

**ESSEX REGIONAL RETIREMENT BOARD**  
**MAY 23, 2016**

At a regular meeting of the Essex Regional Retirement System (ERRS) held on Monday, May 23, 2016 at 491 Maple Street, Suite 201 at 8:30 a.m. the following Board members were present for all or some of the meeting: H. Joseph Maney, Susan J. Yaskell, Vincent R. Malgeri, Alan J. Benson.

Also in attendance for all or some of the meeting were:

Jane Dooley, Board Secretary  
Charles Kostro, ERRS Executive Director  
Michael Sacco, ERRS General Counsel  
Rosemary Decie, Newburyport  
Robert Joyce, Middleton Firefighter  
Debbie Joyce, wife of Robert Joyce  
Rick Nash, Middleton Fire Department

ERRS Board Acting Chairman H. Joseph Maney called the meeting to order at 8:30 a.m. The Board said the pledge of allegiance.

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

The Massachusetts Open Meeting Law permits meetings to be recorded and states that the Chair shall inform attendees at the beginning of the meeting of any such recording. Therefore, I am informing everyone attending this meeting that Jane Dooley, the Board Secretary, is recording this meeting.

**Approval of Board Minutes**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 4-0, to approve the minutes of the regular and executive session of the meeting of April 25, 2016.

**Public Comment Period**

None.

**Robert Joyce – Middleton Firefighter**

The prior Board had a policy of once a member always a member regardless of where the member worked. Previously, if a municipal employee met the average of 20 hours a week over a 90 day period that person was eligible for membership. According to the current membership policy as well as the current creditable service regulation an employee has to maintain a permanent 20 hour a week position to earn creditable service. Anyone who does not do that the membership becomes inactive. This has occurred for Robert Joyce as a call firefighter where he is not earning service for his work in Middleton and he cannot

get the contributions he has made since he is still employed in Middleton. If he leaves that service his deductions would have to be transferred to Winchester where there is concurrent service. This could help his salary totals over time.

This situation has been reviewed with ERRS General Counsel Michael Sacco. Many years ago there may have been a provision that allows a member to resign from the lesser of the two systems (i.e. ERRS) and take a refund or have money transferred to another retirement system. Research will be done on the legality of the options.

Mr. Joyce explained that he starting working as a call firefighter in Middleton in 2000 and became full time in 2001. He left as a full time firefighter in 2004 and went to Winchester transferring his time and retirement to that system. As of 2005 retirement contributions were taken from Essex County. In 2015 he had back surgery not injury on duty and was out for five months at which time he received letter from ERRS stating that he was not maintaining 20 hours a week of service. He referred to the Town of Middleton's personnel by-law and excused absence (i.e., back surgery) and has worked 24 to 28 hours a week after returning to work. When he worked 120 hours a month he noticed that retirement deductions were not taken out. Conversation occurred with ERRS about how Mr. Joyce could get his contribution money and how the money will stop collecting interest after 2 years.

In response to the excused absence issue, Executive Director Charles E. Kostro stated that notwithstanding this particular circumstance if an employee does not have a permanent 20 hours a week position ERRS membership regulation does not allow an employee to continue in membership. Nor does it permit an employee to collect creditable service. This could impact other call firefighters. At ERRS's direction, the Town of Middleton stopped taking out retirement contributions for Mr. Joyce after his absence from work. Mr. Joyce noted that in Middleton there is a call firefighter contract that says employees who work 20 hours a week are eligible for certain benefits such as sick time, and vacation accrual/time. He has worked 20 hours a week since 2005 even when he was out with his injury.

Kostro explained that the call firefighter position is not a guaranteed 20 hour a week position and the ERRS staff is carrying out the Board's membership regulation. In response to Rick Nash, Mr. Joyce's co-worker, Kostro stated that the Town of Middleton should send ERRS a letter explaining that according to the Town of Middleton personnel by-law the call firefighters are permanent, part time employees. The rules that apply to dual members (i.e., Middleton and Winchester) is the employee has to retire from both systems or the service is combined depending upon the timing.

Mr. Joyce's wife Debbie described how when Ira S. Singer was an ERRS Board member, a fellow employee in the same situation as Mr. Joyce where he was in the Middlesex and Essex retirement systems, was given a check, did not have to quit working in Middleton and still works in Cambridge donating to that municipality's retirement system. She added that it would not benefit her family to move the money to Winchester. H. Joseph Maney reiterated that the Middleton Town Clerk could send a letter to ERRS stating that

a call firefighter is a permanent, part time 24+ hour a week position. ERRS will also research if Mr. Joyce can retire from both systems, if not if he could receive a check and remain employed in Middleton. The Board did not take a vote on this matter.

