

Advisory Council Meeting

April 6, 2016

An Essex Regional Retirement Systems' Advisory Council meeting was held on Wednesday, April 6, 2016 at Ipswich Town Hall at 1:00 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
Carrie Arnaud, Town of Rockport
Michael Bertino, Town of West Newbury
Diane Doyle, Town of Newbury
Mary Duggan, Northeastern Mass. Mosquito Control
James Finegan, Lynnfield Water District
Ellen Guerin, Town of Boxford
Jennifer Yaskell, Town of Manchester

ERRS Board Members:

Kevin Merz, Vincent Malgeri

ERRS Executive Director: Charles Kostro

ERRS Membership Coordinator: Traci Masterson

ERRB Board Secretary: Jane Dooley

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 October 14, 2015

Ms. Ellen Guerin of Boxford, moves that the minutes of the meeting of the Advisory Council held on October 14, 2015 be approved as presented. Seconded by Ms. Virginia Antell of Essex. VOTE: Unanimous.

Public Comment Period

None.

ERRS Updates – Kevin Merz, Chair Advisory Council

Kevin Merz mentioned the importance of submitting complete paperwork when enrolling new members in ERRS before new members are voted into the system. This is to ensure that years after a member is enrolled, likely when the person retires, no problems are encountered that could affect a member's retirement calculation. A notice to payroll coordinators on importance of submitting complete enrollment paperwork was recently sent out to member communities.

Also, the retirement system has regulations in place which account for the amount of time that a member earns. ERRS needs to be notified when an employee is switching from part time to full time or vice versa. This affects how an employee accrues time while an ERRS member. Any part time or full time service that occurred before September 24, 1996 is credited to a member as full time service. Any service that occurred after that date is pro-rated at 150 hours of service worked for one month of time. He also noted that there was a handout on the supplemental service regulation.

At the ERRS Board's February meeting the financial controls policy was adopted and approved by the Board, and submitted to the PERAC Audit Division, and the ERRS auditors Powers & Sullivan. Also, Merz will begin checking all of the bank reconciliations for ERRS moving forward. In addition, the Board adopted a formal, written investment policy. ERRS is primarily invested in PRIT fund managed by the state with some investments in long term contracts (private equity and real estate), and it has cash reserves. The Financial Controls Policy and the Investment Policy were in the packets sent to the Advisory Council members.

Final ERRS 2015 Budget Report – Charles Kostro

Executive Director Charles Kostro described how Traci Masterson is taking over role of Membership Coordinator since Donavin Bentley has taken a position with the Department of Education. A new administrative assistant will be hired at ERRS.

ERRS has \$370 million of assets and in excess of \$600 million in liabilities, and the system spends approximately \$1 million on annual administrative costs. He summarized administrative costs since 2009 with new ERRS Board created in 2010 and noted that 2012 was the first year in which the new Board and the new Executive Director prepared an annual budget. The annual administrative budget has stayed in the \$920,000 to \$960,000 range, well below where the retirement system was six to seven years ago. Kostro noted that from 2007 to 2010, the prior Board never spent less than \$1 million on administrative costs, but from 2011 to 2015, the new Board has never spent more than \$1 million on administrative costs.

The spending by category for 2015 has personnel as the largest cost (52% of total budget with 1.5% average increase a year since 2013), and the legal budget exceeded \$100,000 for the first time since 2011 due primarily to a single issue that has been resolved. Kostro noted that the ERRS legal budget is likely to be at or over budget in 2016 at the current pace, as the Board is presently dealing with a record number of disability cases, there is a significant matter that is in the courts involving a pension forfeiture case and there is another pension forfeiture case presently before the Board. Since 2013, ERRS has included legal counsel in disability hearings (\$77,000 in 2015 for ERRS General Counsel Michael Sacco where this budget is ordinarily \$75,000).

A summary was presented on how ERRS compares to Middlesex Retirement System. Proportionally, ERRS spends approximately the same amount to administer the retirement system as the Middlesex County Retirement System spends to administer its

retirement system. ERRS's spending on administrative costs does not appear to be out-of-line in comparison to spending in other regional retirement systems. Also, ERRS spending by year end 2015 was below projection, and is 22% below where the retirement system was several years ago. Advisory Council members commented on the good work that is being done by the Board in controlling administrative costs.

Approval of Third and Fourth Member Election Schedule and Procedures

The votes will delegate the election administration to ERRS staff and Advisory Council chair as advisory.

Approve the Election Schedule:

Ms. Jennifer Yaskell of Manchester moves that the Advisory Council hereby approves the schedule of the election for the Third and Fourth Members of the Board of the retirement system as presented, and which schedule shall be printed in the minutes of this meeting. Seconded by Ms. Diane Doyle of Newbury. VOTE: Unanimous.

Approve the Procedures for the Election:

Ms. Ellen Guerin of Boxford moves that the Advisory Council hereby approves the procedures for the election of the Third and Fourth Members of the Board of the retirement system as presented, and which procedures shall be printed in the minutes of this meeting. Seconded by Virginia Antell of Essex. VOTE: Unanimous.

Delegation of Election Officer

Ms. Jennifer Yaskell of Manchester moves that the Chair of the Advisory Council shall serve as the election officer for the election of the Third and Fourth Members of the retirement system and as such, shall have the authority to adjust the schedule or procedures as may be necessary and, further, shall be responsible for declaring ballots valid or invalid in accordance with Massachusetts General Law, Chapter 34B, Section 19A. Seconded by Ms. Carrie Arnaud of Rockport. VOTE: Unanimous.

