

ESSEX REGIONAL RETIREMENT BOARD
APRIL 24, 2017

At a regular meeting of the Essex Regional Retirement System (ERRS) held on Monday, April 24, 2017 at 491 Maple Street, Suite 201 at 8:30 a.m. the following Board members were present for all or some of the meeting: Alan J. Benson, Vincent R. Malgeri, H. Joseph Maney, Kevin A. Merz, and Susan J. Yaskell.

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

Charles Kostro, ERRS Executive Director

Pamela Lynch, ERRS Administrative Assistant

Anne Speicher, ERRS Director of Administration and Finance

Michael Sacco, ERRS General Counsel (via phone)

Gregory McNellie, Dahab Associates

Seth Lynn, Dahab Associates

Gregory Federspiel, Town Administrator, Town of Manchester

Board Chair Joseph Maney called the meeting to order at 8:31 a.m. The Board said the pledge of allegiance.

Approval of Board Minutes

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0; To approve the minutes of the regular and executive session of March 27, 2017.

Public Comment Period

There was no public comment.

New Enrollments

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; That the following named employees be enrolled in the Essex Regional Retirement System, a list of twenty-three names beginning with Rebecca J. Boudreau and ending with David M. Thibault.

<u>Name</u>	<u>Unit Name</u>	<u>Department</u>	<u>Hire Date</u>	<u>Group</u>
Boudreau, Rebecca J.	Topsfield	Library	03/09/2017	1
Cashell, John M.	Georgetown	Planning/Zoning	02/13/2017	1
Conte, Marielle T.	North Andover	Treasurer/Collector/Staff	03/27/2017	1
Dick, Jennifer L.	Pentucket RSD	School	11/15/2016	1
Doto, Alessandro E.	Lynnfield	Police	03/13/2017	4
Feener, Mary Ellen, L.	Hamilton	Planning/Zoning	03/06/2017	1
Finnegan, Katelyn E.	Georgetown	Finance	02/27/2017	1
Fraser, Michael G.	Lynnfield	Council on Aging	03/20/2017	1
Gill, Ann D.	Georgetown	Treasurer Collector/Staff	01/30/2017	1

Hernandez, Brenda L.	Boxford	School	03/13/2017	1
Holak, Christopher T.	Wenham	Town Accountant/Staff	03/13/2017	1
Juliano, Erica A.	North Andover	School	09/01/2016	1
Kiesel, Mark A.	Merrimac HA	Housing Auth. Staff	03/20/2017	1
Klueber, Kirsten M.	Georgetown	Council on Aging	02/27/2017	1
Knight, Ryan R.	Boxford	Police	01/30/2017	4
Koscielecki, Kim E.	Nahant	Treasurer Collector/Staff	03/27/2017	1
Raimo, Omni P.	Hamilton-Wenham RSD	School	03/14/2017	1
Rubino, Benjamin S.	Georgetown	School	02/06/2017	1
Saunders, Ronald N.	Groveland	Electric/Light	03/31/2017	4
Stanford, James B.	North Andover	DPW	03/20/2017	1
Stornaiuolo, Joanne K.	Lynnfield	School	02/06/2017	1
Taylor, Melander J.	Ipswich	School	03/16/2017	1
Thibault, David M.	Middleton	Fire	01/18/2017	4

New Retirements

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; That the following five members of the Essex Regional Retirement System be awarded superannuation retirement benefits calculated as follows:

1. Richard D. Lebel, Town of Topsfield, Police Officer, Group 4 (ADJUSTMENT)
Effective Retirement Date: September 8, 2016
Monthly Retirement Allowance: \$5,203.77
Annual Retirement Allowance: \$62,445.24
2. William Lynch, Sr., Town of North Andover, Police Officer, Group 4
Effective Retirement Date: February 25, 2017
Monthly Retirement Allowance: \$4,631.36
Annual Retirement Allowance: \$55,576.32
3. Jeanne M. McClung, Town of Rowley, Communications Dispatcher, Group 1
Effective Retirement Date: March 1, 2017
Monthly Retirement Allowance: \$1,184.67
Annual Retirement Allowance: \$14,216.04
4. Sheila J. Parisien, Manchester-Essex Regional School District, Foodservice Director,
Group 1
Effective Retirement Date: April 1, 2017
Monthly Retirement Allowance: \$4,385.87
Annual Retirement Allowance: \$52,630.44
5. Debra A. Rillahan, Town of North Andover, Public Health Nurse, Group 1
Effective Retirement Date: February 21, 2017
Monthly Retirement Allowance: \$1,523.73

