

# POLICIES & PROCEDURES BOOKLET

**Updated January 2019**

ESSEX REGIONAL RETIREMENT SYSTEM 491 Maple Street, Building 200, Danvers, MA 01923

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*This booklet contains the policies approved by the Essex Regional Retirement Board. These policies are designed to guide the daily operations of the retirement system. Each policy included in this booklet provides the date on which the policy was originally approved, as well as the date on which any revision to the policy was approved.*

## **BOARD MEETING AGENDA AND POSTING**

The agenda for a meeting of the Board of the Essex Regional Retirement System shall be prepared by the Executive Director after conferring with the Chairman. The Executive Director will begin the preparation of the agenda for the monthly Board meeting approximately twenty-one (21) calendar days prior to the meeting date. ERRS staff, the Chairman and other Board members may request an item to appear on the agenda.

Fourteen (14) calendar days prior to the meeting date, the Executive Director will submit a draft agenda to the Chairman for approval and comment. The Chairman will approve, change or comment on the agenda no later than seven (7) calendar days prior to the meeting date.

The agenda will close at 4:30 p.m. seven (7) calendar days prior to the meeting date. The final agenda will list the topics that the Chairman reasonably anticipates will be discussed at the meeting. The list of topics must be sufficiently specific to reasonably inform the public of the issues to be discussed at the meeting.

Any matter that is of an emergency nature or which is essential to add to the agenda after it has closed may be done so at the discretion of the Chairman to the extent permitted by the Open Meeting Law. If any such matter is added to the agenda after it has been posted, the ERRS will make every effort to publish a revised list of topics to be discussed and to make such a revised list available to the public in advance of the meeting.

In order to insure compliance with the posting requirements of the Open Meeting Law, the Executive Director will see that the meeting notice and agenda is submitted to each member unit of ERRS no later than six (6) calendar days prior to the meeting date.

ERRS has notified the Office of the Attorney General that pursuant to 940 CMR 29.03(3), it has adopted the use of its website as an alternative method of posting notice for its meetings. The ERRS website is the official meeting posting location for all ERRS public meetings. All other notices distributed by ERRS are for informational purposes only.

Notwithstanding the notice filed by ERRS pursuant to 940 CMR 29.03(3), ERRS will also provide a public meeting notice to all its member units and to the municipalities that are members of ERRS. To the extent practicable, all such notices will be filed in a manner that complies with the requirements of the Open Meeting Law.

Each public meeting notice submitted to the member units and to the municipalities that are members of ERRS will contain the following statement:

\* This notice is provided for information purposes only. The official and updated notices of the Essex Regional Retirement System (ERRS) meetings may be found at the ERRS website ([www.essexregional.com](http://www.essexregional.com)) by accessing the Latest News and Announcements, Calendar or Meeting Agenda link of the website.

Prior to posting any public meeting notice, ERRS will complete the Public Body Checklist for Posting a Meeting Notice as issued by the Office of the Attorney General. A completed checklist will be kept on file at ERRS and will be available for inspection upon request.

If, more than forty-eight business hours prior to the meeting, the Chair of the ERRS Board reasonably anticipates a specific topic will be discussed and that topic is not included on the official meeting posting, that topic will not be discussed until a future public meeting. The New Business heading on the agenda will contain a notice that this section of meeting “May be reserved for topics that the chair did not reasonably anticipate would be discussed.” This section of the meeting will be reserved for those items not listed on the agenda and which the Chair did not reasonably anticipate would be discussed at the meeting and for which no revised list of topics to be discussed has been posted.

ERRS will provide a revised list of topics to be discussed to the public in advance of the meeting if the Board intends to discuss topics that come up after posting but before the meeting convenes and that the Chair did not reasonably anticipate would be discussed forty-eight hours prior to the meeting. ERRS will post this revised list on its website and, if practicable, will distribute a notice to its member units that a revised list of topics has been posted to its website.

**Board Approval Date:** *March 28, 2011; revised March 31, 2014.*

## **CRIMINAL RECORD INFORMATION (CORI) CHECKS**

This policy is applicable to the criminal history screening of prospective and current employees, subcontractors, vendors, volunteers and interns, professional licensing applicants, rental or leased housing applicants, and state, county, and municipal employees and applicants as those terms are defined in M.G.L. c. 268, §1.

Where Criminal Offender Record Information (CORI) and other criminal history checks may be part of a general background check for employment, volunteer work, licensing purposes, or the rental or leasing of housing, the following practices and procedures will be followed.

### **I. CONDUCTING CORI SCREENING**

CORI checks will only be conducted as authorized by the DCJIS and MGL c. 6, §.172, and only after a CORI Acknowledgement Form has been completed.

If a requestor is screening for the rental or leasing of housing, a CORI Acknowledgement Form shall be completed for each and every subsequent CORI check.

A CORI acknowledgement form shall be completed on an annual basis for checks submitted for any other purpose, provided, however, that the requestor has adopted the language from the DCJIS CORI Acknowledgment Form that notifies individuals that their CORI may be requested at any time within the one year that the acknowledgment form is valid. If the requestor has not adopted the DCJIS

CORI acknowledgment form language, then it must ensure that an acknowledgment form is completed for each and every subsequent CORI check.

### **II. ACCESS TO CORI**

All CORI obtained from the DCJIS is confidential, and access to the information must be limited to those individuals who have a “need to know.” This may include, but not be limited to, hiring managers, staff submitting the CORI requests, and staff charged with processing job applications. The Essex Regional Retirement System must maintain and keep a current list of each individual authorized to have access to, or view, CORI. This list must be updated every six (6) months and is subject to inspection upon request by the DCJIS at any time.

