
- (2) If and only if the appeal results in a final determination that yields a net savings above and beyond the savings achieved in the district court of at least \$1 million, Ropes & Gray would be entitled to receive a fee calculated by multiplying \$375 by the total number of lawyer hours actually expended on the appeal or \$150,000, whichever is lesser, plus normal charges for out-of-pocket disbursement.

Director Flaminio wanted clarification that if there are no additional savings over the \$5 million already assumed to be achieved, the fee is capped at \$190 an hour. She also requested that Watson Wyatt determine the present value savings. In response, Mrs. Mayer stated that Arthur Anderson had already been engaged by Ropes & Gray regarding the determination of the present value savings.

Mr. Boyce questioned what future expenses the system might be responsible for as a result of going forward in federal court. Mr. Carlotti replied that should the plaintiffs prevail, there could be a specific claim for attorney's fees.

Ms. Riendeau questioned if the retirement system had ever gone to First Circuit before, and if so, what were the applicable fees. Director Flaminio replied that both Parella and McGrath were First Circuit cases and the attorney fee rate in both cases was \$140.00 an hour.

Mr. Marginson moved and Ms. Masse seconded the motion to retain Ropes & Gray as counsel for NEA vs. Retirement Board based on the fee specifics in the July 1st, 1998 engagement letter. A rollcall vote was taken: Mr. Angelone, yes; Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, yes; Ms. Murphy Crowe, yes; Mr. Maguire, recusal; John Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, yes; Ms. Riendeau, no; Mrs. Mayer, yes. Vote tally: 9 votes yes, 2 votes no, 1 recusal. Motion passed. It was

VOTED: To retain Ropes & Gray as Counsel for NEA vs. Retirement Board based on the fee specifics in the July 1st engagement letter.

VII. Committee Reports

The Disability Sub-Committee recommended the following disabilities for approval as of June 5th:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Geoffrey Davis	State	Ordinary
Terry Paine	State	Ordinary
Florence Pezzullo	Municipal	Ordinary
Ana Raposo	State	Ordinary
Donald Sjogren	State	Ordinary
Margaret Valdez	State	Ordinary
Judith Case	State	Accidental
Francis Chartier	Municipal	Accidental
George Elefsiades	State	Accidental
Lance Langborg, Sr.	State	Accidental

The Disability Sub-Committee recommended the following disabilities for approval as of July 1st:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Charlotte Hull	Municipal	Ordinary
Ann Lessmann	Teacher	Ordinary
Aarmando Lugini	State	Ordinary
Thomas Sozek	State	Ordinary
Ivory Wiggins	State	Ordinary
James Deaett	Municipal	Accidental
Michael Brady	Police & Fire	Accidental

Ms. Murphy Crowe moved and Ms. Masse seconded the motion to approve the reports of the June 5, 1998 and the July 1, 1998, Disability Sub-Committee. It was unanimously

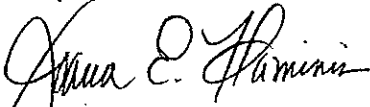
VOTED: To approve the Disability Sub-Committee reports of June 5, 1998 and July 1, 1998.

VIII. Adjournment

The Board agreed not to meet in August. The next regular Board meeting will be September 9th, 1998.

There being no other business to come before the Board the meeting was adjourned at 12:20 p.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employee Retirement Board of Rhode Island

Monthly Board Meeting Minutes

Date of Meeting: Wednesday, September 15th, 1998

The monthly meeting of the Retirement Board was held Tuesday, September 15th, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. Nancy J. Mayer, Chairperson of the Employees Retirement Board, called the meeting to order at 9:10 a.m.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Michael R. Boyce; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Stephen McAllister, Michael O'Keefe; Linda Riendeau; and General Treasurer Nancy J. Mayer.

II. Approval of Minutes

Mr. Marginson moved and Ms. Crowe seconded the motion to approve the June 30th, 1998 Special Board Meeting minutes. It was unanimously

VOTED: To approve the minutes of the June 30th, 1998 Special Board Meeting.

Mr. Angelone moved and Ms. Crowe seconded the motion to approve the July 8th, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the July 8th, 1998 Board Meeting.

III. Chairperson's Report

Mrs. Mayer spoke of the volatility of the financial markets as of late and noted a fall in the value of the ERSRI and MERS pension fund during the month of August. She stated that the fund is probably in for a 'rocky' ride during the next few months, but reminded the Board of the perpetual nature of the fund and the need to view the fund within the context of a long-term financial strategy. She stated that the fund is sitting on a profit base in excess of \$2.5 billion.

She also discussed briefly the instability of the world's global markets and the effect that the international situation would have on U.S. financial markets.

IV. Executive Director's Monthly Report

(1) Retirement Laws: Director Flaminio stated that they had completed a compilation of retirement laws through the 1998 legislative session that are available for all Board members.

(2) ERSRI Personnel: Ms. Flaminio introduced Cheri O'Gara, a newly hired employee who will be working in the Data Processing Department of the Retirement System. Ms. O'Gara has an Associate's Degree in Computer Science.

(3) November Board Meeting: The date of the November Board Meeting will be changed to Wednesday, November 18th. The Disability Sub-Committee meeting is still slated for Friday, November 6th, 1998.

(4) ERSRI Hearing Officers: Elaine Gianinni, ERSRI hearing officer, resigned to take a full-time attorney's position with the state's Department of Workers Compensation. ERSRI placed an ad in the Rhode Island Lawyer's Weekly to replace Elaine and interviewed prospective candidates. Two new hearing officers, Raymond A. Marcaccio of Blish & Cavanaugh and Jeffrey S. Michaelson of Michaelson, Michaelson & Zurier have been hired and placed on the per diem list.

(5) Summer Retirements: Ms. Flaminio noted that nearly 500 ERSRI and MERS members had been placed on the retirement rolls during the month of August. This could only have been accomplished with ERSRI staff overtime. Our number of total retirees is nearing 19,000.

(6) Application of 75-Day Rule: Four Providence teachers have been notified of their post-retirement public employment in excess of the 75-day rule. To date, the explanations supplied by the affected members have been satisfactory and no suspensions will occur. Ms. Flaminio noted that all retirees will be held to the statutory standards as presently found in the Rhode Island statutes. She did state that the area was ripe for legislative revision.

(7) Retiree Health: All retirees who purchase group health insurance through ERSRI will have an Open-Enrollment period during the month of October. She noted the complexity of our health care rates and the increase in the number of requests from retiree groups to talk about health care.

(8) Miscellaneous: Director Flaminio stated that the *Fall Outreach Program* will be starting in October. She also discussed the need for a Legislative Sub-Committee meeting sometime in November to discuss legislative amendments to the retirement statutes during the General Assembly of 1999. The Disability Sub-Committee has expressed an interest in amendments to some of our Disability statutes.

(9) New Law Suits: The first suit, Providence Teachers Union vs. ERSRI, involves Providence long-term substitutes and whether or not the system can charge interest on their purchase of the first year of service (prior to becoming a member upon reaching 135 days of long-term substitution.) The second suit, Almeida vs. ERSRI, involves the application of the statutory restriction that prohibits vested military members from purchasing military credit in our system (so-called double dipping). This second suit has been filed in U.S. District Court.

L.R. Wechsler Contract Extension: Director Flaminio requested the extension of the 1997 contract with Leon Wechsler who has helped us design the RFP and who has overseen our RFP process. The original contract that negotiated services with Wechsler for a sum of \$120,000 (after completion of 16 identifiable scope of service items) has now been depleted. The retirement system expects 3-4 months of additional work from L.R. Wechsler and is requesting an additional \$20,000 of scope of service payment.

On a motion by Mr. O'Keefe and seconded by Mr. Finelli, it was unanimously

VOTED: To extend the contract of L.R. Wechsler in the amount of \$20,000 for completion of his services as ERSRI technical consultant during the procurement of a computer vendor.

After a 15 minute break, the meeting resumed at 10:15 a.m.

Watson Wyatt Presentation: W. Michael Carter, Chris Conradi and Wilson Lowry appeared on behalf of Watson Wyatt, the system's actuarial firm. In response to the actuary's

presentation at the July, 1998 meeting, Watson Wyatt was asked to look further into four options for the development of the Employer Contribution Rates for all plans for FY'2000, and to show the impact the use of each option would have on the Employer Contribution Rates.

The options are:

- (1) Use Market Value of Assets at 6/30/97;
- (2) Lengthen amortization periods to 30 years ("refinance");
- (3) Change actuarial method from Frozen Initial Liability to Entry Age Normal;
- (4) Increased assumed investment return rate.

In response to an initial question by Mrs. Mayer regarding the Frozen Initial Liability method, Mr. Carter said that in his opinion it is not a favorable methodology since it does not give a true picture of the system's gains and losses. He prefers the Entry Age Normal method generally. He noted that the cost of a retirement plan is always the difference between what is paid out in benefit costs and the sum of investment income and employer-employee contributions.

(1) Marking to Market. FY'2000 rates utilizing the assumptions as determined from the Experience Study would cause the State FY'2000 employer contribution rate to increase from 9.85% to 13.76%. On the teacher side, the FY'2000 rate would increase from 11.52% to 19.45%. If the all of 1997 returns are recognized (mark to market), the State rate would drop to 9.85% and the Teachers would drop to 16.31%. The risk of marking to market is lessened because of the timing of the valuation process and the knowledge of FY'98 asset gains.

(2) Lengthen Amortization Period to 30 Years: The average amortization period for state liabilities is 19 years and for the teacher population, 20 years. GASB#25 allows a maximum amortization period of 30 years. Were the current amortization period be re-established to a 30 year schedule, the state FY'2000 rate would be lowered from 13.76% to 11.22% and on the teacher side from 19.45% to 16.55%. If you also mark to market, this brings the rates down even further to 7.31% (state) and 13.41% (teacher). This option would require legislation.

(3) Change actuarial method: Mr. Carter described the primary funding methods in use: Frozen Initial Liability (FIL); Entry Age Normal (EAN); Aggregate; and Projected Unit Credit (PUC). These are all different ways to allocate the long-term cost of a retirement plan. The most commonly used methodology is the Entry Age Normal methodology, which is used by 69% of the funds, surveyed in a 1996 State of Wisconsin survey. As stated previously, the preference by Mr. Carter is entry age normal. Mrs. Mayer noted that at the present time, the Board does not have the option of changing the actuarial method since our current statutes dictate the Frozen Initial Liability method.

(4) Increase assumed investment return rate: In addition to marking to market, if the Board chooses to increase the investment return rates, the FY'2000 employer contribution rate would be decreased on the state side from 9.85% at 8.0% to 7.18% at 8.5% and 2.31% at 9.0%. For teachers, the rate would be decreased from 16.31% at 8.0% to 12.98% at 8.5% and 9.80% at 9.0%. Mrs. Mayer noted the need to coordinate this assumption with the asset allocation strategies of the State Investment Commission. She felt that an additional exposure to equities would be necessary. Given the Board's investment history, Mr. O'Keefe feels that 8% is too conservative an assumption.

Watson Wyatt Recommendation for FY'2000 Employer Contribution Rates:

- (1) Mark to Market at June 30, 1997;
- (2) Extend future smoothing period from three years to five years.

This would produce employer contribution rates for FY'2000 of 9.85% for the state employee population and 16.31% for teachers. This would translate into expected contributions for FY'2000 of \$46.8 million for state employees and a teacher employer contribution of \$105.5 million to be shared by the State of Rhode Island and Rhode Island municipalities.

Mr. O'Keefe requested that Watson Wyatt compute employer contribution rates for both state & teachers for with an investment return assumption of 8.25%, 8.50%, and 8.75%.

Mr. Maguire inquired what would happen if we did not change any of the assumptions for another year. Mr. Carter replied that additional losses might be incurred. He also felt that the old assumptions are very out-of-date.

Mr. Marginson questioned how often an experience study is done. Ms. Flaminio responded that this is the first one that has been conducted in six years.

Mr. Finelli stated that he is against the Board adopting a course of action that results in static rates for FY'2000 if the bottom line is that pension contribution rates need to be increased.

Mr. O'Keefe moved and Mr. McAllister seconded the motion to table consideration of FY' 2000 employer contribution rates until the requested information is received from Watson Wyatt. A rollcall vote was taken. Mr. Angelone, yes; Mr. Boyce, no; Ms. Murphy Crowe, yes; Mr. Finelli, no; Mr. Maguire, yes; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, yes; Ms. Riendeau, no; Mrs. Mayer, yes. Vote tally. 8 votes in the affirmative; 3 votes in the negative. It was

VOTED: To table consideration of the adoption of FY'2000 employer contribution rates until the October meeting and to request Watson Wyatt to prepare employer contribution rates with an investment return assumption of 8.25%, 8.50% and 8.75% and for each of three possible methods for computing actuarial value of assets: (1) the current three-year smoothing method, restarted with the June 30, 1996 market value; (2) a five-year smoothing method, restarted with the June 30, 1996 market value; and (3) the June 30, 1997 market value (mark to market).

The overfunding of the MERS plans will be applied by Watson Wyatt to both the normal cost and the unfunded liabilities. Thus, many MERS plans will have no employer contribution for FY'2000. Additionally, whatever plan of action is adopted by the Board for the state and teacher plans will also be applied to MERS. This should result in even more communities with a zero employer contribution rate for FY'2000.

V. Hearing Officer Decisions

DeFelice v. ERSRI: (As an initial note, this case involved three plaintiffs: Mr. Alan Lemery, Mr. Ralph DeFelice, and Ms. Joann Sawtelle. Only Mr. Alan Lemery and Mr. Ralph DeFelice were present for the hearing. Ms. Joann Sawtelle will be advised that her portion of the appeal was not heard.) Mr. Lemery and Mr. DeFelice, who retired in July of 1997 from the Rhode Island Department of Human Services, did not prevail in their ERSRI appeal before the hearing officer. This case involves a retroactive payment pursuant to a collective bargaining agreement that was received during the member's last three years of employment, but relates to employment outside of the last three years of employment. As a result, the portion of the payment not attributable to the member's last three of employment was not included in the computation of the member's Final Average Salary. The retirement system relies upon R.I.G.L. 36-8-1 (7) Definition of terms which defines compensation as salary 'earned and paid' to exclude that portion of the retroactive adjustment that is not earned during the three-year period.

Mr. Lemery and Mr. DeFelice argued in the opposite that all of the retroactive adjustment should be included in the computation of their Final Average Salary.

Mr. McAllister moved and Ms. Masse seconded the motion to affirm the hearing officer's decision. It was unanimously

VOTED: To affirm the hearing officer's decision in the case of Lemery (DeFelice) vs. ERSRI.

Board member Marginson suggested that a regulation be drafted to eliminate this issue prospectively. It was also suggested that Board decisions be included in the next edition of the Compass.

VI. Legal Counsel Report

Attorney Carlotti reiterated the importance of Providence Teachers Union vs. ERSRI case mentioned by the Director during her report.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as of September 4th, 1998:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Diane Adam	State	Ordinary
Mary Elder	State	Ordinary
Sharon Jenkins	Teacher	Ordinary
Lila Mullins	Teacher	Ordinary
Linda Puchalski	State	Ordinary
Leon Thompson, Jr.	State	Ordinary
Diana Wilkinson	State	Ordinary
David Young	Teacher	Ordinary
Robert J. Souza, Jr.	Police and Fire	Accidental

Mr. Finelli moved and Ms. Murphy Crowe seconded the motion to approve the report of the September 4, 1998, Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of September 4, 1998.

Budget Sub-Committee: Ms. Riendeau, Chairperson of the Budget Sub-Committee, delivered the report of the Budget Sub-Committee that met on August 18, 1998. Ms. Riendeau moved that the Board accept the recommendation of the Budget-Sub Committee for seven additional personnel for FY'2000 in the retirement system: 3 additional personnel in the Member Service area and 4 in the Finance Department. Mr. Boyce seconded the motion.

Mrs. Mayer moved to table the issue to the next month's meeting. Mr. McAllister seconded the motion. She indicated she had received a memo from Stephen Palmer that was not in complete agreement with some of the Sub-committee's recommendations.

Mr. O'Keefe questioned the cost of SIC personnel and whether or not that cost comes out of the ERSRI and MERS pension fund. (*The retirement system is allocated 33.4 FTE's, of which 25 work for the retirement system directly*). Thus, the pension fund does pay for SIC personnel.

On the motion to table the recommendation of the Budget Sub-Committee, a roll call vote was taken. Mr. Angelone, yes; Mr. Boyce, no; Ms. Murphy Crowe, yes; Mr. Finelli, yes; Mr. Maguire, no; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, no; Ms. Riendeau, no; Mrs. Mayer, yes. Vote tally, 7 in the affirmative, 4 in the negative. Motion failed.

Mr. O'Keefe stated that requests for additional ERSRI personnel have been around for many years and thus should have given all an opportunity to comment on the requests. He did suggest that an entire budget proposal be shared with the retirement board that includes not only the issue of personnel, but also the automation project (which was not part of this initial recommendation by the Budget Sub-Committee). He did remind the Board that the Sub-Committee was formed many months ago so that the Board could meet the budgetary deadlines.

Mr. Boyce emphasized that the Director has stressed the need for more personnel on many occasions. With plans for automation, the need for personnel is even greater.

