

**ESSEX REGIONAL RETIREMENT BOARD**  
**APRIL 30, 2018**

At the regular meeting of the Essex Regional Retirement System (ERRS) held on Monday, April 30, 2018, at 491 Maple Street, Suite 201 at 9:00 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

Michael Sacco, ERRS Counsel

Kathy Riley, Segal Company

Joseph Bourgeois, ERRS Member

Dan Napolitano, Attorney for Mr. Bourgeois

Paul Bonnell, ERRS Member

John Perrone, Attorney for Mr. Bonnell

Board Chair H. Joseph Maney called the meeting to order at 9:04 a.m. The Board said the pledge of allegiance.

**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 March 26, 2018.

**Public Comment Period**

There were no public comments.

**2018 Valuation Study**

Kathy Riley of Segal Company reviewed the presentation that was provided to the Advisory Council on April 25, 2018 concerning the 2018 valuation study. She reviewed the economic and demographic assumptions that go into the study. Ms. Riley reviewed the factors that support an investment rate of return assumption of 7.5%. Mr. Benson entered the meeting. It is Segal Company's recommendation that ERRS adopt a 7.5% rate of return assumption, down from the current assumption of 7.75%. Segal Company also recommends a 3.75% salary increase assumption for the valuation study. Ms. Riley noted that the data shows that employee salaries over the last two years ending as of December 31, 2017 increased by 6.5%, so that a 3.75% annual increase is in line with the data. In the future, she recommended that the Board consider separate salary increase assumptions for different groups. Ms. Riley then reviewed the demographic assumptions. She recommended that the current mortality assumptions be continued in the current valuation. Ms. Riley also recommend that the turnover, retirement and disability rates also remain the

same as in the prior valuation. She noted that calculation of the value of a deferred retirement benefit for inactive members, which was not done in the prior valuation, added approximately \$7.8 million to the liability. Ms. Riley presented two funding schedule options for the Board's consideration. Funding schedule 1 used an ultimate salary scale assumption of 3.75%, verse 3.5% in schedule 2. Funding schedule number 1 was adjusted to use 7.41% increases through 2023 with 5.38% in 2024 and approximately 3.75% thereafter. Funding schedule 2 has 7.41% increases to 2022 with 4.78% in 2023 and approximately 3.75% thereafter. Both funding schedules maintain the full funding date of 2035. Upon a motion by Mr. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; That the Board adopt funding schedule 1 as amended with an ultimate salary scale of 3.75%, appropriation increase of 7.41% for four years, with a 5.38% increase for one year, and approximately 3.75% annual increases thereafter, with an assumed rate of return of 7.5%. Ms. Riley added that this motion includes the underlying assumption changes in the presentation. Ms. Riley said they will put together the GASB 67 & 68 report first and get that to the auditors and then get to the valuation study.

### **New Enrollments**

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0; That the following named employees be enrolled in the Essex Regional Retirement System, a list of thirteen names beginning with Diane M. Appolloni and ending with David J. Vangelist.

<b><u>Name</u></b>	<b><u>Unit Name</u></b>	<b><u>Department</u></b>	<b><u>Date</u></b>	<b><u>Group</u></b>
Appolloni, Diane M.	Triton RSD	School	04/09/2018	1
Barron, Samantha M.	North Andover	School	02/26/2018	1
Dam, Charles J.	Manchester	DPW	04/02/2018	1
Fitzgerald, Jill P.	North Andover	School	03/05/2018	1
Harding, Katara M.	Pentucket RSD	School	04/27/2018	1
Ladd, Frederick A.	North Andover	Assessors & Staff	04/09/2018	1
Perkins, Timothy W.	Ipswich	Police	03/19/2018	4
Poirier, Danielle V.	Ipswich	School	02/26/2018	1
Reilly, Schyler J.	Salisbury	Civil Pub Safety Disp.	04/01/2018	1
Rizza, Diane M.	Topsfield	Inspectional Services	03/29/2018	1
Sleeman, Morgan N.	North Andover	School	02/12/2018	1
Thorne, Pamela B.	Essex	Town Clerk & Staff	03/19/2018	1
Vangelist, David J.	Essex	Police	02/26/2018	4

