

Advisory Council Meeting

April 22, 2015

An Essex Regional Retirement Systems' Advisory Council meeting was held on Wednesday, April 22, 2015 at Topsfield Town Library at 10:10 a.m. to conduct votes related to actions taken by the ERRS Board of Directors with the following attendees:

Advisory Council Members:

Cheryl Booth, Town of Hamilton
Donald Carter, Town of Middleton
Ellen Guerin, Town of Boxford
Robyn Januszewski, Northeastern Mass. Mosquito Control
Barbara Michalowski, Town of Topsfield
Jennifer Yarid, Town of North Andover
Jennifer Yaskell, Town of Manchester

ERRS Board Members:

Susan J. Yaskell, Vincent R. Malgeri

ERRS Executive Director: Charles E. Kostro

ERRS Membership Coordinator: Donavin Bentley

ERRB Board Secretary: Jane Dooley

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

Charles Kostro explained that Kevin Merz sent his regrets that he was unable to attend the meeting and he called the meeting to order.

Welcoming Remarks –Town of Topsfield

Barbara Michalowski introduced Selectmen Chair Richard Gandt who welcomed attendees to Town of Topsfield and gave a brief history of the town.

Approval of the Minutes of the Advisory Council Meeting of October 15, 2014

Ms. Ellen Guerin, Town of Boxford, moved that the minutes of the meeting of the Advisory Council on October 15, 2014 be approved as presented. Seconded by Mr. Donald Carter, Town of Middleton. VOTE: Unanimous.

Public Comment Period

None.

ERRS Updates – Kevin Merz, ERRS Board, Second Member, Chair Advisory Council

Essex Tech Appropriation Update

Charles Kostro provided an update on Essex Tech appropriation that ERRS has been addressing related to North Shore Vocational Technical School and Essex Aggie becoming the single school district of Essex Tech with the new school not accepting liability for Essex Aggie retirees that became effective on July 1, 2014. The Salem retirement system has liability for North Shore Vocational Technical School employees and active former Essex Aggie employees.

The original act that abolished county government has a provision if Essex Aggie was ever merged or abolished that the successor agency or the Commonwealth would be responsible for the unfunded liability attributable to Essex Aggie. ERRS had sent the FY'15 bill to Essex Aggie that was in effect at that point and it was forwarded to Essex Tech which said it was no longer in ERRS so it was not going to pay the bill. The FY'16 ERRS appropriation is allocated amongst 47 versus 48 member units.

PERAC has told ERRS that it needs legislation to clarify ERRS's ability to bill Essex Tech directly. One retirement board cannot bill another employer that is a member of a different retirement board although this is an Essex Tech versus Salem retirement system issue. On March 11, 2015 at the State House representatives from ERRS and legislative delegation met where State Representative Brad Hill offered an amendment to the FY'16 state budget to appropriate \$700,000 from the state to pay for Essex Aggie's two-year unpaid share of the appropriation. The proposed legislation would start a direct appropriation assessment from ERRS to Essex Tech beginning in FY'17. The Commonwealth would make ERRS whole for the first two years followed by billing Essex Tech in FY'17 for its share of the unfunded liability so the other ERRS member units do not pick up the cost of Essex Aggie retirees.

ERRS will keep the member units up-to-date on the legislation. This matter will impact ERRS's and member units annual audits since there is liability with no funds attached depending upon what happens with the legislation, and with the new GASB rules and stricter scrutiny of pension liabilities. The Essex Tech appropriation for Essex Aggie retirees is the new school's responsibility or the Commonwealth's.

ERRS 2014 Audit & GASB 68

ERRS sent a letter to its member units in March regarding the new GASB rules. ERRS auditors do not anticipate that field analysis will be done of member units to calculate unfunded liability.

ERRS 2014 & 2015 Administrative Budget – Charles E. Kostro, ERRS Executive Director

The market value of ERRS's assets has gone up to \$370 million so the retirement system's funded ratio at the end of 2014 is closer to 54% rather than 48%. ERRS reorganized its staff to expand job responsibilities so staff is knowledgeable about retirement process from enrollment to retirement and inquiries can be responded to in a timely manner. ERRS is investigating possibility of new offices that better suit the

retirement system's and public's needs. ERRS has been under budget for four consecutive years, 10% annually. There was an increase in spending from 2012 to 2013 but retirement system was still under budget. A valuation study was done in 2014 to have more recent data relative to GASB 67 & 68 compliance. There have been unexpected HVAC maintenance issues in office. The retirement appropriation went up by \$10,000 due to job vacancies in 2013 that were filled in 2014. The retirement system has operated for \$925,000 annually for the last couple of years.