In response to a question from Mr. O'Keefe regarding changes to the budget, Mrs. Mayer was unsure of what any action she might take as she did not want to bind a future Treasurer.

Both Ms. Mayer and Director Flaminio noted the inherent statutory confusion regarding authority and control over retirement system budgetary and personnel matters.

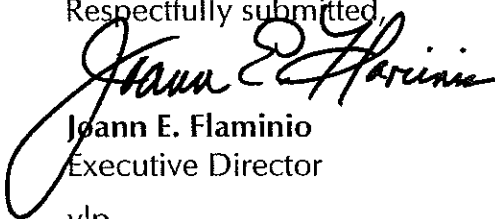
Mr. O'Keefe offered a substitute motion, seconded by Mr. Finelli, that the Budget Sub-Committee bring to the Board at its October meeting a FY'2000 budget recommendation that includes both the personnel recommendations and the automation costs. It was unanimously

VOTED: That the Budget Sub-Committee bring to the Board at its October meeting a FY'2000 budget recommendation that includes both personnel recommendations and automation costs.

VIII. Adjournment

There being no other business to come before the Board the meeting was adjourned at 1:05 p.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Monthly Board Meeting Minutes

Date of Meeting: Thursday, October 22nd, 1998

The monthly meeting of the Retirement Board was held Thursday, October 22nd, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. William B. Finelli, Vice Chairperson of the Employees Retirement Board, called the meeting to order at 9:10 a.m.

I. Roll Call of Members

The following members were present at roll call: Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Michael O'Keefe; and Linda Riendeau.

Note: Stephen McAllister arrived at 9:20 a.m. and Mrs. Mayer arrived during the discussion phase of Grossi v. ERSRI. She chaired the vote on the Grossi motion that was concluded prior to the Watson Wyatt presentation.

II. Approval of Minutes

Director Flaminio asked the Board to make two amendments to the September 22nd minutes: (1) Leslie E. Clark was not present and thus her name should be deleted from those identified as being present on September 22nd; and (2) the word "state" should be changed to the word "teacher" on Page 3 of the minutes, Section #2, line 5.

Ms. Clark moved and Ms. Masse seconded the motion to approve the September 22nd, 1998 minutes as amended. It was unanimously

VOTED: To approve the minutes of the September 22nd, 1998 Board Meeting as amended.

III. Chairperson's Report

(No Chairperson's Report was given.)

IV. Executive Director's Monthly Report

(1) ERSRI Personnel: There have been no changes in ERSRI personnel.

(2) ERSRI Legislative Handbooks: Director Flaminio stated that the system had produced a new Legislative Handbook which was mailed to all active and retired legislative members. The last book of this type was produced in 1988.

(3) Access to Pension Records: A letter will be sent to all ERSRI or MERS members whose pension records have been requested under the state's Access to Public Records statute. The letter will simply inform the member that a request has been made to see his/her file.

(4) Legal Update:

- (a) **NEA vs. Rhode Island (union eviction case):** Briefs have been filed in this case in the First Circuit Court of Appeals. As you may recall, Joan McPhee of Ropes and Gray represents the General Treasurer in this action while the Attorney General's Office represents the Executive Director and the Board.
- (b) **Parella vs ERSRI:** This case is also being heard in the First Circuit Court of Appeals and concerns the awarding of what the system deems to be excessive attorneys' fees as the result of a suit brought by legislators challenging ERSRI's ability to reduce their pensions due to the imposition of R.I.G.L. 36-8-20 (Section 415 limitations). Oral arguments occurred a month ago. Here, ERSRI was represented by Michael DeFanti of Hinckley, Allen & Snyder.
- (c) **Azar vs. ERSRI/ Pension Revocation:** This case involves a challenge by the retirement system to the far-reaching judicial discretion utilized by Judge Williams of the Superior Court, under the Pension Revocation and Reduction Act, in redistributing the pension assets of Mr. Raymond Azar. Azar had been convicted of a felony of stealing monies while an employee of the City of Cranston. This case, which was heard in the Supreme Court of the State of Rhode Island on Monday, October 5th, could provide some necessary guidance in the area of pension revocation.

(5) Robert J. Scheidler: In accordance with the Board's action taken last May, the system with the assistance of Watson Wyatt determined a value of the portion of Mr. Scheidler's pension attributable to his service with the Town of Barrington. This amount was to be transferred from the Town of Barrington to the Town of Charlestown at the end of the year. Recently, Barrington's lawyers have notified the retirement system of its intent to seek a Temporary Restraining Order to prevent ERSRI from taking this action. Attorney Barricelli noted that it is Hinckley's opinion that it is capable of representing the system in the TRO matter even though it has recused itself from any involvement in this case previously. Previously, Hinckley Allen & Snyder served as Solicitor to the Town of Barrington.

(6) Computer Project: The team reviewing the computer bids will continue with its on-site reviews of the projects of the interested vendors. Direct discussion of the project and the budget request will be delayed until next year after a new Treasurer has been sworn in. The contract with Leon Wechsler, the computer consultant, has been extended as per the last retirement board meeting.

(7) Open Enrollment: Open enrollment changes in medical coverage will go into effect in January, 1999.

(8) Direct Deposit: The new law regarding Direct Deposit has prompted many older retirees to switch to Direct Deposit thus eliminating the need to print paper checks.

Board Member Sandy Murphy Crowe spoke briefly on the recent National Council on Teacher Retirement conference in California. She talked about the crisis involving Social Security and the need for reform and possible privatization as a response to the need for additional funding.

Watson Wyatt Presentation: Wilson Lowry appeared on behalf of Watson Wyatt, the system's actuarial firm. In response to Board requests, Mr. Lowry presented exhibits (one for state and one for teachers), showing employer contribution rates for the June 30th actuarial valuation as of June 30, 1997 utilizing the following actuarial devices: (1) adoption of a 3-year

smoothing method; (2) adoption of a 5-year smoothing method; and (3) marking to market. All of these scenarios were also shown utilizing various investment return rates.

Mrs. Mayer referred to a letter from Wilshire Associates, consultant to the State Investment Commission, recommending that the retirement board retain the 8% investment return assumption. She noted the growing concern regarding global economic conditions and opined that it would not be prudent to raise the 8% investment return assumption at this time. ERSRI and MERS pension fund returns will not meet that rate this year.

Executive Director Flaminio summarized for the Board that if ERSRI marks to market with an 8% investment return, the FY'2000 employer contribution for the state would be 9.85% (or \$46.8 million) and for the teachers would be 16.31% (or \$105.6 million).

Further, if the Board marked to market and adopted an 8.25% investment return assumption, the FY'2000 employer contribution rate for the state would be 8.57%, or \$40.7 million, and a reduction of roughly \$6.1 million. On the teacher side, the FY'2000 employer contribution for teachers would be 14.64%, or a contribution of \$94.7 million and a reduction of roughly 11 million dollars. The FY'99 employer contribution rates for state and teachers were 9.85% and 11.52%. (*Employer contributions for FY'99 were \$48.3 million for state employees and \$74.3 million for teacher employees.*)

Vice-Chairperson Finelli stated he was hesitant to go against both Watson Wyatt's and Wilshire's recommendation of 8.00% for an investment return assumption. Mr. O'Keefe was uncomfortable both marking to market and raising the investment assumption as it eliminates the system's buffer against future volatility.

Mr. McAllister moved and Mr. Beardsley seconded the motion to adopt the following employer contribution rates for FY'2000: 8.57% for state employees, and 14.64% for public school teachers. (*This involves adopting an investment return assumption of 8.25% and marking to market the actuarial value of assets as of June 30, 1997. Implicit in the motion is the adoption of all of the assumption changes recommended by Watson Wyatt. No changes are made to the 3-year smoothing method which will begin with the next round of actuarial valuations for the fiscal year ending June 30, 1998.*) A roll call vote was taken. Mr. Beardsley, yes; Mr. Boyce, yes; Ms. Clark, yes; Ms. Murphy Crowe, yes; Mr. Finelli, no; Mr. Maguire, yes; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, no; Ms. Riendeau, yes; Mrs. Mayer, no. Vote tally, 9 votes in the affirmative, 3 votes in the negative. Motion carried. It was

VOTED: To adopt an FY'2000 employer contribution rate of 8.57% for state employees and 14.64% for public school teachers.

(*Note: Mrs. Mayer left at 10:55 a.m. and Mr. Finelli assumed the chair.*)

The motion did not change the retirement system's present policy of 3-year smoothing. Watson Wyatt recommends that the system adopt a 5-year smoothing approach.

Mr. Finelli asked if the Board would have to vote individually on the rates for the MERS plan, the State Police plan, and the Judicial plan. Director Flaminio stated that Watson Wyatt would prepare rates for MERS, the State Police plan and the Judicial Plan in accordance with the assumptions approved within the context of the State and Teacher discussion. The Board can then review and pass on the remaining FY'2000 rates at the November meeting.

In response to a question from Mr. Beardsley, Director Flaminio stated that the investment return assumption of 8.25% will alter MERS employer contribution rates and make many overfunded MERS communities appear even more overfunded.

Director Flaminio thanked the Board and Watson Wyatt for their patience and hard work during the rate discussion.

V. Hearing Officer Decisions

Grossi v. ERSRI: Prior to any consideration of this decision/matter, Mr. McAllister recused himself from any discussion or involvement in the matter of Grossi vs. ERSRI. Mr. Grossi did not prevail in his ERSRI appeal before the hearing officer. The issue involves the application of R.I.G.L. 36-8-20 which required that Mr. Grossi's pension benefits be lowered in accordance with Section 415 Maximum Benefit Limitations issued by the Internal Revenue Code. The hearing officer concluded that the Employees Retirement System correctly concluded that Mr. Gross was not entitled to benefits in excess of the limitations by the Internal Revenue Code.

On a motion by Mr. Beardsley and seconded by Ms. Crowe, it was unanimously

VOTED: To affirm the hearing officer's decision in ERSRI vs. Grossi.

Gross v. ERSRI: Ms. Gross did not prevail in her ERSRI appeal before the hearing officer. The issue involves the application of R.I.G.L. 16-17-1-2(3) which states that TIAA-CREF members who elect to join ERSRI must purchase previous 'CREF' time within the first year of membership in ERSRI. Ms. Gross, an ERSRI member, failed to purchase her 'CREF' time within her first year of ERSRI membership.

On a motion by Mr. O'Keefe and seconded by Ms. Masse it was unanimously

VOTED: To affirm the hearing officer's decision in ERSRI vs. Gross.

Asselin v. ERSRI: The Asselin hearing was continued to the November 18th Retirement Board meeting.

VI. Legal Counsel Report

Attorney Barricelli described the retirement system's involvement in two new lawsuits:

(1) The first suit, Providence Teachers Union vs. ERSRI, involves Providence long-term substitutes and whether or not the system can charge interest on a purchase of the first year of service (prior to becoming a member upon reaching 135 days of substitution.)

(2) The second suit, August Almeida vs. ERSRI, involves the Rhode Island statutory restriction that prohibits vested military members from purchasing military credit in our system. This suit has been filed in U.S. District Court.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as of October 9th, 1998:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Paul Smith	Police & Fire	Ordinary
Ann Baglio	Police & Fire	Accidental
Manuel Rezendes	State	Accidental

Ms. Masse moved and Ms. Murphy Crowe seconded the motion to approve the report of the October 9th, 1998, Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of October 9, 1998.

VIII. New Business

Multiple Beneficiary Regulation: Director Flaminio requested that Board members look over a proposed regulation on Multiple Beneficiaries. Provided there are no objections to the proposed regulation, she will begin the hearing process for the Regulation pursuant to the Administrative Procedures Act.

Letter from Sandra Murphy Crowe, Board Member: Ms. Murphy Crowe raised concerns about the Police Chief of the Town of Charlestown who was recently granted an accidental disability retirement by the Disability Sub-Committee. Ms. Murphy Crowe is concerned about reports that subsequent to his disability retirement, Mr. Brady is working for the Town of Charlestown as the Interim Police Chief.

Director Flaminio stated that the system had contacted the Town of Charlestown and had received a written report from Mr. George Hibbard, Town Administrator, that Mr. Brady was working in a volunteer non-paid capacity until a new Police Chief had been hired. She also indicated that under present statute, a yearly earnings test would be applied to Mr. Brady's accidental pension and new outside earnings in excess of the Police Chief's salary would be offset against the disability pension. He may also be re-examined.

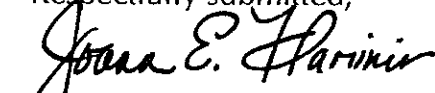
Mr. Beardsley commented that the retirement system's ability to inform its membership of plan changes had greatly improved within the past few years.

IX. Adjournment

There being no other business to come before the Board on a motion by Ms. Masse and seconded by Ms. Riendeau, it was unanimously

VOTED: To adjourn the meeting at 12:10 p.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Monthly Board Meeting Minutes

Date of Meeting: Wednesday, November 18th, 1998

The monthly meeting of the Retirement Board was held Wednesday, November 18th, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. William B. Finelli, Vice Chairperson of the Employees Retirement Board, called the meeting to order at 9:13 a.m.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Stephen McAllister; Michael O'Keefe; and Linda Riendeau.

Note: Mrs. Mayer arrived after rollcall.

II. Approval of Minutes

Ms. Clark moved and Ms. Masse seconded the motion to approve the October 22nd, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the October 22nd, 1998 Board Meeting.

III. Chairperson's Report

Mrs. Mayer reported on the following activities of the State Investment Commission: (1) SIC approval of the establishment of consolidated (rather than regional) mandates for certain international managers; and (2) an ongoing search for an International Passive-Active EAFE manager. In the past, the money was in a passively managed EAFE index fund. She invited all Board members to attend the monthly SIC meetings.

IV. Executive Director's Monthly Report

Watson Wyatt Presentation: Wilson Lowry reported on behalf of Watson Wyatt. With regard to the **Judicial Retirement Plan**, the employer contribution rate for FY'2000 is 30.49% utilizing an 8.25% investment return assumption and marking to market as of June 30, 1997. This compares to a rate of 23.36% for FY'99.

With regard to the **State Police Plan**, the employer contribution rate for FY'2000 is 26.62% utilizing an 8.25% investment return assumption and marking to market as of June 30, 1997. This compares to a rate of 11.43% for FY'99. This rate reflects adjustments by Watson Wyatt with regard to FAS rules for State Police and the Section 415 Benefit Limitations. Both adjustments caused liabilities to increase which is reflected in the FY'2000 rate.

MERS FY'2000 Contribution Rates: Currently, in valuing the MERS plans, prior actuaries did not reflect negative amortization in accordance with GASB 25/27. Thus, in FY'99, MERS communities still paid the determined normal cost contribution even though they were seriously overfunded. Watson's recommendation is to reflect the negative amortization thus eliminating the employer contributions for many communities.

Adopting an 8.25% investment return, and marking to market (and reflecting the negative amortization)—of the 102 units in MERS, 54 will have no employer contribution rates for FY'2000 while 31 have had rate decreases. Twelve units have rate increases.

Mr. Boyce and Mr. Beardsley requested information regarding the degree of overfunding for MERS units. Watson Wyatt indicated that this material would be prepared and distributed to the Board membership prior to the next meeting in December.

Mr. Beardsley moved and Ms. Crowe seconded the motion to adopt the FY'2000 MERS employer contribution rates, and FY'2000 employer contributions rates for the State Police and Judicial plans.

Mr. Boyce moved and Mr. Maguire seconded the motion to table the motion to the December 9th, 1998 Board Meeting. A roll call vote was taken. Mr. Angelone, no; Mr. Beardsley, no; Mr. Boyce, yes; Ms. Clark, yes; Ms. Murphy Crowe, no; Mr. Finelli, yes; Mr. Maguire, yes; Mr. Marginson, no, Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, yes; Ms. Riendeau, yes; Mrs. Mayer, no. Vote tally: 8 affirmative, 5 negative. It was

VOTED: To table the approval of FY'2000 employer contribution rates for the Municipal Employees Retirement System, the State Police Plan, and the Judicial Retirement Plan.

Mr. McAllister moved and Ms. Masse seconded the motion to adopt the FY'2000 employer contributions for the State Police and Judicial Retirement plan. (*This involves adopting an investment return assumption of 8.25% and marking to market the actuarial value of assets as of June 30, 1997. Implicit in the motion is the adoption of all of the assumption changes recommended by Watson Wyatt.*) A roll call vote was taken. Mr. Angelone, yes; Mr. Beardsley, yes, Mr. Boyce, abstain; Ms. Clark, yes, Ms. Murphy Crowe, yes; Mr. Finelli, yes; Mr. Maguire, yes; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, yes; Ms. Riendeau, yes; Mrs. Mayer, no. Vote tally: 11 votes affirmative, 1 vote negative, 1 vote abstain. It was

VOTED: To adopt the FY'2000 employer contribution rates for the State Police and Judicial Retirement Plan.

In addition, Ms. Flaminio gave the following monthly report:

(1) Retirement Board Meeting: The next retirement board meeting will be Wednesday, December 9th. Board members are invited to stay for a Christmas lunch.

(2) Purchases: Presently, there is a backlog of purchase requests. The system will be trying to correct this by year's end.