### **New Retirements**

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

1. Cynthia E. Chard, Triton Regional School District, Cafeteria Worker, Group 1  
Effective Retirement Date: March 9, 2018

- |                               |            |
|-------------------------------|------------|
| Monthly Retirement Allowance: | \$666.33   |
| Annual Retirement Allowance:  | \$7,995.96 |
2. Nancy L. Smith, North Andover School Department, Paraprofessional, Group 1  
 Effective Retirement Date: March 2, 2018  
 Monthly Retirement Allowance: \$405.13  
 Annual Retirement Allowance: \$4,861.56
  3. Dennis Sullivan, Town of Georgetown, Patrolman, Group 4  
 Effective Retirement Date: March 18, 2018  
 Monthly Retirement Allowance: \$4,551.77  
 Annual Retirement Allowance: \$54,621.24
  4. Scott Waiswilo, Town of Ipswich, Lineman, Group 4  
 Effective Retirement Date: March 15, 2018  
 Monthly Retirement Allowance: \$5,408.70  
 Annual Retirement Allowance: \$64,904.40

#### **New Retirements – Disability Application**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 4-0, (Mr. Benson abstained); That the following member of the Essex Regional Retirement System be awarded a disability retirement benefit calculated as follows:

1. Bryce C. Mutchler, Town of Boxford, Heavy Equipment Operator, Group 1  
 Effective Retirement Date: January 14, 2017  
 Monthly Retirement Allowance: \$2,992.33  
 Annual Retirement Allowance: \$35,907.96

#### **Section 101 Benefit – Patricia Laskowski**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve a survivor benefit for Mary Delamater surviving spouse of William Delamater, Town of Lynnfield, Police Officer, Group 4 pursuant to Massachusetts General Law Chapter 32 §101 as follows:

Effective Date of Allowance:	March 20, 2018
Monthly Retirement Allowance:	\$1,000.00
Annual Retirement Allowance:	\$12,000.00

#### **Creditable Service Awards**

Upon a motion by Susan J. Yaskell, seconded by Kevin A. Merz, the Board voted 5-0; That the retirement system staff has verified that the required payments having been received,

that the following members of the Essex Regional Retirement System be awarded creditable service as follows:

1. Deborah J. Bonin shall be awarded four years of creditable service for the purchase of her military service rendered from May 1977 to June 1984 with the United States Navy.
2. William A. Hodge shall be awarded four years of creditable service for the purchase of his military service rendered from October 1965 to January 1970 with the United States Army.
3. Abdullah S. Husson shall be awarded four months of creditable service for the purchase of prior non-membership service rendered from January 11, 2016 to June 30, 2017 with the Pentucket Regional School District.
4. Brian J. Kelley shall be awarded two years and three months of creditable service for the purchase of reserve police service rendered from April 28, 1998 to July 30, 2000 with the Town of Middleton.
5. Richard F. Nash shall be awarded eight years and nine months of creditable service for the purchase of prior call firefighter service rendered from January 1, 2002 to December 31, 2006 and for membership service rendered from June of 2013 to March 26, 2017 with the Town of Middleton.
6. Eugene W. Spelta shall be awarded three years and seven months of creditable service for the purchase of his prior reserve police service rendered from August 17, 1995 to April 1, 1999 with the Town of Nahant.
7. Jonathan W. Walsh shall be awarded five years of creditable service at no cost for the period of February 8, 2006 to February 7, 2011 when he was on the list and eligible to serve as a call firefighter for the Town of Ipswich.

#### **Refund Warrant – April 2018**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the refund warrant for April 2018, to refund, rollover and transfer the total accumulated deductions for seventeen members beginning with Kelly A. Bradley and ending with Karyn M. Williams, in the total net amount of \$119,816.27.