Annual Retirement Allowance: \$18,284.76

Creditable Service Awards

Upon a motion by Susan J. Yaskell, seconded by Alan J. Benson, the Board voted 5-0; That the retirement system staff has verified that the required payments having been received, that the following two members of the Essex Regional Retirement System be awarded creditable service as follows:

1. Richard W. Dellaria shall be awarded one year and nine months of creditable service for the purchase of reserve police officer service from March 15, 2010 to December 14, 2011 and ten months of prior non-membership service from April 2008 to June 21, 2009 with the Town of Salisbury.
2. Anthony J. King shall be awarded five years of creditable service for the purchase of reserve police officer service from January 29, 1992 to September 27, 1994 with the Town of Georgetown and from September 28, 1994 to January 28, 1997 with the Town of Salisbury, and one month of creditable service for prior non-membership service from May 1991 to October 1991 with the Town of Salisbury.

Acceptance of Liability

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; That the Board accepts liability for past service rendered by the following individual as described below:

1. Sean R. Fitzgerald as requested by the Swampscott Retirement Board and upon proper repayment, for four years and five months of prior refunded service rendered from January 17, 1995 to June 30, 1999, as the Administrative Liaison for the Essex County Advisory Board.

Refund Warrant

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the warrant for April 2017, to refund, rollover and transfer the total accumulated deductions for thirteen members beginning with Eric J. Beaulieu and ending with Jennifer A. Yarid, in the total net amount of \$158,166.45.

Name	Type	Board or Institution
Beaulieu, Eric J.	Transfer	Reading Retirement Board
Deguio, Keith D.	Transfer	State Retirement Board
Eramo, Rachael A.	Transfer	Mass Teachers Retirement System
Fox, Jeffrey E.	Transfer	Marblehead Retirement Board

Hanscom, Colleen B.	Rollover	Fidelity Investments
Kreyling, Jacob D.	Transfer	Beverly Retirement Board
Merrill, Erin L.	Withdrawal	
O'Neil, Dawn M.	Rollover	Voya Retirement Insurance
Pantano, Arnie J.	Transfer	Mass Teachers Retirement System
Tang, Wai Cheong	Withdrawal	
Tetrault, Micaela R.	Transfer	Mass Teachers Retirement System
Turner, Justin P.	Transfer	Mass Teachers Retirement System
Yarid, Jennifer A.	Transfer	Middlesex County Retirement Board

March 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 March in the actual amount of \$3,605,011.46.

April Retirees Payroll

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the retirement allowances for the month of April in the estimated amount of \$3,600,000.00.

ERRS Payroll

Upon a motion by Kevin A. Merz, seconded by Susan J. Yaskell, the Board voted 5-0; To approve the payment of the ERRS employee payroll for March 31, 2017, in the amount of \$20,599.06, and for April 14, 2017 in the amount of \$18,724.04.

Cash Disbursement Warrant CD2017.04

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2017.04 for April 2017 as presented in the total amount of \$23,943.83.

Vendor	Amount
ASI Flex - Admin Fees - 2017.03	10.00
Comcast	354.68
Dahab Associates, Inc.	7,500.00
Town of Danvers Electric - #201	108.38
Town of Danvers Electric - #202	168.03
Group Insurance Commission - Dental - 2nd Quarter FY2017	1,110.60
H.C.O.P.T. Monthly Condo Fee	1,482.00

Harpers Payroll Service	48.54
Harpers Payroll Service	85.79
Law Office of Michael Sacco	9,509.50
MMA - Board Secretary Posting	175.00
North of Boston Media Group - RFP Legal Ads	700.35
Rainmaker Spring LLC - Office Water	17.00
Red Sun Press - Window Envelopes	625.00
Retrieve Monthly Bill	287.71
Ricoh USA, Inc. - Print Cartridge	76.90
S.J. Services, Inc. - Monthly Office Cleaning Bill	225.00
Stone Consulting, Inc. - Out of Scope Work	950.00
Verizon Wireless	159.96
W.B. Mason Company, Inc. - Office Supplies	349.39
Total	23,943.83

Cash Disbursement Warrant CD2017.04a

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2017.04a for 3(8)(c) payments for 2016 as presented in the total amount of \$804,229.81.

