

ESSEX REGIONAL RETIREMENT BOARD
REGULAR SESSION
June 24, 2019

At the regular meeting of the Essex Regional Retirement Board held on Monday, June 24, 2019, 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

Michael Trotsky, Executive Director and Chief Investment Officer, PRIM

Paul Todisco, Senior Client Service Officer, PRIM

Francesco Daniele, Senior Client Services, PRIM

Renee Davis, Partner, Powers & Sullivan

Board Chair Joseph Maney called the meeting to order at 8:34 a.m.

The Board said the pledge of allegiance.

Pension Reserves Investment Management Board Annual Meeting

Michael Trotsky, Paul Todisco and Francesco Daniele from PRIM entered the meeting. Mr. Trotsky reviewed the PRIT Fund's performance for 2018 and for the first quarter of 2019. He noted that they are anxiously awaiting the results of the second quarter of 2019, which ends this week. He advised the Board that the December 2018 quarter was weak, but that so far, the second quarter of 2019 has been strong. He reviewed the market performance by asset class for the Board. Mr. Trotsky also reviewed the performance of the bond market and what that usually entails for overall economic performance. He also reviewed the awards and recognition that PRIM and PRIM employees have received over the past year. Mr. Trotsky also described the hiring and organizational structure of PRIM. He noted that for the four slots currently advertised, PRIM has received over 1,000 applications. Mr. Trotsky noted that Mr. Kostro attends the PRIM Board and Advisory Council meetings and is familiar with the staff at PRIM and with their performance. He then reviewed for the Board the methods used by the PRIM staff to establish asset allocation strategies and how they measure the fund's performance. Mr. Trotsky also reviewed past investment performance and future projections, and how that compares with the current assumed rate of investment return for both the state and for ERRS. Mr. Todisco then reviewed the historical and current performance of ERRS within the PRIT Fund. Mr. Merz asked if while PRIT is continuing to grow, is it harder now to conclude deals for private equity and real estate. Mr. Trotsky said that yes, it is, as more funds are chasing private equity returns. He described the long-standing relationship PRIM has with some of the best private equity firms in the country, and he noted that every year PRIT finishes first or second in private equity returns and this helps them find the best deals. Mr. Trotsky, Mr. Todisco and Mr. Daniele left the meeting.

Powers & Sullivan 2018 Audit Report

Renee Davis from Powers and Sullivan joined the meeting. Ms. Davis noted that this is the earliest that the annual audit has been done and that it is on course to be complete before the end of the fiscal year. Once the Board approves of the audit and the management responses, the final audit can be distributed to the units which will assist them in calculating their net pension liability for their audit. Ms. Davis noted for the Board that this year's audit is an unmodified audit which is the best you can get. Ms. Davis then reviewed the financial audit and that the Board is in compliance with GAAP, and that the only thing that stands out about the audit is that there were investment losses last year. She reviewed the historical investment performance of the last few years and that the small negative of last year is not that bad when looked at in the context of the overall performance. Ms. Davis reviewed the financial report of the audit in detail for the Board. She advised that the auditors spend a great deal of time making sure the employee contributions are correct, and that they also review the retirement calculations extensively. Ms. Davis said this was particularly important this year with the changes in the retirement system staff, and that part of their checking is to make sure that the reconciliations are being done. She noted that they really pushed to get the annual statement early this year and that Mr. Provensal was able to provide the completed annual statement earlier than usual. Mr. Benson and Ms. Davis reviewed the process by which asset smoothing calculates investment earnings. Ms. Davis then reviewed the four findings in the management letter. She noted that there are no material weaknesses but the four things she will mention were worthy of bringing to the Board's attention. First, she reviewed the manner in which units correct errors they make in the withholdings of retirement deductions from their employees. The auditors recommend that a single lump sum payment be made by the employer which is credited to the member's account, rather than installment payments being made to the retirement system. Ms. Davis advised that this is the most accurate manner in which to report a member's earnings. Mr. Kostro advised that this issue came up during the year and that many units are happy to provide the lump sum payment, but some units pushback against the lump sum process. He felt the Board should be aware of this potential issue with some units. Mr. Malgeri asked if accepting the management letter is the same as adopting a policy to pursue this manner of collection. Ms. Davis said that no, accepting the management letter is not the same as requiring the lump sum collection. Requiring the lump sum collection could be done by the Board adopting a policy to that effect. Mr. Merz noted that proper way to resolve an error in the withholdings is to use the lump sum process, which is the best thing for the member. Ms. Davis reviewed the second finding, which is a result of a PERAC recommendation on how to properly account for the retirement system's appropriation, which can be handled in the next valuation. Ms. Davis discussed the third finding, which is raised as result of the retirement system staff being short-handed for an extended period. She said that there are no problems and that the finance transition has gone very well. But she also said that people are over-worked and may be falling behind, which leads to the risk of errors. Discussion ensued about the difficulty in hiring in the current employment market and the trends in municipal government. Mr. Merz noted that many municipalities have only one person in a department and that makes it challenging to teach new hires, but he also noted that the retirement system has developed excellent manuals to assist employees which should be helpful. Lastly, Ms. Davis discussed the salary survey verification process and that some units, typically small