<b>Name</b>	<b>Type</b>	<b>Board or Institution</b>
Bradley, Kelly A.	Transfer	Massachusetts Teachers Retirement System
D'Antonio, David	Rollover	Institution for Savings
Deguio, Keith D.	Transfer	State Retirement Board

Dunn, Jane E.	Rollover	Eastern Bank
Gonyea, Samantha Y.	Transfer	State Retirement Board
Hillis, Nicole M.	Transfer	Massachusetts Teachers Retirement System
Hogan, John F.	Withdrawal	
Hunt, Catherine	Withdrawal	
Lafferty, Andrew M.	Transfer	Middlesex County Retirement Board
Nash, Richard F.	Withdrawal	
Nash, Richard F.	Withdrawal	
Naugler, Sherry L.	Withdrawal	
Peoples, Paul C.	Transfer	Reading Retirement Board
Plumb, Jonathan E.	Withdrawal	
Robinson, Jillian M.	Transfer	Marblehead Retirement Board
Socci, Maria E.	Transfer	Middlesex County Retirement Board
Stewart, Russell	Withdrawal	
Williams, Karyn M.	Rollover	Louise Mills Federal Credit

### **March Retirees Payroll**

Upon a motion by Kevin A. Merz, 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 \$3,727,318.84.

### **April Retirees Payroll**

Upon a motion by Kevin A. Merz, seconded by Susan J. Yaskell, the Board voted 5-0; To approve the retirement allowances for the month of April in the actual amount of \$3,717,382.25.

### **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 payrolls for March 30, 2018, in the amount of \$22,948.10, for April 13, 2018 in the amount of \$15,376.15, and for April 30, 2018 in the amount of \$18,078.22.

### **Cash Disbursement Warrant CD2018.04**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2018.04 for April 2018 as presented in the total amount of \$65,582.76.

<b>Vendor</b>	<b>Amount</b>
Access Records Storage - Monthly Storage Fee	351.04
ASI Flex - Administrative Fee	10.00
Comcast - Monthly Bill	357.84
Town of Danvers - Electric - Suite 201	100.16
Town of Danvers - Electric - Suite 202	124.85
Group Insurance Commission - Health - 01/01/2018 - 03/31/2018	10,028.97
Harpers Payroll Service - 03/27/2018	86.35
Harpers Payroll Service - 04/10/2018	43.40
H.C.O.P.T. - Condo Fee	1,478.00
HIQ Computers - #117652	1,316.00
HIQ Computers - #117832	72.00
HIQ Computers - #117857	880.00
Kostro, Charles - PRIM MACRS Advisory Committee Meeting Travel	69.74
Law Office of Michael Sacco - Monthly Bill	7,720.00
Masterson, Traci - PTG Training	86.78
NEO Funds - Postage	2,000.00
Newburyport Retirement Board - 2017 - 3(8)(c) Charge	39,616.16
Ricoh USA, Inc. - Monthly Bill	288.69
Ricoh USA, Inc. - Ink	140.00
S.J. Services, Inc. - Office Cleaning - Monthly Bill	233.33
W.B. Mason Company, Inc. - Office Supplies	579.45
<b>Total</b>	<b>65,582.76</b>

### **2017 Administrative Budget – Final Line-Item Transfers**

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To transfer \$13,799.00 from the Reserve Fund in the 2017 Administrative Budget to the following line-items:

\$454.00 to the line-item entitled Storage Facility;  
 \$2,500.00 to the line-item entitled Web Hosting;  
 \$25.00 to the line-item entitled Monthly Condominium Fee;  
 \$1,265.00 to the line-item entitled IT Consulting Services;  
 \$9,505.00 to the line-item entitled Health, Life & Dental Insurance.

### **Director of Finance Hiring**

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 5-0; To appoint Scott L. Provensal to the position of Director of Finance effective as of May 7, 2018 at a biweekly rate of \$3,230.77, or \$84,000.00 annually.

### **Retirement Counselor Posting Authorization**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the posting of the position description for a Retirement Counselor as presented with a starting annual salary of \$68,000.

### **MACRS Spring 2018 Conference Travel Approvals**

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To approve overnight travel to the 2018 Spring Conference of the Massachusetts Association of Contributory Retirement Systems to be held from Sunday, June 3, 2018 to Wednesday, June 6, 2018, for following Board Members:

Vincent R. Malgeri  
Susan J. Yaskell  
Allan J. Benson

### **Property Fraud Watch Information**

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the distribution of Property Fraud Watch information as provided by the Southern Essex Registry of Deeds through the Office of the Secretary of State, provided, however, that any such information does not contain the name of an elected official.