Vendor	Amount
Amesbury Retirement Board	96,790.72
Andover Retirement Board	37,081.45
Arlington Retirement Board	10,585.15
Barnstable County Retirement Board	82,101.82
Beverly Retirement Board	27,339.73
Boston Retirement Board	10,306.14
Bristol County Retirement	1,053.21
Brookline Retirement Board	2,319.82
Cambridge Retirement Board	3,787.78
Chicopee Retirement Board	655.16
Danvers Retirement Board	

	45,299.99
Everett Retirement Board	26,585.72
Framingham Retirement Board	1,583.46
Gloucester Retirement Board	19,162.21
Lawrence Retirement Board	19,805.93
Lowell Retirement Board	12,251.84
Lynn Retirement Board	18,344.71
MA Turnpike Authority	2,268.86
Malden Retirement System	3,658.22
Marblehead Retirement Board	12,056.70
Marlborough Retirement Board	4,196.98
Massachusetts Housing Retirement System	1,467.30
MassPort Retirement System	6,901.99
Melrose Retirement Board	5,498.52
Methuen Retirement Board	34,638.24
Middlesex County Retirement System	92,824.55
Natick Retirement Board	8,554.49
Newburyport Retirement Board	33,230.74
Norfolk County Retirement Board	5,784.81
Peabody Retirement Board	66,835.86
Plymouth County Retirement Board	2,164.08
Reading Retirement Board	21,847.63
Salem Retirement System	26,851.37

Saugus Retirement Board	813.01
Somerville Retirement Board	8,067.76
Springfield Retirement System	123.74
Stoneham Retirement Board	3,482.10
Swampscott Retirement System	22,026.27
Wakefield Retirement Board	2,050.27
Winchester Retirement Board	1,439.69
Winthrop Retirement Board	2,389.63
Woburn Retirement Board	8,570.07
Worcester Regional Retirement System	11,432.09

Total 804,229.81

Cash Disbursement Warrant CD2017.04b

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0;
To approve the Cash Disbursement Warrant CD2017.04b for wire transfers for April 2017 as presented in the total amount of \$3,000,000.00.

Date	Vendor	Amount
4/25/2017	PRIM - Transfer to Eastern Bank	3,000,000.00
	Total	3,000,000.00

Annual Statement

Anne Speicher, the ERRS Director of Administration and Finance, provided an overview of the 2016 Annual Statement of Financial Condition. Mr. Benson asked about the increase in management fees. Ms. Speicher and Mr. Kostro reviewed the changes in the investment fees and advised that these fees are based on the amount of assets, which have increased from \$371 million in 2014 to \$400 million in 2016. Mr. Merz asked about the transfer item in the Annual Statement, which Ms. Speicher reviewed. Mr. Kostro noted that in the six years prior to Ms. Speicher's arrival at ERRS the retirement system never filed the Annual Statement by the required deadline. He stated that in the five years since she has arrived, ERRS has always filed the Annual Statement before the required deadline. Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the

Board voted 5-0: To approve the 2016 Annual Statement of Financial Condition as presented.

Mr. Benson asked about the management letter submitted by PERAC as part of their audit and what is being done to address the issue of employee withholdings as noted in the letter. Ms. Speicher stated that there is a training session scheduled for May 24, 2017 with the unit payroll coordinators to further train them on the requirements of retirement withholdings. She advised that a chart will be provided to guide the payroll coordinators in setting up the deductions in their payroll system. Discussion ensued regarding the manner in which employees of the units often receive a variety of pay and work across multiple units. The Board thanked Ms. Speicher for her presentation and the information she provided. Ms. Speicher left the meeting.

Executive Director's Employment Agreement

Mr. Maney noted that the approved draft agreement was submitted to Murphy, Hesse Toomey and Lehane some months back for final review but he has not heard back. He noted that he will continue to follow up with legal counsel to get a response. Based on his initial conversations with counsel, no issues were identified but there were a few questions. Discussion ensued about the agreement with Murphy, Hesse, Toomey and Lehane and when it expires.