housing authorities, are not responding. She noted that the numbers involved are small and have little effect on the retirement system as a whole, but it could have an effect on a particular unit. Mr. Kostro reviewed the history of the salary survey verification process. He did note that of the 2,774 active employees, only the salaries of 21 were not verified, which is a very small sample of all members. Mr. Kostro said that the new employer reporting module may be able to provide salary information which will permit the retirement system to verify salary surveys of units that do not respond timely. He said that 2019 is the first full year in which the new employer reporting system will be in effect, so this will be the first opportunity to use it as a verification tool. Ms. Davis concluded by saying that there are no material weaknesses and these are just a few issues that they wanted to bring to the auditor's attention. Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 5-0; To accept the 2018 Powers & Sullivan Audit Report and Management Responses as presented. Ms. Davis left the meeting.

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 May 28, 2019.

Public Comment Period

There were no public comments.

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 thirty-three names beginning with John Boucher and ending with Jacob Wile.

<u>Name</u>	<u>Unit Name</u>	<u>Department</u>	<u>Date</u>	<u>Group</u>
Boucher, John	Ipswich	School	02/19/2019	1
Butler, Kimberly	Wenham	Police	04/29/2019	4
Butt, Paula	Ipswich	School	04/10/2019	1
Campbell, Timothy	Hamilton	Highway	05/20/2019	1
Cebula, Amanda	Pentucket	School	11/19/2018	1
Cecchini, Amanda	Wenham	Police	03/03/2019	4
Chin, Maya	North Andover	Water	05/28/2019	1
Chisholm, Carl	Ipswich	DPW	03/15/2019	1
Day, Erin	Boxford	School	03/04/2019	1
DiCesare, Eric	Ipswich	School	04/29/2019	1
Dobbins, Matthew	Hamilton/Wenham R:	School	10/09/2018	1
Girard, Andrew	North Andover HA	Maintenance	04/30/2019	1
Giugliano, Lisa	Boxford	Council on Aging	01/02/2019	1
Grant, Warren	Ipswich	Firefighter	03/04/2019	4
Hallinan, Jonathan	Ipsfield	Firefighter	01/04/2019	4
Hanson, Jennifer	Hamilton/Wenham R:	School	01/14/2019	1

Hassel, Risa	Ipswich	Human Resources	03/18/2019	1
Juncker, Erik	Manchester	Firefighter	01/02/2019	4
Lucontoni, Jason	Wenham	Police	04/16/2019	4
Maxner, Amy	North Andover	Conservation	06/11/2019	1
McCrea, Sean	Ipswich	DPW	04/02/2019	1
McManus, Kerri	Georgetown	Town Clerk	05/16/2019	1
Moody, Bruce	Groveland HA	Maintenance	12/17/2018	1
Orme, Bradley	Ipswich	Facilities	03/11/2019	1
Pappalimberis, Andrea	Ipswich	Clerk	04/08/2019	1
Pedone, Kenneth	Rockport	Police	02/10/2019	4
Rogers Patricia	Ipswich	Accounting	11/21/2018	1
Salah, John	Middleton	School	03/11/2019	1
Santapaola, Danielle	Pentucket	School	02/15/2019	1
Slater, Shannon	North Andover	School	12/19/2018	1
Theriault, Mark	Manchester	Dispatcher	05/13/2019	1
Thompson, Joseph	Merrimac	Highway	12/01/2018	1
Wile, Jacob	Ipswich	Cemetery	03/18/2019	1

New Retirements

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

1. Anne M. Brodie, Town Clerk, Town of Groveland, Group 1
Effective Retirement Date: May 13, 2019
Monthly Retirement Allowance: \$1,467.04
Annual Retirement Allowance: \$17,604.48
2. Anthony J. King, Police Lieutenant, Town of Salisbury, Group 4
Effective Retirement Date: May 1, 2019
Monthly Retirement Allowance: \$6,617.94
Annual Retirement Allowance: \$79,415.28

Creditable Service Awards

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

1. Kurtis Anderson shall be awarded four years and ten months of creditable service at no cost for reserve police service rendered from November 15, 2010 to June 10, 2015 with the Town of Boxford.