### **III. CORI TRAINING**

An informed review of a criminal record requires training. Accordingly, all personnel authorized to review or access CORI at the Essex Regional Retirement System will review, and will be thoroughly familiar with, the educational and relevant training materials regarding CORI laws and regulations made available by the DCJIS.

Additionally, if the Essex Regional Retirement System is an agency required by MGL c. 6, s. 171A, to maintain a CORI Policy, all personnel authorized to conduct criminal history

background checks and/or to review CORI information will review, and will be thoroughly familiar with, the CORI Policy.

#### **IV. USE OF CORI IN BACKGROUND SCREENING**

CORI used for employment purposes shall only be accessed for applicants who are otherwise qualified for the position for which they have applied. Unless otherwise provided by law, a criminal record will not automatically disqualify an applicant. Rather, determinations of suitability based on background checks will be made consistent with this policy and any applicable law or regulations.

#### **V. VERIFYING A SUBJECT'S IDENTITY**

If a criminal record is received from the DCJIS, the information is to be closely compared with the information on the CORI Acknowledgement Form and any other identifying information provided by the applicant to ensure the record belongs to the applicant.

If the information in the CORI record provided does not exactly match the identification information provided by the applicant, a determination is to be made by an individual authorized to make such determinations based on a comparison of the CORI record and documents provided by the applicant.

#### **VI. QUESTIONING A SUBJECT ABOUT HIS/HER CRIMINAL HISTORY**

In connection with any decision regarding employment, volunteer opportunities, housing, or professional licensing, the subject shall be provided with a copy of the criminal history record, whether obtained from the DCJIS or from any other source, prior to questioning the subject about it. The source(s) of the criminal history record is also to be disclosed to the subject.

#### **VII. DETERMINING SUITABILITY**

If a determination is made, based on the information as provided in section V of this policy, that the criminal record belongs to the subject, and the subject does not dispute the record's accuracy, then the determination of suitability for the position or license will be made. Unless otherwise provided by law, factors considered in determining suitability may include, but are not limited to, the following:

- (a) Relevance of the record to the position sought;
- (b) The nature of the work to be performed;
- (c) Time since the conviction;
- (d) Age of the candidate at the time of the offense;
- (e) Seriousness and specific circumstances of the offense;
- (f) The number of offenses;
- (g) Whether the applicant has pending charges;
- (h) Any relevant evidence of rehabilitation or lack thereof; and
- (i) Any other relevant information, including information submitted by the

candidate or requested by the organization.

The applicant is to be notified of the decision and the basis for it in a timely manner.

### **VIII. ADVERSE DECISIONS BASED ON CORI**

If an authorized official is inclined to make an adverse decision based on the results of a criminal history background check, the applicant will be notified in accordance with DCJIS regulations 803 CMR 2.18, 2.19, 5.14, 11.12. The subject shall be provided with a copy of the organization's CORI policy and a copy of the criminal history (unless a copy was provided previously). The source(s) of the criminal history will also be revealed. The subject will then be provided with an opportunity to dispute the accuracy of the CORI record. Subjects shall also be provided a copy of DCJIS' Information Concerning the Process for Correcting a Criminal Record.

### **IX. SECONDARY DISSEMINATION LOGS**

All CORI obtained from the DCJIS is confidential and can only be disseminated as authorized by law and regulation. A central secondary dissemination log shall be used to record any dissemination of CORI outside this organization, including dissemination at the request of the subject.

**Board Approval Date:** *June 27, 2011. Revised June 25, 2018.*

## **FORGIVING MEMBER DEBTS**

The policy adopted by the Board on March 28, 2007 relative to forgiving member debts pursuant to Chapter 32, §20(5)(c)(3) is hereby rescinded effective as of July 25, 2011.

Effectively immediately, all requests to forgive member debts pursuant to Chapter 32, §20(5)(c)(3) must be presented to the Executive Director for his recommendation. If the Executive Director does not recommend that a member's debt be forgiven he shall file a report to the Board describing his decision at the next regularly scheduled meeting of the Board. If the Executive Director recommends that a member's debt be forgiven, he shall submit his recommendation to the Board. No member debt will be forgiven until such time as the Board approves the recommendation of the Executive Director. Approval shall be by a majority vote of the Board held at a regularly scheduled meeting conducted in accordance with the provisions of the Open Meeting Law.

The recommendation to forgive a member's debt submitted by the Executive Director shall state the reason the debt should be forgiven. The Executive Director shall note in his recommendation the applicability of Chapter 32, §20(5)(c)(3) to the subject member. Further, a detailed cost breakdown of the amounts to be forgiven shall be provided, as well as any other information the Executive Director deems relevant.

The Executive Director shall provide to the Board no later than November 1, 2011, a report on all member debts forgiven under the policy adopted by the Board on March 28, 2007. To the extent practicable, the report shall specify the individuals and the amounts forgiven. All information contained in this report shall be provided to the Board in accordance with the public records laws of the Commonwealth.

**Board Approval Date:** *August 29, 2011.*

## **REGULAR COMPENSATION**

Regular Compensation shall be those wages as described by 840 CMR 15.03, and those wages specifically excluded in 840 CMR 15.03 shall not be considered as Regular Compensation.