### **Rescinding Membership**

This is a similar situation to Mr. Joyce except Harry C. Coukos was a member of the Mass. Teachers Retirement System and was put into ERRS since he was a member of Mass. Teachers Retirement System. In 2013 he was retiring from Mass. Teachers Retirement System and ERRS reviewed his service where there was never follow-up on whether he was meeting the 20 hours a week membership requirement. When he retired from Mass. Teachers Retirement System he was sent a refund application from ERRS and last month he visited ERRS to roll over his account. However, he never worked 20 hours a week. His contributions would have to be refunded to him and he would have 60 days from receipt of the refund to do the rollover.

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted: 4-0, to rescind the membership of Harry C. Coukos as he never met the eligibility requirements for membership and should not have been enrolled in the retirement system.

Discussion was about the rule that an employee cannot get a refund if still employed even if that person is an inactive member in ERRS. ERRS will research if a check can be issued for the lesser of two systems where a person is a member. ERRS General Counsel Michael Sacco will review any letters that ERRS receives regarding permanent part time positions (i.e., Middleton). It was noted that call shifts are being filled and sometimes monthly. Also, there are issues associated with members going in and out of membership when they do not maintain 20 hours a week in a permanent part time position.

### **New Enrollments – Statement of the Chair**

There were no new enrollments to act on this month. Kostro noted that he filed a disclosure which is in the Board's packet that next month the Board will vote on enrolling a teacher's aide for the Manchester-Essex Regional School District who is his family's babysitter.

### **New Retirements**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 4-0 that the retirement system staff has verified that the necessary documentation has been received and that the following four members of the Essex Regional Retirement System be awarded superannuation retirement benefits calculated as follows:

1. Gerald A. Brown, Town of North Andover, Director, Building Inspector, Group 1  
Effective Retirement Date: April 1, 2016  
Monthly Retirement Allowance: \$4,744.30  
Annual Retirement Allowance: \$56,931.60

2. Carol W. Denault, Town of Merrimac, Light Department Clerk, Group 1  
Effective Retirement Date: April 1, 2016  
Monthly Retirement Allowance: \$2,421.12  
Annual Retirement Allowance: \$29,053.44
3. Robert K. Mitchell, Town of North Andover, Truck Driver, Group 1  
Effective Retirement Date: April 15, 2016  
Monthly Retirement Allowance: \$1,327.39  
Annual Retirement Allowance: \$15,928.68
4. Michael R. Szydlo, Town of Ipswich, Electric Lineman, Group 4  
Effective Retirement Date: March 31, 2016  
Monthly Retirement Allowance: \$5,509.08  
Annual Retirement Allowance: \$66,108.96

#### **Survivor Benefit**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted: 4-0, that pursuant to the application for survivor benefits under MGL C.32, Section 12(2)(d) filed by Barbara Peabody, the spouse of the late Richard L. Peabody, the Board approves the application and awards a benefit as follows:

Effective Date: February 14, 2016  
Monthly Survivor Allowance: \$1,434.87  
Annual Survivor Allowance: \$17,218.44

#### **Debt Waiver Request – Rosemary Decie**

Rosemary Decie spoke to letter she wrote to the Board relative to debt waiver request and letter she received from ERRS about retirement benefit recalculation that said it was within the Board's discretion to grant a debt waiver.

H. Joseph Maney described how the Board has been consistent not allowing any waiver of debt. The prior Board allowed a lot of waivers of debt and some were changed. The current Board has denied all debt waivers. Discussion ensued with Ms. Decie about how the letter that came from ERRS should have been explicit about the Board's consistent decisions not to waive debt.

Vincent R. Malgeri explained that ERRS is obligated by law to notify all members that this provision of the law exists. The DALA and CRAB cases has said the Board has discretion even if a member meets the criteria. He noted that if a waiver was granted this puts a burden on other retirement system members. Also reiterated was that the Board was consistent in not granting waivers.

Ms. Decie noted that the prior Board was inconsistent in granting waivers. Also she will now owe \$2,000 in debt and \$25 a month will be cut from her pension benefit. Susan J. Yaskell mentioned that Ms. Decie attending the meeting brought the Board's attention to the language in the letter sent to members/retirees regarding debt waivers and need for revision so that members are not coming before the Board to make waiver requests. Timeframes for when members can attend a Board meeting should be included in the letter. It was noted that ERRS's Retirement Counselor Scott Provencal will contact Ms. Decie about a debt payment schedule. Another topic to be addressed at a future Board meeting is liability and service credit in whole months and total amount of service.

