

Montgomery County Employees' Retirement Board

Meeting Minutes from Tuesday, February 3, 2009

A meeting of the Montgomery County Employees' Retirement Board was held on Tuesday, February 3, 2009 at 10:00am in the Commissioner's Conference Room, 8th Floor in Norristown, PA 19404.

Members present: Commissioner James Matthews, Chairman; Commissioner Joseph Hoeffel, Vice Chairman; Commissioner Bruce Castor; Controller Diane Morgan, Secretary; Treasurer Garrett Page
Also in attendance: Chief Operating Officer/Chief Clerk Robert Graf; Communications Director John Corcoran; First Deputy Controller Julie Bookheimer; Acting Second Deputy Controller Emmanuel Deckter; Deputy Treasurer Ava Tuturice; and Retirement Manager Marisol Lezcano.

Secretary Diane Morgan called the meeting to order at 10:15am.

On a motion by James Matthews, seconded by Joseph Hoeffel, the minutes for the December 10, 2008 meeting were unanimously approved by the Board.

Controller Diane Morgan referred to the proposals for the retirement audit from the different independent auditors. Mrs. Morgan had sent the board members three proposals from the lowest bidders; a price sheet was included. After interviewing all three companies, Mrs. Morgan recommended Reinsel Kuntz Leshar LLP. References were checked for all of the firms except Maillie Falconiero & Company LLP because the County had a history with them.

Chairman Matthews commented that over the four years Reinsel Kuntz Leshar is the most expensive choice.

Mrs. Morgan explained that they are the company she is most comfortable with and they came very highly recommended. Berks County said Reinsel Kuntz Leshar went over and above to look at things and give advice.

Commissioner Hoeffel stated that since they followed Garret Page's recommendation for tax collector, they should use Mrs. Morgan recommendation for retirement auditor.

Commissioner Castor expressed that he was in favor of Maillie Falconiero.

Treasurer Garret Page also expressed that he too was in favor of Maillie Falconiero and added that "if it's not broken, don't fix it". However, Mrs. Morgan disagreed and felt something was broken and needed to be fixed. Commissioner Castor argued that Maillie Falconiero did a good job but it was the Controller's Office that had internal problems. Mrs. Morgan confirmed that there were errors but that they were not caught by the audit. Commissioner Castor felt it was the job of the auditor to analyze the information given to them by the Controller's Office; it was not their job to get the information.

Acting Deputy Controller Emmanuel Deckter explained that it is the auditor's job to determine whether facts and figures are accurate and request a laundry list of items. Example: Ask for sample calculations. Mr. Deckter said Maillie did not do that. He went on to say that there are two technical reasons why the County should have a different auditor for retirement. The first technical reason is

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that there is a need to have multiple opinions on the same subject. The second technical reason is that if the County were a publically held entity, they would be required to change auditors.

Commissioner Hoeffel posed a question: If Commissioner Castor and Treasurer Page are right and the Controller's Office presents the information, should Maillie Falconiero have caught the mistakes?

Mr. Deckter's response was yes. However, Commissioner Castor stated that that was not what came out of a previous discussion. Chairman Matthews concurred with that statement.

Commissioner Hoeffel expressed that common sense says if auditors cannot catch mistakes then what's the purpose?

Mrs. Morgan explained that Mr. Deckter found the mistakes and Maillie Falconiero acknowledged, but that was not to the recollection of Commissioner Castor. Mr. Page expressed that it was not his recollection either that Maillie Falconiero was at fault. Mr. Deckter said there were 30-40 variations; something should have given them a clue that there were errors.

Mrs. Morgan proposed that if board members were opposed to the higher priced company then they should choose Zelenkofske Axelrod LLC. Mr. Page questioned if they would work in tandem with Maillie Falconiero as balance. Mrs. Morgan expressed that she likes to have different people competing to avoid staleness.

Commissioner Castor made a motion to give the contract to Maillie Falconiero.

Chairman Matthews asked Mr. Page if he had another recommendation. Mr. Page said the board had not listened to the presentations. Mrs. Morgan said they could table the discussion, but she thought it was the Controller's responsibility to make the recommendation. The decision needs to be made by the end of February in order to have audit completed by the end of June. Commissioner Castor said the board did not need to table the discussion. Mr. Page was prepared to second the motion by Commissioner Castor to give the contract to Maillie Falconiero.

Chairman Matthews called the vote and the board approved the contract to Maillie Falconiero.

Voting – YES – Matthews, Castor, Page

Voting – NO – Morgan, Hoeffel

Recently Bio-Advance made a call for funds. They called for \$110,000, which according to Mrs. Morgan seems to happen every six months. Bio-Advance is a technical company that deals with pharmaceuticals. The Retirement Board made a \$1 million commitment. To date \$850,000 was invested and \$370,000 was made back in interest. The contract cannot be canceled until the commitment is fulfilled, but the interest does not need to be reinvested.

Chairman Matthews recommended that in the future if something is not the matter of deliberation it does not need to be brought up in a board meeting.

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It was projected that the Cost-of-Living increase would cost approximately \$500,000. The actual cost was \$526,000 for 2009, reported Mrs. Morgan.

For the value of the pension fund, the board members were asked by Mrs. Morgan to refer to the snapshot that was emailed by Cornerstone.

Old Business:

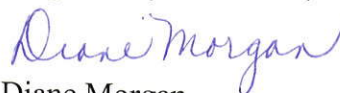
COO Robert Graf wanted to discuss the interest rate change. He was concerned because notification was not sent to employees. He was especially concerned for those members that had contributions of 15% and felt that they should be given an opportunity to change their contributions. Also, Mr. Graf wanted to know why 2008 retirees did not receive the COLA increase.

Retirement Manager Marisol Lezcano first explained that there was an attempt to send blast emails to all employees but she experienced some technical difficulties and was consulting the Help Desk. Only those with last names V to Z received the notice. She assured the board that everyone will be notified this week either via email or through an inter-office memo. In addition, the retirement department will honor any changes in contributions as a result of the interest rate change.

Concerning COLA, 2008 retirees did not receive the increase because of the way the increase was calculated. Mrs. Lezcano explained that the calculation takes the difference in the CPI from the year the pensioner retired to the current year. Because this year's COLA increase compared the retirement year to 2008, there was no difference for pensioners who retired in 2008. It was the same year, therefore no increase was given.

Having no additional business to discuss before the board, on a motion by Diane Morgan, seconded by Joseph Hoeffel, the meeting was adjourned at 10:50am.

Respectfully Submitted,



Diane Morgan
Controller – Secretary