

Minutes of Audit Committee meeting of June 7, 2006

Members present: Pete Landon, Paul Adornato, Mike Giampietro, Ned Steiger (Alt.), Ernest Welker (Alt.). Absent: Larry Egan, Manny Wenig. Advisory: Paul Pasterczyk. Other: Joe Occhiuti, Town resident.

Meeting was called to order by Chair, Pete Landon, at 7:12 PM. In absence of Larry Egan, Chair appointed Ernest Welker to take minutes of meeting.

1. Minutes of May 4, 2006 meeting were reviewed and accepted.
2. In follow up to discussion last month on energy costs and on enterprise risk management, Paul A proposed language for a memo on energy costs and planning for dealing with related exposures (costs, conservation efforts, facilities, and internal auditing). After discussion, the committee approved an Energy Advisory memo to the Select Board, the School Committee, and the Town Manager. The Chair appointed Paul A. to finalize the communication and deliver it as Interim Chair to the appropriate persons before the next meeting.
3. For its initial report, the Retirement Benefits Sub-Committee distributed a packet of informational materials related to the pension plan of the Hampden County Regional Retirement System. The Town's pension plan for employees (other than those covered by the State mandated and funded plan for public school teachers) is the pension plan of the HCRRS, which is operated locally by its own Board, subject to oversight by the Public Employee Retirement Administration Commission (PERAC) and requirements spelled out in Chapter 32 of the Mass General Laws. Longmeadow has no independent power to revise the HCRRS plan or to directly determine the Town's annual payment to the HCRRS for providing the pension benefit for its employees and retirees. Even so, the AC sees a need to assess the probable impact on the Town budget in future years for employee pension benefits in order to ensure their payment to current and future retired employees.

Among distributed materials were: an overview of the pension plan's provisions, such as eligibility, benefit schedules, employee contributions; HCRRS documents detailing, for recent years, key actuarial items and their amounts (a major one is a Total Unfunded Accrued Liability of nearly \$132 million as of 1/1/06), analyses of funding alternatives (the basis for determining the total of Employer-required payments), the method of allocating the total of required payments to the individual Member towns/units and their amounts; and information showing the historical returns earned on the System's investment assets over the past 10 years and the allocation of those assets by major asset class at 3/31/06. There was much discussion on various aspects of these materials, leading to further questions and information needs for the sub-committee to pursue.

4. There was discussion about the timing for sending out an RFP for services as the town's outside auditor. Peter Landon expressed the opinion that the effective date for services under the RFP be the FY beginning 7/1/07, not 7/1/06 as the Town Manager apparently prefers. The AC being unaware of any pressing need to change the outside auditor, Pete's main concern is to avoid a break in access to outside auditor services after 6/30/06 and before a selection is made via the RFP process. Paul A. will seek a meeting with the Town Manager to get a sense of her views on this. In the meanwhile Mike and Ned will review the draft RFP earlier submitted by Paul P. and offer comments/suggestions to him either before or at the next meeting.
5. The AC voted to endorse the Investment Policy Statement as revised at the last meeting. Paul P. will handle the matter from this point.

6. The Committee discussed the desirability of increased communication and contact with those to whom it is advisory, particularly the Select Board, School Cmte. and Town Mgr. (Because the Finance Director has attended all AC meetings and actively participated in its work, these needs did not apply to him even though the AC is advisory to him also.) Pete offered to draft a communication that might serve as a template for more regular reports to those parties and could also serve as a focal point for more direct contact.
7. Premium amounts for higher umbrella maximums remain an open item for the next meeting.
8. Pete notified the Committee that as of the adjournment of the meeting, Vice Chair Paul Adornato would hold the Chair until the next meeting when the membership would elect its Chair for next year. Pete gave the Committee an outline of his thoughts on the AC's work for 2006-07.
9. Next meeting is Thursday July 13 at 7:00 p.m., place to be determined.

Adjourned 9:25 PM