(1) Divesting of Purchased Pension Requests: A letter was received from Senator John O'Leary regarding his ability to divest or turn down previously purchased pension credits. Director Flaminio noted that the statutes are silent on this issue, and asked for the Board's assistance in formulating a response. She stated that she does not think that the framers contemplated a system whereby a member would be allowed to purchase pension credits and then divest previously purchased pension credits. After a recommendation by Mr. Carlotti, it was agreed that the Executive Director would draft a response to Mr. O'Leary and formulate a proposed regulation in this area for Board discussion.

V. Hearing Officer Decisions

Asselin v. ERSRI: Ms. Asselin did not prevail in her ERSRI appeal before the hearing officer. This case involves two retroactive payments that were received during the member's last three years of employment, but relate to employment outside of the last three years of employment. As a result, the portion of income not attributable to the member's last three years of employment was not included in the computation of the member's Final Average Salary. The retirement system relies upon R.I.G.L. 36-8-1(7) Definition of Terms which defines compensation as salary "earned and paid" to exclude that portion of the retroactive adjustment that is not earned during the three-year period.

Ms. Murphy Crowe moved and Mr. Angelone seconded the motion to adopt the hearing officer's decision. A rollcall vote was taken. Mr. Angelone, yes; Mr. Beardsley, yes; Mr. Boyce, yes; Ms. Clark, yes; Ms. Murphy Crowe, yes; Mr. Finelli, yes; Mr. Maguire, yes; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, yes; Ms. Riendeau, yes; Ms. Mayer, yes. Vote tally. 13 votes in the affirmative. It was unanimously

VOTED: To adopt the hearing officer's decision in the matter of Asselin v. ERSRI.

Tellier v. ERSRI The Tellier matter has been postponed and will be taken up at the February, 1999 meeting.

VI. Legal Counsel Report

(There was no legal counsel report.)

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as of November 6th, 1998:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Ralph Bruno, Jr.	State	Ordinary
James DeCiutiis	State	Ordinary
George Hanos	Municipal	Accidental
Harry Nicolopoulos	Municipal	Accidental
Joseph Marrapese	Municipal	Accidental

Prior to any consideration of the Disability Sub-Committee report, Mr. Maguire recused on Applicant No. 6, Naomi Lozado-Rivera which was tabled. Mr. Finelli moved and Mr. Beardsley seconded the motion to approve the report of the November 6th, 1998, Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of November 6th, 1998.

VIII. New Business

Multiple Beneficiary Regulation: Director Flaminio gave a presentation to the board regarding the use of multiple beneficiaries in the Employees Retirement System of Rhode Island. Multiple Beneficiaries will be used in two instances: (1) The death of an active member with more than 10 years; and (2) ERSRI Joint and Survivor Options. She would like to proceed in promulgating a regulation on the use of Multiple Beneficiaries within the retirement system. Mr.

Barricelli suggested that a pop-up provision be considered should a beneficiary predecease the retiree.

On a motion by Ms. Murphy Crowe and seconded by Ms. Masse it was unanimously
VOTED: To proceed with the promulgation of a regulation regarding the Multiple Beneficiary Regulation in accordance with the Administrative Procedures Act.

There being no other business to come before the Board on a motion by Mr. Finelli and seconded by Ms. Clark, it was unanimously

VOTED: To adjourn the meeting at 10:40 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Monthly Board Meeting Minutes

Date of Meeting: Wednesday, December 9th, 1998

The monthly meeting of the Retirement Board was held Wednesday, December 9th, 1998 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. Nancy J. Mayer, Chairperson of the Employees Retirement Board, called the meeting to order at 11:15 a.m.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Michael O'Keefe; Linda Riendeau; and Nancy J. Mayer.

II. Approval of Minutes

Mr. Finelli moved and Ms. Masse seconded the motion to approve the November 18th, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the November 18th, 1998 Board Meeting.

III. Chairperson's Report

In her last report as Chair, Mrs. Mayer thanked the Retirement Board and the Executive Director for their services. She noted that the retirement system, in her six years as Chair, has made great strides and is being run in a far more professional manner. Mrs. Mayer also thanked Attorney Stephen Carlotti of Hinckley, Allen & Snyder for his legal services to the Board. Mr. Carlotti accepted the Chair's thanks on behalf of his entire team of lawyers, all of whom contribute legal services.

She reported that the search for an International Passive-Active EAFE manager is in its final stages. The final interviews would be conducted at the December State Investment Commission meeting.

IV. Executive Director's Monthly Report

MERS FY'2000 Contribution Rates: In response to requests at the November Board meeting, Director Flaminio stated that Watson Wyatt has provided a chart which provides both the degree of overfunding and an estimated funding holiday for those units with excess benefits. Information regarding the adoption of COLA and the effect on non-COLA units is also available.

The FY'2000 rates reflect the assumptions discussed by Watson Wyatt after the municipal experience study.

Mr. Beardsley moved and Mr. Boyce seconded the motion to approve the schedule of MERS rates for the FY'2000 employer contribution rates. It was unanimously

VOTED: To adopt the FY'2000 employer contribution rates for the units of the Municipal Employees' Retirement System.

Director Flaminio indicated that at the January 1999 meeting she would give the budget presentation for FY'2000 that she normally gives to the Board in March.

In addition, Ms. Flaminio gave the following monthly report:

- (1) **NEA vs. the Employees Retirement System:** Initial briefs in this matter were filed in September, with reply briefs following in the month of October. A decision from the First Circuit Court of Appeals is expected in both this case and the *Parella* case sometime in 1999. Six plaintiffs in the union case are receiving refunds in accordance with a previous court order and the dictates of the 1994 eviction legislation.
- (2) **Purchases:** This problem has subsided. Board members are directed to contact Director Flaminio with any further requests in this area.
- (3) **Social Security Update:** Ms. Flaminio and Mr. Reilly attended the closed circuit White House Conference on Social Security. Should the U.S. Congress adopt changes, they would naturally affect our present benefit structure. She noted that several alternatives are being presented including a switch to individual retirement accounts or merely certain minor adjustments to the present plan.

Director Flaminio spoke briefly on the article that appeared in the Providence Journal regarding the retirement system's experience study and congratulated the Board for their hard work and diligence during the past six months and the adoption of new, more realistic, assumptions.

Finally, Director Flaminio recognized the two public representatives to the Board: Ponzi Angelone and John Marginson for their significant contributions and also thanked General Treasurer Mayer for her chairmanship and her support of the need for professional staff at the retirement system.

V. Hearing Officer Decisions

VI. Legal Counsel Report (There was no legal counsel report.)

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as of December 7th, 1998:

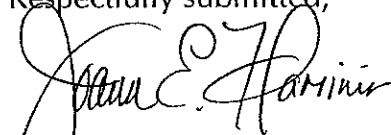
<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Charles A. Carlow	Municipal, Burrillville	Ordinary
David Dolman	Municipal, E.Prov	Ordinary
Robert Murray	Municipal, Central Falls	Ordinary
Joanne Sheldon	State	Ordinary
Joseph Peters III	State	Accidental

Mr. Finelli moved and Ms. Masse seconded the motion to approve the report of the December 7th, 1998, Disability Sub-Committee. It was unanimously

VOTED: To approve the Disability Sub-Committee report of December 7th, 1998.

There being no other business to come before the Board, the meeting was adjourned at 11:40 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Monthly Board Meeting Minutes

Date of Meeting: Wednesday, January 13th, 1999

The monthly meeting of the Retirement Board was held Wednesday, January 13th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. Paul J. Tavares, Chairperson of the Employees Retirement Board, called the meeting to order at 9:10 a.m.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; Sen. William Enos; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Michael O'Keefe; Linda Riendeau; and Paul J. Tavares, General Treasurer.

II. Approval of Minutes

Mr. Beardsley moved and Mr. Finelli seconded the motion to approve the December 9th, 1998 minutes. It was unanimously

VOTED: To approve the minutes of the December 9th, 1998 Board Meeting.

III. Chairperson's Report

Treasurer Tavares stated that he was pleased to be the new Chairperson of the Retirement Board and that he shared the common goal of the Board membership for a retirement system that is fair and equitable. He indicated that during the next two months he would be appointing Board members to various sub-committees. Should a board member have a preference regarding sub-committees, he requested that he/she make his/her preference known to either him or Director Flaminio.

Finally, he stated that he has retained the firm of Hinckley, Allen and Snyder as counsel to the Retirement Board with Attorney David Barricelli replacing Steven J. Carlotti.

IV. Executive Director's Monthly Report

Director Flaminio gave the following monthly report:

- (1) **ERSRI Personnel:** No personnel changes in the last month.
- (2) **Municipal Rate Letters:** With the approval of employer contribution rates for the Municipal Employees Retirement System last month, rate letters were mailed to every unit informing them of their FY'2000 (July 1, 1999) employer contribution. The receipt of a final actuarial valuation for the year from Watson Wyatt should aid in the completion

of the 1997 Annual Report.

- (3) **Disability Handbook:** Ms. Flaminio informed the Board that an updated Disability Handbook has been printed and distributed to Board members.
- (4) **NEA vs. the Employees' Retirement System:** A decision is expected in the NEA case sometime in 1999 and the retirement system has been billed in accordance with the fee arrangement agreed to by the Retirement Board last July.
- (5) **Retiree Tax Withholding:** As required by federal law, all retirees have been mailed a notice informing them of their right to have federal income tax withheld from their monthly retirement check. Included in the mailing was a tax change form should they desire to change their withholding.
- (6) **Legislative Sub-Committee:** The Legislative Sub-Committee met on Friday, January 8th to consider amendments to the retirement statutes for 1999. The Sub-Committee hopes to present the proposed legislation to the Retirement Board at the February meeting. Sandra Murphy Crowe, who is chair of the Legislative Sub-Committee, has copies of the proposed legislation for all Board members.
- (7) **Additional Regulations:** Director Flaminio noted her intent to promulgate regulations on Divestiture and Regular Compensation.

In response to queries from Board members, Ms. Flaminio referred to the system's audit response to the Auditor General to clarify that some of the system's responses were altered in the final report issued by the previous General Treasurer (specifically, the response to Numbers 8 and 9). She noted that the retirement system submits its written responses for inclusion in the final audit report, which may or may not appear as originally written.

Mr. Beardsley inquired if there was anything that would prevent the Retirement Board from resubmitting the altered responses to the Auditor General's recommendations in order that the historical record reflect the true position of the System. Chairman Tavares indicated that he would review the original responses submitted by the retirement system with the Executive Director and would bring the matter to the Board if additional action were required.

Lastly, the Budget Presentation for FY'2000 that appears as an agenda item will be given at a later date.

On a motion by Ms. Clark and seconded by Ms. Riendeau it was unanimously
VOTED: To accept the Executive Director's report.

V. Hearing Officer Decisions

Lemery v. Employees' Retirement System: Mr. Lemery, a retired state employee, did not prevail in his ERSRI appeal. This case involves the ability of the retirement system to continue its long-standing practice of utilizing 78 pay periods in order to determine the final average salary when computing the retirement benefit of a state employee. He requested that the retirement system utilize an examination of his exact days rather than 78 pay periods.

In the decision, the hearing officer affirmed the right of the retirement system to adhere to its current practice of 78 pays periods and also affirmed an earlier decision of the retirement system, R95-04 Frost v. ERSRI, which addressed the same issue.

Mr. Lemery was notified twice of his right to appear today in accordance with the Administrative Procedures Act, but does not wish to contest the decision at this time.

On a motion by Ms. Murphy Crowe and seconded by Mr. Beardsley, it was unanimously
VOTED: To affirm the hearing officer's decision in Lemery v. ERSRI.

VI. Legal Counsel Report

David Barricelli, legal counsel, referred the Board to the litigation handout prepared each month for the Retirement Board. There being no questions or comments on the report, on a motion by Senator Enos and seconded by Ms. Clark, it was unanimously

VOTED: To accept the legal counsel report.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as of January 8th, 1999:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Richard V. Barone	State	Ordinary
Judith Firlick	State	Ordinary
Joan Lamoureux	State	Ordinary
Shirley Latimore	State	Ordinary
Ann M. Menna	State	Ordinary
A. Linda Sullo	Municipal, E. Providence	Ordinary
Maura Geisser	State	Accidental
Ann Ryzewicz	State	Accidental
Robert Falvey	Police, S. Kingstown	Accidental

Mr. Finelli moved and Ms. Murphy Crowe seconded the motion to approve the report of the January 8th 1999, Disability Sub-Committee. Prior to the vote, Mr. Finelli recused on numbers 3 & 6. It was

VOTED: To approve the Disability Sub-Committee report of January 8th, 1999.

VIII. Regulation Approval

Approval of Multiple Beneficiary Regulation: Director Flaminio noted that an amendment to the retirement system in 1994 allowed the use of multiple beneficiaries in the joint and survivor options of the Employees Retirement System. The purpose of the regulation is to provide the membership and other interested parties with the procedure that will be used to determine the amount due each qualified beneficiary. The retirement system, after a presentation in November, has given appropriate notice of its intent to adopt this regulation in accordance with R.I.G.L. 42-35-3, the state's Administrative Procedures Act. In order to promulgate the regulation at this time, the Retirement Board must adopt the regulation and file it with the Secretary of State's Office.

On a motion by Ms. Masse and seconded by Ms. Murphy Crowe, it was unanimously
VOTED: To adopt the Multiple Beneficiary Regulation.

IV. Pension Revocation

Matter of Edward DiPrete: David Barricelli stated that each member of the Board has

received a packet of information regarding the pension revocation matter of Edward DiPrete and the court's disposition and sentencing of the ex-Governor.

He noted that R.I.G.L. 36-10.1, the Pension Revocation and Reduction Act, states that the Retirement Board *shall* initiate a civil action in Superior Court for the revocation or reduction of a pension benefit whenever a public employee is convicted of a crime related to his/her employment and provided that no finding has been made by the criminal judge on the matter of pension revocation.

Mr. Barricelli stated that Mr. DiPrete's counsel contends that there was a discussion on the matter of pension revocation during Governor DiPrete's sentencing as evidenced by the Attachment to Affidavit of Edward D. DiPrete and the words, "No fines, restitution or forfeitures to be imposed." (*third line up from bottom*). In Attorney Barricelli's opinion, however, the language is merely "state of art" language used in criminal sentencing that does not address revocation and therefore, the Board must file the revocation action for the reduction of Governor DiPrete's benefits.

Based on legal counsel's report, Treasurer Tavares recommended a motion to file a civil action in Superior Court pursuant to R.I.G.L. § 36, ch 10.1, Sub (3) of the Rhode Island General Laws, with Attorney General Sheldon Whitehouse serving as lead counsel and David Barricelli, legal counsel to the Employees' Retirement System, serving as co-counsel.

Prior to the vote on the motion and in response to Mr. Maguire's question regarding whether Mr. DiPrete's counsel had spoken to the Attorney General about pension revocation, Mr. Barricelli indicated that it was DiPrete's counsel's statement that there had been discussion about pension revocation. Barricelli noted that Governor DiPrete's counsel would have the opportunity to discuss this issue during the show cause hearing required by statute after the suit has been initiated.

Treasurer Tavares noted that subject to the approval of this motion, Mr. DiPrete's pension would stop as of today (January 13, 1999) unless otherwise notified by the Court. It is possible or even probable that the Court could order the Board to continue paying the pension during or pending the ultimate litigation.

On a motion made by Dan Beardsley seconded by William Finelli, it was unanimously

VOTED: To file a civil action in Superior Court pursuant to R.I.G.L. § 36, ch.10.1, Sub (3) of the Rhode Island General Laws with Attorney General Sheldon Whitehouse serving as lead counsel and David Barricelli, legal counsel to the Employees' Retirement System, serving as co-counsel.

There being no other business to come before the Board, on a motion by Ms. Masse and seconded by Sen. Enos, the meeting was adjourned at 9:40 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Monthly Board Meeting Minutes

Date of Meeting: Wednesday, February 10th, 1999

The monthly meeting of the Retirement Board was held Wednesday, February 10th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:05 a.m. Chairman Paul J. Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Linda M. Masse; Harris Weiner, designee for Stephen McAllister; Michael O'Keefe; Linda Riendeau; and Paul J. Tavares, General Treasurer.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

Senator William Enos arrived at 9:15 a.m. during the Director's monthly report.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

II. Approval of Minutes

Chairman Tavares offered two technical amendments to the January 13th minutes: (1) Page 4, Paragraph 3, Line two, should be corrected to read "pursuant to R.I.G.L. § 36, ch 10.1, Sub (3)"; and again Page 4, Paragraph 6, Line two, should be corrected to read "pursuant to R.I.G.L. § 36, ch 10.1, Sub (3)."

Mr. Marginson moved and Mr. O'Keefe seconded the motion to amend the January 13th minutes. It was unanimously

VOTED: To amend the January 13th minutes on Page 4, paragraph 3, Line two, to read R.I.G.L. §36, ch. 10.1, Sub (3); and again to amend the January 13th minutes on Page 4, Paragraph 6, Line two, to read R.I.G.L. §36, ch. 10.1, Sub (3).

Mr. Marginson moved and Mr. Angelone seconded the motion to approve the January 13th minutes as amended. It was unanimously

VOTED: To approve the minutes of the January 13th, 1999 Board Meeting as amended.

III. Chairperson's Report

Treasurer Tavares thanked the Executive Director and her staff for their support during the recent transition to his administration. As he learns more about the retirement system, he hopes to bring to the board his suggestions regarding improvements.