Delegation to the Retirement System Staff

Ms. Virginia Antell of Essex moves that the staff of the retirement system shall be delegated the responsibility for providing notices, distributing and collecting nomination papers and the counting of the ballots as required in Massachusetts General Law Chapter 34B, Section 19A, subject to the supervision of the Council Chair. Seconded by Ellen Guerin of Boxford. VOTE: Unanimous.

Approve a Single Ballot

Ms. Ellen Guerin of Boxford moves that the Advisory Council hereby approves the use of a single ballot for the election of the third and fourth board members and further, the

two candidates receiving the highest vote totals shall be declared the winners. Seconded by Ms. Virginia Antell of Essex. VOTE: Unanimous.

Approve the Election Notice Letters

Ms. Carrie Arnaud of Rockport moves that the Advisory Council hereby approves the letters notifying members and retirees of the election of the Third and Fourth Members as presented. Seconded by Ms. Jennifer Yaskell of Manchester. VOTE: Unanimous.

Approve the Candidate Notice Letters

Ms. Jennifer Yaskell of Manchester moves that the Advisory Council hereby approves the letter notifying candidates of the receipt of their nomination papers and that they may submit a statement to be included with the ballots which statement shall not exceed 200 words. Seconded by Ellen Guerin of Boxford. VOTE: Unanimous.

Discussion was about legislation and how ERRS's Board Third and Fourth members have to be retirees according to the statute. There is a possibility that ERRS is the only retirement system in the state that requires Third and Fourth members to be retirees. Prior to the legislation, ERRS Board had active members in those positions. If the Board moved forward to get a legislative change to allow active members to serve as Third and Fourth members this would occur after the next three year terms are completed. The current ERRS Board has discussed this matter as initiated by Board member Alan Benson and current Third and Fourth members H. Joseph Maney and Susan Yaskell have expressed interest in these positions remaining for retirees.

Michael Bertino, Town of West Newbury, suggested the Board go ahead with the legislative change to have active members be allowed to serve as Third and Fourth members. Merz offered to email the Advisory Council so all members could have a say in this matter. Mary Duggan, Northeastern Mass. Mosquito Control, noted that retirees are living longer and the current language will give retirees a role to be active in retirement and be represented on the Board.

Discussion was about how Senator Bruce Tarr had been involved in the legislative process when the Third and Fourth member positions on the ERRS Board were defined as for retirees. Discussion ensued about how due diligence is now done regarding disability retirement applications that come before the present ERRS Board versus the practice done by the prior ERRS Board. Merz offered to research with Senator Tarr the history behind the legislation.

New Business

Discussion ensued on if ERRS is considering using the actuarial method versus the salary method for member unit annual assessments. The Board take away from the Advisory Council meeting in October 2015 with PERAC Actuary Jim Lamenzo was most member units were not in favor of going to an actuarial method versus the payroll method. The

Board has tabled the discussion. Michael Bertino, Town of West Newbury, raised the issue relative to if a member unit wanted to contribute more to retirement than the annual assessment. It was noted that an actuarial method would allow for better tracking of share of assets being allocated to a member unit that pays more. In the absence of use of the actuarial method, only an estimate could be done for units paying more, so this would not be allocated properly. Also mentioned was whether or not use of the actuarial method is authorized under the statute which authorizes the salary method. There is no legal support for going ahead with the actuarial method. Legislation would have to be changed to authorize the use of the actuarial method. Other legislation could be put forward for a municipality to put extra funds from a stabilization fund into the PRIT fund.

An update was given on Essex Tech where the School officials acknowledge that the School is the successor agency and is obligated for the liability for the retirees that have remained with ERRS. The retirement system has had legislation pending since last March giving ERRS the authority to bill Essex Tech for what the retirement system's actuary has calculated as the School's annual appropriation. The Governor's office agreed that it would support an appropriation from the state of \$800,000 to be paid to ERRS to offset the two years that the School has not paid any money into the retirement system. This would reduce the School's liability and take some of the burden off of the School.

ERRS had its Actuary Larry Stone do a valuation study to assess what the liability would be to Essex Tech and break that out per year and include it in the retirement system's appropriation schedule. This amounted to \$400,000 a year for the School. The appropriation schedule with the School's assessment was sent to PERAC along with a request to send a revised appropriation letter for FY'17 so 48 units would be paying the ERRS assessments versus 47 units. This depends upon whether or not the state budgets for the \$800,000 just discussed.

Motion to Adjourn

Ms. Jennifer Yaskell of Manchester moves that the meeting of the Advisory Council be adjourned at 2:00 p.m. Seconded by Ms. Ellen Guerin of Boxford. VOTE: Unanimous.



Kevin A. Merz, Chair

ELECTION SCHEDULE

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| April 6, 2016 | Advisory Council approves election schedule, procedures and delegation of ballot counting duties. |
| April 30, 2016 | Election notice in spring newsletter. |
| July 25, 2016 | Notice of election to all active and inactive members of the retirement system. Notice of election and nomination process and deadline to all retired members of ERRS. |
| September 15, 2016 | Deadline for Filing Nomination Papers (5 Signatures Required). Nomination paper receipt letter sent to candidates. Candidates notified of statement limitations and deadline for submission. |
| September 22, 2016 | Deadline for submission of candidate statements. |
| September 28, 2016 | Nomination papers and candidate statements certified by Advisory Council; Ballot order determined. |
| September 29, 2016 | Candidates notified of ballot order and election schedule as approved by Advisory Council. Ballots and other election materials and specifications to printers. |
| October 13, 2016 | Deadline for mailing the ballots. |
| November 2, 2016 | Postmark deadline for return of ballots. |
| November 7, 2016 | Counting of the ballots by Board staff per delegation of this responsibility by the Advisory Council. Notification of election results to PERAC. Elected members provided with PERAC forms. |
| December 2, 2016 | New three (3) year terms for Third and Fourth Members begin. |