### **Disposal of Laptop Computers**

Mr. Benson questioned the legality of disposing of the laptops without first declaring them surplus. Mr. Kostro noted that the Board only needed to declare an item surplus first if it intended to place it up for sale. He said that you do not want to sell used laptops as you do not know what data may still be on them. Mr. Kostro indicated that these two laptops are so old that they are not used any longer and that he believes his determination and this vote of the Board complies with the surplus property policy. Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 5-0; To authorize HIQ Computers to dispose of two HP Laptop Computers in an appropriate and secure manner.

### **Vernava Decision**

ERRS Counsel Michael Sacco presented to the Board the differing interpretations on how to implement the recent Supreme Judicial Court decision that pay received as a supplement to partial worker's compensation is not regular compensation. Mr. Sacco described the two conflicting memos issued by PERAC since the decision and what he has been telling his clients. Discussion ensued regarding the SJC decision, PERAC's response and what other retirement boards are doing. Mr. Sacco suggested that the only members who could be aggrieved by this decision and his position on implementation are members who retire for superannuation and who are seeking additional creditable service. He reviewed the analysis of the re-calculation of accidental disability benefits conducted by PERAC. He

said this analysis showed that some members will gain a benefit, some members will have it be a wash, and some members may lose some of their benefit. He said that he felt that PERAC's initial view was that all members retired under an ADR who received supplemental pay would have had their benefit reduced. Mr. Benson asked what ERRS is doing right now if a member is out for two years on workers compensation, do they get creditable service. Mr. Sacco explained the difference between total and partial workers compensation to Mr. Benson. Mr. Malgeri said he was interested in Mr. Kostro's opinion as the nightmare of implementing this will fall on him and the staff. Mr. Kostro said, no, it will fall on the Board as the complaints will come to them so the Board needs to vote on a direction with which it is comfortable. Mr. Kostro stated that he agrees with Mr. Sacco's position. He further said that he believes that going forward deductions should not be taken from this pay because he feels this is what the SJC decision states. But he also said that looking backwards to discern when and if deductions were taken from supplemental pay was, in his opinion, nearly impossible. Mr. Malgeri suggested taking the advice of Counsel to not take deductions and then take the advice of PERAC and not look back unless a member self-identifies as PERAC suggests. Mr. Sacco noted that the correction of errors language in the statute does say "as far as practicable." He said that for superannuation retirees if it is not practicable to go back and find all of the individuals affected by this decision then the Board does not need to do it. Mr. Sacco said he was more concerned about members who retired under an accidental disability. He suggested that a first look at those members may be an option. He further noted that you have to look at both the date of retirement issue and the rate of pay at the time of retirement. If the rate of pay is lower, the member may owe the retirement board money. He further noted that the Board has the option to waive any debt owed to the Board. Mr. Malgeri asked about next steps.

The Board took a break at 10:30 a.m.

The Board returned to open session at 10:38 a.m.

### **Vernava Decision – Continued**

Mr. Sacco stated that given the situation with the Vernava decision it would be wise for the Board to take a vote and provide direction on how it wants it to implement this decision. He said if the Board takes no action, the current state is that we have already instructed the units to stop taking deductions. The question is what should be done about ADR recipients. Mr. Malgeri noted that he would vote against PERAC's advice on implementing this decision. He said that he would oppose telling the units to take deductions after telling them not to and that the Board should take Counsel's advice. Discussion ensued about taking no action. No vote was taken.

### **Executive Session**

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted by roll call as follows: Mr. Benson, Yes; Mr. Maney, Yes; Mr. Malgeri, Yes; Mr. Merz, Yes; Ms. Yaskell, Yes; To move to executive session to act on the disability applications of Paul



Bonnell and Joseph Bourgeois and to remain in executive session to discuss strategy with respect to litigation in the matter of Stephan Taschner.

The Board entered executive session at 10:38 a.m.

The Board returned from executive session at 11:30 a.m.