IV. Executive Director's Monthly Report

Prior to the update, Director Flaminio stated she was present at the Circuit Court of Appeals in Boston, Monday, February 1st, to hear the final arguments of NEA v. ERSRI. She indicated that 1999 should bring a final resolution to both the NEA v. ERSRI (union eviction case) and also the Parella matter, another Circuit Court case involving attorney fees stemming from an original administrative decision to withhold legislative pension payments.

Director Flaminio gave the following monthly update:

- (1) **ERSRI Personnel:** No personnel changes in the last month.
- (2) **1099's:** All 1099's have been mailed; the retirement system is unaware of any significant problems with the distribution of the tax statements.
- (3) **ERSRI Regulations:** This month's Board packet included a copy of 1999 system regulations with the new Multiple Beneficiary Regulation. The Director thanked the Board for their assistance in promulgating the new regulation.
- (4) **Mandatory Social Security:** Director Flaminio discussed the issue of Mandatory Social Security for all public employees and the effect this would have on the State of Rhode Island. Presently, police & fire personnel and some public school teachers do not contribute to Social Security, but rather (in the case of teachers) to the Teachers Survivor Benefit Program. Were mandatory social security to be adopted, all teachers and fire & safety personnel would be required to make the 7.65% contribution to Social Security in addition to all other pension contributions. Ultimately, this could strap municipal school and public safety budgets and jeopardize the system's Teacher Survivors Benefit Program.

Mr. Boyce questioned if there would be a FY '2000 Budget Report in March. Director Flaminio stated she would discuss the matter with Treasurer Tavares. She noted that the retirement system budget is part of the overall Treasury budget that has been submitted for inclusion in the Governor's FY'2000 Budget. She noted that prior presentations were informational presentations for the Board.

V. Administrative Decisions

(Hearing Officer Decision / Appeal)

Tellier v. Employees' Retirement System: Mr. Tellier, a former municipal employee did not prevail in his ERSRI appeal.

This case involves the right of Mr. Tellier to purchase past non-participating municipal service credit and whether or not the purchase of such time allows Mr. Tellier to retire given subsequent plan amendments that require that a member must be a contributing member for at least 10 years in order to be eligible to receive a retirement benefit. Factually, Mr. Tellier was employed by the Town of Lincoln from 1980 to 1987. During that time, no contributions were

made to our system as Lincoln was not a member of MERS. Mr. Tellier did make 3 years of contributions to the system while employed with the Town of Cumberland from 1993 to 1996 terminating in 1996. The first recommended decision did allow Mr. Tellier to buy back his previous service with the Town of Lincoln. However, the purchase would not be meaningful due to a June 16, 1991 amendment to the plan (effective December 31, 1992 for MERS) that required that all members must have 10 years as a contributing member in order to retire. See

McGrath vs. Rhode Island Retirement Board and R.I.G.L. 45-21-16(b). This ruling was further explained in a supplemental order by the hearing officer.

On a motion by Mr. Beardsley and seconded by Mr. O'Keefe, it was unanimously

VOTED: To affirm the hearing officer's decisions in Tellier v. Employees' Retirement System.

(Disability Decision / Appeal)

ERSRI v. Borodemos: Prior to any discussion of this case, Ms. Masse recused herself from any and all consideration of this case. Ms. Borodemos was not represented by counsel before the Retirement Board, and was offered the opportunity to postpone the hearing until she was able to obtain legal counsel. Ms. Borodemos chose to continue without counsel.

Ms. Susan Borodemos began her employment with the State of Rhode Island in February of 1977 as a MHRH nurse. She was injured in April, 1978 and remained out of work until 1995 at which time she came back to work at the Eleanor Slater hospital. On May 2, 1997, she filed an incident report claiming an aggravation of her previous injury based upon increased pain to her back. In August of 1997, she filed an application for an accidental disability retirement. In January of 1998, the Disability Sub-Committee determined that there was no identifiable incident resulting in an aggravation of a pre-existing condition and thus denied the application. R.I.G.L. 36-10-14 requires that the accidental disability retirement be filed within 5 years of the date of the injury or in the case of an aggravation within 3 years of the re-injury or aggravation.

On a motion by Ms. Murphy Crowe and seconded by Mr. Marginson it was unanimously

VOTED: To uphold the determination of the Disability Sub-Committee to deny the accidental disability application of Susan Borodemos.

Mr. Barricelli informed Ms. Borodemos that she had the option to appeal the decision to Superior Court of the State of Rhode Island.

VI. Legal Counsel Report

David D. Barricelli referred to the litigation handout prepared each month for the Retirement Board. He called attention to two changes in the report:

- (1) Gregory Larson, Thomas Quinn and Providence Teachers Union v. Employees Retirement System of Rhode Island, et al: Mr. Barricelli noted that he recently argued this case before Judge Silverstein and expects a decision from the Court within the next 30-90 days. As you recall, this case revolves around the right of the retirement system to charge interest on purchase credits and at what rate. Specifically, the case was brought by Providence teachers who challenge the right of the retirement system to charge interest on the purchase of time as long-term substitutes for the City of Providence.
- (2) Town of Barrington / Municipal Employees Retirement System of the State of Rhode Island, et al. Mr. Barricelli also updated the Board regarding its action taken last May

of directing the retirement system to charge the Town of Barrington for payment of a portion of the retirement benefit being paid for Robert Scheidler and transferring the monies to the Town of Charlestown. Presently, the court has prohibited the retirement system from effectuating the transfer. The matter will be briefed and heard by the Court.

Pursuant to R.I.G.L. 42-46-5 Sub (2)(4), Ms. Masse moved and Ms. Riendeau seconded the motion to go into Executive Session to discuss the pending litigation against former Governor DiPrete. Prior to the vote, Mr. Finelli recused himself from voting on this matter should the issue require a vote. It was unanimously

VOTED: To go into Executive Session.

On a motion by Ms. Masse and seconded by Ms. Riendeau, it was unanimously

VOTED: To return to Open Session.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as of February 8th, 1999:

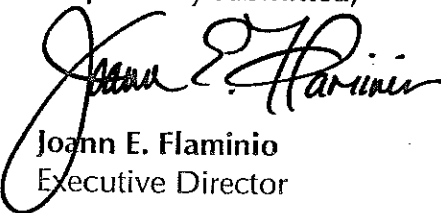
<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Angelo Gallonio	State	Ordinary
Frank J. Hoffman	State	Ordinary
Marion Yergeau	State	Accidental
Eleanor Robinson	State	Accidental

Ms. Masse moved and Ms. Murphy Crowe seconded the motion to approve the report of the February 8th, 1999, Disability Sub-Committee. Prior to the vote, Mr. Finelli recused on numbers 1 & 4. It was

VOTED: To approve the Disability Sub-Committee report of February 8th, 1999.

There being no other business to come before the Board, on a motion by Ms. Masse and seconded by Mr. Beardsley, the meeting was adjourned at 11:20 a.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Annual Board Meeting Minutes

Date of Meeting: Wednesday, March 10th, 1999

The Annual Meeting of the Retirement Board was held Wednesday, March 10th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:01 a.m. Chairman Paul J. Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John A. Marginson; Stephen McAllister; Linda Riendeau; and Paul J. Tavares.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

II. Approval of Minutes

Mr. Finelli moved and Mr. Boyce seconded the motion to approve the February 10th minutes. It was unanimously

VOTED: To approve the minutes of the February 10th, 1999 Board Meeting.

V. Chairperson's Report

(No report was given.)

IV. Executive Director's Monthly Report

Prior to the monthly update, Director Flaminio distributed to Board members present a copy of the Employees Retirement System Actuarial Valuation as of June 30, 1997 (public school and teachers). She stated that the MERS valuation should be received shortly and would be mailed to Board members upon receipt by the retirement system.

Finally, she noted that Board members were also presented with a final bound copy of the management comments of the Office of the Auditor General relative to the June 30, 1997 audit.

Director Flaminio gave the following monthly update:

- (1) **ERSRI Personnel:** No personnel changes in the last month.
- (2) **Member Annual Statements:** ERSRI and MERS members will receive their Annual Statements during the first week of April. This statement reflects for all plans the amount of contributions the member has contributed to the system as of December 31, 1998.

- (3) **Teacher Retirement:** To date, approximately 258 teachers have informed the System that they will be retiring this June. This is far in excess of last year's number of teacher retirements at this time.

Director Flaminio updated the Board on the issue of Mandatory Social Security for all public employees reporting that the latest Congressional bill on Social Security does not include a provision requiring all public employees to be part of Social Security. A requirement that all employees join Social Security would jeopardize the Teachers Survivors Benefit Plan.

Lastly, Ms. Flaminio called attention to the statutory right of the Board to set the rate of interest to be charged on all member service credit purchases. She noted that the last time the Board took any action on this issue was in May, 1975 when the interest rate on service credit purchases was raised from 4% to 5%.

Treasurer Tavares suggested the administration recommend a rate and then put this item on a Board meeting agenda at a later date. Director Flaminio recommended that the interest rate to be charged on service credit purchases be looked at in conjunction with the investment rate of return set for the yearly actuarial valuations.

In response to a question by Mr. McAllister, Director Flaminio noted that up until 1975 it appears that the rate tracked the investment rate of return set by the system's actuary, but has remained static after that despite increases in the investment rate of return.

V. Administrative Decisions

(Hearing Officer Decision / Appeal)

Lee v. Employees' Retirement System: (Prior to Mr. Lee's appeal, Mr. Steven McAllister and Mr. William Finelli recused themselves from discussion and vote on the appeal and left the room during the Lee appeal.) Mr. Ralph Lee, a state employee, did not prevail in his ERSRI appeal before the hearing officer.

This case involves the right of Mr. Lee to purchase service credit for his annual two-week military training sessions from 1971 through 1983 (after Phelps decision). R.I.G.L. 36-10-9 states that "a member shall not receive service credit in this retirement system for any year or portion thereof, which counts as service credit in any other retirement system in which the member is vested or from which the member is receiving a pension and/or any annual payment for life." At the time of Mr. Lee's request in 1997 to purchase military service, he was vested in the federal military pension system. Thus, his request to purchase military service credit was denied by the executive director and upheld by the hearing officer.

On a motion by Ms. Murphy Crowe and seconded by Mr. Angelone, it was unanimously

VOTED: To affirm the hearing officer's decisions in Lee v. Employees' Retirement System.

VI. Legal Counsel Report

David D. Barricelli, legal counsel, referred to the litigation handout prepared each month for the Retirement Board. He called specific attention to Page Five which are cases being monitored by Hinckley, Allen & Snyder:

1. Abbatematteo v. ERSRI: This should read that on June 12, 1997 the Supreme Court upheld Judge Gibney's decision to dismiss the case based on a failure to include an indispensable party.

2. Louis Perotti v. ERSRI: Mr. Barricelli indicated that Attorney Stephen Famiglietti is now representing Mr. Perotti. Due to Attorney Famiglietti's schedule, the Perotti matter will most likely start the end of May or early June.

Pursuant to R.I.G.L. 42-46-5 Sub (2), Mr. Beardsley moved and Ms. Clark seconded the motion to go into Executive Session to discuss pending litigation against former Governor DiPrete. Prior to the vote, Mr. Finelli recused himself from voting should the issue require a vote. It was unanimously

VOTED: To go into Executive Session.

On a motion by Ms. Riendeau and seconded by Mr. Beardsley, it was unanimously

VOTED: To return to Open Session.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as a result of its monthly meeting on March 5th:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Mario T. Florio	State	Ordinary
Pasqualina Ferrara	State	Ordinary
William C. Mullen, Jr.	State	Ordinary
Lucy Petsching	Teacher	Ordinary
James Pease	State	Accidental

Ms. Murphy Crowe moved and Mr. Boyce seconded the motion to approve the report of the March 5th 1999 Disability Sub-Committee report. Prior to the vote, Mr. Finelli recused on numbers 6 & 7 of the Disability Sub-Committee report (he recused on these two applications at the Disability Sub-Committee meeting as well). It was

VOTED: To approve the Disability Sub-Committee report of March 5th, 1999.

Legislative Sub-Committee: Ms. Murphy Crowe presented three legislative initiatives on which the Sub-Committee would like the support of the Board:

- (1) **99 – H 5199 / H 5196 (FARIA) Five Year Vesting:** This bill would reduce the years of service necessary to vest in the retirement system from 10 years to 5 years. Director Flaminio advised that whatever changes are made in the vesting schedule be applied to all three membership groups: state employees, public school teachers and municipal employees. As presently drafted, the bill applies only to state employees.

After requesting the bill be amended to include municipal employees and teachers, Mr. Finelli moved to endorse the bill with a second by Mr. Boyce. It was unanimously

VOTED: To endorse House Bill 5199 / House Bill 5196 Five Year Vesting as amended to include municipal employees and public school teachers. (H. 5199 would not affect state police or judges who contribute to separate plans.)

- (2) **99 – H 5553 (PIRES and FOX) Refund of Contributions:** This bill would clarify that all refunds of contributions to members are without interest. Director Flaminio explained this bill is a clarification of the 1981 bill by Senator Hanaway which eliminated the right of a member of have any or all of his contributions transferred to

the State Employee's Credit Union and inadvertently eliminated the words "without interest" from R.I.G.L. 36-10-8.

On a motion by Ms. Murphy-Crowe and seconded by Mr. Angelone, it was unanimously

VOTED: To endorse House Bill 5553 Refund of Contributions.

- (3) **99 – H 5526, S 0397 (FOX) Administrative Procedures Act:** This bill would eliminate the Employees' Retirement System of Rhode Island from the list of agencies specifically exempted from the Administrative Procedures Act thereby making ERSRI and MERS subject to the state's Administrative Procedures Act.

On a motion by Ms. Clark and seconded by Mr. Marginson, it was unanimously

VOTED: To endorse House Bill 5526 and Senate Bill 397 regarding the Administrative Procedures Act.

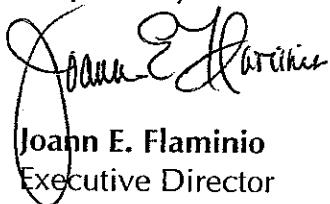
Mr. Boyce, the Retiree Representative to the Board, indicated he received information from the Retired Teacher's Association each month that included their list of legislative priorities. He inquired if the Legislative Sub-Committee has reviewed this legislation. Treasurer Tavares stated that if Mr. Boyce submitted the legislation to the Sub-Committee, the Sub-Committee could review it if the Sub-Committee wished to undertake the assignment.

Mr. Beardsley also raised the issue that when testimony is given at the General Assembly, it is often confusing as to whether the testimony is being given on behalf of the General Treasurer's office or the Employees Retirement Board (the system).

Treasurer Tavares stressed that when the General Treasurer's office testifies on behalf of a bill that has not been considered by the Board, it will be made clear that the comments are attributable to the General Treasurer's office. He hoped, however, that consensus could be reached by the Board and his office on most issues.

There being no other business to come before the Board, on a motion by Mr. McAllister and seconded by Ms. Clark, the meeting was adjourned at 10:50 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: Wednesday, April 14th, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, April 14th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:10 a.m., Chairman Paul J. Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; Sen. William Enos; William B. Finelli; Rep. Gordon D. Fox; John P. Maguire; Linda M. Masse; John A. Marginson; Stephen McAllister; Michael O'Keefe; Linda Riendeau; and Paul J. Tavares.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Ms. Clark moved and Ms. Riendeau seconded the motion to approve the March 10th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the March 10th, 1999 meeting of the Retirement Board.

III. Chairperson's Report

(No report was given.)

IV. Executive Director's Monthly Report

Director Flaminio gave the following monthly update:

- (1) **ERSRI Personnel:** Director Flaminio announced that Cheri O'Gara has left the employ of the retirement system and that the system has posted to fill the vacancy in the Data Processing Department.
- (2) **Member Annual Statements:** Member Annual Statements have been mailed out to all active ERSRI and MERS members during the week of April 9th. No errors or problems have been reported.
- (3) **Financial Statements as of June 30, 1998:** The Director noted that all Board members received a copy of the system's audited Financial Statements as of June 30,

1998. She thanked Frank Karpinski for his preparation of the reports.

(4) **Teacher Employer Contribution Rates for FY'2000:** Ms. Flaminio noted the attention being given the increase in teacher employer contribution rates for FY'2000 as a result of new assumptions in the area of retirement and mortality and its effect on educational funding.

(5) **Newsletter:** A member newsletter has been completed and should be mailed to all members, active and retired, in the next two weeks.

Director Flaminio informed the Board that the May Retirement Board meeting may be moved from Wednesday, May 12th to Wednesday, May 19th. She will send a letter of notification to all members should there be a change.

Director Flaminio mentioned that she has received some inquiries from the City of Providence about their possible membership in the Municipal Employees Retirement System as a result of recent press about their funding status.

Director Flaminio spoke briefly on the passage of Public Law 98-70 regarding the proration of pensions for retired municipal members who work in more than one municipality. The legislation passed last year requires the system to do a present value calculation at the time of the member transfer. She noted that staff members had conferred regarding compliance with proration and recommended that the proration be deferred until the actual date of retirement since in most cases, ERSRI is not knowledgeable of the member transfer. The system has also put together a series of additional recommendations on a more workable method of proration. They are included on the memo on this topic in the agenda book.

Treasurer Tavares stated he supports taking the next few months to look at the 1998 legislation to create a more workable solution to the issue. He suggested that the System continue to suggest ideas and recommendations on this issue.

