

**ESSEX REGIONAL RETIREMENT BOARD
DECEMBER 19, 2016**

At a regular meeting of the Essex Regional Retirement System (ERRS) held on Monday, December 19, 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, Kevin A. Merz, and Alan J. Benson.

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

Charles Kostro, ERRS Executive Director

Michael Sacco, ERRS General Counsel

Seth Lynn, Dahab Associates

Joan Tindle

Joanne Tindle

ERRS Board Chair H. Joseph Maney called the meeting to order at 8:33 a.m. The Board said the pledge of allegiance.

Approval of Board Minutes

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 4-0-1 with Kevin Merz abstaining; to approve the minutes of the regular and executive session of the meeting of November 21, 2016.

Public Comment Period

There was no public comment.

Accidental Death Benefit Application

Mr. Maney explained the discussions at the recent Board meetings relative to this application, and that in the absence of any contradictory information the Board has no alternative but to accept the medical panel report. Discussion ensued and Joanne Tindle advised that they have been counseled to let the Board complete their process and appeal.

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0 to deny the application of Joan Tindle for survivor benefits pursuant to Massachusetts General Law Chapter 32, Section 9.

Dahab Associates – Seth Lynn

Seth Lynn of Dahab Associates made a presentation to the Board on Bond Price Volatility. The Board discussed options for allocating its investments within the PRIT Fund. Mr. Kostro explained that the Board went into the PRIT Fund voluntarily and has options available to it to invest its funds within the various investment sleeves at PRIT. Mr. Lynn mentioned that Dahab Associates had performed an asset mix study in past

years and after the ERRS valuation study is completed an updated asset mix study can be performed. The Board discussed recent news articles regarding pay increases and benefits paid to PRIT staff. Mr. Lynn described the salaries paid to investment professionals and the competition faced by PRIT for staff. Mr. Kostro discussed the trade-offs of working in the public sector verse the private sector and the efforts made by the PRIM Board to attract and retain talent in order to stabilize their staff over the last several years, which he felt they have accomplished.

New Enrollments

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0: That all of the required documentation has been received to enroll the following named employees in the Essex Regional Retirement System, a list of twenty-eight names beginning with Katherine M. Bento and ending with Serena K. Zawadzki.

<u>Name</u>	<u>Unit Name</u>	<u>Department</u>	<u>Hire Date</u>	<u>Group</u>
Bento, Katherine M.	Rowley	Water	11/07/2016	1
Coburn, Meghan B.	North Andover	School	08/31/2016	1
Cyr, Shannon M.	Lynnfield	School	10/13/2016	1
daCunha, Jason D.	Newbury	Police	11/15/2016	4
Decoteau, Marguerite T.	Boxford	CPS Dispatchers	10/27/2016	1
DePasquale, Derek R.	Georgetown	Highway	10/11/2016	1
Dwinell, Andrew N.	Topsfield	Highway	11/14/2016	1
Egan, Suzanne P.	North Andover	Town Counsel/Legal	10/24/2016	1
Fair, Kimberly A.	Triton RSD	School	09/20/2016	1
Fales, Jennifer L.	Middleton	School	11/21/2016	1
Ganey, Claudia A.	Triton RSD	School	11/01/2016	1
Gray, Robert E.	Rowley	Water	11/07/2016	1
Hill, Hayley J.	Boxford	School	11/21/2016	1
Hughes, Nicole D.	North Andover	School	08/31/2016	1
Jenkins, Daniel J.	Newbury	Police	11/15/2016	4
Koulouris, William C.	Middleton HA	HA Staff	11/16/2016	1
Neary, Stacy L.	Triton RSD	School	10/03/2016	1
Pinzone, Marie A.	Georgetown	School	11/01/2016	1
Plaisted, Susanna	Georgetown	School	10/31/2016	1
Reddy, Suman	North Andover	School	09/06/2016	1
Story, Nancy	Triton RSD	School	11/01/2016	1
Tierno, Andrea M.	North Andover	School	11/01/2016	1
Tomasz, John M.	Lynnfield	DPW	11/28/2016	1
Uttley, Michael C.	North Andover	Youth Services	12/05/2016	1
Van Lenten, Geraldine B.	Masconomet RSD	School	09/01/2015	1
Wassouf, Jalal S.	Masconomet RSD	School	10/28/2016	1
Winglass, Mary B.	West Newbury	Selectmen & Staff	11/07/2016	1
Zawadzki, Serena K.	Ipswich	School	10/11/2016	1