Wages paid to a member who is performing duties for any employer within the retirement system in a second position<sup>1</sup> may be considered as regular compensation, even if the second position, in and of itself, would not qualify the individual for membership.

In order to be considered regular compensation, however, the payments made to a member in a second position must be regular, recurring and predictable. For instance, the second position must have a set schedule.

Further, in order for payments made to the member to be considered regular compensation, the second position must be a permanent assignment, meaning that there is no predetermined end date, unless such end date shall be established by law.

Overtime wages, whether paid to a member for their primary position or for their second position, are never regular compensation. No wage paid as overtime, or any portion of such overtime wage, may be considered as regular compensation.

Wages paid to reserve or intermittent police officers and call firefighters who are paid on a per call basis and who do not have a permanent schedule of indefinite duration are not considered regular compensation.

The Board of the retirement system recognizes that the definition of regular compensation has been evolving since the passage of Chapter 21 of the Acts of 2009 (“Pension Reform”) and that this policy may prohibit practices previously permitted. Therefore, any active or inactive member of the Essex Regional Retirement System whose wages are no longer considered regular compensation pursuant to this policy, will receive a refund of any deductions withheld from such wages dating from the July 1, 2009 effective date of the Pension Reform Act. Any such refund will be considered a return of erroneous deductions and will be refunded directly to the member subject to the required 20% withholding of federal tax.

**Board Approval Date:** *October 29, 2012; Revised September 26, 2016.*

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<sup>1</sup> A second position’s wages are wages earned in a position that is in addition to the position which qualifies the individual for membership

## **INSTALLMENT PLANS**

Members of the Essex Regional Retirement System (System) who previously rendered service in any member unit of the System or as an employee of the Board and who were not eligible for membership in the System at the time the service was rendered, shall be eligible to purchase such past service rendered, in monthly increments, consistent with the provisions of M.G.L. c. 32, § 4(2)(c) and the Board's regulation regarding the calculation of creditable service. Members of the System who previously rendered service in another governmental unit in the Commonwealth of Massachusetts who were not eligible to participate in the retirement system which has jurisdiction over said governmental unit shall be eligible to purchase such past service rendered provided that said service was rendered in a temporary, provisional or substitute position, in monthly increments, consistent with the provisions of M.G.L. c. 32, § 3(5) and the Board's regulation regarding the calculation of creditable service. Members may accomplish the purchase of past non-membership service rendered, or prior refunded membership service, by remitting to the Board the amount due, together with buyback interest, in a lump-sum or by entering into an installment plan, not to exceed 3 years, within 1 year of becoming a member of the System. If the service purchase is not accomplished or the installment plan is not commenced within 1 year of becoming a member of the System, the purchase of the past service rendered will be calculated based on the actuarial assumed interest.

Members who are unable to complete the service purchase within 3 years due to a demonstrated financial hardship as determined by the Board, may request to extend the time for purchase up to an additional 2 years.

Interest on any purchase of service paid via an installment plan shall be calculated to the date upon which the purchase is to be paid in full.

No installment payment plan shall be effective until approved by a majority vote of the Board. The Board may extend or contract the installment plan period if the circumstances so warrant.

All installment plans shall consist of payroll deductions of not less than \$25 per week, \$50 per biweekly payroll or \$100 per month. The minimum weekly payment of any installment plan in which a member participates must be sufficient to complete the payment in full during the installment plan period. Payroll deductions under this policy must be post-tax.

Failure to complete the installment plan will result in a refund of all payment previously remitted, and no credit will be awarded on a prorated basis. Members who fail to complete the plan will not have a second opportunity to purchase the past service rendered via the installment plan.

Members who submitted all of the required documentation prior to April 2, 2013 for the purchase of prior service rendered or for the purchase of refunded service prior to April 2, 2013 may elect to participate in an installment plan. Members who meet the requirements of this paragraph may purchase their prior service rendered or refunded service using buyback interest calculated to the date upon which the purchase is to be paid in full.

**Board Approval Date:** *April 29, 2013.*

### **ACCEPTANCE OR DENIAL OF LIABILITY**

The Executive Director is hereby authorized to accept or deny liability pursuant to Massachusetts General Law, Chapter 32, Section 3(8)(c), but only upon a vote of the Board. Prior to any such vote, the Executive Director shall furnish a report to the Board indicating his recommendation for accepting or denying liability, including the provision of the law requiring acceptance or permitting denial, as well as the costs associated with his recommendation, to the extent such costs are known. Only the Executive Director shall be authorized to accept or deny liability on behalf of the Board.

This policy shall be effective as of July 1, 2013.

**Board Approval Date:** *June 24, 2013.*

**CREDITING PRIOR SERVICE RENDERED**

The Executive Director, or his designee, is hereby authorized to credit prior service rendered in accordance with Massachusetts General Law, Chapter 32, Section 3 and Section 4, but only after payment for such service shall have been received and only upon a vote of the Board certifying the receipt of payment and the amount of service to be credited.

This policy shall be effective as of July 1, 2013.

