

FRANKLIN REGIONAL RETIREMENT SYSTEM  
BOARD MEETING MINUTES  
March 26, 2014

A meeting of the Franklin Regional Retirement Board, duly posted to be held in the Board office, 278 Main Street, Suite 311, Greenfield, MA., on the above date was called to order at 8:08 a.m. by Board Chair, Sandra Hanks with Board Members Paula Light, Paul Mokrzecki, Mary Stokarski and David Gendron present. Also present were Executive Director Dale Kowacki, Assistant Director Susan Bobe, and Member Services Accountant Deb Frenzoz.

Prior to and during the meeting, the following items were available for the Board's review: monthly financial statements, current investment statements, invoices, and member and retiree files related to items on the agenda.

A permanent copy of the agenda, with the exception of those items that are restricted from public viewing, as presented to the Board, is on file in the retirement office.

**Review and Acceptance of Meeting Minutes**

*On a motion made by D. Gendron and second by P. Light, the Board voted unanimously to approve the following minutes:*

- Minutes of the special meeting held on January 15, 2014*
- Minutes of the regular meeting, and accompanying executive session minutes held on January 29, 2014*
- Minutes of the regular meeting held on February 26, 2014.*

**Payroll, Refunds, Transfers and Bills Warrants**

*On a motion made by M. Stokarski and second by P. Mokrzecki, the Board voted unanimously to approve the warrants as follows:*

<i>Retirees Payroll</i>	<i>\$646,503.47</i>
<i>3/6/13 - Miller</i>	<i>6,195.48</i>
<i>Refunds</i>	<i>61,493.94</i>
<i>Transfers</i>	<i>22,947.86</i>
<i>Invoices</i>	<i><u>282,223.40</u></i>
<i>For a total of:</i>	<i>\$1,019,364.15</i>

In addition, the Board discussed the "Invoices" line on the Warrant Amounts monthly sheet and requested staff to list unusual amounts such as 3(8)C payments, Custodial and Management Fees separately to reflect a more accurate presentation of Board expenses on a monthly basis.

**Cash Transfer between Investments and bank**

*On a motion made by D. Gendron and a second by P. Light, the Board, voted unanimously to transfer \$270,000 from O'Shaughnessy Asset Management,*

\$200,000 from Polen Capital Management, and \$253,000 from Seizert Capital Partners to TDBank to cover next month's warrants.

**Membership**

*On a motion made by P. Light and second by P. Mokrzecki, the Board voted unanimously to approve the new and existing members as follows:*

**New Members**

Huntley, Robin	01/14/2014	80%	MOH	After School Director
Rose, Arnold	03/18/2014	100%	NTD	Truck Driver/Laborer
Tobey, Christopher	03/08/2014	50%	BER	Transfer Station Attendant

**Retirees:**

*On a motion made by D. Gendron and second by P. Light, the Board voted unanimously to approve the following retirements:*

Frye, David - The retirement packet has been submitted to PERAC to retire David Frye for a Superannuation Option C retirement allowance. His last day of work was January 31, 2014 and his retirement benefit will begin on February 1, 2014. Mr. Frye was a group 1 member working as the highway superintendent for the Town of Orange, accruing 18 years, 11 months of service.

Miller, Ellen – The retirement packet has been submitted to PERAC to retire Ellen Miller for a Superannuation Option A retirement allowance. Her last day of work was December 31, 2013 and her retirement benefit will begin on January 1, 2014. Ms. Miller was a group 1 member serving the Town of Rowe as the Town Coordinator accruing 28 years, 7 months of creditable service.

Mullen, Dorothy – The retirement packet has been submitted to PERAC to retire Dorothy Mullen for a Superannuation Option A retirement allowance. Her last day of work was February 12, 2014 and her retirement benefit will begin on February 14, 2014. Ms. Mullen was a group 1 member serving the Town of Orange Elementary School as a Cafeteria Cashier accruing 16 years, 1 month of creditable service.

Rice, Carol – The retirement packet has been submitted to PERAC to retire Carol Rice for a Superannuation Option A retirement allowance. Her last day of work was November 6, 2009 and her retirement benefit will begin on January 15, 2014. Ms. Rice was a group 1 member serving the Town of Charlemont as an Assessor and Tax Collector accruing 19 years, 8 months of creditable service.

**Buybacks and Makeups:**

*On a motion made by P. Light and second by P. Mokrzecki, the Board voted unanimously to approve the following buybacks and makeups:*

Garmalo, Nicholas – former member with the Town of Sunderland, now working in Greenfield, has requested a buyback of a refund taken from this system on 9/18/2001. Hire date was 1/24/2000 and he resigned on 3/10/2000. Payroll

records indicate service liability for this board to be 1 month 9 days if deductions are re-deposited with Town of Greenfield Retirement Board. Total deductions refunded \$114.24.