2. Austin Antrim shall be awarded four years and ten months of creditable service at no cost for call firefighter service rendered from August 26, 2004 to June 30, 2009 with the Town of Nahant.
3. Leigh T. Farmer shall be granted late entry into membership and her enrollment date changed to August 31, 2015 when she originally qualified for membership but did not have retirement deductions taken from her qualified earnings by the Town of Boxford.
4. Stephen B. Kavanagh shall be awarded nine years and eleven months of creditable service at no cost for call firefighter service rendered from January 5, 1998 to September 11, 2017 with the Town of Wenham.
5. Barry J. Noone shall be granted late entry into membership and his enrollment date changed to May 1, 2013 when he originally qualified for membership but did not have retirement deductions taken from his qualified earnings by the Northeast Mosquito Control District, and further, he shall be awarded eight months of creditable service for prior non-membership service rendered from March 24, 2012 to April 30, 2013, with the Northeast Mosquito Control District.
6. Judy E. Roy shall be awarded one month of creditable service for the purchase of prior non-membership service rendered from September 1, 2000 to December 31, 2000 with the Town of North Andover.
7. Anthony J. Sousa shall be awarded eight months of creditable service for the purchase of prior non-membership service rendered from July 6, 2004 to January 18, 2007 with the Town of North Andover.
8. Michael Wilson shall be awarded one year and five months or creditable service for the purchase of prior refunded service with the Massachusetts Teachers Retirement System.
9. Tod A. Workman shall be awarded two months of creditable service for the purchase of prior non-membership service rendered from October 1, 1988 to February 28, 1994 with the Town of North Andover.

Liability Requests

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To take the following action on requests for the acceptance of liability received by the retirement system:

1. To deny liability as requested by the State Retirement Board on behalf of Melissa Berry as this individual was not a member of the retirement system during the period requested, did not remit contributions, and was not wrongfully excluded from membership.

2. To accept liability as requested by the Lowell Retirement System on behalf of Gregory D. Pekarski for three years and two months for service rendered from September 12, 2011 to November 16, 2014 as a reserve police officer with the Town of North Andover, provided, however, that the Board reserves the right to reconsider this decision upon the conclusion of litigation in the “Gomes” matter.

Refund Warrant – June 2019

Upon a motion by Susan J. Yaskell, seconded by Vincent R. Malgeri, the Board voted 5-0; To approve the refund warrant for June 2019, to refund, rollover, or transfer the accounts of the individuals listed below, a list of twenty-two members beginning with Mary R. Baker and ending with Maria A. Yanagi, in the total net amount of \$719,784.08.

Name	Type	Board or Institution
Baker, Mary R.	Rollover	Edward Jones, Custodian
Blanchette, Anne C.	Transfer	Massachusetts Teachers Retirement System
Carey, Sean M.	Transfer	Salem Retirement Board
Carson, Rebecca L.	Withdrawal	
Chandler, Michael J.	Transfer	Swampscott Retirement Board
Ciampa, Stephanie A.	Transfer	State Retirement Board
Fitzpatrick, Diane M.	Withdrawal	
Geary, Mary C.	Withdrawal	
Gordon, Hermayne A.	Transfer	Woburn Retirement Board
Grant, Michele E.	Transfer	Middlesex County Retirement Board
Grimes, Linda J.	Rollover	Institution for Savings
Jones, Billy	Withdrawal	
Lippi, Christopher R.	Transfer	Andover Retirement Board
Maylor, Andrew W.	Transfer	State Retirement Board
McNally, Patrick J.	Withdrawal	
Mongiardo, Elizabeth C.	Rollover	Fidelity Management Trust
Muller, Sarah J.	Transfer	Swampscott Retirement Board
Nichols, Jonathan L.	Transfer	Belmont Retirement Board
Panacopoulos, Alexandra D.	Withdrawal	
Reed, Audrey A.	Transfer	Watertown Retirement Board
Richards, Sandra L.	Transfer	
Yanagi, Maria A.	Rollover	Morgan Stanley

May Retirees Payroll

Upon a motion by Susan J. Yaskell, seconded by Kevin A. Merz, the Board voted 5-0; To approve the retirement allowances for the month of May in the actual amount of \$3,929,214.67.