**Board Approval Date:** *June 24, 2013.*

## **REGARDING THE PURCHASE OF PAST NON-MEMBERSHIP SERVICE**

The Board recognizes that the provisions of M.G.L. c. 32, §§ 3(5) and 4(2)(c) permit the purchase of past non-membership service pursuant to regulations promulgated by the Board and approved by the Public Employee Retirement Administration Commission (“PERAC”) and consistent with case law, that members may only purchase and receive credit for such service if there is a PERAC approved supplemental regulation in place that permits such a purchase. The Board acknowledges that despite the fact that prior to the enactment of its March 20, 2013 Supplementary Creditable Service Regulation regarding the purchase of past non-membership service, the Board did not have a regulation in place which permitted the purchase of past non-membership service. The Board also recognizes that in reviewing the records of members who purchased past non-membership service, there was no consistent policy in place with respect to how creditable service was calculated when a member purchased past non-membership service. The purpose of this policy is to address these past inconsistencies and fashion an equitable remedy for those members who in good faith purchased past non-membership service prior to March 20, 2013 and who have not yet retired from the Essex Regional Retirement System.

It shall be the Board’s policy to apply its March 20, 2013 Supplementary Creditable Service Regulation to all members and former members who have not yet retired and who purchased and received credit for past non-membership service. All prior creditable service purchased and received shall be adjusted consistent with the March 20, 2013 Supplementary Creditable Service Regulation.

**Board Approval Date:** *October 25, 2013.*

## **ESSEX REGIONAL RETIREMENT BOARD'S POLICY ON CONDUCTING HEARINGS PURSUANT TO M.G.L. C. 32, § 15**

The provisions of M.G.L. c. 32, § 15 require a retirement board to conduct a hearing before taking any formal action regarding a member's dereliction of duty and the impact it will have on the member's ability to receive a return of his accumulated total deductions or to receive a retirement allowance. In conducting a hearing and in conformance with the relevant provisions of M.G.L. c. 32, §§ 15 and 16, the Essex Regional Retirement Board adopts the following policy:

### **Commencement of Proceedings**

The Board recognizes that the commencement of proceedings pursuant to M.G.L. c. 32, § 15 may be initiated by the head of the department, by the Public Employee Retirement Administration Commission or by any employing authority in a member unit of the Essex Regional Retirement System or by the Board. The procedure to be followed with respect to the commencement of proceedings is set forth in M.G.L. c. 32, § 16(1)(a), and shall require the Board to notify the member via registered mail, return receipt requested, that a hearing will be conducted to determine whether the provisions of Section 15 have been violated. The member will be provided with a brief statement of the allegations that gave rise to the hearing, along with copies of Section 15 and 16. The Board shall establish the hearing date to be not less than ten (10) nor more than thirty (30) days from the date of the notice. The member may request a continuance of the hearing due to his inability to attend the hearing or to obtain counsel, or for any other reason that the Board deems to be valid. While the Section 15 proceeding remains pending before the Board, no request for a return of accumulated total deductions or retirement allowance will be processed.

### **Documentary Record**

Once the proceedings have commenced, the Board shall endeavor to obtain any and all relevant documents, including but not limited to criminal complaints, criminal docket sheets, police reports, witness statements and the plea colloquy, if any. If the matter involves a misappropriation of funds that did not, or has not yet, resulted in criminal charges, the Board will request any and all documents pertaining to the alleged misappropriation be submitted to the Board by the employer. The Board shall exercise its subpoena power, when necessary, to compel the production of documents from any party or individual who has possession or control of documents relevant to the proceeding.

### **The Hearing**

The Board shall appoint the hearing officer for the proceeding, who shall make evidentiary rulings and conduct the hearing before the Board. The rules of evidence shall not apply to the proceeding. The member has the right to be represented by legal counsel and may request that the hearing be conducted in executive session. The member has the right to produce any documents that he believes to be relevant to the proceeding, and the hearing officer shall rule on the admissibility and/or relevancy of any document submitted. All documents deemed relevant and admissible by the hearing officer will be marked as exhibits. The member has the right to testify in his own defense, and to present witnesses in his defense. In the event the Board and/or hearing officer is notified that a witness may not appear voluntarily for the hearing, the Board through the hearing officer shall exercise its subpoena power to compel the witness to testify. If the relevance of the

witness testimony is not readily apparent, the hearing officer has the discretion to request a written offer of proof by the member as to the relevance of any witness. No subpoena shall issue to compel the attendance of any witness that the hearing officer deems will not be relevant or probative with respect to the issue pending before the Board.

The hearing may be recorded by court reporter and all witnesses, if any, shall testify under oath. The hearing officer will conduct the examination of the witness and will allow the member or the member's legal counsel to question the witness. The Board members have the discretion to inquire of the witness at any time during the course of the witness' testimony. If the hearing lasts longer than one (1) day, the member and/or his legal counsel will be advised via first class mail of all future dates of the continued hearing.

At the conclusion of the hearing, the member, the member's counsel or the member's authorized representative will be given an opportunity to present oral argument to the hearing officer and the Board, and the record will be kept open for a reasonable and agreed upon period to allow the member to submit a post-hearing memorandum of law to the hearing officer for his consideration. The record will close with the submission of the post-hearing memorandum of law. If warranted, the hearing officer shall have the discretion to re-open the hearing to receive additional testimonial and/or documentary evidence.

#### The Decision

The hearing officer shall draft a recommended decision that contains findings of fact and rulings of law. The recommended decision will include a transcript of all witness testimony, all documents marked as exhibits and the post-hearing memorandum of law, if any, submitted by or on behalf of the member. The Board has the discretion to accept, reject or modify the hearing officer's decision as the Board deems appropriate after due deliberation. If the Board modifies or rejects the decision, the Board shall issue its own final decision in the matter. Any decision adopted or modified by the Board shall be certified by the Executive Director, and issued to the parties within fifteen (15) days of the Board's final vote. The decision shall issue by both first class and registered mail.