New Retirements

Mr. Kostro described the necessity to adjust Mr. Fuller's retirement due to erroneous deductions taken over several years. Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 4-0-1, with Alan J. Benson abstaining: That the retirement system staff has verified that the necessary documentation has been received and that the following six members of the Essex Regional Retirement System be awarded superannuation retirement benefits calculated as follows:

1. Armand R. Conti, Town of Nahant, Police Officer, Group 4
Effective Retirement Date: November 6, 2016
Monthly Retirement Allowance: \$2,945.22
Annual Retirement Allowance: \$35,342.64
2. Maureen A. Fay, Town of Ipswich, Children's Librarian, Group 1
Effective Retirement Date: November 10, 2016
Monthly Retirement Allowance: \$1,332.73
Annual Retirement Allowance: \$11,862.84
3. **Adjustment** - Leonard Fuller, Town of Topsfield, Firefighter/EMT, Group 4
Effective Retirement Date: July 10, 2015
Monthly Retirement Allowance: \$3,314.88
Annual Retirement Allowance: \$39,778.56
4. Thalia Hatcher, Town of Manchester, Administrative Assistant, Group 1
Effective Retirement Date: November 18, 2016
Monthly Retirement Allowance: \$2,322.93
Annual Retirement Allowance: \$27,875.16
5. John D. Iannazzo, Town of Boxford, Police Officer, Group 4
Effective Retirement Date: November 12, 2016
Monthly Retirement Allowance: \$4,565.73
Annual Retirement Allowance: \$54,788.76
6. Kristine A. Pyle, Town of West Newbury, Administrative Assistant, Group 1
Effective Retirement Date: October 28, 2016
Monthly Retirement Allowance: \$2,179.03
Annual Retirement Allowance: \$26,148.36

Section 101 Benefit Award

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0: to approve a survivor benefit for Susan Kenny-Welch, surviving spouse of ADR recipient

Norman Welch, a Steamfitter and Plumber for the former Essex County, in the following amount:

Monthly Retirement Allowance:	\$1,000
Annual Retirement Allowance:	\$12,000

Denial of Liability

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0: that the Board accepts the recommendation of the Executive Director to deny liability for past service rendered by the following individual as described below:

1. Katherine Fromhagen, as requested by the Beverly Contributory Retirement Board, for service rendered from April 2016 to June 2016, with the Manchester-Essex Regional School District, as she was not a member of the retirement system, did not remit contributions, and was not wrongfully excluded during this period.

COLA Base Increase to \$14,000

Mr. Merz described the report on the COLA Base for retirement systems showing that nearly all regional retirement boards had a COLA Base of at least \$14,000. Mr. Benson commented that he would support an increase in the COLA Base if the retirement system was at 65% funded rather than at its current level of only 50% funded. Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 4-1, with Alan J. Benson opposed: to increase the base amount to which the annual Cost-of-Living Adjustment is applied to eligible members of the retirement system to \$14,000 as of July 1, 2017, subject to the approval of the Advisory Council pursuant to Massachusetts General Law, Chapter 32, Section 103(j).

2017 COLA Increase Hearing Schedule

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0: to schedule a hearing to consider a Cost-of-Living Adjustment of up to 3% for eligible members of the retirement system for Monday, February 27, 2017 and that the Advisory Council be provided at least thirty days' notice of such hearing pursuant to Massachusetts General Law Chapter 32, Section 103(i). Mr. Merz noted that the retirees he speaks to when they pay taxes are very grateful for each increase in the COLA that is voted by the Board each year and that this interaction really personalizes how important these COLA increases are to our retirees.

PERAC Funding Schedule Approval

Mr. Kostro noted that PERAC has approved the funding schedule previously approved by the Board and presented to the Advisory Council. Mr. Kostro noted as well that last week the FY18 appropriation letter was received. He discussed that the increases per unit appeared larger to him than it should have been. Mr. Kostro reviewed the FY18 appropriation letter with the Board and discussed his attempts to get an explanation from the ERRS actuary. It appeared to him that the 7.4% annual increase approved in the Funding Schedule was not applied to the revised Funding Schedule approved by PERAC after the Essex Tech legislation was approved. It appears that the 7.4% may have been applied to the old Funding Schedule and not the revised Funding Schedule. The Board requested that a response be received from the actuary in order for the Board to take action at their January meeting.

