

**Advisory Council Meeting
June 23, 2011**

An Essex Regional Retirement Systems' Advisory Council meeting was held on Thursday, June 23, 2010 at Essex Agricultural and Technical High School, Smith Hall, 562 Maple Street, Danvers at 10:15 a.m. to conduct votes related to actions taken by the ERRS Board of Directors with the following attendees:

Advisory Council Members:

Ellen Guerin, Treasurer, Town of Boxford
Daniel Maguire, Primary Operator, Byfield Water District
Roger Bourgeois, Superintendent, Essex Agricultural and Technical Institute
Virginia Boutchie, Treasurer, Town of Essex
Greg Labrecque, Treasurer, Town of Groveland
Cheryl Booth, Treasurer, Town of Hamilton
Kevin Merz, Treasurer, Town of Ipswich
Carol McLeod, Treasurer/Finance Director, Town of Merrimac
Don Carter, Treasurer, Town of Middleton
Diane Doyle, Treasurer, Town of Newbury
Jacqueline Vigeant, Treasurer, Town of Rowley
Christine Caron, Treasurer, Town of Salisbury
Barbara Michalowski, Treasurer, Town of Topsfield
Dan Ouellette, Salisbury Housing Authority
Carrie Arnaud, Assistant Treasurer, Town of Rockport

ERRB members:

Kevin A. Merz
Andrew W. Maylor
Susan J. Yaskell
H. Joseph Maney

ERRS Executive Director

Charles E. Kostro

ERRB Board Secretary

Jane Dooley

Segal Company:

Kathleen Riley, Actuary

**Welcome and Introductions/Executive Director's Report – Charles E. Kostro,
Executive Director**

ERRS Executive Director Kostro opened the meeting, introduced himself and provided an overview of the agenda. Kostro thanked the Essex Agricultural and Technical School for hosting the meeting and for the assistance provided by the staff in preparing for the

meeting. Kostro explained that they would be taking agenda items out of turn by moving to his presentation first. Advisory Council Chair and ERRS Board member Kevin Merz would then introduce the Board of Directors and proceed with the agenda.

Kostro reported to the Advisory Council about the March 2010 PERAC audit where there were 23 separate findings and he explained what actions were taken or will be taken by Board of Directors and ERRS relative to addressing the findings. Other topics Kostro covered included Advisory Council Meetings scheduled for two times a year, ERRS Budget Report, Pension Assessment Summary and complete update of various ERRS initiatives including compliance with Chapter 30B.

He described changes made at the Essex Regional Retirement System since he was hired as Executive Director. Namely a reorganization of functions to Customer Service, Finance and Operations categories as well as a reorganization of ERRS staff and steps taken to change the ERRS culture (i.e., eliminating four-day work week and new office hours) and proposed changes (i.e., RFPs for improving website and bank services).

Advisory Council Chair Report – Kevin Merz, ERRS Board of Directors

Advisory Council Chair and ERRS Board member Kevin A. Merz introduced ERRS Board of Directors present at the meeting including Andrew W. Maylor, Susan J. Yaskell, and H. Joseph Maney. Ira S. Singer was unable to attend.

Merz gave a ERRS Board of Directors update, described how members were elected to the board last fall and noted that Andrew W. Maylor had been appointed by the ERRS Board of Directors as the fifth member.

He added that in the last year the board had been meeting generally once a month, and it had hired an executive director and board secretary.

New Business

Actuary Kathy Riley from the Segal Company presented an update on the valuation timeline, 2008 valuation results, investment performance and legislative relief, unfunded liability, Chapter 188 of the Acts of 2010, 2008 valuation update, subsequent change to funding schedule, COLA base and 2011 valuation.

Riley and Maylor discussed board decisions relative to the proposed funding schedule that is based on 2008 valuation, updated using December 31, 2009 assets, reflects deferred investment losses, and fully funds the Essex Regional Retirement System funding plan by 2035. An approximate 8 percent annual increase in total cost is reflected in the funding schedule from FY'12 to FY'20.

Riley noted that the cost of a COLA base increase if it were added on to the FY'11 valuation would be \$311,646.

Maylor mentioned that if the COLA base were increased from \$12,000 to \$13,000 this would generally constitute an increase from \$360 a year to \$390 a year per eligible pension recipient.

Merz explained that the board had voted 3 to 2 to provide a 3% COLA and that during the discussion prior to the vote some board members had advocated for a 1.5% versus 3% increase.