#### Right of Appeal

Any member who is aggrieved by the Board's decision will have the right to seek a review of that decision in the district court in the territorial jurisdiction in which the member resides by filing a complaint for review within thirty (30) days of the decision.

**Board Approval Date:** *May 19, 2014.*

## **PROCUREMENT POLICY**

For every contract for the procurement of supplies, services or real property and for disposing of supplies or real property where no other statute shall apply, the Essex Regional Retirement System (ERRS) shall follow the requirements of Massachusetts General Law, Chapter 30B. Any exception to this policy must be approved by a vote of the members of the Board of ERRS.

The Executive Director shall act as the Chief Procurement Officer for ERRS. The Executive Director is hereby authorized to enter into contracts for the procurement of supplies and services which have a total value of less than \$10,000.00.

A vote of the Board shall be required for any contracts for the procurement of supplies or services whose total value is \$10,000.00 or greater, or any contract for the procurement of real property, or any contract for disposing of supplies or real property.

A vote of the Board shall be required for the award of any contract pursuant to Massachusetts General Law, Chapter 32, for legal, actuarial, accounting and investment services.

**Board Approval Date:** *May 21, 2012; Revised July 21, 2014.*

**PRORATION OF DAYS FOR CALCULATING BENEFITS**

To maintain consistency and to insure that all benefit calculations are computed equitably, the Board of the Essex Regional Retirement System has adopted the following policy:

All retirement and death benefit prorates will be calculated on a 30 day basis.

**Board Approval Date:** *March 30, 2015.*

## **FINANCIAL CONTROLS**

This policy specifies the procedures to be followed by all employees when managing the funds entrusted to the Essex Regional Retirement System (ERRS).

**Statement:** The purpose of this policy is to establish sound financial controls and practices in order to insure the following:

- That all receipts received by the retirement system are deposited on a timely basis;
- That all disbursements and transfers are made only after the proper authorization is received and all safeguards have been followed;
- That the timely reconciliation of accounts and reporting of financial transactions is regularly and consistently performed;
- And, that all relevant laws, regulations and best practices are followed in the management of the funds entrusted to the retirement system.

**Receipts:** All payments made to the retirement system shall be deposited on a daily basis to the extent practical. Any uncashed checks not deposited shall be kept in a locked or secured location.

A copy of the front and back of each check deposited shall be made and retained in either paper or electronic format.

As the retirement system uses a remote capture procedure, all deposited checks shall be retained in a secure location until the completion of the monthly reconciliation for the period in which the checks were deposited. Upon completion of the monthly reconciliation, all checks subject to the reconciliation shall be destroyed in a manner consistent with the procedures recommended by the banking institution into which the deposit was made.

The Executive Director shall designate one individual among the staff to be responsible for the daily deposit of receipts. This individual shall not have authority to sign checks, authorize wires or otherwise directly disburse funds.

Notices of disbursements received by the retirement system from privately managed investment funds shall be included in the meeting materials for Board members.

**Disbursements:** All disbursements of funds by ERRS shall be in accordance with Massachusetts General Law (M.G.L.) Chapter 32, Section 23(2), which states in part:

Payments from such funds shall be made . . . only upon vouchers signed by two persons designated by the board of any such system . . . No voucher shall be drawn unless it shall have been previously authorized by vote of the board.

Therefore, no disbursements of funds shall be made by the retirement system except upon a vote of the Board at a properly posted public meeting, and upon a duly signed warrant as approved by the Board. The minutes of each meeting shall record the individual expenditure as listed on the warrant to the extent permitted by law. No voucher shall be placed on the warrant except upon the signatures of the Director of Administration and Finance and the Executive Director approving the expenditure.

As it may be necessary from time to time to authorize expenditures prior to approval of a warrant by the Board as described above, in such instances, the following procedures must be followed:

The Executive Director must first determine that any disbursement to be made in advance of Board approval is in the best interests of the retirement system and/or its member(s). Such instances shall include but not be limited to the following:

- The failure to disburse the funds timely will result in additional cost to the retirement system;
- The failure to disburse the funds timely will result in the failure to meet the terms or requirements of an agreement previously approved by the Board;
- The failure to disburse the funds timely will cause undo harm to a member of the retirement system;
- The payment of the bi-weekly employee payroll.

Upon a determination by the Executive Director that a disbursement of funds must be made prior to a vote of the Board, and prior to any such disbursement, the voucher shall be submitted to the Board Chair for signature. Only after the voucher is signed by the Board Chair may the funds then be expended.

In any instance in which funds are disbursed prior to a vote of the Board, said expenditure shall appear on a warrant separate from all other warrants and shall be submitted to the Board for approval no later than the next regular meeting.

Vouchers appearing on a warrant to be approved by the Board shall be made available for inspection by members prior to, during and after a meeting, and at any other such time as such inspection may be requested by a member. All original vouchers and warrants shall be kept in the custody of the Director of Administration and Finance.

Upon payment of any invoice, the original invoice shall be stamped "PAID" by the Director of Administration and Finance.

All checks issued by the retirement system shall be signed by the Executive Director. The Executive Director's signature on checks may be in electronic format, provided that the electronic signature shall only be accessible by the Director of Administration and Finance.

All checks of \$10,000 or more shall require the signature of a member of the Board. The Board shall designate two members who shall be authorized signatories for checks of \$10,000 or more. The Board shall vote annually, on or before July 1<sup>st</sup> of each year, to continue or change the two members designated as the signatories for checks in excess of \$10,000.

