

**ESSEX REGIONAL RETIREMENT BOARD**  
**AUGUST 28, 2017**

At the regular meeting of the Essex Regional Retirement System (ERRS) held on Monday, August 28, 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, and Kevin J. Merz.

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  
Debora Wile-Taves  
Greg McNellie, Dahab Associates  
Seth Lynn, Dahab Associates  
C.W. Dick, Ascent Venture Partners  
Erin Lane, BlackRock (via conference call)  
Dylan Herman, BlackRock (via conference call)  
Ryan Coulter, BlackRock (via conference call)  
Samuel Edwards  
Adam Troupe, Attorney for Mr. Edwards  
Joanne Cuff, Town of Ipswich  
Brian Faye  
Kim DiOrio-McGonnell  
Nicholas Poser, Attorney for Ms. DiOrio-McGonnell  
Mark W. Tetrault, Fire Chief, Town of Lynnfield  
Bryce Mutchler  
Mark Machera, Attorney for Mr. Mutchler  
John Dold, Town of Boxford

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 4-0; To approve the minutes of the regular session of the meeting of July 17, 2017 with three recommended corrections.

**Public Comment Period**

Deborah Wile-Taves, a member from the Town of Ipswich addressed the Board concerning a correction in the calculation of her creditable service and that she feels the Board's creditable service regulation is unfair. Mr. Merz indicated that Ms. Wile-Taves approached him last week on this issue and that he has proposed a new creditable service regulation which was added to the Board's packet at the end of last week. Mr. Merz

indicated that he feels the current creditable service regulation is unfair. Ms. Wile-Taves reviewed her work history and the purchase of her prior non-membership service and her discussions with a former ERRS staff member in 2012. Her service purchase was calculated based on her part-time hours worked as a member of the retirement system. In April of 2017, she was advised that the purchase of her prior non-membership service was calculated incorrectly and that her total creditable service needed to be reduced by one year. She was also provided with a cost estimate to purchase six and one-half years of prior refunded service with the Massachusetts Teachers Retirement System, which she chose not to purchase as it was too expensive. Mr. Merz felt that it is unfair that part-time members have their non-membership service prorated based on a full-time calculation of 150 hours equaling one month of service. Mr. Merz reviewed his proposed changes in the creditable service regulation in which part-time members could purchase prior non-membership service based on the number of hours they work during the three years used to calculate their retirement benefit. Board members asked Mr. Kostro about a variety of scenarios in which part-time service might be prorated under the current creditable service regulation. Mr. Kostro noted that the regulation that prorated prior non-membership was adopted in 2009, not in 2013. He explained that the 2013 re-write of the creditable service regulation improved the text of the regulation but did not change the calculation used to prorate the purchase of prior non-membership service. The calculation for crediting prior non-membership service in the 2009 regulation was thirty-five hours per week which became 150 hours per month in 2013, since creditable service is required to be awarded in full months. The purchase of prior non-membership service, therefore, has been prorated against full-time service since the adoption of the 2009 regulation. Mr. Kostro said this is not a case of retroactively applying the 2013 regulation to a service purchase made earlier. Mr. Kostro further noted that nothing proposed today will help Ms. Wile-Taves as her creditable service purchase in 2012 was covered by the regulation adopted in 2009. Mr. Kostro also pointed out that all the regulations the Board has adopted relating to the award of creditable service, including one adopted just three months ago for members whose schedule changes and requires them to work less than twenty-hours per week, prorates part-time service against full-time service at 150 hours per month. He said that this proposal will create a different rule for one class of people while everyone else will have their service prorated against full-time service. Mr. Merz asked if Mr. Kostro was saying that any non-membership service purchased after 2009 must be prorated against full-time service. Mr. Kostro said yes and noted that prior to 2009, the former Board did not have any creditable service regulation. Therefore, every service purchase prior to 2009 is invalid since you cannot purchase prior non-membership service in the absence of a properly approved creditable service regulation. He cited for the Board a DALA case involving an ERRS member who challenged the calculation of her service purchase made in 2006. In the DALA decision, issued in 2016, the Magistrate ruled the original purchase invalid and the member lost all of the service that she purchased and had to refund to the retirement system a portion of her retirement benefit. He reminded the Board that several years ago they adopted a policy to apply the current creditable service regulation to service purchases made before 2009. This was done so that all members would be treated equally. Mr. Merz asked that the Board bring his proposal to ERRS Counsel so that Counsel could draft a regulation

for the Board to consider at a future meeting. The Board thanked Ms. Wile-Taves for her presentation and discussion.