Mr. O'Keefe suggested that an amendment be introduced this year that delays the enactment date of the legislation and that further substantive amendments be introduced next year.

Director Flaminio referred to the recently issued NEA-RI vs. Retirement Board of the Rhode Island decision. She noted that the March 24, 1999 decision released by the First Circuit Court of Appeals evicts the so-called union plaintiffs without commenting on the nature of the relationship between the career state employee/public school teacher and the system. She did state that the Rhode Island General Laws do not expressly describe the nature of the relationship between the member and the system and that this has been the case since the system's inception in 1936. For the record, she clarified that the firm of Ropes and Gray, under a fee arrangement approved by the Board last July, has received \$79,658.03 in fees on the NEA case. Finally, there is a possibility that the case may be appealed once more to either the full Circuit (an *en banc* appeal) or to the U.S. Supreme Court.

Regarding Section 415 (b), the Internal Revenue Code maximum benefit limitations, Director Flaminio noted that non-public safety employee members are still subject to these limitations which may, in some case, reduce the retirement benefits of some career employees who retire relatively early. She stated there is some movement on the federal level for federal legislative relief on this issue for all employees. She stated that she would like the Board's permission to write to our representatives in Congress on this issue.

On a motion by Mr. Finelli and seconded by Sen. Enos it was unanimously

VOTED: To authorize Director Flaminio to write to our representatives in Congress requesting a federal exemption for all public sector employees from Section 415 (b) maximum

Benefit Limitations.

V. Administrative Decisions

Keenan v. Employees' Retirement System: (Prior to the appeal, Mr. William Finelli recused himself from any and all discussion and vote on this appeal.) Mr. Keenan, a retired faculty member at the Community College of Rhode Island, did not prevail in his appeal before an ERSRI hearing officer.

This case involved the statutory interpretation of R.I.G.L. 16-17.1-1(1) Alternate Provisions of Teachers in State Colleges and its definition of Average Compensation which states (in part) that average compensation shall mean the average of the annual contractual or yearly salary of an employee during the (5) consecutive years of employment when compensation was highest. Mr. Keenan maintained that ERSRI utilize payroll years during which time Mr. Keenan was partially employed and did not earn his contractual salary.

On a motion by Mr. O'Keefe and seconded by Ms. Murphy Crowe, it was unanimously

VOTED: To affirm the hearing officer's decision in Keenan v. Employees' Retirement System.

McBurney, Greenan, Falvey, Florio v. Employees' Retirement System: (Prior to the discussion, Mr. William Finelli recused himself from any and all discussion and vote on this appeal.) Mr. Barricelli explained to the Retirement Board that although only four ERSRI teacher members appealed the system's decision, the hearing officer's decision would apply to eight members of the system.

Here, department heads employed by the North Kingston School Committee wanted additional compensation awarded to them by a recent arbitrator's decision to be considered compensation as defined by R.I.G.L. 36-8-1 (7). In this case, the system maintained that the additional compensation was in the nature of "additional payments for temporary or extra duties beyond the normal workday" which is specifically excluded by statute. The hearing officer, however, ruled in favor of the department head members stating that the duties in question were normal and regular and that the additional compensation could be used in determining a member's retirement benefit from the system.

Mr. Boyce moved and Mr. Angelone seconded the motion to affirm the hearing officer's decision. A roll call vote was taken. Mr. Angelone, yes; Mr. Boyce, yes; Ms. Clark, yes; Ms. Murphy Crowe, yes; Sen. Enos, yes; Rep. Fox, yes; Mr. Marginson, yes; Mr. Maguire, yes; Ms. Masse, no; Mr. McAllister, yes; Mr. O'Keefe, no; Ms. Riendeau, yes; Mr. Tavares, no. Vote tally: 10 votes affirmative, 3 votes negative, 1 recusal. It was

VOTED: To affirm the hearing officer's decision in McBurney, Greenan, Falvey, Florio v. Employees' Retirement System.

VI. Legal Counsel Report

David D. Barricelli, legal counsel, stated his report was included in the Board book.

Pursuant to R.I.G.L. 42-46-5 Sub (2), Mr. Marginson moved and Mr. McAllister seconded the motion to go into Executive Session to discuss pending litigation against former Governor DiPrete. Prior to the vote, Mr. Finelli recused himself from voting should the issue require a vote. It was unanimously

VOTED: To go into Executive Session.

On a motion by Ms. Riendeau and seconded by Ms. Murphy Crowe it was unanimously

VOTED: To return to Open Session.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Ronald Cardin	Municipal	Ordinary
Marianne Gentile	State	Ordinary
Mattie Turley	State	Ordinary
Bernard Estrella	Police & Fire	Accidental
Arthur E. Roy	State	Accidental

Ms. Masse moved and Ms. Murphy Crowe seconded the motion to approve the report of the April 9th, 1999 Disability Sub-Committee report. Prior to the vote, Mr. Finelli recused on Number 4 of the Disability Sub-Committee report (he recused on this application at the Disability Sub-Committee meeting as well). It was

VOTED: To approve the Disability Sub-Committee report of April 9th, 1999.

Legislative Sub-Committee: No official report.

There being no other business to come before the Board, on a motion by Mr. McAllister and seconded by Ms. Clark, the meeting was adjourned at 11:23 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: Wednesday, May 19th, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, May 19th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:10 a.m., Vice Chairman William B. Finelli requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; Rep. Gordon D. Fox; John P. Maguire; John A. Marginson; Linda M. Masse; Stephen McAllister; and Linda Riendeau.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Vice Chairman Finelli called the meeting To Order.

II. Approval of Minutes

Ms. Clark moved and Mr. Boyce seconded the motion to approve the April 14th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the April 14th, 1999 meeting of the Retirement Board.

III. Executive Director's Monthly Report

Director Flaminio gave the following monthly update:

(1) **NEA vs. Rhode Island:** Director Flaminio informed the Board that she had been notified by the Office of the Attorney General that the petition for rehearing *en banc* by the full Circuit had been denied. Absent a petition for appeal to the United States Supreme Court, this concludes the case. In accordance with the final judgment and the 1994 Eviction Act, the participants' contributions to the plan will be returned with interest.

(2) **Teacher Retirement:** Ms. Flaminio stated that during a normal year ERSRI averages 200-300 teacher retirements. To date, the system has already received close to 500 teacher applications for retirement. She noted that Providence's recent incentive plan might increase that number even further.

(3) **Indispensable Parties:** Director Flaminio indicated that two key members of the

Retirement System are eligible to retire. Assistant Executive Director Jim Reilly turned 61 in April and is eligible to retire at any time. The second is Elaine Drapeau who will be retiring in August of this year. As ERSRI Retirement and Retiree Health Care Manager, Elaine approves all retirements, purchases, and oversees the administration of Retiree Health Care.

(4) **Wyatt:** Director Flaminio informed the Board that Watson Wyatt is scheduled to attend the June 9th meeting with the results of the June 30, 1998 actuarial valuation. She indicated that preliminary information from Wyatt would be sent to the Board members with their monthly Board package.

(5) **Election Year:** The next election for representatives to the Retirement Board will be held in January, 2000. Any one interested in serving on the Elections Sub-Committee should contact the Executive Director.

(6) **NCTR:** The National Council on Teacher Retirement Annual Conference will be held in Nashville, Tennessee later this year. Those wishing to attend should notify the system of their interest. She noted that it is a good opportunity to discuss retirement issues with trustees from around the country.

Director Flaminio spoke briefly on Section 415 Maximum Benefit Limitations as applied to general public employees. She indicated that some sort of relief might be available this year with the passage of federal legislation sponsored by Congressmen Benjamin Cardin of Maryland and Rob Portman of Ohio. If passed, this bill would restore the annual benefits limits for defined benefit plans to \$180,000 and would state that for governmental plans, the benefit limits at age 55 could not be less than \$130,000. She stated that a full exemption from the limitations is not likely this year.

Lastly, Director Flaminio referred to the decision of Gaetano Parella vs. Retirement Board, which was included in the materials. This decision parallels the Circuit Court's reasoning in NEA and reverses an earlier New Hampshire District Court decision that awarded prejudgment interest and attorneys' fees to retired legislators and their attorneys. The original case stemmed from the Closing Agreement signed by the State of Rhode Island which required that all legislative benefits be reduced to \$10,000 in compliance with Section 415. This decision on interest and attorneys' fees pertains to an appeal of retired legislators who felt that benefits withheld in excess of \$10,000 was unconstitutional.

NOTE: Chairman Tavares arrived at 9:30 a.m. and assumed the Chair.

Pursuant to R.I.G.L. 42-46-5 Sub (2), Rep. Fox moved and Ms. Murphy Crowe seconded the motion to go into Executive Session to discuss pending litigation against former Governor DiPrete. Prior to the vote, Mr. Finelli recused himself from voting should the issue require a vote. It was unanimously

VOTED: To go into Executive Session.

On a motion by Mr. Finelli and seconded by Mr. Beardsley, it was unanimously

VOTED: To return to Open Session.

V. Administrative Decisions

Hearing Officer Decisions:

Spirito v. Employees' Retirement System: (Prior to the appeal, Mr. John Marginson and Mr. John Maguire recused themselves from any and all discussion and vote on this appeal.) Mr.

Carlo Spirito, Jr., a retired Cranston Schoolteacher, did not prevail in his appeal before an ERSRI hearing officer. He appeared along with his attorney, Charles Hambley.

This case involved the statutory interpretation of R.I.G.L. 36-10-10.3 Social Security Supplemental Option with Mr. Spirito requesting that his SRA Plus benefit be reduced at age 62 in accordance with his actual Social Security benefit rather than an estimated ERSRI benefit of \$8500. The statute states clearly that the member's benefit be reduced at age 62 in accordance with the member's 'estimated' benefit.

On a motion by Rep. Fox and seconded by Mr. Beardsley, it was unanimously

VOTED: To uphold the hearing officer's decision in Spirito v. Employees' Retirement System affirming the statutory language of R.I.G.L. 36-10-10.3.

Disability Decisions:

Appeal of Accidental Disability Application of Kurt J. Strakaluse: This case involves a denial of an accidental disability application by the Disability Sub-Committee of Mr. Kurt J. Strakaluse, a Woonsocket Police Officer. The Disability Sub-Committee denied his application on the basis that there was "no identifiable incident as required by Rhode Island General Law 45-21.2-9." Mr. Strakaluse appeared pro se and argued in support of his application for an accidental disability retirement.

On a motion by Ms. Masse and seconded by Ms. Murphy Crowe, it was

VOTED: To uphold the decision of the Board denying Mr. Strakaluse's application for an Accidental Disability Retirement.

VI. Legal Counsel Report

David D. Barricelli, legal counsel, stated his report was included in the Board book.

Mr. Maguire inquired about a new case, Estate of Michael F. Burns v. State of Rhode Island, Department of the Employees Retirement System, et al. Mr. Barricelli stated that Mr. Burns was formerly a Special Assistant Attorney General who worked for the Office of the Attorney General under former Attorney General Jeff Pine. He stated that there is currently a dispute between two parties regarding beneficiary status and who is entitled to the former member's refund of contributions and death benefit.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Laurence Dolan	State	Ordinary
Lois Ferreira	State	Ordinary
Ronald Gardner	State	Ordinary
Donald Kelly	State	Ordinary
Richard Bresette	State	Accidental
Lydia Antonelli	State	Accidental
Randee Hiller	State	Accidental
Linda Iacampo	State	Accidental
Richard Ruggiero	State	Accidental

Ms. Masse moved and Ms. Murphy Crowe seconded the motion to approve the report of the May 17th, 1999 Disability Sub-Committee report. It was unanimously
VOTED: To approve the Disability Sub-Committee report of May 17th, 1999.

NOTE: Mr. Beardsley left the meeting at 11:10 a.m.; Mr. Marginson left at 11:18 a.m., Mr. McAllister at 11:20 a.m., Mr. Angelone at 11:22 a.m. and Mr. Maquire at 11.25 a.m.

Legislative Sub-Committee: Ms. Murphy Crowe stated that the Legislative Sub-Committee met April 23rd for consideration of legislation filed by the Retired Teachers Association during the 1999 General Assembly session. At that meeting, the Sub-Committee reviewed each bill individually. During the Retirement Board meeting, Edward J. Slattery, Legislative Chairman and Thelma Rocha of the Retired Teachers Association commented on their association's position on the initiatives. Here is a summary of the position taken by the Legislative Sub-Committee:

- **H. 6123:** *Committee did not support.* This bill would allow retired teachers who were forced to resign for marriage and or maternity to purchase time.
- **H 6124:** *Committee did not support.* This bill would allow certain retired teachers with 38 years of service prior to December 31, 1985, or their heirs, to receive a refund of his/her contributions to the system in excess of 38 years.
- **H 6125:** *Committee took no position.* This bill regarding health care coverage does not relate specifically to the retirement system or have an effect on liability.
- **H 6126:** *Committee did not support.* This bill would add a retired teacher to the composition of the Retirement Board.
- **H 6127:** *Committee wanted further study.* This bill would authorize a benefit increase for retired teacher members with over 25 years of service whose benefit is below \$15,000.

Ms. Murphy Crowe moved and Ms. Masse seconded the motion to approve the recommendations of the Legislative Sub-Committee. Due to the lack of eight affirmative votes, the motion did not pass. The Board did not take an official position on the recommendations of the Legislative Sub-Committee.

There being no other business to come before the Board, on a motion by Ms. Masse and seconded by Ms. Riendeau, the meeting was adjourned at 11:40 a.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: Wednesday, June 9th, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, June 9th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:10 a.m., Chairman Paul Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Harris Weiner, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Stephen McAllister; and Chairman Paul J. Tavares.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Ms. Clark moved and Mr. Beardsley seconded the motion to approve the May 19th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the May 19th, 1999 meeting of the Retirement Board.

III. Chairperson's Report

Treasurer Tavares spoke to the Board regarding his immediate priorities for the retirement system:

1. *Promulgation of Rules and Regulations.* Given the imminent departure of Assistant Director Reilly, it is important that the retirement system benefits from his institutional knowledge of the retirement system. This is a necessary component to the success of the 2nd priority regarding automation of the retirement system.
2. *Improved Automation of Retirement System Operations:* Treasurer Tavares noted that the system has an issued RFP and that he has met with the system's computer consultant, Leon Wechsler. He will soon be visiting other retirement systems who have contracted with vendors who have bid on the ERSRI RFP.
3. *Staff Evaluation:* The advent of automation would certainly have an effect on the staffing needs of the retirement system. Should it ultimately be determined that more

- staff be needed, there will need to a Board approved plan that will need to be brought for additional approval to the Unclassified Pay Plan Board and the General Assembly.
4. *Housing of the Retirement System:* The last priority is the housing needs of the retirement system and whether or not this is the appropriate facility for future expansion and technological improvements. Treasurer Tavares noted that the retirement system lease (and the lease for other Treasury offices on both the 7th and 8th floors) expires in 18 months. Chairman Tavares referred to a report Ms. Flaminio had compiled analyzing whether other systems own or rent their facilities.

Treasurer Tavares and his staff have identified these four issues to be of high importance. He stated that he would be meeting with each member of the retirement board during the next few weeks regarding the future of the retirement system.

Treasurer Tavares entertained a motion to instruct the Executive Director to prepare a plan for the next meeting regarding the promulgation of rules and regulation of the retirement system. The plan would take into account internal resources and, if necessary, the need for external resources.

On a motion by Mr. Boyce, seconded by Mr. Finelli, it was unanimously

VOTED: To instruct the Executive Director to prepare a plan for the next regularly scheduled meeting of the retirement board regarding the promulgation of rules and regulations of the retirement system.

Mr. Beardsley commended Treasurer Tavares and his staff for setting forth a program on regarding a number of major issues (computerization, staffing and quality space) that have been the concerns of retirement board members for many years.

Chairman Tavares then recognized Elaine D. Drapeau, Retiree and Retirement Benefits Manager, who will be retiring from the retirement system this August with 18 years of service. Ms. Flaminio noted her years of exemplary service at the retirement system in a variety of capacities.

IV. Executive Director's Monthly Report

Director Flaminio gave the following monthly update:

- (1) **Summer Scheduling:** Director Flaminio indicated that at this time an August Board meeting is not scheduled. The next regularly scheduled meetings will be Wednesday, July 14th, and then Wednesday, September 8th.
- (2) **Newsletter:** The newsletter was mailed approximately two weeks ago to all active and retired members of the System. It contained a biography of Treasurer Tavares and information on the upcoming Board election.

Presentation of Actuarial Valuations as of June 30, 1998: Director Flaminio introduced W. Michael Carter, Chris Conradi, John Garrett and Wilson Lowry of Watson Wyatt to present the draft results of the June 30, 1998 actuarial valuation for the following plans:

Employees Retirement System of Rhode Island (ERSRI)
Municipal Employees Retirement System (MERS)
State Police Retirement System (SPRP)
Judicial Retirement Plan (JRP)

Carter noted that there have been increases in the active and retired membership of both the state employee and teacher groups with the retiree population growing faster than the active membership. At this date, there are 130 active members of the state police population and 29 active members of the judicial plan. Additionally, there have been increases in both the actuarial and market value for all four plans. For FY'98, the actual return was 16.1% while the smoothed actuarial return was 10.9%. With regard to external cash flow, he noted that both the state employee and teacher groups are paying out more in benefits than the sum of employer and employee contributions.

