

SALEM RETIREMENT BOARD
OPEN SESSION MEETING MINUTES
MARCH 24, 2015
11:30 A.M.

I. Regular Matters of Business

In attendance at this regular meeting of the Salem Retirement Board (“the Board”) were Chairman Sarah M. Hayes, John H. Burke Jr., Kimberley L. Driscoll, Robert T. Lutts, and Sarah A. Stanton.

Also in attendance were Board Treasurer Kathleen McMahon, Kathy Riley, Alan Taubert Jr., of SESD, Karen Herrick of SESD, and Executive Director Paul Findlen.

The meeting was called to order at approximately 11:32 a.m.

The warrants for the month of March were reviewed and, on a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 3-0 to approve the March warrants as submitted.

All retirements for the month of March were formally acknowledged, and on a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 3-0 to acknowledge the March retirements as submitted.

All recent new enrollments were formally acknowledged, and on a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 3-0 to acknowledge the new enrollments as submitted.

Ms. Driscoll and Ms. Stanton joined the meeting at approximately 11:40 a.m.

The minutes of the previous Board meeting, held on February 25, 2015, were reviewed and, on a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 4-0-1 to approve the February meeting minutes as submitted, with Mr. Burke abstaining due to his absence from the February meeting.

II. Treasurer’s Report

Board Treasurer, Kathleen McMahon, presented a comprehensive report on the monthly reconciliation performed by the Board Treasurer on behalf of the Board. The Board reviewed the reconciliation report for the month of February. On a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 5-0 to accept the Treasurer’s Report.

III. Executive Director’s Report

Mr. Findlen presented the Board with a report on all cash receipts for the month of February, as well as trial balances for the months of January and February for the Board’s review. Mr. Findlen also presented the Board with a monthly expenditure report for the month of February. Mr. Findlen reported that the PRIT Fund experienced strong growth for the month of February, noting that the PRIT Core Fund is on track to hit the Board’s target expected rate of return for 2015.

IV. PERAC Memos

There were no new PERAC memos that required the Board's attention.

V. Actuarial Valuation

Kathy Riley presented the finalized actuarial valuation for the Salem Retirement Board, as of 1/1/2014. Ms. Riley presented a thorough and comprehensive breakdown of the actuarial valuation to the Board. Ms. Riley noted that the demographic experience was good and the ability to lower the investment rate of return assumption from 8% to 7.75% was a positive indicator of the plan experience. Ms. Riley also provided the Board with an explanation of the mortality schedule change, as well as the rationale behind lowering the "salary increase assumption", based on reasonable trends. Ms. Riley also outlined ways in which the Board may be able to lower the investment rate of return assumption in the future. The Board engaged in a discussion regarding the merits/efficacy of pension obligation bonds and whether some of the Board's employer units, specifically the City of Salem, may benefit from issuing pension obligation bonds in order to satisfy appropriation requirements. Mr. Findlen asked Ms. Riley to speak to the practice of appropriation overpayments made by employer units and the effect they have on future appropriation payment amounts. Ms. Riley explained that the employer units do receive credit for the overpayments and that those overpayments do reduce future appropriation assessments. The Board also questioned why the Essex North Shore Agricultural and Technical School District (formerly the North Shore Technical School District) has routinely made payments an entire year after the payments' due dates and wondered if the ENSATSD could gradually transition to paying on time. The Board thanked Ms. Riley for taking time out to deliver her presentation and for her expertise. On a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 5-0 to accept Segal's actuarial valuation for the Salem Retirement Board, as of 1/1/2014.

At approximately 12:55 p.m., Ms. Driscoll excused herself from the meeting.

At approximately 12:57 p.m., Ms. Riley excused herself from the meeting.

