

## **Advisory Council Meeting**

September 28, 2016

An Essex Regional Retirement Systems' Advisory Council meeting was held on Wednesday, September 28, 2016 at Boxford Town Hall at 1:05 p.m. to conduct votes related to actions taken by the ERRS Board of Directors with the following attendees:

### **Advisory Council Members:**

Virginia Antell, Town of Essex  
Cheryl Booth, Town of Hamilton  
Don Carter, Town of Middleton  
Jacqueline Cuomo, Town of Georgetown  
Diane Doyle, Town of Newbury  
Brian Forget, Triton Regional School District  
James Finegan, Lynnfield Water District  
Susan Givens, Masconomet Regional School District  
Ellen Guerin, Town of Boxford  
Daniel Maguire, Byfield Water District  
Carol McLeod, Town of Merrimac  
Barbara Michalowski, Town of Topsfield  
Karen Summit, Town of Rowley  
Jennifer Yaskell, Town of Manchester

### **ERRS Board Members:**

Kevin Merz, Susan J. Yaskell, H. Joseph Maney

**ERRS Executive Director:** Charles Kostro

**ERRS Retirement Counselor:** Katherine Carleton

**ERRS Administrative Assistant:** Pamela Lynch

**ERRB Board Secretary:** Jane Dooley

**ERRS Actuary:** Larry Stone

### **Call to Order – Kevin Merz, ERRS Second Member, Chair, Advisory Council**

Kevin Merz called the meeting to order at 1:06 p.m.

### **Approval of the Minutes of the Advisory Council Meeting of April 6, 2016**

Ms. Virginia Antell of Essex, moves that the minutes of the meeting of the Advisory Council held on April 6, 2016 be approved as presented. Seconded by Ms. Ellen Guerin of Boxford. VOTE: The Advisory Council voted in favor of the motion with the exception of Karen Summit of Rowley who abstained.

### **Public Comment Period**

None.

## **2016 Valuation Study Presentation**

Actuary Larry Stone summarized details of the January 1, 2016 Actuarial Valuation for the Advisory Board describing current funding schedule, Essex Aggie information, asset valuation methodology, assumptions, FY2016 contribution, Fiscal 2018 Contribution, an alternative interest rate assumption of 7.5%, valuation highlights, comparison of accrued liabilities and assets as well as observations (i.e., actuarial asset loss, salary gain, and increase in COLA base to 14,000).

Also presented were 18 year funding schedule scenarios to reach full funding of the retirement system by 2035. Kevin Merz spoke to the recent ERRS Board discussion on a funding schedule of 18 years with first five years of 7.5% increases followed by 4% increases, also including \$14,000 COLA base, generational mortality and 7.75% discount rate, where he asked the Advisory Council for feedback to bring to the next ERRS Board meeting.

## **ERRS Updates – Kevin Merz, Chair Advisory Council**

Kevin Merz updated the Advisory Council on salary survey sent to PERAC relative to each units share, members meeting retirement requirements of ERRS, regular compensation policy that clarifies regular compensation for members with a second position, pro-ration of part time service, and separation service notice to be filed with ERRS.

## **Third and Fourth Member Election – Certification of Nominations**

Mr. Merz also provided an ERRS Board election update where incumbents H. Joseph Maney and Susan J. Yaskell were the only two nominations for third and fourth member seats on the Board. The election will not be held saving ERRS money and retirement system employee time. PERAC was informed about this decision which complies with the statute.

## **To Certify the Nominations of H. Joseph Maney and Susan J. Yaskell:**

Ms. Ellen Guerin of Boxford moves that the Advisory Council, acting as the election board pursuant to Massachusetts General Law Chapter 34B, Section 19A, subsection (i), hereby determines that H. Joseph Maney and Susan J. Yaskell have filed valid signatures of five or more active or retired members for the nominations as the Third and Fourth Members of the Board of the Essex Regional Retirement System. Seconded by Ms. Karen Summit of Rowley. VOTE: Unanimously in favor of the motion.

## **To Declare H. Joseph Maney and Susan J. Yaskell the Elected Members**

Ms. Karen Summit of Rowley moves that the Advisory Council, acting as the election board pursuant to Massachusetts General Law Chapter 34B, Section 19A, subsection (i), determine that H. Joseph Maney and Susan J. Yaskell are the only candidates to have

filed the requisite number of signatures and are, therefore, declared as having been elected to the positions of Third and Fourth Members of the Board, each to serve a term of three years, which terms shall begin on December 2, 2016. Seconded by Ms. Virginia Antell of Essex. VOTE: Unanimously in favor of the motion.

H. Joseph Maney thanked the Advisory Council for its action regarding the third and fourth Board member election. He also summarized details associated with the ERRS Board's fiduciary responsibility related to disability retirement applications.

#### **2017 ERRS Administrative Budget Certification – Charles Kostro, Executive Director**

Charles Kostro mentioned the importance of communicating changes in members' employment status to ensure ERRS can accurately record their creditable service. Kostro described the new formatting of the administrative budget report, showing that the general categories of expenditures now match the same general categories contained on the PERAC Annual Statement. This permits easier comparisons of year-to-year spending. Kostro also noted savings in 2016 ERRS administrative budget related to not holding the election due to nominations for ERRS Board incumbents. Kostro described the 2017 budget as the fifth time in the last six years that ERRS has reduced administrative costs from year to year. Kostro noted as well that actual expenditures through 2015, the most recently completed budget year, are still less than the total administrative costs spent from 2007 through 2009. Kostro pointed out that if ERRS had level-funded its administrative cost using the total cost from 2009, it would have spent \$1.7 million more in the aggregate to administer the retirement system from 2010 through 2015. In other words, since administrative costs come from the retirement system's assets, ERRS' efforts to reduce administrative costs over the last six years, has added \$1.7 million to its investments. Kostro also reviewed ERRS employee salary costs, noting that total salary expenditures in 2017 are only 1.7% above the salary budgets of 2016 and 2015. Kostro also reviewed trends in investment consultant and legal costs. In summary, Kostro said that the cost to administer the retirement in 2017 is 25% below the administrative cost from 2009, that from 2012 to 2017 employee salaries have risen by only an average of 1.3%, and that even with reducing budgets almost every year, ERRS still has finished each year from 2011 to 2015 under the approved budget. Kostro pointed to future areas of concern, noting that legal spending is up due to an increase in disability applications and pension forfeiture cases, and that auditing and actuarial costs are also increasing in order to comply with GASB 67/68 requirements. Kostro noted that it is becoming more challenging each year to reduce the administrative budget while still addressing rising costs of certain necessary functions.

#### **To Certify the ERRS Administrative Budget for 2017:**

Ms. Virginia Antell of Essex moves that the Advisory Council does hereby certify that the Board has submitted an administrative budget for calendar year 2017 in the amount of \$1,055,635 for the operation of the Essex Regional Retirement System. Seconded by Ms. Carol McLeod of Merrimac. VOTE: Unanimously in favor of the motion.

**To adjourn the meeting:**

Ms. Ellen Guerin of Boxford moves that the meeting of the Advisory Council be adjourned at 2:30 p.m. Seconded by Ms. Karen Summit of Rowley. VOTE: Unanimously in favor of the motion.



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**Kevin A. Merz, Chair**