### **New Enrollments**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; That the following named employees be enrolled in the Essex Regional Retirement System, a list of twenty-three names beginning with Diane M. Appolloni and ending with Jane R. Wolff.

<u>Name</u>	<u>Unit Name</u>	<u>Department</u>	<u>Date</u>	<u>Group</u>
Appolloni, Diane M.	Masconomet RSD	School	07/12/2017	1
Blyden, Curtis L.	Lynnfield	School	07/01/2017	1
Bodenrader, Henry M.	North Andover	School	07/31/2017	1
Borgen, Keith A.	Ipswich	School	08/09/2017	1
Carrigan, Scott W.	Salisbury	Fire	07/10/2017	4
Doiron, Tabatha H.	Pentucket RSD	School	07/01/2017	1
Fortado, Joseph P.	Ipswich	Highway	07/03/2017	1
Habacker, Laura	North Andover	School	07/01/2017	1
Husson, Abdullah S.	Pentucket RSD	School	07/01/2017	1
Kennedy, Elizabeth S.	Ipswich	School	07/12/2017	1
Kent, Kristin A.	Middleton	Conservation	07/01/2017	1
L'Italien, Christopher B.	Groveland	Police	07/01/2017	4
Moschetti, Anthony V.	Ipswich	Electric/Light	07/17/2017	4
Moynihan, Jeremy T.	Triton RSD	School	07/24/2017	1
Palladino, Kyle M.	North Andover	Youth Services	07/31/2017	1
Petrillo, Ellen G.	Groveland	Finance	07/05/2017	1
Prescott, Andrew J.	Ipswich	Cemetery/Parks	06/06/2017	1
Sanborn, Adam R.	Groveland	Police	07/01/2017	4
Stevens, Laura J.	North Andover	Youth Services	08/07/2017	1
Szady, Ivana P.	Topsfield	Conservation	07/01/2017	1
Unsworth, Kelly A.	Merrimac	Library	07/17/2017	1
Whittredge, Thomas R.	Hamilton-Wenham RSD	School	07/17/2017	1
Wolff, Jane R.	Newbury	Library	06/06/2017	1

### **New Retirements**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; That the following twenty-six members of the Essex Regional Retirement System be awarded superannuation retirement benefits calculated as follows:

1. Michael F. Bulger, Town of North Andover, Custodian, Group 1  
Effective Retirement Date: June 30, 2017  
Monthly Retirement Allowance: \$2,163.38  
Annual Retirement Allowance: \$25,960.56

2. Abigail B. Croyle, Hamilton-Wenham Regional School District, Library Teaching Assistant, Group 1  
Effective Retirement Date: June 21, 2017  
Monthly Retirement Allowance: \$616.71  
Annual Retirement Allowance: \$7,400.52
3. Diane M. Diplacido, Town of Topsfield, Teacher's Assistant, Group 1  
Effective Retirement Date: June 22, 2017  
Monthly Retirement Allowance: \$288.04  
Annual Retirement Allowance: \$3,456.48
4. Loraine Dowley, Hamilton-Wenham Regional School District, I.T. Technician, Group 1  
Effective Retirement Date: July 1, 2017  
Monthly Retirement Allowance: \$1,515.22  
Annual Retirement Allowance: \$18,182.64
5. Helen A. Dukehart, Town of Topsfield, School Secretary, Group 1  
Effective Retirement Date: June 30, 2017  
Monthly Retirement Allowance: \$619.14  
Annual Retirement Allowance: \$7,429.68
6. Martina J. Follansbee, Town of Merrimac, Library Director, Group 1  
Effective Retirement Date: July 7, 2017  
Monthly Retirement Allowance: \$1,432.00  
Annual Retirement Allowance: \$17,184.00
7. Robert Gilardi, Town of Essex, Police Officer, Group 1  
Effective Retirement Date: July 8, 2017  
Monthly Retirement Allowance: \$5,235.43  
Annual Retirement Allowance: \$62,825.16
8. Andrea M. Griffin, Town of Lynnfield, Paraprofessional, Group 1  
Effective Retirement Date: June 20, 2017  
Monthly Retirement Allowance: \$357.30  
Annual Retirement Allowance: \$4,287.60
9. Jacqueline T. Hatch, Pentucket Regional School District, Teaching Assistant, Group 1  
Effective Retirement Date: June 20, 2017  
Monthly Retirement Allowance: \$551.94  
Annual Retirement Allowance: \$6,623.28
10. Catherine D. Karanikos, Town of Middleton, Teaching Assistant, Group 1  
Effective Retirement Date: June 19, 2017  
Monthly Retirement Allowance: \$361.62