VI. Annual Statement

Mr. Findlen presented the Board with the 2014 Annual Statement of the Financial Condition of the Salem Contributory Retirement Board. Mr. Findlen briefly outlined the methodology used to perform the annual statement balance tests, and gave the Board an overview of the accounting procedures used to account for the activity that takes place within each fund from year to year. Mr. Findlen emphasized the relationship between the "Investment Income Credited to Expense Fund" amount and the total Expense Fund Disbursements for the year. As Mr. Findlen noted, the Expense Fund Disbursements account for most of the expenses itemized in the Board's operating budget. Mr. Findlen also presented the Board with the 2014 investment schedules and noted their relationships to several line items on the Annual Statement. On a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 4-0 to accept the 2014 Annual Statement of the Financial Condition of the Salem Contributory Retirement Board.

At approximately 1:23 p.m., Ms. Stanton excused herself from the meeting.

At approximately 1:24 p.m., the meeting recessed for a break while Ms. McMahon, Ms. Herrick, and Mr. Taubert left the meeting. The meeting reconvened at approximately 1:25 p.m.

VII. Executive Session

A motion was made by Mr. Lutts and seconded by Mr. Burke, to enter into Executive Session in order to review applications for disability retirement. On roll call, the vote was as follows:

VOTED:	John H. Burke, Jr.	Yes
	Robert T. Lutts	Yes
	Chairman Sarah Hayes	Yes

At approximately 1:25 p.m. the Board went into Executive Session. The Chairman stated that the Board would return to Open Session.

At approximately 1:32 p.m. the Board reconvened in Open Session and Chairman Hayes announced the Board's actions during Executive Session on the following items.

ORDINARY DISABILITY RETIREMENT

1. Daniel P. McMahon

The application of Daniel P. McMahon for ordinary disability retirement benefits was reviewed, together with the medical panel reports and the member's application. On a motion to approve the application for ordinary disability retirement, made by Mr. Lutts and seconded by Mr. Burke, the roll call vote was as follows:

VOTED:	John H. Burke, Jr.	Yes
	Robert T. Lutts	Yes
	Chairman Sarah M. Hayes	Yes

VOTED: The application of Daniel P. McMahon for ordinary disability retirement benefits was approved.

VIII. 2015 Spring MACRS Conference

The Board was made aware that the dates for the 2015 Spring MACRS Conference had been confirmed for May 31 through June 3, and that this year's conference will be held at the Cape Cod Conference and Resort Center, as it has been in years past. On a motion made by Mr. Burke and seconded by Mr. Lutts, the Board voted 3-0 to approve travel to and attendance of the 2015 Spring MACRS Conference.

IX. Old Business

The Board once again took up unfinished business regarding its desire to terminate its custodial relationship with State Street Bank. Mr. Findlen presented the Board with a draft notice of termination to State Street Bank, prepared by Board counsel Tom Gibson, Esq. Mr. Findlen also presented the Board with a letter describing services available from Salem Five Bank, as part of an effort to replace the services currently provided by State Street Bank. Mr. Findlen relayed

Attorney Gibson's hope to the Board that the services provided by Salem Five Bank, at no additional cost to the Board, may compel PERAC to relax their requirement for an RFP process. Chairman Hayes requested that the draft notice to State Street be changed to strike out the words "City" and "of" from the ATTN line. On a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 3-0 to approve the draft notice, pending changes, and proceed with the effort to terminate services provided by State Street Bank, and replace them with comparable services provided by Salem Five Bank.

X. New Business

The members of the Board discussed the scheduling of the April meeting and noted that, if a vote on the FY2016 COLA is to take place at the April meeting of the Board, a notice to City Council must be sent at least 30 days prior to the date of the meeting.

On a motion made by Mr. Lutts and seconded by Mr. Burke, the Board voted 3-0 to adjourn the meeting at 1:35 p.m.

Next meeting of the Board scheduled for Wednesday, April 29, 2015, at 12:00 p.m.

Sarah M. Hayes, Chairman

John H. Burke, Jr.

Kimberley L. Driscoll

Robert T. Lutts

Sarah A. Stanton