All regular benefit payments shall be by direct deposit. The Board shall approve all new benefit disbursements. The Executive Director shall provide to the Board in support of these benefit payments, the calculation sheet as generated by the database software, a first payment calculation sheet if applicable, and any other documentation necessary to assist the members in determining the whether the payment of such benefit is appropriate and correct.

Notices of Deposit (NOD) shall only be issued in July and December of each year, unless otherwise deemed necessary, and shall be processed under the supervision of the Director of Administration and Finance. The actual mailing of the NOD's shall be performed by staff other than the Director of Administration and Finance.

The Board shall approve all refund payments and all rollover or transfers of member accounts.

A monthly expenditure report shall be presented to the Board showing all expenses by the retirement system. The expenditure report shall be submitted to the Board within sixty days of the completion of the month.

The monthly expenditure report shall show the amounts for each line-item as certified by the Advisory Council with the amounts expended and the balance remaining. If any amount in any line-item shall be insufficient to meet the recorded or anticipated expenses, the Executive Director shall request the Board to approve a transfer from the Reserve Fund, or from another line-item in the budget where sufficient funds are available.

**Reconciliations:** The cash accounts of the retirement system shall be reconciled monthly.

The Executive Director shall designate one individual as responsible for the completion of the monthly reconciliation reports. This individual shall be an employee other than the employees who receive or are authorized to disburse cash.

The accounts to be reconciled monthly include the depository account, the expense account, the benefit payroll account, and any other cash account into which receipts are made or disbursements taken on a monthly basis.

The Board shall designate one member to be responsible for reviewing the monthly reconciliation report and the supporting documentation.

The designated individual responsible for performing the monthly reconciliation reports shall submit the report to the designated Board member upon its completion. Upon review and approval by the designated Board member, the monthly reconciliation report shall be submitted to the full Board as part of the regular meeting materials.

**Reporting:** Each month, the Director of Administration and Finance shall submit to the Public Employee Retirement Administration Commission (PERAC) the following reports detailing the financial activity through the end of the reporting period:

- An account summary;
- A listing of all accounting adjustments;
- A report of all receipts and disbursements;
- A copy of the General Ledger;
- A copy of the Trial Balance.

The above-listed reports shall be filed with PERAC no later than sixty days after the conclusion of each month. If such reports are not filed with PERAC within sixty days after the conclusion of

a month, the Executive Director shall report the reason for the failure to file the reports to the Board at the next regularly scheduled meeting.

A copy of all of the above listed reports shall be included in the meeting materials provided to the Board each month.

**Cash Management:** The retirement system shall select a local bank into which receipts will be deposited and from which funds shall be distributed. The retirement system bank accounts shall be established in a bank that meets the highest rating standards using the triple green rating as determined by the Veribanc or similar rating service.

The retirement system shall establish in the local bank no more than three accounts, which shall be as follows:

- A depository account into which the receipts of the system shall be deposited daily.
- A vendor account, from which all payments shall be made except payments for retirement and survivor benefits. This shall be a zero balance account.
- A benefit payroll account, from which all retirement and survivor benefits shall be paid. This shall be a zero balance account.

The balances in the accounts described above need not be fully insured or collateralized as long as the local bank meets the rating standards as described above. Notwithstanding, it is the preference of the retirement system that all bank accounts be collateralized or fully insured.

In accordance with PERAC recommendations and best practices, only a minimal balance shall be kept in the local bank account.

On or before December 31<sup>st</sup> of each year, the Executive Director shall prepare for the Board a monthly cash flow report. The monthly cash flow report shall show the amount of expenditures anticipated for the ensuing calendar year.

Further, the monthly cash flow report shall show the amount of revenue anticipated each month, the anticipated annual appropriation amount, the amount of the annual appropriation to be transferred to the Public Reserve Investment Trust (PRIT) Fund, the amount to be maintained in the PRIT Cash Fund and the amount of funds available in any other cash or short-term investment fund.

The monthly cash flow report will show the anticipated balances at the beginning of each month in the local bank account(s) and the anticipated monthly revenue to be received.

The cash flow report will insure that sufficient funds are be maintained in cash or cash equivalent accounts to fund no more than two months of the retirement system's expenses.

The cash flow report will detail the anticipated the amount to be transferred from the PRIT Cash Fund and/or other cash or short-term investment account(s) to meet the monthly expenditures of the retirement system.

All other cash assets of the retirement system shall be invested in the PRIT Core Fund pursuant to the investment policy of the retirement system, or in some other manner recommended by the investment consultant.

No less than quarterly, the Executive Director shall submit to the Board an updated monthly cash flow report which shall show all expenses and transfers made to-date, and the remaining cash flow plan for the balance of the calendar year.

Disbursements from privately managed investment funds shall be directed to the custodial bank. These cash disbursements shall be used to support the operational expenses of the retirement system in accordance with the cash flow plan approved by the Board. Cash disbursements in excess of the amounts necessary to support the operational expenses of the retirement system as described in the approved cash flow plan, shall be invested in the PRIT Fund pursuant to the investment policy of the retirement system.

**Wire Transfers:** The Director of Administration and Finance shall prepare all wire transfer letters for the payment of expenses. Only the Executive Director shall be authorized to sign wire transfer letters. The Executive Director shall make every effort to insure that all wire transfers for the payment of expenses are made with the prior approval by the Board.