Office Cleaning Contract Award

Mr. Kostro explained the procurement process for a new office cleaning contract. He noted that four bids were received and opened last week. The winning bid is less than the current cost of cleaning services. Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted 5-0: to authorize the Chair to sign an agreement with Star Janitorial and Integrated Services of Danvers, MA, for the provision of cleaning services pursuant to the Invitation for Bids issued on October 27, 2016 and subject to the completion of reference checks and the return of a properly executed agreement.

Payroll Services Contract

Mr. Benson reviewed the recent history with Harpers Payroll Services. Mr. Kostro advised Harpers Payroll Services is the current vendor and that only one bid was received, although four Invitations for Bids were issued. Mr. Merz noted that he did a reference check with an associate and that the reference he received was positive. Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; to authorize the Chair to sign an agreement with Harpers Payroll Services of Worcester, Massachusetts for the provision of payroll services pursuant to the Invitation for Bids issued on October 27, 2016.

Postage Machine and Folding Machine Agreement

Mr. Kostro noted that this purchase was off of a state list and that purchasing the equipment will be less than the total cost of a five year lease agreement. Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted 5-0: To authorize the Executive Director to enter into an agreement with Neopost pursuant to a state contract for the purchase, supply and maintenance of a new postage machine and folding

machine, provided that the proper documentation is provided prior to the execution of any agreement.

Member Status Change Form

Mr. Kostro noted that Ms. Yaskell had suggested that a form be created to be filed monthly by the units' which notifies the retirement system of any changes in a member's status. He thought that was a good idea and the form before the Board was what the staff devised. He discussed the importance of recording this information in light of the retirement system's policies on membership and creditable service. Mr. Kostro described the other new forms and steps the retirement system is taking to improve communications with the units and members. He reviewed as well the issues that have come up in recent years where the Board has been unable to refund member's money because of statutory limitations. Mr. Kostro asked if the Board was interested in pursuing special legislation to permit a refund to members for their time in which they were properly enrolled even though they are not now earning creditable service. The Board inquired if an automated program could be run to identify significant variations in deductions for members from month-to-month. Mr. Kostro indicated that a new automated system could be looked at and that the staff does run a member-with-no deduction report. However, that report will not catch members who continue to contribute but who have a small variation in hours that may affect their ability to earn creditable service. Mr. Sacco indicated that many Boards struggle with this issue and that any new reporting module will no doubt be costly. Mr. Benson suggested that if enough Board's pushed PTG for this type of report it could be part of their next round of updates. Board members recommended pursuing these suggestions with a PTG Users Group. Mr. Kostro mentioned that in October there was a very well attended PTG User Group that was organized by Anne Speicher of ERRS. Mr. Malgeri stated that PTG responded positively to all of the changes proposed at the User Group meeting and that Anne did an outstanding job in organizing the meeting. Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 5-0: To approve the Member Status Change Form as presented and to notify all ERRS units that this form must be filed each month in conjunction with the submission of their monthly deduction reports.

The Board took a break at 10:05 a.m. and returned to open session at 10:11 a.m.

Executive Session

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted by roll call: Alan J. Benson, yes, Vincent R. Malgeri, yes, H. Joseph Maney, yes, Kevin A. Merz, yes, Susan J. Yaskell, yes, to move to executive session to act on the disability applications of Ralph Matthes and John Moretti and to 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

Mr. Maney advised that the Board will return to open session upon the conclusion of the executive session to act on the remaining items on the agenda.

The Board entered executive session at 10:10 a.m.

The Board returned to open session at 10:27 a.m.

While in executive session, the Board voted as follows:

Disability Application – Ralph Matthes

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted by roll call: Alan J. Benson, yes; H. Joseph Maney, yes; Vincent R. Malgeri, yes; Kevin A. Merz, yes, and Susan J. Yaskell, yes; To approve the accidental disability application of Ralph Matthes.

