

ESSEX REGIONAL RETIREMENT BOARD

December 17, 2018

At the regular meeting of the Essex Regional Retirement System (ERRS) held on Monday, December 17, 2018, 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

David Ford, Retired Member of ERRS

James Harris, Retired Member of ERRS

Board Chair H. Joseph Maney called the meeting to order at 8:32 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 the meeting of November 26, 2018.

Public Comment Period

There were no public comments.

MGL C.32, §91A Hearing – David Ford

Mr. Ford spoke to the Board regarding the issues surrounding his over-earnings in 2017. He indicated that he is agreeable to a one-year installment repayment plan, similar to what he has done in the past. Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted 5-0; To approve an installment payment plan for David A. Ford for the repayment of his 2017 over-earnings beginning in January of 2019 at a rate of \$704.54 per month for eleven months, with a payment of \$704.56 in month twelve.

MGL C.32, §91A Hearing Continued – James Harris

Mr. Harris spoke to the Board indicating that he still feels he was mis-advised by the retirement system at the time he retired that he was not subject to over-earnings limitations. Mr. Benson advised him that the retirement system contacted the Town of Topsfield which provided information correcting the salary used to calculate his over-earnings. Mr. Benson noted that this lowered the amount he owes. Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; To approve an installment payment plan for James Harris for the repayment of his 2017 over-earnings beginning in January of 2019 at a rate of \$253.91 per month for fifty-nine months, with a payment of \$253.62 in month sixty.

New Retirements

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

1. Robert P. Arakelian, Road Commissioner, Town of Groveland, Group 1
Effective Retirement Date: November 8, 2018
Monthly Retirement Allowance: \$3,443.82
Annual Retirement Allowance: \$41,325.84
2. Thomas E. Budrow, Building Maintenance Worker, Town of Rockport, Group 1
Effective Retirement Date: October 31, 2018
Monthly Retirement Allowance: \$1,555.68
Annual Retirement Allowance: \$18,668.16
3. James O. Burnham, Maintenance Mechanic, Groveland Housing Authority, Group 1
Effective Retirement Date: November 16, 2018
Monthly Retirement Allowance: \$1,335.72
Annual Retirement Allowance: \$16,028.64
4. Sharon A. Hoaglund, Custodian, Triton Regional School District, Group 1
Effective Retirement Date: October 26, 2018
Monthly Retirement Allowance: \$2,483.12
Annual Retirement Allowance: \$29,797.44
5. Patricia E. Rogers, Assistant Treasurer/Collector, Town of Groveland, Group 1
Effective Retirement Date: November 19, 2018
Monthly Retirement Allowance: \$2,094.12
Annual Retirement Allowance: \$25,129.44
6. Karen L. Touma, Paraprofessional, Town of North Andover, Group 1
Effective Retirement Date: October 31, 2018
Monthly Retirement Allowance: \$1,050.90
Annual Retirement Allowance: \$12,610.80
7. Theresa C. Walsh, Cafeteria Manger, Triton Regional School District, Group 1
Effective Retirement Date: November 23, 2018
Monthly Retirement Allowance: \$693.36
Annual Retirement Allowance: \$8,320.32

Janice Boyd Survivor Benefit

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; To approve a corrected survivor benefit for Janice Boyd pursuant to MGL Chapter 32 §101 in

the amount of \$1,000.00 per month effective as of April 29, 2013, including a payment of amounts owed back to the effective date, with interest at the correction of errors rate.

Creditable Service Awards

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

1. Patrick M. McGettrick shall be awarded two years and one month of creditable service for the purchase made on November 16, 2018 of reserve police service rendered from January 13, 2015 to February 16, 2017 with the Town of Rowley.

Refund Warrant – December 2018 RT2018.1

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve refund warrant RT2018.12 for December 2018, to refund, rollover or transfer the total accumulated deductions for sixteen members beginning with Erica S. Ballard and ending with Karen L. Touma, in the total net amount of \$452,892.77.