However, as it is occasionally necessary that a wire transfer must be made prior to a vote of the Board, the Executive Director is authorized to make such transfers subject to the following limitations:

- Prior to approval by the Board, Executive Director is authorized to wire transfer funds in payment of investment fees, pursuant to an approved investment agreement.
- Prior to approval by the Board, the Executive Director is authorized to wire transfer funds in response to a capital call, pursuant to an approved investment agreement.

Any wire transfer payment made prior to a vote of the Board shall first require the Executive Director to receive written approval from the Board Chair. An email from the Board Chair approving the transfer shall be considered as written approval.

The Executive Director is further authorized to make a wire transfers between the banks of the retirement system for the purposes of meeting operational needs or pursuant to the investment policy of the retirement system. Provided, however, that any such wire transfer made in advance of a vote of the Board shall require prior written approval from the Board Chair. An email from the Board Chair approving the transfer shall be considered as written approval.

In any instance in which funds are transferred prior to a vote of the Board, said transfer shall appear on a wire transfer warrant, separate from all other warrants, and shall be submitted to the Board for approval no later than the next regular meeting.

In order to meet the monthly expenses of the retirement system and upon request of the Director of Administration and Finance, funds may be transferred from the depository account to the vendor or benefit payroll accounts at the discretion of the Executive Director.

However, each month the Executive Director shall provide to the Board as part of their monthly meeting materials, a copy of the report of the Director of Administration and Finance requesting such transfer(s), along with a confirmation report of the transfers made.

**Documents and Procedures:** The security of the blank check stock shall be the sole responsibility of the Director of Administration and Finance. The blank check stock shall be kept at all times in a secure location.

Any checks issued by the retirement system which shall be uncashed for a period of six months shall be investigated by the Director of Administration and Finance. The Director of Administration and Finance shall report to the Executive Director any checks that remain uncashed for more than six months.

The Executive Director shall create a voucher form which shall be used by the retirement system to approve all payments. The Board shall approve the use of such voucher form.

Employees of the retirement system shall be entitled to reimbursement for, or payment of, legitimate business expenses incurred in the performance of their duties, including automobile expenses for authorized travel at the reimbursement rate previously approved by the Board, professional association dues if approved by the Board in advance, and expenses incurred while attending approved educational/professional conferences or seminars.

All expense reimbursement must be within the approved budget limit set by the Board as part of the annual budget process.

All reimbursement requests by employees or Board members must be submitted on the required form to the Executive Director for approval no less than thirty days after the expense is incurred and must be supported by original receipts or documentation.

All expense reimbursement requests from the Executive Director must be submitted on the required form to the Board Chair for approval no less than thirty days after the expense is incurred and must be supported by original receipts or documentation.

All pay and benefits provided to employees of the retirement system shall be effective only upon a vote of the Board at a properly posted public meeting.

Upon a vote by the Board approving a change in pay or benefits for any employee, the Executive Director shall prepare a memo stating the rate of pay or the benefits approved by the Board. This memo must be signed by no less than three of members of the Board. The Director of Administration and Finance shall not process any changes in pay or benefits for any employee except upon receipt of the above-referenced memo.

**Board Approval Date:** *February 29, 2016.*

## **INVESTMENT POLICY**

The Essex Regional Retirement System (the “Fund”) has been created and funded to provide retirement benefits for those employees who through their years of service have earned a right to a retirement benefit. The purpose of this fund is to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees’ service and subsequent retirement. This document is designed to set forth the policies and guidelines for those who administer and invest the funds in the portfolio.

The Fund is a defined benefit plan as defined and set forth by Massachusetts General Law, Chapter 32, and the investment procedures and regulations set forth under the statute must be followed. If, at any time, this document is found to be in conflict with Massachusetts law, the statute shall prevail.

Although this fund is not subject to the Employee Retirement Income Security Act (ERISA), every effort will be made to adhere to those guidelines. Therefore, all of the individuals associated with the plan should act within the confines of that statute. Where not specifically indicated, the actions and/or decisions of the individuals are to be governed by the prudent man rule.

This investment policy shall cover the entire portfolio as well as all investment managers.

**Regulatory Requirements:** Since the Essex Regional Retirement System is a qualified defined benefit plan as defined and set forth by Massachusetts law, investment procedures and restrictions stipulated under these regulations must be followed.

**Duties as a Fiduciary:** Every fiduciary shall:

- Discharge his or her duties for the exclusive purpose of providing benefits to the Essex Regional Retirement System members and their beneficiaries and defraying reasonable expenses of administering the Plan;
- Act with care, skill prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims;
- Diversify investments of the Essex Regional Retirement System so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so, and;
- Operate in accordance with the Essex Regional Retirement System procedures, documents and instruments.

No fiduciary shall:

- Deal with the Essex Regional Retirement System assets for his or her own account or his or her own interest, and/or;
- Act in any matter affecting the retirement system on behalf of any person or organization whose interests are adverse to the interests of the Essex Regional Retirement System, its members or beneficiaries.

**Investment Objective:** In accordance with the Fund’s actuary, the Board has established long-term goals for the overall investment portfolio consistent with the liabilities of the Fund. At a

minimum, the Fund in aggregate needs to earn a compound annualized rate of return over time of 7.75%.<sup>2</sup>

Furthermore, the Board expects the fund to earn a real rate of return of at least 3.0% as measured by the change in the Consumer Price Index (CPI) over a five-year period.