Certification of vote to indemnify board members pursuant to Chapter 32

Ms. Ellen Guerin, Treasurer of Boxford, moved that the Advisory Council certify the vote of the Board of Directors taken on September 29, 1999 to indemnify board members pursuant to Section 20(a) of Chapter 32.

Seconded, Mr. Dan Ouellette of Salisbury Housing Authority.

Greg Labrecque, Treasurer, Town of Groveland, questioned why the ERRS liability insurance premium was so high. Kostro explained that it relates to the total amount of assets ERRS has under management, that the board had recently received an explanation on this from its insurance agent and that there was a narrow pool of insurers that would provide this standard industry policy to ERRS through MACRS.

VOTE: Unanimous.

A record of the vote by the Advisory Council to certify the board's acceptance of Section 20(a) of Chapter 32 will be sent to the Public Employee Retirement Administration Commission (PERAC).

Certification of 3% COLA pursuant to Section 103(j) of Chapter 32

Mr. Daniel Maguire, Primary Operator, Byfield Water District, moved that the Advisory Council certify the vote of the Board of Directors taken on March 28, 2011 to support a 3% increase in the base, effective July 1, 2011 pursuant to Section 103(j) of Chapter 32.

Seconded, Mr. Roger Bourgeois, Superintendent, Essex Agricultural and Technical Institute.

VOTE: Unanimous.

This vote indicates that the Advisory Council has been notified of the board's action.

Approval of the increase in the cap on Section 101 widow's benefits from \$6,000 to \$9,000, pursuant to Section 101 of Chapter 32

Mr. Dan Ouellette, Salisbury Housing Authority, moved that the Advisory Council ratify the vote of the Board of Directors taken on March 28, 2011 to increase the cap on Section 101 widow's benefits from \$6,000 to \$9,000, pursuant to Section 101 of Chapter 32.

Seconded, Ms. Barbara Michalowski, Treasurer, Town of Topsfield.

Discussion about whether or not spouses of other ERRS members would be eligible to receive this benefit in the future. Eligibility for the current six spouses was grandfathered.

VOTE: Unanimous.

Approval of increase in the base pension for application of a Cost of Living increase from \$12,000 to \$13,000 for fiscal year 2012 pursuant to Section 103(i) of Chapter 32

Ms. Cheryl Booth, Treasurer, Town of Hamilton, moved to ratify the vote of the Board of Director's taken at their meeting of March 28, 2011 to increase the base pension for application of a Cost of Living increase from \$12,000 to \$13,000 for fiscal year 2012, pursuant to Section 103(i) of Chapter 32.

Seconded, Ms. Jacqueline Vigeant, Treasurer, Town of Rowley.

Ellen Guerin, Treasurer, Town of Boxford, read a letter from the Boxford Board of Selectmen stating why that community could not support the proposed increase to the COLA base.

Greg Labrecque, Treasurer, Town of Groveland, and Dan Ouellette of Salisbury Housing Authority, also said they could not vote in favor of the proposed increase to the COLA base, although it is not a large dollar amount, it would be a symbolic gesture to their municipalities that they are watching costs closely in these tough financial times.

Likewise, Virginia Boutchie, Treasurer, Town of Essex, said her town had recently defeated an override vote so she could not support the proposed increase to the COLA base since she did not want to disrespect the override vote and that the community could not spend money it did not have.

Maylor said he respected the fiscal challenges the municipalities are facing but he suggested they support the modest COLA base increase since it could potentially help retirees on fixed incomes pay their bills.

Merz said he was not in support of the COLA base increase until ERRS was in a better financial state.

VOTE: 0-15-3. Motion denied. Merz said this would likely be revisited at the Advisory Council meeting in the spring.

Discussion about ERRB voting every year as to whether or not there would be a 3% COLA base increase. Funding schedule will remain at an 8% increase for 2012 due to unfunded liability.

Old Business

Approval of the Minutes of the Advisory Council Meeting of September 20, 2010

Mr. Greg Labrecque, Treasurer, Town of Groveland moved that the Advisory Council accept the minutes of the Advisory Council Meeting of September 20, 2010.

Seconded, Ms. Ellen Guerin, Treasurer of Boxford.

VOTE: Unanimous.

Public Comment Period

None.

Motion to Adjourn

Ms. Ellen Guerin, Treasurer of Boxford, moved that the Advisory Council adjourn the meeting at 11:45 a.m.

Seconded, Ms. Barbara Michalowski, Treasurer, Town of Topsfield.