Disability Application – John Moretti

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted by roll call: Alan J. Benson, yes; H. Joseph Maney, yes; Vincent R. Malgeri, yes; Kevin A. Merz, yes, and Susan J. Yaskell, yes; To approve the accidental disability application of John Moretti.

Call Fire/Reserve Police CRAB Decisions

ERRS Counsel Michael Sacco reviewed two recent CRAB decisions that further elaborate on the MacAloney decision from 2013. In these cases, CRAB reaffirmed that call fire and reserve police service has to be purchased. PERAC had issued a memo stating that members who were on the list of call firefighters or reserve police but who did not have any earnings should be charged as if they had earned \$3,000 annually. DALA later changed that amount to \$5,000. In the Grimes decision, CRAB stated that there is no statutory authority for PERAC to require payment based on a set wage. Rather, the member receives the service for free because they have no earnings. CRAB reaffirmed this in the Gomes decision stating that since he worked he needed to pay to purchase his service. Mr. Sacco noted that the Plymouth Retirement Board is appealing. In the Grimes case, CRAB also stated that retirement boards must follow PERAC directives and if a Board disagrees with a PERAC directive they must litigate the disagreement. ERRS will refund members who paid for call firefighter or reserve police service when the member had no earnings as these payments come to the attention of staff. Discussion ensued regarding the effect of a decision by the Supreme Judicial Court in the DeFelice matter. If the “once a member, always a member” policy is upheld,

ERRS members who are presently not paying deductions since they are below twenty hours per week will need to begin to remit deductions again, but under the creditable service regulation they will still not receive creditable service.

Policy Memo #16-30 Monthly Disbursement of Funds

Mr. Kostro described for the Board a policy change in which refunds and disbursements of funds would be made on the last business day of the month after the Board's approval. This will put all ERRS financial transactions on the same schedule monthly and is consistent with what many other retirement boards do when disbursing funds each month. Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0: To approve Policy Memo #16-30 which states as follows:

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.

2016 Budget Transfers

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0: to transfer from the Reserve Fund in the 2016 budget the amount of \$8,840 to the following line-items:

- To Michael Sacco, Attorney at Law the sum of \$8,493.
- To Travel the sum of \$276.
- To Storage Facility the sum of \$71.

2017 Employee Salaries

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0: to approve adjustments in their salaries of the following employees to be effective as of January 1, 2017, as follows:

- For Scott Provensal, Retirement Counselor, an annual salary of \$71,800.
- For Kathy Carleton, Retirement Counselor, an annual salary of \$69,700.

2017 Administrative Budget

Mr. Kostro noted that the only change in the final budget compared to the budget presented to the Advisory Council is a \$3,000 increase in the retirement appropriation which was discussed earlier. Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 5-0: to approve the administrative budget for 2017 in the amount of \$1,059,575.

2017 Cash Flow Plan

Mr. Kostro updated the Board on the close out in the custodial bank and how that change affected the cash flow plan. Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0: to approve the 2017 cash flow plan as presented.

2017 Board Meeting Dates

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted 5-0: to approve the following dates for Board meetings in 2017:

Monday, January 23, 2017
Monday, February 27, 2017
Monday, March 27, 2017
Monday, April 24, 2017
Monday, May 22, 2017
Monday, June 26, 2017
Monday, July 17, 2017
Monday, August 28, 2017
Monday, September 25, 2017
Monday, October 23, 2017
Monday, November 27, 2017
Monday, December 18, 2017

2017 Benefit Payment Dates

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted 5-0: to approve the following dates for the payment of the monthly retirement benefit payroll in 2017:

Tuesday, January 31, 2017
Tuesday, February 28, 2017
Friday, March 31, 2017
Friday, April 28, 2017
Wednesday, May 31, 2017

Friday, June 30, 2017
Monday, July 31, 2017
Thursday, August 31, 2017
Friday, September 29, 2017
Tuesday, October 31, 2017
Thursday, November 30, 2017
Friday, December 29, 2017

November Retirees Payroll

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 5-0: to approve the retirement allowances for the month of November in the actual amount of \$3,518,067.76.

December Retirees Payroll

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0: to approve the retirement allowances for the month of December in the approximate amount of \$3,525,000.00.

ERRS Payroll

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0: to approve the payment of the ERRS employee payroll for November 25, 2016, in the amount of \$20,371.15, and for December 9, 2016, in the amount of \$18,496.16.