While the Board acknowledges that market conditions can produce periods where such returns are difficult to achieve, the advisor is expected to contribute to meeting the long term objectives of the plan as well as others set forth in this document.

**Asset Allocation:** It is the policy of the Fund to invest the assets of the retirement system in the Pension Reserves Investment Trust (PRIT) Fund. In consultation with the investment consultant, the Fund will periodically review its asset allocation to determine if any action is necessary to adjust the allocation of funds among asset classes within the PRIT Fund.

The Board realizes the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and investment manager cash will be utilized in accordance with the approved cash flow plan to pay obligations of the Fund and may require periodic re-balancing of the assets.

The Fund's investment manager shall be kept informed of the liquidity requirements of the Fund, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of the Plan.

### **BROKERAGE**

Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a >best execution= basis. Notwithstanding the foregoing, the Board reserve the right to direct any or all of the brokerage commissions associated with the portfolio for the purposes of securing research and related services for the benefit of the Plan and its participants. Brokerage transactions should not be directed to any firm if in doing so, taking all factors into consideration, the Fund will incur a disadvantage with respect to the market price of the security. Further, irrespective of any obligations to pay for services engaged by either the advisor or the Board, only transactions that would normally be made for the Fund in the absence of such obligations should be executed.

**Proxy Voting:** Responsibility for the exercise of ownership through proxy solicitation shall rest solely with the investment managers. Guidelines for voting proxies will be listed in individual manager guidelines.

**Implementation:** All monies invested for the Essex Regional Retirement System by their investment managers after the adoption of this Investment Policy Statement shall conform to this statement.

**Board Approval Date:** *February 29, 2016.*

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<sup>2</sup> Assumed Rate of Investment Return approved by a vote of the Board on October 24, 2016.

## **DISABILITY APPLICATIONS**

Upon receipt of an application for a disability retirement, all communications from the retirement board pursuant to the application will be communicated directly to the member.

If the member has retained an attorney, the attorney should file with the retirement board a notice of appearance, a copy which shall be sent to the member. Upon receipt of the notice of appearance, the retirement board will copy the member's attorney on all correspondence sent to the member.

All medical records submitted in support of a member's application for a disability retirement shall be independently obtained by the retirement board. Any medical records submitted directly by the member or the member's representative, will be returned.

Any charge for the production of medical records provided in support of an application for disability retirement shall be borne by the member.

The retirement system may pay a benefit to a member who has been approved for a disability retirement benefit prior to receipt from the Public Employee Retirement Administration Commission (PERAC) of the letter approving the benefit calculation. However, no payment will be approved unless PERAC shall have first returned to the Board an approved form entitled Disability Transmission to the Commission.

Upon receipt of the letter from PERAC approving the disability retirement benefit calculation, such letter shall be submitted to the Board for their information. Any adjustment required to a disability retirement benefit previously approved, shall be submitted for approval by a vote of the Board.

**Board Approval Date:** *September 26, 2016; Revised November 21, 2016.*

## **MONTHLY DISBURSEMENT OF FUNDS**

Payments authorized by the Board pursuant to an approved cash disbursements warrant, an approved refund/rollover/transfer warrant, and any other approved warrant shall be disbursed on the last business day of the month unless otherwise authorized. The Executive Director, in the case of a documented hardship or if he shall deem a payment to be in the best interest of the retirement system, may authorize a disbursement prior to the last business day of the month but only after such payment shall have been approved by the Board.

This policy shall be effective as of January 1, 2017.

**Board Approval Date:** *December 19, 2016.*

## **DISPOSAL OF SURPLUS PROPERTY**

This policy shall apply only to the disposal of a tangible supply, no longer useful to the Essex Regional Retirement System (ERRS) but having resale or salvage value of \$10,000 or less. This policy does not apply to the disposal of real property.

The Executive Director shall be authorized to declare an item as surplus and to establish the resale or salvage value. The Executive Director, upon authorization by the Board, will advertise the availability of the surplus item on the ERRS website for a period of fourteen (14) calendar days. At the conclusion of the fourteen (14) day advertising period, the Executive Director is authorized to sell the surplus property to the highest bidder.

If no bids are received during the fourteen (14) day advertising period, the Board shall approve any resale, salvage or donation of said item(s) prior to any action by the Executive Director. The Executive Director may make recommendations to the Board as to the preferred disposition of any item under this policy.

The Executive Director may declare an item as surplus and as having no resale or salvage value and may dispose of said item upon a vote of the Board.

**Board Approval Date:** *March 25, 2013; Revised March 27, 2017.*

**DEFINITION OF WHAT CONSTITUTES FULL-TIME SERVICE**

A member shall be considered full-time if they are assigned to work thirty-five (35) hours per week or more, or if the member is classified as a Fair Labor Standards Act (FLSA) exempt employee who is paid at least \$23,600 per year (\$455 per week), is paid on a salary basis, and performs exempt job duties.

**Board Approval Date:** *October 23, 2017.*

**PURCHASE OF PRIOR NON-MEMBERSHIP SERVICE IN AN ELECTED POSITION**

The purchase of prior non-membership service in an elected position shall be permitted if the member earned in excess of \$200 or more annually prior to July 1, 2009, and \$5,000 or more thereafter.

**Board Approval Date:** *August 31, 2016; Revised November 27, 2017.*

*For additional information on the policies of the Essex Regional Retirement Board, please call (978) 739-9151 or contact the retirement system via email at [info@essexrrs.org](mailto:info@essexrrs.org).*