June Retirees Payroll

Upon a motion by Susan J. Yaskell, seconded by Kevin A. Merz, the Board voted 5-0; To approve the retirement allowances for the month of June in the estimated amount of \$3,950,000.00.

ERRS Payroll

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To approve the payment of the ERRS employee payrolls for June 7, 2019, in the amount of \$16,832.89, and for June 21, 2019 in the amount of \$18,707.89.

Cash Disbursement Warrant CD2019.06

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2019.06 for June 2019 as presented in the total amount of \$148,707.65.

Vendor	Amount
Haverhill Retirement Board - 2018 (3(8)(c)	62,976.16
Reading Retirement Board - 2018 3(8)(c)	27,110.57
Access - Monthly Fee	387.17
ASI Flex - Admin Fees	5.00
Carleton, Katherine - Benefits Fairs - Mileage	24.08
Comcast - Monthly Fee	400.62
Town of Danvers, Danvers Electric - #201 - Monthly Fee	103.51
Town of Danvers, Danvers Electric - #202 - Monthly Fee	124.02
Group Insurance Commission - Health - 04/01/2019-06/30/2019	3,400.20
Harpers Payroll Services - 2019.06.07	68.40
Harpers Payroll Services - 2019.06.21	81.95
H.C.O.P.T. - Monthly Condo Fee	1,511.00
HIQ Computers - #121807 - User Folder Issue	55.00
Kostro, Charles - PRIM Meeting - Mileage & Parking	72.03
Law Office of Michael Sacco - 2019.05	6,689.00
Masterson, Traci - Reissue of Check #4164 - PTG Training	86.78
HIQ Computers - #122024 - Monthly Replication Services	90.00
Massachusetts Municipal Association - Website Position Posting	125.00
NeoPost USA, Inc. - 07.19 - 09.19	591.00

Nicolazzo, Michael - Benefits Fairs - Mileage	87.05
North of Boston Media Group - Position Posting	943.20
PTG - Pension Technology Group - Support and Hosting Fees	42,700.00
Ricoh USA - 2019.06	288.69
S.J. Services, Inc. - Office Cleaning - 2019.06	241.67
W.B. Mason - Office Supplies - 2019.05	545.55
Total	148,707.65

Cash Disbursement Warrant CD2019.06a

Upon a motion by Susan J. Yaskell, seconded by Alan J. Benson, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2019.06a for Board member travel reimbursements in the total amount of \$3,036.00.

Vendor	Amount
Benson, Alan - Spring MACRS & Mileage	747.02
Maney, H. Joseph - Spring MACRS & Mileage	643.44
Malgeri, Vincent - Spring MACRS & Mileage	1,070.54
Merz, Kevin - GFOA Conference	575.00
Total	3,036.00

Cash Disbursement Warrant CD2019.06b

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 5-0; To approve the Cash Disbursement Warrant CD2019.06b for June 2019 for the wire transfer from the PRIT Fund to Eastern Bank as presented in the total amount of \$3,000,000.00.

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

Change in Unfunded Liability with No COLA

Mr. Kostro reviewed the development of the question submitted to Segal Company. He described the conversation and email from Segal Company and the additional cost for the work that was requested. Mr. Kostro reminded the Board that the reserve fund has been expended for 2019 but that funds are available in the employee salaries line-item, since a position has been vacant all year. Mr. Maney asked what the Board's objective with this really is, and that it was not so much the unfunded liability that was at issue, but rather the effect on the appropriation. Mr. Merz reviewed how the question originally came up at the spring Advisory Council meeting. He asked if this would be part of the scope of work during the next valuation? Mr. Kostro said that he will ask Segal but he thought this could be part of the parameters established at the kick off meeting for next valuation. Discussion ensued

