

## Advisory Council Meeting

October 24, 2012

An Essex Regional Retirement Systems' Advisory Council meeting was held on Wednesday, October 24, 2012 at Rowley Town Hall at 10:06 a.m. to conduct votes related to actions taken by the ERRS Board of Directors with the following attendees:

### Advisory Council Members:

Mark Andrews, Town of Wenham  
Cheryl Booth, Town of Hamilton  
Virginia Boutchie, Town of Essex  
Donald Carter, Town of Middleton  
Diane Doyle, Town of Newbury  
Ellen Guerin, Town of Boxford  
Greg Labrecque, Town of Groveland  
Carol McLeod, Town of Merrimac  
Curt Malonson, Essex Agricultural & Technical Institute  
Barbara Michalowski, Town of Topsfield  
Karen Summit, Town of Rowley  
Jennifer Yaskell, Town of Manchester  
Terrence Hart, Eastern Essex Veteran's District

### ERRB Members:

H. Joseph Maney  
Susan J. Yaskell  
Kevin A. Merz  
Ira S. Singer  
Vincent R. Malgeri

### ERRS Executive Director:

Charles E. Kostro

### ERRS Executive Assistant:

Katherine Carleton

### ERRB Board Secretary:

Jane Dooley

### **Call to Order – Kevin Merz, ERRS Board of Directors, Chair, Advisory Council**

Kevin Merz called the meeting to order at 10:06 a.m.

### **Welcoming Remarks – Town of Rowley**

Bob Merry, Vice Chair, Rowley Board of Selectmen, gave a brief history of Rowley Town Hall and thanked ERRS staff for professionalism and the ERRS Board for restoring trust in the retirement system.

### **Approval of Minutes of the Advisory Council Meeting of June 20, 2012**

Upon a motion by Mark Andrews, Town Administrator, Town of Wenham, seconded by Virginia Boutchie, Treasurer, Town of Essex, the Advisory Council voted unanimously to approve the Advisory Council Meeting Minutes of June 20, 2012.

### **ERRS Updates – Kevin Merz, ERRS Board, Second Member Chair, Advisory Council**

Kevin Merz presented updates and commended the performance of ERRS Executive Director Charles Kostro by highlighting staff training, community meetings at member unit sites, attendance at PRIT meetings to ensure retirement system is running well, and transfer of ERRS cash to PRIT to be invested at a higher interest rate.

He also mentioned the most recent PRIT investment returns and noted benefit of ERRS investing with PRIT versus in-house investing. Merz added that there are still ERRS funds invested in real estate holdings and once that investment money becomes available at maturity it will be transferred to PRIT.

He also outlined some RFPs issued by the retirement system this year including one to hire an audit firm. Powers & Sullivan was selected to do an annual audit of ERRS for 2012 and 2013. In addition, Stone Consulting has been hired as the new actuary for ERRS for a five-year contract at the cost of \$37,000 versus \$90,000 bid by the retirement system's former actuarial firm – Segal Company.

Merz explained that ERRS would be submitting the 2011 Salary Survey to PERAC this week. Also, the retirement system expects to receive the FY'14 appropriation letter from PERAC in late November and December that will be provided to the member units and posted on the ERRS website.

### **ERRS 2013 Budget Presentation – Charles E. Kostro, Executive Director**

Charles Kostro described two errors that occurred with administrative budget and actual expenditures for 2011. He then presented the 2013 budget overview noting that administrative budget proposal of \$1,066,198 that is nearly a 2% decrease to 2012 budget and this the second year retirement system has reduced its expenses. A \$287,000 reduction has been realized annually since 2010 in the effort to fully funding the system in 2035.

Kostro highlighted some 2012 budget items including the hiring of Financial Advisory Associates to close out 2011 and to help the retirement system for the first time in five years to submit its annual statement to PERAC by the May deadline, launching of a new ERRS website, hiring of PTG to implement new database, contracting with IT consultant and purchasing of a new server, transfer of accounts to Eastern Bank and reconciliations are on track and transfer of \$600,000 to PRIT investments, hiring of Powers & Sullivan as auditor, implementation of a cash

flow plan that includes \$20 million in PRIT cash fund earning 10%, new actuarial firm was hired and will save ERRS money, and analysis is being done on investment vendor.

He then gave details on 2013 administrative budget including personnel costs where staff members Katherine Carleton and Kenneth Mayne would be receiving salary increases and he would as well for a less than 3% increase for retirement system of \$8,900.

Also mentioned was that FAA would be providing professional training to the ERRS staff, the \$27,000 drop in actuarial costs with the new vendor, legal expenses would be reduced by \$25,000 for Murphy, Hesse, Toomey and Lehan law firm since many of the duties they were hired to do have been completed, administrative expenses would be reduced with cost of office supplies remaining the same, an increase in travel costs due to staff and ERRS Board training as well as ERRS office hours at member unit sites, and capital account expenses brought down to \$10,000 a year.

He noted other expenses included management fees for investments and that the pension amount would be increased by about \$1 million since the pension payroll has gone up 2.5% to 3% a year.

In response to Greg Labrecque, Town of Groveland, Kostro said that \$25,000 in legal expenses would be held in reserve. Merz acknowledged the detailed budget Kostro has developed for the retirement system and continuing reductions in the ERRS budget. He noted that PERAC recommends and has approved a motion to have the Advisory Council certify the 2013 budget.

Upon a motion by Ellen Guerin, Treasurer, Town of Boxford, seconded by Terrance Hart, Eastern Essex Veteran's Services, the Advisory Council voted unanimously to hereby certify that the Board has submitted a 2013 operating budget in the amount of \$1,066,198 for the Essex Regional Retirement System.

#### **Public Comment Period**

None.

#### **Motion to Adjourn**

Upon a motion by Mark Andrews, Town Administrator, Town of Wenham, seconded by Virginia Boutchie, Treasurer, Town of Essex, the Advisory Council voted unanimously to adjourn the meeting at 10:46 a.m.



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**Kevin A. Merz, Chair**