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 4-0, that the request of Rosemary Decie made pursuant to the provisions of Massachusetts General Law c. 32 § 20(5)(c)(3) to waive the debt owed to the retirement system as a result a recalculation of her retirement benefit be hereby denied.

#### **Ascent Venture Partners Fund IV Amendment**

Walter Dick describes how the fund manager has a bidder with an opportunity to go through a secondary purchase with SBA of \$32 million with \$6 million of the cash for \$58 million of obligation by June 15, 2016. The intent is to allow the portfolio to mature for the limited partners. Dahab Associates Seth Lynn described that there is no downside with this opportunity.

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted: 4-0 that the Board approve an amendment to the Fund IV agreement to buy out the Small Business Administration and to authorize the Board Chair to execute said amendment.

#### **Annual Investment Manager Meetings**

##### **Dahab Associates: Custodial Bank RFP**

Seth Lynn summarized results of Q1 investment performance with dramatic change in the investment market, and noted that PRIT core did an admirable job. He also provided a synopsis of Custodial Bank RFP process relative to PERAC reporting requirements. Some of the banks that are expected to compete for ERRS business include State Street, People's, Comerica, M&T Wilmington Trust, and possibly a Cleveland bank. ERRS will likely realize from the bid process that the custodial fees will go down.

Lynn noted that ERRS only needs a custodian for its cash account since other funds are managed by PRIT and its other investment firms. He predicted that ERRS will pay from \$55,000 to \$65,000 for custodial fee but there could be more aggressive fee quotes. Discussion was about whether or not ERRS needs a custodian and a how a custodian provides the retirement system with another eye on the assets, a value of the assets, and is insurance for ERRS.

ERRS General Counsel Michael Sacco opined that funds not in the PRIT fund need custody. Also, the Board asked Sacco to review any contracts from custodial banks responding to an RFP. Vincent R. Malgeri emphasized the importance of RFP containing language about PERAC requirements including related to indemnification. Malgeri will share his list of concerns on the matter with Lynn. Malgeri suggested the focus of the RFP should be to ask the banks what they do as part of their custodial services. This would be a Chapter 32 procurement. The Board will address the draft RFP as a future meeting agenda item.

The Board took a break at 9:54 a.m. and reconvened at 10:01 a.m.

### **Boston Millennia Partners**

Marty Hernon reported that the investment fund manager is nearly done with Fund I and is in liquidity stage for Fund II.

### **Levine Leichtman Capital Partners, Inc.**

The Board had a teleconference with Monica Holec who reported on successful investments for ERRS and the firm distributes income monthly to limited partners, and is in process of liquidating Fund III and is exiting companies in Fund IV with 5 remaining investments and 98% of investment capital returned.

### **Paul Bedard – Section 15 Hearing**

#### **Executive Session**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted by roll call: Alan J. Benson, yes, H. Joseph Maney, yes, Vincent R. Malgeri, yes, Susan J. Yaskell, yes, to move to executive session at 10:38 a.m. for the purpose of continuing a Section 15 hearing on the matter of Paul Bedard, and, further, that the Board remain in executive session for the purpose of conducting evidentiary hearings on the disability applications of Stephen Meola, Anne Bushnell, Glen McKiel and Dana Nunan, and that the Board remain in executive session to discuss strategy with respect to litigation as an open meeting may have a detrimental effect on the litigating position of the retirement system.

#### **Statement of the Chair**

The Board will return to open session upon the conclusion of the executive session.

Alan J. Benson left the meeting at 11:46 a.m.

The Board returned to open session at 12:50 a.m.

#### **Change October Board meeting date**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0, to move the October Board meeting date from October 31, 2016 to October 24, 2016.

### **Creditable Service Awards**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0 that the retirement system staff has verified that the required payments having been received, that the following seven members of the Essex Regional Retirement System be awarded creditable service as follows:

1. Louann M. Bonny, a member from the Town of Boxford, shall be awarded three years and one month of creditable service for her purchase of reserve police service rendered from November 15, 1993 to April 15, 1995 with the Town of Boxford.
2. David M. Doyle, a member from the Town of Salisbury, shall be awarded five years of creditable service for his purchase of call firefighter service rendered from July 10, 1990 to July 9, 1995 with the Town of Salisbury.
3. James H. Edwards, a member from the Town of Ipswich, shall be awarded three years of creditable service for his purchase of call firefighter service rendered from January 1, 1983 to December 31, 1985 with the Town of Ipswich.
4. Kelby E. Groder, a member from the Town of Salisbury, shall be awarded seven months of creditable service for the purchase of call firefighter service rendered from January 17, 2000 to August 31, 2000 with the Town of Salisbury.
5. Jeffrey C. French, a member from the Town of Ipswich, shall be awarded one year and three months of creditable service for his purchase of call firefighter service rendered from July 1, 1986 to October 18, 1986 with the Town of Ipswich.
6. Donna M. Stephens, a member from the Hamilton-Wenham Regional School District, shall be awarded two years of creditable service for her purchase of prior non-membership service rendered from August 31, 1993 to June 30, 1999 with the Hamilton-Wenham Regional School District.
7. Christopher D. Ward, a member from the Town of Nahant, shall be awarded one year and two months of creditable service for his purchase of prior refunded service rendered from November 6, 2000 to January 16, 2002 with the Town of Nahant.

### **Approval of Installment Plans**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted: 3-0 that the retirement system staff has verified that the proper documents having been received, that installment payment plan for following members of the Essex Regional Retirement System be approved as follows:

1. Fernand A. Lavoie, Jr., for the repayment of retirement benefits paid in error, in accordance with the terms and conditions as presented.
2. Janis R. Pedersen-Jenkins, for the repayment of retirement benefits paid in error, in accordance with the terms and conditions as presented.

### **Denial of Liability**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0 that the Board accepts the recommendation of the Executive Director to deny liability for past service rendered by the following individual as described below:

Joseph Bongiorno, as requested by the Middlesex County Retirement System, for the period of July 8, 1999 to June 30, 2000, as this individual was not eligible for membership during this period and ERRS did not receive contributions for this service.

### **Refund Warrant RT2016.05**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted: 3-0, to approve the warrant for May 2016 to refund, rollover or transfer the total accumulated deductions for thirteen members beginning with Emily W. Boutin and ending with Joseph M. McMahon as described below in the total net amount of \$100,853.96.

<b>Name</b>	<b>Type</b>	<b>Board or Institution</b>
Boutin, Emily W.	Withdrawal	
Chamberlain, Liria B.	Withdrawal	
Coburn, Jodi K.	Withdrawal	
Gaeta, Sharon M.	Withdrawal	
O'Reilly, Catherine E.	Withdrawal	
Oliveri, Sara E.	Rollover	Fidelity Management Trust
Pickering, Kelly A.	Withdrawal	
Rubchinuk, Timothy J.	Withdrawal	
Saulnier, Raymond L.	Withdrawal	
Thomson, Susan H.	Withdrawal	
Wiles, Heather L.	Rollover	Fidelity Management Trust



Wyman, Robert	Withdrawal	
McMahon, Joseph M.	Survivor Refund	Charles Schwab & Co., Inc.

### **April Retirees Payroll**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0, to approve the retirement allowances for the month of April in the actual amount of \$3,396,801.38.

### **May Retirees Payroll**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted: 3-0, to approve the retirement allowances for the month of May in the approximate amount of \$3,400,000.00.

### **ERRS Payroll**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0, to approve the payment of the ERRS employee payroll for April 29, 2016, in the amount of \$18,498.07, and the May 13, 2016 payroll in the amount of \$16,541.06.

### **Cash Disbursement Warrant CD2016.05**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted: 3-0, to approve the Cash Disbursement Warrant CD2016.05 for May 2016 as presented below in the total amount of \$31,088.09.

<b>Vendor</b>	<b>Amount</b>
ASI Flexible Spending Account - Administrative Fees - 2016.04	7.50
Carleton, Katherine - Mileage for Office Hours	111.67
Comcast	341.99
Town of Danvers Electric - #201	115.95
Town of Danvers Electric - #202	213.44
Jane Dooley - May Board Meeting	275.00
Gemini Property Management - Replacement of Lights	98.44
Group Insurance Commission - Health - 04/01/2016 - 06/30/2016 Estimate	5,141.19
H.C.O.P.T. - Condo Fee - 2016.06	1,482.00
HIQ Computers - Invoice #11141 Re: Service call regarding emails	55.00
HIQ Computers - Invoice #111347 Re: Laptop, WiFi, New Employee Set-Up	577.50
Harper's Payroll Service - 2016.05.10	48.34
Harper's Payroll Service - 2016.04.26	85.59
Kostro, Charles - PRIM Board Meeting Parking	40.00
Law Office of Michael Sacco - 2016.04	5,631.00

Massachusetts Municipal Association - Administrative Assistant Employment Ad	105.00
Matthews Cleaning & Painting - 2016.05	282.00
Quadrant Health Strategies - Pre-Employment Screening	170.00
Rainmaker Spring LLC - 2016.04	17.00
Retrievevex - 2016.05	239.92
State Street Bank & Trust - Q1 Fees	15,889.60
Verizon Wireless	159.96
Total	31,088.09

#### **Cash Disbursement Warrant CD2016.05a – State 3(8)(c) Re-vote**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0, to approve the Cash Disbursement Warrant CD2016.05a for May 2016 for the payment of 2015 3(8)(c) charges as presented below in the total amount of \$1,036,021.08.