Adjustments were made in the 2015 budget after the Advisory Council meeting last fall which were incorporated into the final budget approved by ERRS Board including auditing fees and actuarial costs for additional work on GASB compliance, extra cost in monthly condominium fee for snow removal, increase in cleaning contract, and 3.7% increase in salaries.

Second Member Election Schedule – Vote to Approve

Discussion ensued about how special legislation staggers the ERRS Board member terms with one Board member elected every year. Kevin Merz, second Board member and Advisory Council representative, is up for re-election this year and that election will occur at the Advisory Council's fall meeting.

Ms. Ellen Guerin, Town of Boxford, moved that the Advisory Council approves the tentative election schedule, including the notice of election and the ballot as proposed, and further authorizes the Chair to make amendments to the tentative schedule and draft documents as necessary. Seconded by Ms. Jennifer Yaskell, Town of Manchester. VOTE: Unanimous.

New Enrollment Procedures & Practices – Charles Kostro & Donavin Bentley, ERRS Membership Coordinator

Discussion ensued about new enrollment procedures and practices to capture documents such as proof of age (i.e., birth certificate), beneficiary forms, etc. to verify proof of age, salary, and service in determining pension benefit that gets calculated and is essential for determining accurate unfunded liability.

The new member enrollment process addresses proper documentation through use of a checklist to identify name of town, department, position, start date, prior service and funds on account with another retirement system prompting a transfer, veteran's military discharge paper to buy additional service, payroll contribution rate, annual compensation, full or part time employment. A change in the process is use of a new, streamlined beneficiary selection form with witness section on one page.

Discussion was on traditional beneficiary, who receives cumulative pension deductions, and with Option D there are specifics about who the beneficiary can be. The new form also provides space to designate the contingent beneficiary. The beneficiary designation can be changed any time prior to retirement. Type of payment for a beneficiary is one-

time lump sum of funds retiree paid into the retirement system as an employee. Also on the new form member and witness signature are on the same side of form making this more obvious (witness cannot be the member or beneficiary should be a neighbor or friend). Another crucial fact is the witness date must be the same as and verify the member's date and beneficiary selected. Forms are sent back if dates do not match, if signatures are not on original forms, and documents have corrections.

With the one-time lump sum payment as many beneficiaries as the member wants can be named which will be divided up by percentage defined for each beneficiary. If Option D is selected by the member this will supersede and take effect over the accumulated beneficiary. With this option only one beneficiary can be named and that beneficiary is restricted to spouse, former spouse that is unmarried, a child, parent or sibling. If the beneficiary named is a spouse ERRS needs a copy of marriage certificate. Also, if the beneficiary is a spouse, former spouse, child, parent or sibling a copy of birth certificate must be provided for proof of age and maiden name. Option D provides a monthly allowance for life.

Discussion addressed difference between accumulated benefit and Option D beneficiary. For accumulated benefit the retiree has three options: A, B, and C lump sum total. With Option D the beneficiary receives what the member would have received if he or she had retired on the date he or she passed away in a monthly allowance for the beneficiary's life. With Option D the pension benefit number grows significantly (two to three times the amount of a lump sum) if Option D beneficiary lives 25 to 30 years after the passing of the member. Bentley suggested that he could do a mass mailing from ERRS describing options including details about Option D and beneficiary form. This information could also be referenced in ERRS newsletter.

Discussion was on importance of members understanding Social Security ramifications by paying into ERRS where members may possibly not receive as much Social Security benefit at retirement. There is the windfall elimination provision where members sign off that they understand that there may be a reduction in Social Security benefit when it comes time to retire.

ERRS is required to collect a copy of every collective bargaining and employment agreement from member units. Bentley asked Advisory Council members to forward copies of these agreements when they are approved to the retirement system.

Motion to Adjourn

Mr. Donald Carter, Town of Middleton, moved that the meeting of the Advisory Council be adjourned at 10:55 a.m. Seconded by Ms. Ellen Guerin, Town of Boxford. VOTE: Unanimous.



Kevin A. Merz, Chair