**4(2)(b) Police and Fire Service Credit:**

Brian Gale – current member with the Town of Orange, had received 4(2)(b) service credit for a documented 3 years as a call fire fighter (Captain) with the Town of Warwick for the years 1976, 1986, and 1987. Further documentation has been received that indicates his membership in the Fire Department in 1983, thereby allowing the addition of a fourth year to his 4(2)(b) service credit. The cost of the purchase is \$1,500 as regular deductions on a minimum annual salary rate of \$5,000 per year (per Board policy) yielding the amount of \$20,000 based on the 4 years. Pending the finalization of other possible service purchases, interest will be added from January 1, 2014 through date of payment; otherwise, interest will accrue as allowed by law.

**General Business:**

**PERAC Audit Report – 2010 - 2012**

PERAC auditors recently completed the field work for the audit of this system for the period of January 1, 2010 to December 31, 2012 and met in an audit exit conference with Board Chair Hanks, and Executive Director Kowacki. Mr. Kowacki commented that it was a very productive six weeks with the auditors because this office has mastered the basic functions which allowed the auditors to focus on the higher level functions. Many in-depth discussions were had regarding special circumstance and both staff and auditors expanded their understanding of the intricacies of retirement law. As a result, only three items of note rose to the level of “findings”, which were discussed at the exit conference and presented to the full Board at this meeting. The Board reviewed the findings and Mr. Kowacki’s suggested response to each item and after general discussion, the Board agreed that the responses were appropriate.

**Agreement with new investment manager – Systematic**

Board Chair Hanks finalized and signed the contract with Systematic Financial Management, along with a side letter that adds to the contract the items that Michael Sacco’s office thought missing. The opinion letter from the Law Offices of Michael Sacco describes in length the deficiencies of the contract and requires the side letter. Subsequent to issuance of legal counsel’s opinion, the side letter was produced, and was approved by legal counsel. In addition, all the procurement paperwork has been completed and filed with PERAC and we expect easy approval of our performance of the procurement procedures in time to have Systematic begin to build a Small Cap portfolio for us beginning April 1, 2014. We have requested Daruma liquidate 50% of our holdings with them (balance as of March 24, 2014) and have the cash ready by March 31, 2014 for transfer to Systematic on April 1, 2014.

A new contract with Daruma is on hold until a discussion with Greg McNeillie can occur at the May Board meeting. Daruma is asking if we would be willing to switch from active, to passive management. Information will be provided at the

May meeting, in the meantime, we continue under the existing contract with Daruma, which does not expire until February 2017.

#### Policy on materiality for post-retirement overearnings

We have a retiree that has earned \$15.56 too much in 2013, and we have another that has worked 2 hours too many in 2013. PERAC has a zero-tolerance policy when this occurs for disability retirees, but no comment regarding what we should do in regards to superannuation retirees.

After a brief discussion, the Board's policy is to follow the law and collect all over payments of post-retirement earnings. Staff was instructed to notify and collect the overearnings and the wages related to the two extra hours.

#### Policy on inactive members purchasing service

Dale Kowacki, Executive Director, presented the Board with our current practice on inactive members purchasing service. A recent opinion letter from M. Sacco ("Zavaglia vs Gloucester and Salem Retirement Boards") regarding inactive members purchasing service caught our attention and warrants a change to our current practice. In addition, PERAC auditors raised the question as to whether or not pending retirees can make payment after their "date of retirement" for a purchase of service, a suggestion that appears to be in conflict with PERAC's retirement guide that states, "*At the time you retire, your retirement board is charged with the responsibility of again reviewing your statement of service and again informing you in writing of your right to purchase service.*" Mr. Kowacki has requested guidance from PERAC to resolve the discrepancies. Discussion for setting policy will continue at subsequent meetings – after PERAC opinion is received.

#### Status report on transferred service credit review

The Board was informed that staff was busy with auditors and annual reports, and so this project has not been started.

#### Annual review to clear executive session minutes

The minutes on file concern topics that are still to be concluded, therefore, no action necessary.

#### Annual review of personnel policy

The personnel policy had been distributed to the Board members and staff for the opportunity to read and suggest edits but there were none suggested so the Board made no refinements to the personnel policy.

#### January 1, 2014 Actuarial Valuation

Dale Kowacki, Executive Director reported that the January 1, 2014 Actuarial Valuation has started with plans to be finalized by August.

#### 2013 Annual report

The Board was informed that the PERAC Annual Report for 2013 will be complete by the April 30, 2014 Board meeting.

**Ajournment**

*On a motion made by D. Gendron and a second by P. Mokrzecki, the Board voted to adjourn the meeting at 9:25 a.m.*

Respectfully submitted,

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Dale C. Kowacki, Executive Director

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Sandra A. Hanks, Chair and Treasurer

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Paula J. Light, Council Member

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David R. Gendron, Vice Chair

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Mary A. Stokarski, Board Member

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Paul J. Mokrzecki, Board Member

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