With regard to FY'2001 employer contribution rates, Watson Wyatt recommended the following should the system resume a new 3 year smoothing methodology:

- (1) State Employees: Watson recommended 11.35% for FY'2001 as opposed to 8.57% for FY'2000.
- (2) Teachers: Watson recommended 14.71% for FY'2001 as opposed to 14.64% for FY'2000.
- (3) State Police: Watson recommended 26.28% for FY'2001 as opposed to 26.62% for FY'2000.
- (4) Judges: Watson recommended 31.58% for FY'2001 as opposed to 30.49% for FY'2000.

The GASB 25 funded ratios for the four plans are:

State Employees:	79.8%
Teachers:	75.2%
State Police:	91.7%
Judges:	80.9%

The plan that showed the most volatility was the state employee group which showed a swing from 8.57% 11.35%. Although the group experienced a positive asset gain of 4.68%, this was offset by a liability experience loss of 4.32% and the resumption of a 3 year smoothing methodology which was equal to 3.14%. The liability experience loss was due to a number of factors including a more substantial number of state retirees, more detailed COLA analysis, and the recapturing of 310 state retirees who were not reflected in the previous year's valuation. Carter noted that ERSRI (state and teacher groups) utilize a frozen initial liability (FIL) actuarial method which demands that any gains and losses be amortized over the average working life of the active membership (6-8 years for state employees and 10-12 years for public school teachers.) Gains and losses are not factored into the unfunded liability of the plan thus any loss can create immediate volatility in employer contribution rates.

In order to avoid serious volatility of the employer contribution rates for FY'2001, Treasurer Tavares suggested that Watson Wyatt be instructed to provide the following alternatives for the July meeting: (a) four-year smoothing methodology; five-year smoothing methodology; and the utilization by ERSRI of an Entry Age Normal methodology as opposed to the Frozen Initial Liability method. *(It should be noted that the MERS system already utilizes the Entry Age Normal methodology.)*

In response to a question regarding our present purchase practice of charging 5% interest on a service credit purchase, Carter noted that any purchase done on anything but a full actuarial basis creates an actuarial loss for the system.

In response to a question from Mr. Maguire regarding liability experience, Carter stated that the basis change of 1.36% was attributable to COLA losses, and more than expected retirements (along with all other variables).

On a motion by Mr. Boyce seconded by Mr. Maquire, it was unanimously

VOTED: To instruct the Chair and staff to work with Watson Wyatt to get additional information regarding actuarial funding methodologies and to provide the board with alternative recommendations at the July, 1999 retirement board meeting.

V. Administrative Decisions

Disability Decisions:

Appeal of Accidental Disability Application of Naomi Lozado-Rivera: (Prior to the appeal, Mr. John Maguire recused himself from any and all consideration of this case and left the room.) This case involves a denial of an accidental disability application by the Retirement Board at its March 10th, 1999 meeting. The denial was based on the recommendation by the Disability Sub-Committee that did not find a work-related injury to support her application. Ms. Lozado-Rivera appeared at the Board meeting with her attorney, Richard Skolnik.

Mr. Marginson moved and Ms. Clark seconded the motion to uphold the decision of the Board denying Naomi Lozado-Rivera's application for an Accidental Disability Retirement. Vote tally: 8 votes in the affirmative (Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Leslie E. Clark; Harris Weiner; William B. Finelli; John A. Marginson; Stephen McAllister; and Chairman Paul J. Tavares; 1 vote in the negative (Michael R. Boyce). It was

VOTED: To uphold the March 10, 1999 decision of the Board denying Naomi Lozado-Rivera's application for an Accidental Disability Retirement.

VI. Legal Counsel Report

David D. Barricelli, legal counsel, referred to Thaddeus T. Gruczka v. Rosemary T. Gruczka, a family court matter, which had been discussed at the last retirement board meeting. This matter was settled by the parties on May 21, 1999.

With regard to the DiPrete revocation matter, Attorney Barricelli indicated that the matter is still pending before Judge Rogers in the Superior Court. The last issue involves a motion that had been filed early in the case regarding a return of contributions to the former Governor. It was determined that this motion would be argued after the revocation issue had been settled. Finally, Mr. Barricelli informed the Board that attorney for the plaintiff anticipates that an appeal is going to be filed in the Rhode Island Supreme Court after judgment has been entered.

Mr. Beardsley commended Attorney Barricelli for his legal counsel during the DiPrete trial. Treasurer Tavares also commended Mr. Barricelli as well as the Office of the Attorney General for their representation in the DiPrete.

On a motion by Mr. Boyce and seconded by Mr. Beardsley it was unanimously
VOTED: To accept the report of the Legal Counsel.

VII. Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
James Geddes	Municipal	Ordinary
Michael Hogan	Municipal	Ordinary
Carolyn Letendre	State	Ordinary
Deborah McGowan	State	Ordinary
Rhoda Tang	State	Ordinary
Barry Briggs	Municipal	Accidental
Clifford Montiero	State	Accidental
Richard Ploude	State	Accidental
David Wright	State	Accidental

Mr. Angelone moved and Mr. Beardsley seconded the motion to approve the report of the May 17th, 1999 Disability Sub-Committee meeting. It was

VOTED: To accept the Disability Sub-Committee's report of the June 4th, 1999 report with the exception of Applicant #1, James Geddes.

Mr. Angelone moved and Mr. Beardsley seconded the motion to approve the recommendation of the June 4th Disability Sub-Committee meeting on Applicant #1, James Geddes. Vice-Chairman Finelli recused from any consideration on this matter. It was

VOTED: To approve the recommendation of the June 4th, 1999 Disability Sub-Committee meeting on Applicant #1, James Geddes.

VIII. Regulation Approval

Director Flaminio stated that the prepared regulations were in response to issues raised at the last retirement board meeting and were prepared with the assistance of Assistant Director James Reilly and Elaine Drapeau. They are:

Regulation on Option Selection – No. 8: This regulation makes clear under R.I.G.L. 36-10-18, 36-10-19, 45-21-30 and 45-21-51 that a member may revoke or modify his retirement only once.

Regulation on Ordinary Disability Retirement – No. 9: This regulation deals with the issue of Ordinary Disability Retirement. It clarifies two situations dealing with terminal disability applicants: (1) when an applicant has completed the process but dies prior to being approved at the Board level; and (2) the amount of independent exams required when a member is deemed terminal by the Board's medical advisor.

Mr. Boyce felt that Section Five of Regulation #9 should be more liberal than what it is presently drafted. Mr. Boyce stated that so long as a member has completed the application process and dies prior to approval, his beneficiary should be granted an allowance. However, it was noted that the member must have selected an option in order for the Board to grant a benefit under extenuating circumstances.

NOTE: Mr. Beardsley left at 11:15 a.m.

It was decided that the regulations should be further reviewed and brought back to the Board at the next meeting.

IX. Adjournment

There being no other business to come before the Board, on a motion by Mr. Boyce and seconded by Mr. Angelone, the meeting was adjourned at 11:25 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Joann E. Flaminio".

Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: Wednesday, July 14th, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, July 14th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:00 a.m., Chairman Paul Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; Rep. Gordon D. Fox; John P. Maguire; John A. Marginson; Linda Masse; Michael O'Keefe; Linda C Riendeau and Chairman Paul J. Tavares. Rosemary Booth Gallogly, designee for Stephen McAllister arrived at 9:05 a.m.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Ms. Clark moved and Mr. Finelli seconded the motion to approve the June 9th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the June 9th, 1999 meeting of the Retirement Board.

III. Actuarial Presentation by Watson Wyatt

Treasurer Tavares introduced W. Michael Carter and Wilson Lowry of Watson Wyatt for further discussion on the 1998 Actuarial Results for the following plans:

Employees Retirement System of Rhode Island (ERSRI)

Municipal Employees Retirement System (MERS)

State Police Retirement System (SPRP)

Judicial Retirement Plan (JRP)

At the request of the Board, Mr. Carter presented alternative actuarial cost methods and asset valuation techniques. The analysis was laid out in a July 2nd correspondence from Watson Wyatt to the Retirement Board.

After an initial presentation, Watson Wyatt recommended the Board request legislation to change the actuarial cost methodology for the Employees Retirement System (ERSRI), along with the State Police Retirement Plan (SPRP) and the Judicial Retirement Plan (JRP), from the Frozen

Initial Liability Cost methodology to the Entry Age Normal Methodology. They also recommended amortizing the existing unfunded actuarial accrued liability over a new 30-year period. In future valuations, the amortization period would decrease until the remaining period is 20 years, at which time the appropriateness to further shortening the period or fixing it at 20 years would be considered. Finally, they further recommended changing the asset smoothing technique from the current use of a 3-year adjusted market value technique to a 5-year adjusted market value technique.

Given that the suggested recommendations require legislative action, Watson recommended an *interim* approach that would involve the Board approving the use of a 4-year moving average technique in the determination of the actuarial value of assets for the period ending June 30, 1998. The adoption of the *interim* 4-year moving average technique produces rates that are close to the recommended approach. Here is an analysis of the differences in the two approaches for the four membership groups:

<u>Membership Group</u>	<u>Recommended</u>	<u>Interim</u>
State Employees	7.34%	7.99%
Teachers	11.59%	12.01%
State Police	25.94%	25.89%
Judges	30.82%	31.09%

In response to a question from Mr. O'Keefe, Michael Carter stated that in his experience the most important component of rate analysis for statewide retirement plans is consistency and stability of the rates. Carter felt that not changing the current FIL approach would result in volatility in future years.

Mr. O'Keefe felt it would be risky to set a rate on the assumption that legislation will pass and felt there should be more discussion on the matter before coming to a vote. Mr. Carter stated that if the legislation changing the methodology did not pass, Watson Wyatt would advise the Board to go to the 5-year adjusted market.

Treasurer Tavares stated that, in his opinion, the Retirement Board hires professional consultants who have recommended a prudent and reasonable long-term approach for the actuarial funding of the pension fund. He also felt that the issue had been properly discussed by the Retirement Board both at the last meeting and at a series of meetings last year during the experience study discussions.

Additionally, Director Flaminio agreed that the actuary's approach is a reasonable one that provides stable rates, generational tax equity, and continued progress towards 100% funding for the plan. Ultimately, she stated that the Board as fiduciary must be comfortable with the amount of money it is contributing each year to the fund.

Mr. O'Keefe moved and Rep. Fox seconded the motion that: (1) the Board continue the current Frozen Initial Liability methodology using a 3-Year Adjusted Market method for FY'2001, with a 4-Year Adjusted Market method for FY'2002, and a 5-Year Adjusted Market method for FY'2003 (11.35% for state employees and 14.71% for teachers); (2) a study be done on the various actuarial methodologies available to the plan for the purpose of making a recommendation to the General Assembly; and (3) a study be done regarding amortization schedules available to the plan for the purpose of making a recommendation to the General Assembly. A roll call vote was taken. Mr. Angelone, no; Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, no; Ms. Murphy Crowe, no; Rep. Fox, yes; Mr. Finelli, no; Mr. Marginson, no; Mr. Maguire, no; Ms. Masse, no; Ms. Gallogly, no; Mr. O'Keefe, yes; Ms. Riendeau, no; Treasurer Tavares, no. Vote tally: 3 votes yes, 11 votes no. Motion does not pass.

Mr. O'Keefe moved and Rep. Fox seconded the motion to move to the 5-year adjusted market under current law. A roll call vote was taken: Mr. Angelone, no; Mr. Beardsley, no; Mr. Boyce, no; Ms. Clark, no; Ms. Murphy Crowe, no; Rep. Fox, yes; Mr. Finelli, no; Mr. Maguire, no; Mr. Marginson, no; Ms. Masse, no; Ms. Gallogly, no; Mr. O'Keefe, yes; Ms. Riendeau, no; Treasurer Tavares, no. Vote tally: 2 votes yes, 12 votes no. Motion failed.

Mr. Boyce moved and Mr. Marginson seconded the motion to adopt the recommendations of the actuary for the FY'2001 that include the following:

- (1) the adoption of an interim 4-year moving average as an Actuarial Asset Smoothing Method and the following FY'2001 employer contribution rates:

7.99%	State Employees
12.01%	Teachers
25.89%	State Police
31.89%	Judges

- (2) the support of legislation for the 2000 General Assembly, or earlier should the General Assembly reconvene during 1999 that would: (a) alter the existing funding methodology for the Employees Retirement System, State Police Retirement Plan, and the Judicial Retirement Plan from the Frozen Initial Liability Method found in R.I.G.L. 36-10-2 9(a)(3) to the Entry Age Normal Methodology. The legislation would also include a reamortization of the existing unfunded actuarial accrued liability (UAAL) over a 30-year period to be decreased each valuation year. If passed, this would mean the enactment of the following rates for the FY'2001 year:

7.34%	State Employees
11.59%	Teachers
25.94%	State Police
30.82%	Judges

A roll call vote was taken: Mr. Angelone, yes, Mr. Beardsley, yes, Mr. Boyce, yes, Ms. Clark, yes; Ms. Murphy Crowe, yes; Rep. Fox, no; Mr. Finelli, yes; Mr. Maguire, yes; Mr. Marginson, yes, Ms. Masse, yes, Ms. Gallogly, yes; Mr. O'Keefe, no; Ms. Riendeau, yes; Treasurer Tavares, yes. Vote tally: 12 votes yes, 2 votes no. It was

VOTED: to adopt an interim 4-year moving average as an Actuarial Asset Smoothing Method with the following FY'2001 employer contribution rates:

7.99%	State Employees
12.01%	Teachers
25.89%	State Police
31.89%	Judges

and to support legislation for the 2000 General Assembly, or earlier should the General Assembly reconvene during 1999 that would: (a) alter the existing funding methodology for the Employees Retirement System, State Police Retirement Plan, and the Judicial Retirement Plan from the Frozen Initial Liability Method found in R.I.G.L. 36-10-2 9(a)(3) to the Entry Age Normal Methodology. The legislation would also include a reamortization of the existing unfunded actuarial accrued liability (UAAL) over a 30-year period to be decreased each valuation year. If passed, this would mean the enactment of the following rates for the FY'2001 year:

7.34%	State Employees
11.59%	Teachers
25.94%	State Police
30.82%	Judges

IV. Executive Director's Monthly Report

Director Flaminio gave the following report:

- (1) Director Flaminio introduced Octavio Cunha to the Board. Mr. Cunha will be replacing Elaine Drapeau as Retirement and Retiree Health Manager in August.
- (2) Ms. Flaminio thanked Rep. Fox and the entire Board for their assistance in passing the technical correction bill, H.5553, that amended R.I.G.L. 36-10-8, section on Refund on Contributions.
- (3) Referring to her Year In Review memorandum, Director Flaminio urged the Board to read her detailed review of the operation of the system during the past year. She noted that many aspects of the system have been greatly improved during the past six years, and what lies ahead for the system are many of the ideas that the Treasurer spoke of at last month's meeting.

Treasurer Tavares informed the Board that he and members of his staff would be visiting Ohio to look at a computer system that was installed by one of our interested vendors.

V. Administrative/ Hearing Officer Decisions

(There were no administrative decisions, hearing or disability, for the month of July)

VI. Legal Counsel Report

David D. Barricelli, legal counsel, stated that legislation clarifying that the retirement system is subject to the Administrative Procedures Act was not passed into law by the General Assembly this year. Counsel will continue to maintain the position that the system operates under the Administrative Procedures Act.

Attorney Barricelli informed the Board of the recent decision rendered by the Superior Court in the case of Romano v. ERSRI, a case which challenges the validity of R.I.G.L. 36-10-36 which prohibits a retired state employee from working full-time for a municipality that participates in the MERS retirement program. The court upheld the statute prohibiting Mr. Romano, a former state employee turned municipal employee, from working full-time and collecting a pension and ordered Mr. Romano to make back payments of his pension to ERSRI.

Regarding this case, Mr. Barricelli requested from the Board a motion to comply with Judge Needham's decision. Ms. Murphy Crowe moved and Ms. Clark seconded the motion to comply with Judge Needham's decision. It was

VOTED: To comply with the decision in Romano v. ERSRI to stop pension payments to Mr. Romano and order him to repay two years of pension payments in accordance with the decision.

Mr. Boyce abstained from the vote in Romano v. ERSRI.

VII Committee Reports

Disability Sub-Committee: (Prior to the Disability Sub-Committee report, William Finelli and John Maguire recused themselves from all discussion and voting on this report.) The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Marcia Harvey	State	Ordinary
John Jenkins	Municipal	Ordinary
Lenore Macomb	State	Ordinary
Norris S. Tribble	Municipal	Ordinary
Eleanor Willis	Teacher	Ordinary
Sandra B. Feuti	State	Accidental
Gary W. Johnson	Police & Fire	Accidental

Ms. Murphy Crowe moved and Ms. Masse seconded the motion to approve the report of the July 9th, 1999 Disability Sub-Committee meeting. It was

VOTED: To accept the Disability Sub-Committee's report of the July 9th, 1999 report.