Annual Appropriations Corrections

Mr. Kostro discussed the manner in which the staff handles errors on the annual salary survey or situations involving the payment of back wages. He noted that oversights, errors, CBA settlements, or payment of back wages don't typically have a great effect on the overall appropriation, but could have a disproportionate affect an individual unit. The Board requested that the Executive Director seek guidance from PERAC on how to handle these types of situations.

Asset Mix Allocation Study

Greg McNellie and Seth Lynn from Dahab Associates presented their study of the asset mix of the retirement system. Mr. McNellie reviewed the presentation and outlined the performance of ERRS investments over several periods. He noted that this presentation was for the purpose of raising questions and discussing options. No action from the Board was anticipated at that this meeting. Mr. McNellie noted the things that the PRIT Fund does well and noted that the PRIT Fund tends to follow the "endowment model" which is designed to limit volatility. Mr. Lynn reviewed the assumptions that went into the charts contained in the report. Mr. McNellie provided scenarios in which the investment strategy would take advantage of what PRIT does well and look to maximize returns with other strategies. Discussion focused on the strategy of investing in hedge funds and whether that was consistent with the investment goals of ERRS. Mr. McNellie reviewed the options available in mid- and small cap funds, which are options that are not

available to a large investment fund such as PRIT. Mr. McNellie also reviewed options using the sleeves and keeping 100% of the investments in the PRIT Fund.

The Board took a break at 9:43 a.m.

The Board returned to open session at 9:47 a.m.

Gregory Federspiel, Town Administrator, Manchester-by-the-Sea

ERRS Counsel, Michael Sacco, joined the meeting via telephone. Mr. Federspiel addressed the Board regarding a request by the Town of Manchester-by-the-Sea, submitted through their Town Counsel, that the Board reconsider its vote denying the application for an accidental disability submitted by Stephen Meola, a police officer in the town. The Board discussed with Mr. Federspiel the information that was requested by the Board and the lack of response from the Town. Mr. Kostro noted the items requested by the Board and it was his understanding that while the Board did not receive what it requested, that the Town submitted to the Board all of the information that it had.

Executive Session

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 move to executive session to discuss strategy with respect to litigation in the matters of Debra Webster and Stephen Meola, as an open meeting may have a detrimental effect on the litigating position of the retirement system.

Mr. Maney advised that the Board will be returning to open session upon the conclusion of the executive session.

The Board moved into executive session at 9:58 a.m.

The Board returned to open session at 10:30 a.m. ERRS Counsel Michael Sacco and Mr. Federspiel left the meeting.

While in executive session, the Board voted as follows:

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri for the purposes of discussion, the Board voted by roll call: Alan J. Benson, Yes; H. Joseph Maney, No; Vincent R. Malgeri, No; Kevin A. Merz, No; and Susan J. Yaskell, Yes; To approve the request of the Town of Manchester-by-the-Sea to reconsider the Board's denial of the application for accidental disability for Stephen Meola. The motion was defeated by a vote of two in favor and three opposed.

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted by roll call: Alan J. Benson, No; H. Joseph Maney, Yes; Vincent R. Malgeri, Yes; Kevin A. Merz, Yes; and Susan J. Yaskell, No; To deny the request of the Town of Manchester-by-

the-Sea to reconsider the Board's denial of the application for accidental disability for Stephen Meola. The motion was approved by a vote of three in favor and two opposed.

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, 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 authorize ERRS Counsel to proceed as recommended in his letter dated April 19, 2017 in the matter of Debra Webster.

Policies and Procedures Booklet

Mr. Kostro presented the Board with a new Policies and Procedures Booklet which will replace the current system of establishing policies via memos. The booklet organizes the policies by subject matter rather than by memos arranged chronologically. Mr. Kostro indicated that the substance of all of the policies remained the same, although he has edited and consolidated some policies to read clearly in the new format. Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; To approve the Policies and Procedures Booklet as presented.

Status of Membership/Creditable Service & Regular Compensation Issues

Mr. Kostro reviewed a presentation to update the Board on the implementation of the "once a member, always a member" policy in light of the Supreme Judicial Court decision and the PERAC Memo #8 of 2017. He stated that while there may still be some members affected by the new membership rule that were not identified, he was confident that the majority of affected members have been identified thus far. In the upcoming weeks, members who were inactive because they fell below 20 hours per week but who remained employed, and whose wages are considered regular compensation, will be notified that they are now active members again, deductions will be taken from their pay and they will again accrue creditable service. These members will also have the option to purchase any service they lost as a result of being made inactive.

