

**Advisory Council Meeting**  
October 2, 2019

A meeting was held by the Advisory Council of the Essex Regional Retirement System on Wednesday, October 2, 2019 at 1:00 p.m. at the Newbury Public Library, 0 Lunt Street, Byfield, MA. The following individuals were in attendance:

**Advisory Council Members:**

Ellen Guerin, Town of Boxford  
Ann Gill, Town of Georgetown  
Vincent Leone, Hamilton-Wenham Regional School District  
Kevin Merz, Town of Ipswich, ERRS Board Member  
Jennifer Yaskell, Town of Manchester  
Carol McLeod, Town of Merrimac  
Belinda Young, Town of Middleton  
Diane Doyle, Town of Newbury  
Karen Summit, Town of Rowley

**ERRS Board Members:**

Susan J. Yaskell  
Vincent R. Malgeri  
H. Joseph Maney  
Kevin A. Merz

**ERRS Staff:**

Charles Kostro, Executive Director  
Katherine Carleton, Retirement Counselor  
Christina Parr, Executive Assistant

**Public:**

Jeffrey W. Tobey, Retiree, Town of Wenham Police Department, ERRB Election Candidate

**Opening Statement by the Chair - Recording of the Meeting**

Kevin Merz called the meeting to order at 1:09 p.m. and stated that the Massachusetts Open Meeting Law permits meetings to be recorded and that the Chair shall inform attendees at the beginning of the meeting of any such recording. Therefore, I am informing everyone that Christina Parr is recording this meeting. Mr. Merz also reminded Advisory Council members who rise to speak that they should identify themselves and the unit they represent. This will assist the retirement system staff in accurately recording the minutes of the meeting.

**Public Comment Period**

There were no public comments.

## **Approval of Spring 2019 Advisory Council Meeting Minutes**

Upon a motion by Ellen Guerin, Town of Boxford, seconded by Belinda Young, Town of Middleton, the Advisory Council members voted 8-0 with Karen Summit, Town of Rowley, abstaining; To approve the minutes of the Advisory Council meeting of April 24, 2019.

## **Retirement System Updates**

Mr. Merz updated the Advisory Council on their request from the April meeting to have the Board produce a funding schedule that would remove the 3% COLA increase for retirees until the retirement system was fully funded. He advised the members that, after careful consideration, the Board decided against directing the system's actuary to provide a funding schedule without the 3% COLA as this would be an "out-of-scope" request costing an additional \$7,000. Ellen Guerin, Town of Boxford, inquired as to why there was an addition cost for this request? Mr. Merz explained that the actuary stated that a funding schedule without a 3% COLA requires additional coding work that is beyond the requirements of their current contract with the retirement system. Mr. Merz promised that the Board will inquire about this further to see what the best option will be going forward. Ms. Guerin questioned whether the RFP issued for the actuary included this type of work in the bid price. Mr. Kostro noted that RFP was very thorough and that PERAC actually uses the ERRS actuarial RFP as it's model for other retirement systems to follow. He said that the RFP specifically addressed the process for out-of-scope work and that the actuary had followed the required process. Mr. Kostro further pointed out that the standard practice for developing a funding schedule as recommended by PERAC is for the annual 3% COLA to be included. Following this discussion, Mr. Merz offered a period for recommendations stating if anyone had suggestions to please reach out to him personally via phone or email. Mr. Merz then pointed out that of the 104 retirement systems, including ERRS, 34 are at a 7.5% rate of return. Ideally, the retirement system would like to work its way to 7.35% in the coming year. Mr. Merz suggested a handful of ways to help achieve this with a few options being less than desirable. He stated that investment returns are the primary source to address the unfunded liability. He further explained that the unfunded liability is generated from the lack of an adequate appropriation to cover retirement costs from years ago. Ideally, he said, the best option would be to increase the overall appropriation from towns and units. The less desirable options include attempting to decrease the already lowered administrative budget, and to decrease or take away the COLA increase for retirees. Mr. Merz followed up by saying that Mr. Kostro would explain the 2020 administrative budget and how this budget has steadily decreased over the years, ultimately making this option less realistic. Lastly, to remove the COLA increase is also a less desirable option ethically, considering the retirees "already paid their dues" in regards to taxes and other fees throughout their careers. In other words, to take the annual cost of living adjustment away would be a disservice to the members and retirees. Moving forward, Mr. Merz indicated that of the 104 systems, 67 systems plan to be fully funded before or by 2035. At ERRS, the target date to be fully funded is 2035, but the state mandated deadline is 2040. Mr. Merz noted that this provides ERRS with a 5-year grace period to address any shortfall if there are economic changes.

## **Certification of the Draft 2020 ERRS Administrative Budget**

Mr. Kostro provided a brief history of the actual spending on administrative costs for the retirement system from 2007 to the most recently completed budget year, 2018. Mr. Kostro said that administrative spending in 2018 was \$954,891, which is less than actual spending from eleven