VIII. Regulation Approval

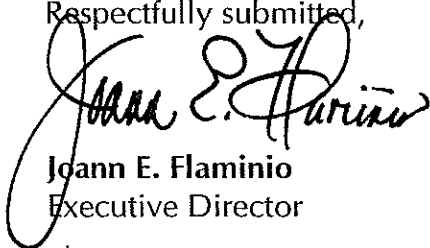
Director Flaminio suggested that the Rules and Regulations Sub-Committee meet during the month of August regarding the regulations on option selection and ordinary disability retirement.

IX. Adjournment

There being no other business to come before the Board, on a motion by Ms. Masse and seconded by Ms. Riendeau, the meeting was adjourned at 10:55 a.m.

It was decided by the Board that there would not be an August Board Meeting. The next meeting will be held on Wednesday, September 8th, 1999.

Respectfully submitted,


Joann E. Flaminio
Executive Director
vlp

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: Wednesday, September 8, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, September 8th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:08 a.m., Chairman Paul Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Sandra Murphy Crowe, designee for Dr. Robert Carl; John P. Maguire; Linda Masse; Stephen McAllister; and Chairman Paul J. Tavares.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Ms. Murphy Crowe moved and Mr. Beardsley seconded the motion to approve the July 14th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the July 14th, 1999 meeting of the Retirement Board.

III. Executive Director's Monthly Report

Director Flaminio gave the following report:

- (1) Director Flaminio spoke briefly on NEA vs. Retirement Board of the Rhode Island Employees' Retirement System (the union eviction case) and noted that certain plaintiffs have appealed the case to the United States Supreme Court. Neal Kelly of the Attorney General's office is representing the Treasurer, the Executive Director, and the Retirement Board and has submitted a brief on behalf of all parties.
- (2) Ms. Flaminio mentioned the Providence Teacher's Union vs. ERSRI case on the subject of interest on purchases and stated that David D. Barricelli, legal counsel to the Board, would update the Board on its progress.
- (3) Director Flaminio reminded retirement board members running for re-election that nomination papers would be available at the conclusion of this month's Board meeting.
- (4) The FY'1997 Annual Report has been distributed and the Director commended both Frank Karpinski, Assistant Director of Finance, and Lisa Trahan, Communications

Coordinator, on the report that is informative and stylish. She noted that the system's annual reports must be more timely in order to qualify for industry-wide awards and commendations. Ms. Flaminio noted that a Board Picture will be taken at the October board meeting in preparation for the next Annual Report.

- (5) Three to four hundred teacher retirees were put 'on pension' this summer with relatively few problems, although certain towns re-submitted final salary information which may have caused some delay in the issuance of a first check. Director Flaminio noted that the plan is a mature plan with in excess of 19,000 retirees necessitating the usage of some trust funds in order to meet the monthly pension payroll. She also urged the Board members to review the listing of new retirees and to note the younger retirement ages in accordance with our recent review of actuarial assumptions including retirement age.
- (6) Director Flaminio thanked General Treasurer Tavares, Ponzi Angelone, John Maguire, and Mike Boyce for their attendance at Elaine Drapeau's retirement party.
- (7) Ms. Flaminio informed the Board that along with monthly staff meetings, she has instituted Retirement Administration Management (RAM) Meetings, a staff meeting involving all ERSRI staff involved in retirement policy and benefit calculations. The purpose of the meeting is to discuss difficult statutory interpretations and to ensure that all retirement staff are properly briefed on policy issues.
- (8) Copies of the FY'1998 state, teacher, judicial and state police actuarial valuations are available today to interested members of the Board.
- (9) Director Flaminio indicated that a 3rd edition of the Retirement Handbook has been published and contains information on pension revocation and post-retirement employment.

Also, a Procurement Sub-Committee meeting will be scheduled prior to the October Board meeting. Lastly, Ms. Flaminio related that she had been elected Second Vice-President of NASRA and is interested in bringing the annual conference to the Providence area in the early 2000's. Treasurer Tavares congratulated Director Flaminio on her election.

V. Administrative / Hearing Officer Decisions

Disability Appeals:

Appeal of Accidental Disability Application of Eugene Raposa: Mr. Raposa has withdrawn his appeal in this matter.

Hearing Officer Decisions:

ERSRI vs. Halpert: Ms. Halpert has withdrawn her appeal in this matter.

VI. Legal Counsel Report

David D. Barricelli, legal counsel, informed the Board that he has received a very favorable decision in Providence Teacher's Union v. ERSRI. This case pertains to the plaintiffs challenge of ERSRI's right to charge interest on purchases of teachers who once worked as per diem substitute teachers. On August 24, 1999, Judge Silverstein issued his decision affirming the Retirement System's authority to charge interest on purchases and its 1975 action of raising the interest rate on purchases to 5%. The court also stated that the responsibility of paying

interest was the member's responsibility.

General Treasurer Tavares suggested that the Board periodically look at the rate of interest charged on all member's purchases and asked that the issue be placed on the next month's retirement board agenda.

Attorney Barricelli updated the Board regarding the pension liability of Robert Scheidler and stated that a settlement is being worked on between the communities of Barrington and Charlestown in order to stave off additional litigation.

Mr. Barricelli also stated that he recommends that the System be under the Administrative Procedures Act and suggested that the system continue to advocate for legislation to that effect in the 2000 General Assembly. Treasurer Tavares stated that he would pay close attention to the retirement system's legislative agenda in the next session.

Lastly, a decision on the return of contributions to Governor DiPrete should be issued in the coming weeks.

VII Committee Reports

Disability Sub-Committee: (Prior to the Disability Sub-Committee report, John Maguire recused himself from all discussion and voting on #8 of the Disability Sub-committee report.) The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Albert Draper	State	Ordinary
Ann Ferranti	State	Ordinary
Doris Shirley	State	Ordinary
Jeanne M. Testa	State	Ordinary
Jane Mello	Municipal	Ordinary
John T. Quinn	Municipal	Ordinary
Peter M. Jones	State	Accidental
Mario Lobello	State	Accidental
Evelina Miller	State	Accidental
Kevin Christofaro	State	Accidental

Ms. Murphy Crowe moved and Ms. Masse seconded the motion to approve the report of the September 3rd, 1999 Disability Sub-Committee meeting excluding No. 8. It was

VOTED: To accept the Disability Sub-Committee's report of the September 3rd, 1999 report excluding No. 8.

Election Sub-Committee: Daniel Beardsley, chairman of the Election Sub-Committee, stated that the bulk of the work on the election will be done by retirement system staff and it is the function of the committee to simply oversee the election process.

Ms. Flaminio talked about the past practice of allowing declared candidates to purchase for an administrative fee the name and address labels of his/her respective membership group. She would like to maintain the practice at this time and to have the Board affirm its support of the practice. Treasurer Tavares suggested that all candidates be made aware of the availability of the opportunity to purchase the list when an individual becomes a qualified candidate.

Mr. Beardsley moved and Mr. Angelone seconded the motion to reaffirm the past practice of allowing declared candidates to purchase the names and addresses of his/her respective membership group. It was unanimously

VOTED: To reaffirm the Board's past practice of allowing declared candidates to purchase for an administrative fee the names and addresses of his/her respective membership group for the purpose of the retirement board election.

VIII. Regulation Approval

Mr. Maguire indicated that the Rules and Regulations Sub-Committee met on August 18th. As a result of this meeting, the committee voted to recommend to the Board the approval of the following regulations:

- (8) Regulation on Option Selection;
- (9) Regulation on Ordinary Disability Retirement;
- an Amendment to the present Purchasing Regulation.

Mr. Maguire moved and Ms. Murphy Crowe seconded the motion to adopt and promulgate the regulations, 8 9 & 2. It was unanimously

VOTED: To adopt and promulgate Regulation #8, Regulation on Option Selection; Regulation #9, Regulation on Ordinary Disability Retirement; and Amendments to Regulation #2, the Purchasing Rules for the Employees Retirement System and the Municipal Employees Retirement System.

In conjunction with the Administrative Procedures Act, Ms. Flaminio stated that she would give notice of the Board's intent to promulgate the regulations.

VIII. New Business

Treasurer Tavares reported to the Board on the Y2K matter. He stated that there would be a memo to all retirees in October, 1999 regarding the Y2K issue. The Treasurer stated that there has been internal and external teams reviewing this matter since January 1999. One contingency plan is the printing of a second set of retiree checks for the month of January, 2000.

IX. Adjournment

There being no other business to come before the Board, on a motion by Mr. Maguire and seconded by Ms. Masse, the meeting was adjourned at 9:45 a.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director
vip

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes Date of Meeting: Wednesday, October 13, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, October 13th, 1999, in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:15 a.m., Chairman Paul Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone, C.L.U.; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; Rep. Gordon D. Fox; William B. Finelli; John P. Maguire; John A. Marginson; Linda Masse; Stephen McAllister; Michael O'Keefe; Linda C. Riendeau and Chairman Paul J. Tavares.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Ms. Masse moved and Ms. Clark seconded the motion to approve the September 8th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the September 8th, 1999 meeting of the Retirement Board.

Prior to the Executive Director's Monthly Report, General Treasurer Tavares introduced David Lawrence, Deputy Treasurer for Administration, and, Joan Caine, the new Deputy Treasurer for Finance. He also recognized and thanked Steven Iafrate for his work while the Deputy Treasurer for Finance position was vacant.

III. Executive Director's Monthly Report

Director Flaminio gave the following report:

- (1) **ERSRI Personnel:** She introduced two new retirement system employees: Todd San Bento, the new Accounting Manager, and Patricia Sherman, who is working in our Data Processing Department.
- (2) **Election 2000 Update:** The Director updated the Board regarding the upcoming election and noted that only two individuals have taken out papers to fill the teacher representative slots. Our rules state that so long as the candidates are qualified candidates (by returning their nomination papers with 100 valid signatures in their

membership group) they will be deemed elected and no election will have to be held.

- (3) **NEA-RI vs. ERSRI:** The Director informed the Board that she had received a call from Neal Kelly of the Attorney General's office indicating that the U.S. Supreme Court has decided not to hear the NEA-RI case. Upon final written notification, this case will finally be over.
- (4) **Fall Seminars:** Nine fall informational seminars have been scheduled for the three membership groups in November.
- (5) **Open Enrollment:** Open Enrollment for retiree health care will begin November 1st with new rates effective January, 2000. Two of the carriers, Harvard Health and Tufts, will no longer be offered affects nearly 700 retirees who receive health care through either Harvard or Tufts. The Director noted that premiums will increase for those that purchase health care through the state; however, for those who receive state-paid health care benefits, the increase will be offset by an increase in the premium that the state will provide to each eligible retiree. Newsletters and additional information will be mailed to all retirees.
- (6) **Handbooks:** Third editions of all of our handbooks (Membership, Disability, and Retirement) have been published and distributed to all of our employing agencies.
- (7) **NCTR Convention:** Lastly, Director Flaminio asked Vice-Chairman Bill Finelli and Mike Boyce to report on their recent attendance at the NCTR Convention in Nashville, Tennessee. Mr. Finelli reported on two seminar items. First, the Vice-Chair asked for information from the General Treasurer regarding our pension fund's use of proxy voting. The General Treasurer responded that he would report back to the Retirement Board on this issue at a later date. Second, Mr. Finelli suggested that the Retirement Board consider using a 2nd actuarial firm to conduct a periodic actuarial audit of the work done by the system's primary actuary. He stated that this approach is utilized by many other retirement systems across the country.

IV. Administrative / Hearing Officer Decisions

(Disability Appeals: There was no Disability Appeal for the month of October.)

Hearing Officer Decisions:

Shippee Hammond v. Employees' Retirement System: Ms. Shippee Hammond did not prevail in her appeal before the hearing officer. Matthew T. Oliverio, Esq. represented her before the Board.

This case involves the service credit given to Ms. Shippee-Hammond, a public school teacher, for years during which she was a kindergarten teacher who taught four hours a day and received one-half pay. Since she did not work a minimum of a five-hour day, the retirement system credited Ms. Hammond with 9 months for the years in which she worked as a half-time kindergarten teacher. This ruling, based on a 1983 regulation of the Retirement Board, was contested by Ms. Hammond who desired to receive full credit for the years in question.

Ms. Murphy Crowe moved and Mr. Marginson seconded the motion to uphold the hearing officer's decision. A roll call vote was taken: Mr. Angelone, yes; Mr. Beardsley, yes; Mr. Boyce, no; Ms. Clark, yes; Ms. Murphy Crowe, yes; Rep. Fox, yes; Mr. Finelli, no; Mr. Maguire, no; Mr. Marginson, yes; Ms. Masse, yes; Mr. McAllister, yes; Mr. O'Keefe, yes; Ms. Riendeau, no; Treasurer Tavares, yes. Vote tally: 10 votes affirmative, 4 votes negative. It was

VOTED: To uphold the hearing officer's decision in Shippee Hammond v. ERSRI.

Shola v. Employees' Retirement System: (Prior to the hearing, Ponzi Angelone recused himself from all discussion and consideration of this case and left the Board table.) Ms. Shola did not prevail in her appeal before the hearing officer. Marty C. Marran, Esq., represented her before the Board.

This case involves the application of R.I.G.L. 36-10-9 (3)(iv), which is a statutory 5-year cap on service purchases for all members effective January 1, 1995. Ms. Shola is desirous of purchasing additional credit, but cannot due to the application of the 5-year limitation. Portions of Ms. Shola's previously purchased credit involves time spent as an employee of the Department of Administration from November 8, 1970 to November 10, 1973. This time period was considered to be part of Ms. Shola's purchased service credit by the retirement system and included in counting the 5-year service limit thus prohibiting additional purchases. When asked, the Department of Administration did not affirmatively state that Ms. Shola should have been a member during that time period.

Mr. McAllister moved and Ms. Masse seconded the motion to affirm the hearing officer's decision. It was unanimously

VOTED: To uphold the hearing officer's decision in Shola v. Employees' Retirement System.

V. Legal Counsel Report

David D. Barricelli updated the Board on the Scheidler matter involving the Towns of Barrington and Charlestown stating that the matter has not yet been resolved due to delays in scheduling the matter locally.

Mr. Barricelli also updated the Board on a disability matter involving Naomi Lozado-Rivera that is presently pending in the Superior Court. (Prior to any additional discussion, Mr. Maguire recused himself from any and all discussion and consideration of this matter.) He stated additional evidence regarding the injury to Ms. Rivera has been provided.

Mr. Boyce moved and Ms. Riendeau seconded the motion to ask the Superior Court to remand the disability application of Naomi Lozado-Rivera back to the Disability Sub-Committee for further consideration of the new evidence. It was unanimously

VOTED: To ask the Superior Court to remand the disability application of Naomi Lozado-Rivera back to the Disability Sub-Committee for further consideration of new evidence.

Pursuant to R.I.G.L. 42-46-5 Sub (2), Mr. Maguire moved and Ms. Riendeau seconded a motion to go into Executive Session to discuss pending litigation regarding former Governor DiPrete and Lewis Perrotti. (Mr. Finelli recused himself from voting should the issue require a vote regarding the pending litigation matter of ex-Governor DiPrete.) It was unanimously

VOTED: To go into Executive Session.

On a motion by Ms. Crowe and seconded by Ms. Masse, it was unanimously

VOTED: To return to Open Session.

Attorney Barricelli stated that the Board went into Executive Session to discuss litigation strategy. On returning to Open Session, Mr. Beardsley recommended that amendments to the pension revocation laws be considered to deal with the inadequacies of the present statutes. Treasurer Tavares agreed that modification of the Pension revocation statutes is necessary.

VI Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval.

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
1. Richard Barnes	Municipal	Ordinary
2. Rene Gaboriault	Municipal	Ordinary
3. Donna Ortelt	State	Ordinary
4. Karen Quinn-Henry	Teacher	Ordinary
5. Kurt Strakaluse	Police & Fire	Ordinary
6. Janet Coyle	Teacher	Accidental
7. Joan Proto	State	Accidental
8. George Vacca	Teacher	Accidental

On a motion by Ms. Murphy Crowe and seconded by Ms. Clark, it was

VOTED: To approve the recommendation of the Disability Sub-Committee on matters #4 and #8. (Mr. Maguire recused from any and all consideration on these two matters.)

On a motion by Ms. Murphy Crowe and seconded by Ms. Clark, it was

VOTED: To approve the recommendation of the Disability Sub-Committee on matter #5. (Ms. Masse recused from any and all consideration of this matter.)

On a motion by Ms. Murphy Crowe and seconded by Ms. Clark, it was

VOTED: To approve the recommendation of the Disability Sub-Committee on matter #3. (Ms. Riendeau recused from any and all consideration of this matter.)

On a motion by Ms. Murphy Crowe and seconded by Mr. Angelone, it was

VOTED: To accept the remaining recommendations of the Disability Sub-Committee report dated October 8, 1999.

Procurement Sub-Committee Report: Mr. Boyce, Chairman of the Procurement Sub-Committee, reported that the Sub-Committee met on September 20, 1999 to hear the procurement recommendation of the retirement system. He stated that the recommendation of the ERSRI Evaluation Team was to hire CBSI. He then asked that the staff deliver its presentation regarding its recommendation.

Ms. Murphy Crowe stated the Sub-Committee had listened to a 2-hour presentation by the staff that was very informative. She felt confident the system has done everything possible to approve the appropriate vendor.

Ms. Murphy Crowe moved and Mr. Maguire seconded the motion to accept the recommendation of the Procurement Sub-Committee.