about the scope of the valuation study and if the COLA, or any issue, could be reviewed. Mr. Malgeri said he thought it was important that the Advisory Council get a response and that the response could be that we are going to look into this as part of the next valuation study. Mr. Maney said that he thought it was obvious that if the COLA's are eliminated the appropriation amount to the units will be less, the question is how much less. Mr. Maney said that the member units will like to see their costs reduced going forward, and if it is significant as a result of granting COLA's should the Board consider not granting COLA's? On the other hand, Mr. Maney said, the COLA increase granted by the retirement system applies only to the first \$14,000 and that the Board feels obligated to grant the increase to the retirees. Mr. Malgeri noted that unless members change their vote, or Chapter 32 is changed to permit the Advisory Council to grant a COLA, nothing would appear to be changing even if this study of the COLA cost is completed. Mr. Malgeri and Ms. Yaskell noted their continued support for the COLA, and Ms. Yaskell indicated that she did not want to pay \$7,000 for this study. Mr. Malgeri described other expenditures that he thought could be looked at rather than eliminating the COLA. Mr. Benson said that he did not disagree that more time should be spent looking at the budget and noted the good work that has been done by the Executive Director in keeping the budget level, but he questioned how much more is left to be reduced. He said the point is to find out the impact of the COLA on the funding schedule. Discussion ensued regarding the experience by the Leominster Retirement Board, and the need to know the cost of the COLA, as well as what the parameters will be when the next valuation study is conducted. Mr. Malgeri suggested a response to the Advisory Council indicating that the Board would study the COLA cost, the COLA base, the appropriation discount and other discretionary issues when the next valuation is undertaken, which should be around the end of this year. Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 2 members in favor, with Ms. Yaskell, Mr. Maney, and Mr. Malgeri opposed; To authorize the expenditure of up to \$7,000 in order for Segal Company to complete an analysis of the change in the unfunded liability if no COLA is granted beginning as July 1, 2021 and continuing until Fiscal Year 2035. The motion was defeated.

Appointment of Receptionist/Office Administrator

Mr. Kostro reviewed the hiring process to fill this position. He noted that three versions of this position were posted and over the course of eight months and a total of forty-five resumes were received. He discussed the number of interviews that were conducted and the very positive impression made on the interview committee by Christina Parr. He noted that the selection was unanimous among the three individuals who participated in the interviews. Mr. Benson asked Mr. Kostro about the audit finding relating to staffing and the possible changes in the hiring process. He asked if his one of his recommendations might be to eliminate the Board from the hiring process and in order to shorten it. Mr. Kostro said that he liked having the Board members participate in the process, but that some steps could be eliminated, such as this final approval, which seems unnecessary. He thought some other steps could be streamlined which would also shorten the process. Mr. Malgeri said he supported eliminating this final approval vote, which he thought was unnecessary as well. Mr. Benson noted that they are delegating more in their process and that perhaps the interview committee could be delegated more authority. Upon a motion by Susan J. Yaskell, seconded by Kevin A. Merz, the Board voted 5-0; That Christina Parr be appointed to the position of

Receptionist/Office Administrator at the rate of \$18.50 per hour for a 37.5-hour week effective as of July 1, 2019.

Motion to Adjourn

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 5-0; To adjourn the meeting.

The meeting was adjourned at 10:35 a.m.

Alan J. Benson

Vincent R. Malgeri

H. Joseph Maney

Kevin A. Merz

Susan J. Yaskell

The following are a portion of the materials provided to the Board for items acted upon at the meeting:

- Meeting Minutes from May 28, 2019
- New Enrollments
- Retirement Calculations
- Creditable Service Award Letters
- Liability Request Response Letters
- Warrants
- Email from ERRS Actuary of the Unfunded Liability and Elimination of the COLA
- PRIM Board Presentation
- Draft 2018 Audit and Management Letter
- Receptionist/Office Administrator 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's Schedule
- Financial Reports - February Adjustments
- Financial Reports – Cash Flow
- Financial Reports – February Disbursements
- Financial Reports – February General Ledger
- Financial Reports – February Receipts
- Financial Reports – February Trial Balance
- Financial Reports - Monthly Bank Reconciliation - April 2019
- Financial Reports - Monthly Expenditure Report - May 2019
- Gambale, Robert - DALA Decision
- Investment Returns 2018
- Kim DiOrio-McGonnell v. Essex Regional Retirement Board
- Middlesex Retirement System Newsletter
- Parliamentary Procedures Workshop
- PERAC - Investment Report 2018_MACRS
- PERAC Letter on Election Procedures Compliance
- Reed, Arthur - Counsel Letter to PERAC
- Reed, Arthur - Retirement Application
- Reed, Arthur - Retirement Questionnaire
- Reed, Arthur - Staff Interactions
- Tindle, Joan - Order to Show Cause
- WRRB, ERRS & Others v PERAC - Motion to Stay Allowed
- WRRB, ERRS & Others v. PERAC - Motion to Stay