Vendor	Amount
Danvers Retirement Board 2015 - 3(8)(c) Charge	29,237.44
Massachusetts State Board of Retirement - 2015 3(8)(c) Re-vote	1,006,783.64
Total	1,036,021.08

ERRS has decided to pay documented portion of bill.

#### **Cash Disbursement Warrant CD2016.05b – Wire Transfer**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted: 3-0, to approve the Cash Disbursement Warrant CD2016.05b for wire transfers for May 2016 as presented below in the total amount of \$3,000,000.00.

Vendor	Amount
PRIM Transfer to Eastern Bank	3,000,000.00
Total	3,000,000.00

#### **Administrative Assistant Appointment**

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted: 3-0, to appoint Pamela J. Lynch to the position of Administrative Assistant at a rate of \$25.00 per hour, or \$937.50 per week, with a vacation accrual rate equal to three weeks per year.

#### **Eliminating Verizon iPad Service**

Discussion ensued about how the Executive Director's performance review was changed at the April meeting to require him to develop a budget that is to be cut by 3%. Kostro pointed out that since he was appointed as Executive Director in March of 2011, the

administrative budget has already been cut by 7% and that the 3% cut is not going to be from the 1.063 million budget, but rather is going to have to come from available discretionary spending. With all of the budget reductions implemented over the last five years, there is only approximately \$100,000 in discretionary spending available to be reduced. Further, he noted, that when contractually obligated increases for essential services are added, you will need to cut close to \$50,000 out of the \$100,000 in discretionary spending in order to achieve the overall 3% cut in spending. Board members expressed dismay about this budget constraint and suggested this matter should be reconsidered at the next meeting. The vote on cancelling the Verizon cellular service for ERRS iPads was tabled.

### **Motion to Adjourn**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted: 3-0 to adjourn the meeting at 1:19 p.m.

  
H. Joseph Maney

  
Susan J. Yaskell

  
Vincent R. Malgeri

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**Alan J. Benson**

In addition to the documents provided to the Board for items acted upon at the meeting, the following documents were also provided:

1. Agenda Posting Checklist
2. Monthly Reconciliation Report for the month of April 2016.
3. Monthly Fund Transfer Reports for the months of April and May 2016.
4. PRIT Fund 2015 Year-End Performance Report
5. Account Summary for January, February, March and April of 2016.
6. Accounting Adjustments for January, February, March and April of 2016.
7. All Receipts and Disbursements for January, February, March and April of 2016.
8. The General Ledger for January, February, March and April of 2016.

9. The Trial Balance for January, February, March and April of 2016.
10. State Street Account Recap – March 2016.
11. State Street Message on Fees.
12. Executive Director's Schedule for May and June of 2016.
13. Charles Kostro Ethics Disclosure.
14. PERAC Letter – Essex Tech Appropriation Request dated May 3, 2016.
15. PERAC Approval Letter and Posted Supplemental Regulation dated May 3, 2016.
16. PERAC News Flash dated April 28, 2016.
17. PERAC News Flash dated May 4, 2016.
18. Intercontinental Disclosure Documents.
19. Levine Leichtman Form ADV Part 2A dated March 31, 2016.
20. Levine Leichtman Fund III Distribution Letter dated April 29, 2016
21. Levine Leichtman Fund IV Distribution Letter dated April 29, 2016.
22. Principal Global Investors Form ADV dated March 30, 2016.
23. Principal Green Property Fund – Q1 2016 Investment Statement.
24. Boston Millennia Funds I and II Q1 2016 reports.
25. Sentinel Realty Partners Quarterly Investment Statement for Q1 2016.
26. TA Realty Q1 Report.
27. TA Realty Fund IX Distribution Letter dated May 16, 2016.
28. PERAC Memo #16/2016 Further Regulating Survivor Benefits.
29. PRIT Fund Report for April 2016.
30. Levine Leichtman Acquisition Announcement