Name	Type	Board or Institution
Ballard, Erika S.	Transfer	Reading Retirement Board
Burnham, James O.	Erroneous Deductions	
Conner, Chadwick M.	Withdrawal	
Finnigan, Victoria	Transfer	Newburyport Retirement Board
Gagnon, Gregory G.	Transfer	State Retirement Board
Kougias, Kathryn E.	Transfer	State Retirement Board
Lynch, Pamela J.	Transfer	Middlesex County Retirement Board
McLean, Shawn M.	Rollover	LPL Financial
Moulton, Karen D.	Rollover	Charles Schwab & Co., Inc.
Nitchie, Diane T.	Transfer	Massachusetts Teachers Retirement System
Prescott, Andrew J.	Withdrawal	
Primeau, Susan W.	Rollover	Eastern Bank Wealth Management
Sherry, Katherine Carroll	Rollover	LPL Financial
Singer, Roberta D.	Withdrawal	
Tibbo, Jonathan R.	Transfer	Winchester Retirement Board
Touma, Karen L.	Erroneous Deductions	

November 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 November in the actual amount of \$3,877,912.41.

December 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 November in the estimated amount of \$3,880,000.00.

ERRS Payroll

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the payment of the ERRS employee payrolls for November 23, 2018, in the amount of \$19,583.13, and for December 7, 2018 in the amount of \$16,493.03.

Cash Disbursement Warrant CD2018.11a

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2018.11a for November 2018 as presented in the total amount of \$288.69.

Date	Vendor	Amount
11/28/2018	Ricoh USA, Inc.	\$288.69
	Total	\$288.69

Cash Disbursement Warrant CD2018.11b

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2018.11b for the monthly transfer from the PRIT Fund as presented in the total amount of \$3,000,000.00.

Date	Vendor	Amount
11/28/2018	PRIM – Transfer to Eastern	\$3,000,000.00
	Total	\$3,000,000.00

Cash Disbursement Warrant CD2018.12

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2018.12 for December as presented in the total amount of \$11,030.65.

Vendor	Amount
ASI Flex - Administrative Fee	5.00
Carleton, Kathy - Mileage	12.10
CivicPlus - Website Annual Fee	2,750.04
Town of Danvers, Danvers Electric - #201 - Monthly Fee	102.95
Town of Danvers, Danvers Electric - #202 - Monthly Fee	128.34
Harpers Payroll Services - 2018.11.20	85.75
Harpers Payroll Services - 2018.12.05	68.40
Kingsbury Press - 2018 1099s	656.75
HIQ Computers #120032 - Set-Up Laptops for office hours; disable email	192.50
HIQ Computers #119787 - Monthly Replication Services	90.00
Law Office of Michael Sacco - Monthly Bill	5,593.00
Masterson, Traci - PTG Training - Supplies	39.38
Masterson, Traci - Mileage	88.29
NeoPost USA, Inc. - 01/2019 - 03/2019	591.00
Tab Products Co. LLC - Envelopes	581.35
W.B. Mason Company, Inc. - Office Supplies	45.80
Total	11,030.65

Cash Disbursement Warrant CD2018.12a

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2018.12a for capital calls in December as presented in the total amount of \$35,000.00.

Vendor	Amount
Ascent Venture Partners, Fund V, LP - Capital Call on 12/14/2018	35,000.00
Total	35,000.00

2019 Employee Salaries

Mr. Kostro reviewed the recommended salaries for 2019, noting that the 2019 employee salaries line-item actually goes down compared to 2018, and the total percentage increase of the proposed pay increases for eligible employees is 2.1%. Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve annual salaries for ERRS employees effective as of January 1, 2019 as follows:

Charles E. Kostro, Executive Director, \$147,900.00
 Scott L. Provensal, Director of Finance, \$85,680.00
 Katherine E. Carleton, Retirement Counselor, \$73,155.88
 Michael C. Nicolazzo, Retirement Counselor, \$69,360.00

Traci L. Masterson, Membership Coordinator, \$61,600.00

Longevity Payments

Upon a motion by Alan J. Benson, seconded by Susan J. Yaskell, the Board voted 5-0; To approve longevity payments for the following employees:

Charles E. Kostro, \$250.00

Scott L. Provencal, \$250.00

Katherine E. Carleton, \$250.00

Traci L. Masterson, \$250.00

Revised Position Descriptions

Mr. Kostro reviewed the process by which Board members Vincent R. Malgeri and Susan J. Yaskell joined him in reviewing the operations of retirement system and making a recommendation regarding staffing. Mr. Kostro reviewed each position description and the changes made from the current position descriptions. Mr. Kostro thank Mr. Malgeri and Ms. Yaskell for the many hours they spent assisting with this process. He said that the proposed reorganization is a good plan, but he recognizes that it is not perfect but he felt it was the best that could be done within the limitations facing the retirement system. Upon a motion by Vincent R. Malgeri, seconded by Susan J. Yaskell, the Board voted 5-0; To approve the position description for a Member Services Analyst as presented with a wage rate of \$26.50 per hour and to further approve the revised position descriptions for the Director of Finance, the Retirement Counselors and the Membership Coordinator as presented.

Final 2019 Administrative Budget

Mr. Kostro presented the final 2019 administrative budget. Mr. Kostro advised that the final budget is less than what was presented to the Advisory Council and less than what was approved for the budget in 2018. He said this is the sixth time in eight years he has presented a budget that goes down from one year to the next. Mr. Kostro noted that the reduction in the budget is primarily due to the fact that for most of the year the staff has operated short-handed saving thousands in salary costs, which translated into a significant reduction in the retirement system appropriation. He also said that the absence of a valuation study in 2019 reduced the cost of the actuarial consultant from \$40,000 to \$5,000. Mr. Kostro said that neither of these two items will be repeated in 2020 and that rising costs and demands on the retirement system staff likely make this the last administrative budget that will be reduced from one year to the next. Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0; To approve the 2019 ERRS administrative budget as presented in the total amount of \$1,058,455.

2018 Budget Transfers

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To transfer from the Reserve Fund in the 2018 administrative budget the amounts specified below to the following line-items:

To Murphy, Hesse, Toomey & Lehane the amount of \$163;
To Postage Machine Lease the amount of \$364;
To Database Software the amount of \$10,500;
To Monthly Condominium Fee the amount of \$1,806;
To Maintenance and Repair Expense the amount of \$109.

2019 Cash Flow Plan

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 5-0; To approve the 2019 cash flow plan as presented.

New Member Welcome Packets

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 5-0; To dispense with the new member welcome packets as they are costly and inefficient and all of the information contained in the packets is available on-line.

Nationwide Deferred Compensation Agreement

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 5-0; To take no action on the request by Nationwide to select a lower guaranteed minimum interest rate and to permit the default options to become effective, which will permit individuals participating in this plan to select their own investment options, and further, to authorize the Executive Director to sign the Plan Agreement Amendment pending receipt of the original agreement and a review by ERRS Counsel.

Fiscal Year 2020 Appropriation Letter

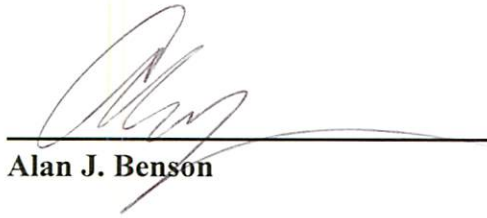
Mr. Merz requested to raise an issue that was not on the agenda. Mr. Merz discussed the assessments that were sent to the communities last week. He believes that the assessments went up more than the 7.41% in the schedule because the ERI's that were assessed to specific communities are now dropping off the funding schedule. Since the ERI's are included in the total annual increase of 7.41%, the increase to individual communities is greater than 7.41% in Fiscal Year 2020. Ms. Yaskell asked if Mr. Kostro has received complaints about this from any other community. Mr. Kostro answered that he has not heard from any other community. Discussion ensued about the process by which the ERI's were assessed historically in the funding schedule. Ms. Yaskell asked if the problem was that Powers & Sullivan didn't assess the ERI to the communities. Mr. Kostro responded that the assessment of the ERI's was not an error in the funding schedule, which was done by Segal Company, not Powers & Sullivan. Rather, it was a policy decision of the ERRS