Treasurer Tavares stressed the importance of this vote and cost involved in awarding the contract. Prior to the vote, he asked if all members were satisfied with the recommendation of the Sub-Committee and were comfortable in proceeding with a vote on the matter.

Mr. Boyce moved to amend the motion with a second by Ms. Murphy Crowe. It was

VOTED: To amend the motion to read that the Board accept the recommendation of the Evaluation team and the Procurement Sub-committee that CBSI be selected as the procurement vendor in response to the system's Request for Proposal issued on May 7th, 1998, and that the Chair, Executive Director and Counsel hereby be authorized to enter into negotiations with the firm regarding the fulfillment of the request of the proposal.

On the amended motion it was unanimously

VOTED: That the Board accept the recommendation of the Evaluation team and the Procurement Sub-committee that CBSI be selected as the procurement vendor in response to the system's Request for Proposal issued on May 7th, 1998, and that the Chairman, Executive Director and Legal Counsel be hereby authorized to enter into negotiations with such firm regarding fulfillment of the request for proposal.

Treasurer Tavares thanked Frank Karpinski and the Evaluation Team for their work on the RFP and stated that he was looking forward to the completed project in a few years.

VII. Regulation Approval

In accordance with R.I.G.L. 42-35-3, the system has given notice of its intent to adopt new regulations and to amend the regulation on purchasing by placing a legal notice in the Providence Journal. Several parties requested a copy of the regulations; however, a hearing was not held, as the statute does not require such a hearing unless requested by 25 or more individuals. At this juncture, only a final vote is necessary by the Board for the regulations to be adopted and filed with the Secretary of State.

On a motion by Ms. Masse and seconded by Mr. Maguire it was unanimously

**VOTED: To adopt Regulation No. 8 on Option Selection;
Regulation No. 9 on Ordinary Disability Retirement;
and Amendment to Regulation #2, the ERSRI and MERS Purchasing
Rules.**

VIII. New Business

Treasurer Tavares reported that the interest rate under R.I.G.L. 36-8-1(13) has not been reviewed since 1975 and should be periodically reviewed by the Board..

Mr. Maguire moved and Ms. Riendeau seconded the motion to keep the "regular interest" rate at 5%.

Ms. Murphy Crowe felt that there should be some discussion on the matter. Treasurer Tavares noted that it affects not only the amount paid on purchases, but also the amount

distributed as interest in some instances. He felt there should be more study regarding the financial impact of our present policy on the retirement system.

A roll call vote was taken. Mr. Angelone, no; Mr. Boyce, yes; Ms. Clark, yes; Ms. Murphy Crowe, no; Mr. Finelli, yes; Mr. Maguire, yes; Ms. Masse, no; Mr. McAllister, no; Mr. O'Keefe, abstain; Ms. Riendeau, yes; Treasurer Tavares, no. 5 votes in the affirmative. Motion failed.

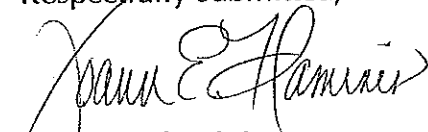
The Director states she would obtain information on what other states are doing regarding the rate of interest charged on service credit purchases.

Mr. Boyce requested that it be made clear to all retirees that the Office of Employee Benefits and not the Employees' Retirement System of Rhode Island determine health care rates and the scope of coverage. Director Flaminio stated that it would be made clear that ERSRI is merely a paying agent and that scope of coverage and the Department of Administration determines rates after negotiations with health care vendors.

IX. Adjournment

There being no other business to come before the Board, on a motion by Ms. Masse and seconded by Mr. Maguire, the meeting was adjourned at 11:35 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: Wednesday, November 10, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, November 10th, 1999 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 9:04 a.m., Chairman Paul Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; Sandra Murphy Crowe, designee for Dr. Robert Carl; William B. Finelli; John P. Maguire; John A. Marginson; Robert Griffith, designee for Stephen McAllister; Linda C. Riendeau and Chairman Paul J. Tavares.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Mr. Finelli moved and Ms. Clark seconded the motion to approve the October 13th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the October 13th, 1999 meeting of the Retirement Board.

III. Executive Director's Monthly Report

Prior to her report, Director Flaminio held the lottery for placement on the 2000 Board Election ballot. The results were as follows:

State:

1. Micheline Lombardi
2. Agnes King
3. John H. McCaughey
4. Linda M. Masse
5. Cary E. Wagner
6. Brenda H. Myette
7. J. Michael Downey
8. Roger Boccanfuso
9. Robert W. Capuano
10. Linda C. Riendeau
11. Michael E. Reis

Municipal:

1. John F. Carbone
2. Leslie E. Clark

Retiree:

1. Michael R. Boyce
2. Edward J. Slattery

Director Flaminio then gave the following report:

- (1) **Health Care Open Enrollment for Eligible Retirees:** A Retiree Health Care Fair was held on Monday, November 1st at CCRI. Health Care Open Enrollment newsletters were mailed to all eligible retirees during the first week of November. Medical change forms must be returned by November 30th. We have also mailed individual letters to those 700 Harvard and Tufts enrollees who must make new health care selections or lose coverage on January 1st. Finally, new health care premiums will be deducted from December pension checks. Mr. Boyce commended the Retirement Staff for its participation at the Health Care Fair but thought that the fair and the Open Enrollment process should be better organized. Treasurer Tavares stated he would discuss the matter with the Department of Administration prior to the next open enrollment.
- (2) **Red Book on Regulations 2000.** A copy of the Red Book on Regulations 2000 has been distributed to all Board members and staff. Director Flaminio thanked the Board members for their support in passing the new regulations.
- (3) **December Meeting:** The December Board meeting will commence at 10:00 a.m. with the Annual Christmas Luncheon following adjournment. A benefits presentation will be given at 9:00 am for interested board members in the 1st floor Conference Room.
- (4) **Diane Casey vs. Retirement Board:** Ms. Flaminio stated that she has available a copy of the letter from the U.S. Supreme Court denying the writ of certiorari in this case.
- (5) **Legislation 2000:** Director Flaminio indicated that she will once again be supporting legislation to reduce our present vesting schedule from 10 to 5 years. If Board members have additional legislative ideas, please contact her.
- (6) **Computer Project:** Director Flaminio updated the Board on the progress of the computer project. A contract will hopefully be signed by the end of the year with work to begin soon after the first of the year.

IV. Administrative / Hearing Officer Decisions

Disability Appeals: There were no Disability Appeals this month.

Hearing Officer Decisions:

Pezzullo v. Employees' Retirement System: Ms. Pezzullo did not prevail in her appeal before the hearing officer and chose not to appear before the Retirement Board.

This case involves the application of R.I.G.L. 36-10-9 (3) (v) which is a statutory 5-year cap on service purchases for all members effective January 1, 1995. Ms. Pezzullo desired to purchase in excess of the 5 years.

Mr. Beardsley moved and Ms. Murphy Crowe seconded the motion to affirm the hearing officer's decision. It was unanimously

VOTED: To affirm the hearing officer's decision in Pezzullo v. Employees' Retirement System.

Ciambrone v. Employees' Retirement System: Ms. Ciambrone did not prevail in her appeal before the hearing officer. She was represented by Attorney Neal McNamara who verbally indicated to the retirement system that they would not appear before the Retirement Board to further appeal. Mr. Boyce questioned whether the case should be tabled. Ms. Murphy Crowe advised Mr. Boyce that they could still appeal to Superior Court.

This case involves the effective date of Ms. Ciambrone's ordinary disability retirement.

Ms. Murphy Crowe moved and Ms. Clark seconded the motion to affirm the hearing officer's decision. It was

VOTED: To affirm the hearing officer's decision in Ciambrone v. Employees' Retirement System.

Mr. Boyce abstained from the decision.

V. Legal Counsel Report

Attorney Barricelli informed the Board that Judge Silverstein had entered a final judgment on November 3, 1999 in the case of Providence Teachers Union v. ERSRI thereby affirming the retirement system's authority to charge interest on purchases. On another Providence matter, Attorney Barricelli stated that Judge Silverstein issued a consent order remanding the case of Naomi Lozado-Rivera back to the Disability Sub-Committee as requested by the Board at the October, 1999 meeting.

Lastly, Mrs. DiPrete's attorneys filed a motion for a new trial regarding her portion of former Governor DiPrete's pension. Mr. Marginson moved and Mr. Boyce seconded the motion to accept the Legal Counsel Report. It was unanimously

VOTED: To accept the Legal Counsel Report as presented.

VI Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
Thomas Adams	State	Ordinary
Martha Graham	Teacher	Ordinary
Joseph Landry	Police & Fire	Accidental
Amalia Blinkhorn	Municipal	Accidental

Ms. Murphy Crowe moved and Mr. Finelli seconded the motion to approve the report of the November 5, 1999 Disability Sub-Committee meeting. It was

VOTED: To accept the report of the November 5th, 1999 Disability Sub-Committee meeting.

VIII. New Business

Mr. Finelli spoke on the effect that a disability (such as the one approved for a member of the Harris Fire District) could have on a small municipal unit and whether or not it would be beneficial to have small units join together in order to reduce volatility.

Treasurer Tavares suggested the Executive Director look at this issue and develop some recommendations regarding small municipal plans.

Mr. Beardsley agreed with Mr. Finelli that it would be beneficial to examine the issue of very small municipal plans.

Ms. Crowe noted that the Disability Sub-Committee does struggle with otherwise able-bodied individuals who may qualify for a pension under our statutes based on their inability to perform some of the functions of his/her job.

Mr. Barricelli noted that change in this area would only come about as the result of an effort that involves all of the interested parties and beneficiaries of the retirement system.

Treasurer Tavares noted that the initial request was to examine small MERS plans and ways to reduce volatility for those small plans—particularly when dealing with disability retirement.

In response to a question posed by Mr. Finelli at the last meeting regarding proxy voting, Treasurer Tavares stated that he had the Deputy Treasurer for Finance look at the existing policy. Presently, pension fund money managers vote the proxy on behalf of the pension fund in accordance with State Investment Commission guidelines. He stated that the SIC will take a look at updating its proxy voting policy. He noted that large systems such as CALPERS dedicate a large amount of staff time and expertise to this issue.

Mr. Boyce posed a question regarding the status of delinquent accounts. Assistant Director Karpinski noted that most municipalities are presently paid up. If there is a delinquency, it is minimal.

IX. Adjournment

There being no other business to come before the Board, on a motion by Ms. Murphy Crowe and seconded by Mr. Finelli, the meeting was adjourned at 9:50 a.m.

Respectfully submitted,



Joann E. Flaminio
Executive Director

vlp

Employees Retirement Board Of Rhode Island

Retirement Board Meeting Minutes

Date of Meeting: December 8, 1999

The Monthly Meeting of the Retirement Board was held Wednesday, December 8th, 1999 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI. At 10:35 a.m., Chairman Paul Tavares requested Executive Director Joann Flaminio to call the roll.

I. Roll Call of Members

The following members were present at roll call: Ponzi A. Angelone; Daniel L. Beardsley; Michael R. Boyce; Leslie E. Clark; William B. Finelli; John P. Maguire; Linda M. Masse; Michael O'Keefe; Linda C. Riendeau and Chairman Paul J. Tavares. Sandra Murphy Crowe, designee for Dr. Robert Carl and Stephen McAllister arrived after roll call.

Also in attendance: Joann E. Flaminio, Executive Director; David D. Barricelli, Board Counsel; and James M. Reilly, Assistant Executive Director.

Recognizing a quorum, Chairman Tavares called the meeting To Order.

II. Approval of Minutes

Mr. Finelli moved and Ms. Clark seconded the motion to approve the November 10th, 1999 minutes. It was unanimously

VOTED: To approve the minutes of the November 10th, 1999 meeting of the Retirement Board.

III. Executive Director's Monthly Report

Director Flaminio gave the following report:

- (1) **Health Care Open Enrollment for Eligible Retirees:** Director Flaminio stated that although Open Enrollment closed November 31st, health care enrollment forms will be accepted until the close date of the December payroll.
- (2) **ERSRI Fall Seminar Series:** There were nine benefit presentations given this past fall as part of our Fall Seminar Series. Director Flaminio thanked the Member Services Department and specifically Cheryl Melise and Paula Azulay for presenting the seminars. She noted that the last teacher presentation drew nearly 200 teachers.
- (3) **2000 Retirement Board Election:** Ballots are scheduled to be mailed the last week of

December. In addition to the ballot, the mailing includes biographical sketches of the candidates as well as a pre-paid return envelope. Ballots will be returned to the Board of Elections and counted during the early part of February. Ballots mailed to the ERSRI offices are invalid. Since incumbent board members William Finelli and John Maguire were unopposed in the election, the election rules state that no election is necessary and that the members shall be deemed elected.

- (4) **Rules and Regulations Committee:** Ms. Flaminio indicated that she would request of the Rules and Regulations Sub-Committee that the next agenda item be the issue of service credit, i.e. what constitutes a 'year of service credit' and how service credit is awarded in increments of a year.
- (5) **Municipal Study:** This item will be discussed at the January, 2000 meeting.
- (6) **Computer Project:** Director Flaminio stated that the lawyers for the retirement system and CBSI are finalizing the contract and hope to have it completed by the end of the calendar year with work on the project to begin in early 2000.
- (7) **Purchase Study:** Director Flaminio presented the results of an informal purchase study concerning the rate of interest charged when purchasing service credit. Of the 57 responses, 30 systems charge a member full actuarial cost while some 38 charge contributions (what would have been contributed) plus an interest factor. Twenty-two systems charge an interest factor that is equal to or greater than the assumed rate of return of the plan while sixteen systems charge less than the assumed rate of return. In summary, most, but not all, systems have a more expensive purchase methodology than ERSRI and the cost to the plan of the discounted rate of purchase can be very expensive. Treasurer Tavares stated that it is indeed important that the Board periodically affirms (or changes) the rate of interest charged on a service credit purchase. He suggested that the Board members study the report over the course of the next month and that a vote be taken on this agenda item at the next month's meeting.
- (8) **Vesting:** Director Flaminio presented the results of a Wyatt study on the cost of decreasing the vesting schedule from 10 to 5 years. The results also show the cost of a decrease in the vesting schedule to eight years as well as the cost of providing interest to those members who have at least five years upon termination. Director Flaminio urged the Board to support a change in the vesting schedule during the 2000 General Assembly. ERSRI is one of the last remaining systems in the country with a 10-year vesting schedule and a no-interest policy. Counsel Barricelli stated ERISA that governs private plans mandates 5-year vesting. Finally, Treasurer Tavares stated that his administration supported 5-year vesting in the past and will continue its support in the 2000 General Assembly.
- (9) **Annual Report:** The 1998 financial reports are being finalized with work commencing on the 1999 reports.
- (10) **Y2K:** In anticipation of Y2K, December 1999 pension checks will be mailed out a day earlier this month. Treasurer Tavares commented that he is confident that Y2K will be a non-event for the Treasury. However, Treasury staff will be working on January 1st in case an unanticipated problem should arise.
- (11) **Leon Wechsler:** Ms. Flaminio advised the Board that with the commencement of the computer project, the system would like to continue its relationship with Leon Wechsler on a per diem basis.

Lastly, on behalf of Jim Reilly and herself, Director Flaminio thanked the Board for their

support during the last year and their dedication to the mission of the retirement system.

With regard to item No. 3, the 2000 Retirement Board Elections, on a motion by Mr. Boyce and seconded by Ms. Masse, it was unanimously

VOTED: To deem elected William Finelli and John Maguire as the teacher representatives to the Employees Retirement Board of Rhode Island for a new four-year term to begin March, 2000.

IV. Administrative / Hearing Officer Decisions

Disability Appeals: There were no Disability Appeals this month.

Hearing Officer Decisions:

Spiratos vs. ERSRI: Mr. Barricelli informed the Board that Mr. Spiratos requested a continuance of his hearing to a later date.

V. Legal Counsel Report

Attorney Barricelli reiterated his strong support for corrective legislation that would eliminate the Employees Retirement Board from the list of agencies exempt from the provisions of the Administrative Procedures Act. Treasurer Tavares indicated that his administration would resubmit and endorse this legislation in the 2000 General Assembly.

The Treasurer also thanked Mr. Barricelli for his excellent counsel during the past year.

VI Committee Reports

Disability Sub-Committee: The Disability Sub-Committee recommended the following disabilities for approval as the result of its December 3rd meeting:

<u>Name</u>	<u>Membership Group</u>	<u>Type</u>
1. Conceicao Demedeiros	State	Ordinary
2. Norma Foss	State	Ordinary
3. Annette Golios	State	Ordinary
5. Loretta Monteiro	Municipal	Ordinary
6. Kenneth Rowe	State	Accidental

On a motion by Ms. Murphy Crowe and seconded by Mr. Angelone, it was

VOTED: To approve the recommendation of the Disability Sub-Committee on matter #3. (Ms. Masse recused from any and all consideration of this matter.)

On a motion by Ms. Murphy Crowe and seconded by Mr. Finelli, it was

VOTED: To approve the remaining recommendations of the Disability Sub-Committee meeting of December 3rd, 1999.

VIII. New Business

Treasurer Tavares thanked the Board for their help and support during his first year as General Treasurer.

IX. Adjournment

There being no other business to come before the Board, on a motion by Ms. Murphy Crowe and seconded by Ms. Riendeau, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,


Joann E. Flaminio
Executive Director
vlp