years prior, when \$1,033,670 was spent in 2007. Mr. Kostro cited the 2018 valuation study, which reduced the administrative spending assumption by 11.3%, as ERRS has continually spent less on administrative expenses than had been estimated. He noted that the 2018 valuation study indicated that the reductions in administrative spending in the two years prior to the evaluation saved the retirement system the actuarial equivalent of \$436,169. Mr. Kostro advised the members that while it was great that administrative savings reduced the cost of the retirement system, he also noted that the \$436,169 saved was only 0.103% of the \$422,465,618 unfunded liability. Mr. Kostro compared ERRS, whose administrative spending has been reduced by 7% since 2012 with another retirement system, whose spending has increased by 12.9% over the same period. He also noted that the 7% reduction in administrative expenses has occurred at the same time that overall membership in the retirement system has increased by 6%. Mr. Kostro questioned how much longer ERRS can continue on its current track and still effectively and efficiently manage the retirement system's operations and provide basic retirement system services to its members. Mr. Kostro also reviewed the 2019 administrative budget and described how it is getting more and more difficult to remain under budget each year as expenses grow while the budget continues to be reduced. He pointed out that the current budget for 2019 is at 70.47% spent with only 66.67% of the year gone. Mr. Kostro said he estimates that ERRS will finish 2019 under-budget again, but only because of savings in employee salaries due to the staff working short-handed for most of 2019. He pointed out that the reserve fund in 2019 is already 100% expended. Mr. Kostro reviewed the 2020 administrative budget, which is proposed to be 0.2% less than in 2019. He said that the 2020 budget is \$89,902 below the 2011 budget, reflecting a reduction of 7.3% in administrative costs. Mr. Kostro said that savings in 2020 budget came from reducing employee salaries, the elimination of the cost of the board member election, and the \$10,000 reduction in the reserve fund. He noted that none of these reductions are likely to be repeated in the future and the election cost will return again in 2022. Mr. Kostro reviewed the history of spending on ERRS employee salaries, showing that the total growth in employee salaries has been just \$12,186, or only 2.6% since 2011. This translates into an average annual rate of growth in employee salaries of just 0.3% per year since 2011, and that employee salaries have been reduced in the last two administrative budgets. Mr. Kostro also reminded the members that the retirement system has lost two key employees in the last two years. Ellen Guerin, Town of Boxford, inquired about the reserve fund and the conservative measures taken to steer away from using it, and she suggested not to reduce the reserve fund further. She noted that the reserve fund could be used to pay the added cost of the funding schedules without the 3% COLA. Ms. Guerin also questioned why the newsletter at a \$10,000 cost would remain in the budget, instead of eliminating it and funding the funding schedules requested by the Advisory Council. Mr. Kostro responded that his initial draft budget did eliminate the \$10,000 cost of the newsletter. Instead, he proposed posting the newsletter to the ERRS website and using the email notification system to send the newsletter electronically. Mr. Kostro said he consulted with another retirement system who did something similar but that they did not feel members were reading the electronic newsletter and have since returned to the paper-based format. Mr. Kostro questioned the value of the newsletter compared to its cost, but that after discussion with the Board, the cost for the newsletter was added back in to the 2020 budget. To off-set the \$10,000 cost of the newsletter and to keep the budget level-funded or less, Mr. Kostro felt that the only other option was to reduce the reserve fund. He noted, however, that he agreed with Ms. Guerin that cutting your reserve fund is not a good practice. Upon a motion by Diane Doyle, Town of Newbury, seconded by Ellen Guerin, Town of Boxford, the Advisory Council members voted 9-0; That the Advisory Council certifies that the Essex

Regional Retirement Board has submitted a draft administrative budget for 2020 in the amount of \$1,055,997.

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

Upon a motion by Ellen Guerin, Town of Boxford, seconded by Karen Summit, Town of Rowley, the Advisory Council members voted 9-0; That the Advisory Council has determined that H. Joseph Maney, Jeffrey W. Tobey, and Susan J. Yaskell, are eligible for nomination for election to the positions of third member and fourth member of the Essex Regional Retirement Board, and that they have filed nomination papers containing the requisite number of valid signatures and addresses.

### **Third Member and Fourth Member Election – Candidate Statements**

Upon a motion by Ann Gill, Town of Georgetown, seconded by Carol McLeod, Town of Merrimac, the Advisory Council members voted 9-0; That the statements submitted by each of the certified nominees are hereby approved for distribution to all eligible voters.

### **Third Member and Fourth Member Election – Designation of Election Officer**

Upon a motion by Karen Summit, Town of Rowley, seconded by Jennifer Yaskell, Town of Manchester, the Advisory Council members voted 9-0; That Kevin A. Merz shall serve as the Election Officer for the election of the third and fourth members of the retirement board, and shall act on behalf of the Advisory Council in all matters related to said election as required by Massachusetts General Law, Chapter 34B, Section 19A, including but not limited to, the authority to declare ballots valid or invalid.

### **Third Member and Fourth Member Election – Ballot Order**

Upon a motion by Belinda Young, Town of Middleton, seconded by Carol McLeod, Town of Merrimac, the Advisory Council members voted 9-0; To approve the order of candidates to appear on the ballot as randomly selected by the Election Officer, and further, that an incumbent candidate should be so noted on the ballot card. The ballot order will appear as follows:

1. Susan J. Yaskell
2. Jeffrey W. Tobey
3. H. Joseph Maney

### **Third Member and Fourth Member Election – Schedule**

Upon a motion by Diane Doyle, Town of Newbury, seconded by Ann Gill, Town of Georgetown, the Advisory Council members voted 9-0; That in accordance with the vote of the Advisory Council at its meeting held on April 24, 2019, the schedule for the election of the third member and fourth member of the Essex Regional Retirement Board shall be as follows:

October 18, 2019: Deadline for mailing of the ballots.  
November 6, 2019: Postmark deadline for return of the ballots.  
November 20, 2019: Counting of the ballots to be held at the retirement system offices.  
November 25, 2019: Retirement Board certifies election results and notifies PERAC.

**Motion to Adjourn**

Upon a motion by Carol McLeod, Town of Merrimac, seconded by Karen Summit, Town of Rowley, the Advisory Council members voted 9-0; To adjourn the meeting.

The meeting was adjourned at 1:57 p.m.

  

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**Kevin R. Merz, Chair**  
**Advisory Council**