While in executive session, the Board voted as follows:

Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted by roll call as follows: Mr. Benson, Yes; Mr. Maney, Yes; Mr. Malgeri, Yes; Mr. Merz, Yes; Ms. Yaskell, Yes; To approve the disability application of Paul Bonnell.

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted by roll call as follows: Mr. Benson, Yes; Mr. Maney, Yes; Mr. Malgeri, Yes; Mr. Merz, Yes; Ms. Yaskell, Yes; That upon receipt of all appropriate medical records to request PERAC to schedule a joint regional medical panel for Joseph Bourgeois and that Counsel be authorized to submit such questions that he may deem necessary and to record this vote in the open session minutes.

The Board returned to open session at 11:30 a.m.

### **Annual Statement**

Mr. Kostro advised that the Board did not discuss the Annual Statement, which is an item on the agenda. Upon a motion Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0 to approve the 2017 Annual Statement of Financial Condition.

### **New Business – Defining Full-Time**

Ms. Yaskell asked if anyone had discussed Groveland's concern that thirty-two hours per week is not considered full-time. Mr. Merz commented that it does not seem fair or right that someone is working full-time for their community and their time gets prorated later when they retire. He discussed employees who work less than thirty-five hours per week in other units who later go to an employer who requires more than thirty-five hours per week and have their time prorated, which he felt was unfair. Mr. Sacco described the issue of prorating service and why retirement boards have these regulations. He said that you want to avoid a situation in which two employees start at the same time, one is working twenty-hours per week and one is working forty-hours per week. They each work twenty-nine years and then in the last three years the twenty-hour per week employee goes to forty-hours. They will retire with the same benefit even though one employee contributed only half of what the other employee contributed. Discussion ensued about lowering the number of hours defining full-time to thirty-hours per week. Mr. Benson noted that Boxford Town Hall employees work thirty-four hours per week. Mr. Merz stated that this is an issue that should be looked at and fixed. Discussion ensued further about examples of prorating service when someone works less than thirty-five hours and then later go to more than

thirty-five hours and what communities will be affected. Mr. Benson stated that Boxford employees work four days, Monday through Thursday. Mr. Benson asked Mr. Kostro about the staff's thoughts on prorating service. Mr. Kostro said that the Board makes policy, so whatever policy the Board makes, the staff will carry it out. Ms. Yaskell stated that she thinks it is fair to lower it to at least thirty-two hours. Mr. Benson said that a decision should not be made today and the Board can take it up next month. He said it would be helpful if Mr. Kostro could provide his thoughts and some information on this issue for the Board's consideration at the next meeting.

### **Motion to Adjourn**

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

The meeting was adjourned at 11:43 a.m.

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**Alan J. Benson**

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**Vincent R. Malgeri**

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**H. Joseph Maney**

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**Kevin A. Merz**

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**Susan J. Yaskell**

The following materials were provided to the Board for items acted upon at the meeting:

- Agenda
- Board Minutes
- January 1, 2018 Assumption Review and Preliminary Valuation Results
- New Enrollment List
- New Retirement Calculations
- Disability Retirement Calculation
- Survivor Benefit Calculation
- Service Purchase Award Letters
- Monthly Warrants
- 2017 Budget Transfer Documents
- Director of Finance Documents
- Retirement Counselor Documents
- ERRS Travel Regulation
- Registry of Deeds Fraud Watch Pamphlets
- Pictures of ERRS Laptops
- Vernava Decision Documents

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
- Executive Director Ethics Disclosure - Appointment to the Beverly Retirement Board
- Executive Director's Schedule
- Hathorne Condominium Board Minutes
- Intercontinental (Final) Distribution Notice dated April 4, 2018
- Levine Leichtman Fund III - Annual Report
- Levine Leichtman Fund IV - Annual Report
- Levine Leichtman Fund IV - Distribution Letter dated March 30, 2018
- MACRS Fiduciary Policy Enhancements
- Monthly Bank Reconciliation - March 2018
- PERAC Memo 16.2018 - Mandatory Board Member Training - 2nd Quarter 2018
- PERAC Notice of ERRS COLA Vote
- PRIT Fund - GASB 67 & 68 Report Compliance Information
- PRIT Fund Monthly Report.032018
- Updated Vendor Contract List