Mr. Kostro also advised that the new membership and creditable service regulations have been submitted to PERAC, which has acknowledged receipt of the submission.

Mr. Kostro then reviewed the steps taken to notify members of the new creditable service regulation. A statement was added to the annual member statements and PTG has been requested to put a similar statement on the retirement estimates.

Mr. Kostro then reviewed for the Board examples of the effect on individual members of the new regulation prorating service for those who work less than twenty hours per week. Mr. Kostro noted for the Board that the reason the staff recommended against adopting this regulation is that the fluctuations between over or under twenty hours in a member's work history are impossible to track during their employment. The audit of the member's service will be done at the time of retirement and the staff has strong concerns about this process, particularly when it has such a significant effect on a member's benefit.

Mr. Benson asked if the Board has adopted a regulation that is unique to ERRS and not used by other retirement systems. Mr. Kostro responded that he believes that the new membership regulation brings ERRS into compliance with all other retirement systems. He said that it is his view that the proration of part-time service when a member has a mix of full-time and part-time service is also a regulation that nearly every other retirement system has in place. Mr. Kostro noted that the regular compensation issue is more complex, but he felt that ERRS' interpretation of the definition of regular compensation was consistent with most other retirement systems. But he felt that the proration of service for members who work less than twenty hours per week may put ERRS in the minority of retirement systems statewide. Discussion ensued regarding how this regulation would be implemented and how it would affect members. The Board requested that the Executive Director review the supplemental regulations of other retirement systems and report back on how many have a regulation which prorates service when a member falls below twenty hours per week.

TA Realty Amended 2016 Disclosure

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; To acknowledge receipt of the amended 2016 Annual Disclosure Statement filed by TA Realty.

MACRS Travel Approvals

Mr. Benson discussed reimbursement for only the group rate if he does not stay at one of the designated hotels. The Board said they did not see an issue with his request. Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 5-0; To approve overnight travel for the following individuals to the 2017 spring MACRS Conference to be held from June 4 through 7, 2017:

Joseph Maney, Board Member
Vincent Malgeri, Board Member
Alan Benson, Board Member
Susan Yaskell, Board Member
Kevin Merz, Board Member
Charles Kostro, Executive Director

Database Software Award

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; To authorize the Executive Director to enter into an agreement with Pension Technology Group for the provision of Database Software Services for five years and in the amount of \$163,750.

Revised Board Secretary Posting

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0: To approve the posting for a Board Secretary as presented with a stipend of \$200 per meeting.

Asset Allocation Continued

The Board discussed further the asset allocation presentation and the options available to the Board. A follow up discussion on this issue will be scheduled when representatives from PRIT are before the Board at the June meeting.

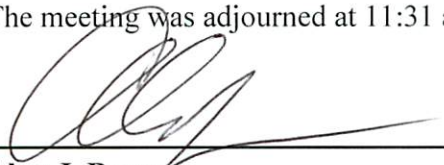
Advisory Council Meeting Summary

Mr. Merz provided the Board with a summary of the Advisory Council meeting held on April 6th. He noted the approval of the increase in the COLA base. Board members who attended the Advisory Council meeting commented on the excellent presentation made by Advisory Council member Ellen Guerin from Boxford, even though it was in opposition to the COLA Base increase and did not prevail. Mr. Merz also reviewed the discussion regarding how to provide more comprehensive retirement planning information to our members. He reviewed the suggestions made by Advisory Council members to add financial consulting services. Mr. Merz advised the Board that the roundtable discussion at the Advisory Council meeting, which is a new feature, seemed to work well.

Motion to Adjourn

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To adjourn the meeting

The meeting was adjourned at 11:31 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:

Agenda Posting Checklist
BlackRock Distribution Letter dated April 18, 2017
Cash Flow 2017 Q1 Report
Executive Director's Schedule for April and May
HIQ Flier
Levine Leichtman Fund IV Distribution Letter dated March 31, 2017
Monthly Bank Reconciliation Report
Monthly Fund Transfers
PERAC Approval of COLA Base Increase
PERAC Memo 17/2017 – Mandatory Board Member Training
PERAC Reminder on SFI's
TA Realty Fund IX Distribution Letter dated April 3, 2017