Board to establish the funding schedule in this manner when they approved it earlier this year. Mr. Kostro explained that if the Board changes the funding schedule, which it has the option to do subject to PERAC's approval, it can lower the increase in Fiscal Year 2020 to less than 7.41% by excluding the ERI from the total appropriation. But, he noted, this will require the entire funding schedule to be changed and will likely result in another year of a 7.41% increase, or something close to it, being added to the new schedule. Mr. Merz said that he thought the increase would only have been 7.41% in Fiscal Year 2020 and that he would have voted for a different funding schedule if he had known the ERI was dropping off. He discussed the increase in Ipswich's salary survey and how that increased the town's appropriation in Fiscal Year 2020. Mr. Benson described the history of assessing the ERI to communities within the funding schedule and that he was unaware of this issue until Mr. Merz emailed him about it. He said that he did recall Segal Company mentioning something about this issue, but he did not understand that this was what they were talking about. Mr. Merz said that he wanted to ask Segal Company to redo the funding schedule to remove the ERI's from the total appropriation and increase the funding schedule increases in later years. Mr. Maney asked what the next steps would be. Ms. Yaskell said the question is if we want to make it easier on the units by spreading out the increases. Mr. Benson said that he did not think units would notice this as they will likely assume that the increase is due to an increase in their salaries. Mr. Benson indicated that the Board would not hear from Boxford on this issue because retirement and health insurance are lumped together and they get a break on health insurance increases in Fiscal Year 2020. Mr. Maney asked for a motion to adjourn. Mr. Merz indicated that he wanted to make a motion on this issue. Mr. Malgeri asked if this is something that Ipswich could work through this year. Mr. Merz said that he felt that if he was aware of this when he voted for the funding schedule, he would have requested that it be changed. Mr. Benson stated that he did not like the comment that everyone's individual increase would be capped at 7.41% as it should be based on each unit's share of total salaries. He clarified that the instructions to the actuary will be that the average increase will be 7.41%. Mr. Benson said that this would effectively be providing some relief to the units in Fiscal Year 2020 in exchange for an extra year of a bigger appropriation number. Mr. Maney noted that this is pushing increases further out in the schedule. Mr. Merz explained that a future year that is now at a 5% increase may go to 6%. Mr. Benson said, no, it may actually be higher since the retirement system will lose three years of investment earnings of the funds that would not now be paid. The Board voted but Mr. Kostro asked for clarification of the vote as it appeared that only three members voted. After some discussion, the votes of the Board were clarified. Upon a motion by Kevin A. Merz, seconded by Alan J. Benson, the Board voted 4-0 with Mr. Malgeri abstaining; To ask Segal Company to present a revised funding schedule to the Board in which the reduction in the ERI assessment in Fiscal Year 2020 and Fiscal Year 2021 is accounted for in a manner such that the average annual increase in the appropriation for each individual unit does not exceed 7.41%.

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 9:40 a.m.




Alan J. Benson



Vincent R. Malgeri

H. Joseph Maney



Kevin A. Merz



Susan J. Yaskell

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

- Agenda
- Board Minutes
- New Retirement Calculations
- Service Purchase Award Letter
- Monthly Warrants
- Position Descriptions
- 2018 Budget Report & Transfer List
- 2019 Budget
- Nationwide Deferred Compensation Plan Changes

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
- CRAB - Clement, John - Counsel Letter on Dismissal
- DALA - Bridgman, Michael – Dismissal
- DALA - Gambale, Robert – Ruling
- ERRS Counsel Letter on Bonneau Lump Sum Settlement
- ERRS Counsel Letter on Bonnell Lump Sum Settlement
- Ethics Compliance Tracking Report
- Executive Director's Schedule
- Levine Leichtman Distribution Letter dated November 30, 2018
- Levine Leichtman Fund IV - Distribution Letter dated November 20, 2018
- Monthly Bank Reconciliation – August
- PERAC Letter on PPAG
- PERAC Memo #33.2018 - O'Leary
- PERAC Pension News - November 2018
- PRIT Fund Monthly Report
- TA Realty Fund IX - Distribution Notice dated December 11, 2018