Cash Disbursement Warrant CD2016.12a

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0: to approve the Cash Disbursement Warrant CD2016.12a for wire transfers for December 2016 as presented below in the total amount of \$2,000,000.00.

Date	Vendor	Amount
12/27/2016	PRIT Cash Fund to Eastern Bank	\$2,000,000.00
	Total	\$2,000,000.00

Authorization to Pay Bills

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0: to authorize the Executive Director to pay such bills for the month of December as he

shall deem necessary provided that any such payments are presented to the Board for approval at the next regular meeting.

Refund Warrant

Upon a motion by Kevin A. Merz, seconded by Alan J. Benson, the Board voted 5-0: to approve the warrant as presented for December 2016, to refund, rollover and transfer the total accumulated deductions in the total amount of \$540,063.73.

Name	Type	Board or Institution
Bertino, Michael A.	Transfer	Somerville Retirement Board
Broderick, Michael C.	Transfer	Beverly Retirement Board
Conrad, Melinda May	Withdrawal	
Conrad, Melinda May	Rollover	Institution for Savings
Coumo, Jacqueline M.	Transfer	Methuen Retirement Board
Fiero, Guy M.	Withdrawal	
Fitzgerald, Brenda L.	Transfer	Arlington Retirement Board
Kreis, Charles E.	Withdrawal	
Lafferty, Andrew M.	Transfer	Middlesex County Retirement Board
Maguire, Christine	Withdrawal	
McCann, Anne K.	Withdrawal	
Palermo, Dawn C.	Transfer	State Retirement Board
Paolucci, Jocelyn A.	Rollover	Matrix Trust Company
Repucci, Karen J.	Transfer	Peabody Retirement Board
Roback, Kyle B.	Transfer	State Retirement Board
Rutherford, Shirley A.	Withdrawal	
Torra, Anthony N.	Transfer	Watertown Retirement Board
Wallimann, James M.	Transfer	Mass Teachers Retirement System

Cash Disbursement Warrant CD2016.12


Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0: to approve the Cash Disbursement Warrant CD2016.12 for December 2016 as presented in the total amount of \$38,394.76.

Vendor	Amount
ASI Flexible Spending Account - Administrative Fee	10.00
Arbella Insurance Group - W/C Insurance Adjust	74.17
Comcast	340.91
Conlon Products, Inc. - #061022	181.03
Town of Danvers Electric - #201	115.21
Town of Danvers Electric - #202	161.20
Group Insurance Commission - 10/01/16-12/31/16 Est	8,410.14
Harper's Payroll Service - 2016.11.21	85.59
Harper's Payroll Service - 2016.12.09	48.34
Law Office of Michael Sacco - 2016.11	5,135.00
Matthews Cleaning & Painting - 2016.12	282.00
North of Boston Media Group - Legal Ads	750.38
Rainmaker Spring LLC - Office Water	17.00
Red Sun Press - Fall Newsletter	4,516.49
Ricoh USA, Inc. - Toner Cartridge	103.69
Ricoh USA, Inc. - Copier Lease - 2016.11	306.73
State Street Bank & Trust - Fees 07/01/16-09/30/16	17,391.14
Verizon Wireless	159.96
W.B. Mason Company, Inc. - Office Supplies	305.78
Total	38,394.76

Motion to Adjourn

Upon a motion by Susan J. Yaskell, seconded by Kevin A. Merz, the Board voted 5-0: to adjourn the meeting.


The meeting was adjourned at 11:13 a.m.


 Alan J. Benson


 Vincent R. Malgeri


 H. Joseph Maney


 Kevin A. Merz


 Susan J. Yaskell

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

September Financial Reports submitted to PERAC
October Financial Reports submitted to PERAC
Agenda Posting Checklist
BlackRock distribution notice dated December 16, 2016
December Fund Transfers
Eastern Bank Quarterly Report
Executive Director's Schedule
Levine Leichtman Fund III distribution letter dated December 5, 2016
Levine Leichtman Fund IV distribution letter dated December 5, 2016
Mass Ventures (MTDC) distribution letter dated November 16, 2016
PERAC Memo #27/2016 – Tobacco Company List
PRIM Board Salaries – State House News Service dated December 7, 2016