Annual Retirement Allowance: \$4,339.44

11. Donna Keefe, Town of Salisbury, DPW Business Manager, Group 1

Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$1,612.06

Annual Retirement Allowance: \$19,344.72

12. Robert J. Kirmelewicz, Town of Groveland, Police Chief, Group 4

Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$7,064.82

Annual Retirement Allowance: \$84,777.84

13. Ann E. Kistner, Town of Rockport, Teaching Assistant, Group 1

Effective Retirement Date: June 20, 2017

Monthly Retirement Allowance: \$1,239.16

Annual Retirement Allowance: \$14,869.92

14. Linda J. LaGreca, Town of Lynnfield, School Secretary, Group 1

Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$3,384.97

Annual Retirement Allowance: \$40,619.64

15. Elaine B. Lemire, Town of Ipswich, Teaching Assistant, Group 1

Effective Retirement Date: June 22, 2017

Monthly Retirement Allowance: \$751.81

Annual Retirement Allowance: \$9,021.72

16. Annmarie Marchand, Masconomet Regional School District, Paraprofessional, Group 1

Effective Retirement Date: June 20, 2017

Monthly Retirement Allowance: \$718.05

Annual Retirement Allowance: \$8,616.60

17. Annette Mattern, Hamilton-Wenham Regional School District, Food Service Manager, Group 1

Effective Retirement Date: June 19, 2017

Monthly Retirement Allowance: \$747.91

Annual Retirement Allowance: \$8,974.92

18. Ann P. O'Donnell, Town of Rockport, Teaching Assistant, Group 1

Effective Retirement Date: June 20, 2017

Monthly Retirement Allowance: \$645.88

Annual Retirement Allowance: \$7,750.56

19. Sally S. Parker, Town of Ipswich, Teaching Assistant, Group 1

Effective Retirement Date: June 22, 2017

Monthly Retirement Allowance: \$418.30  
Annual Retirement Allowance: \$5,019.60

20. Laurie A. Rice, Town of Ipswich, Payroll & Benefits Administrator, Group 1  
Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$1,441.93  
Annual Retirement Allowance: \$17,303.16

21. Nancy M. Risacher, Town of North Andover, Cook/Manager, Group 1  
Effective Retirement Date: June 23, 2017

Monthly Retirement Allowance: \$1,642.14  
Annual Retirement Allowance: \$19,705.68

22. Gerri Spector-Brady, Town of Georgetown, Occupational Therapy Assistant,  
Group 1

Effective Retirement Date: July 18, 2017  
Monthly Retirement Allowance: \$2,954.55  
Annual Retirement Allowance: \$35,454.60

23. Richard A. Souliotis, Town of Salisbury, Fire Chief, Group 4  
Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$6,215.10  
Annual Retirement Allowance: \$74,581.20

24. Jacqueline A. Sullivan, Town of Groveland, Town Accountant, Group 1  
Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$3,748.05  
Annual Retirement Allowance: \$44,976.60

25. Julie A. Tarmy, Town of Nahant, Teaching Assistant, Group 1  
Effective Retirement Date: June 30, 2017

Monthly Retirement Allowance: \$700.81  
Annual Retirement Allowance: \$8,409.72

26. Linda G. Widenmann, Pentucket Regional School District, Administrative  
Assistant, Group 1

Effective Retirement Date: June 30, 2017  
Monthly Retirement Allowance: \$1,655.23  
Annual Retirement Allowance: \$19,862.76

### **Creditable Service Awards**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; 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. John Cashell shall be awarded sixteen years and six months of creditable service for the purchase of prior refunded service from June 24, 1985 to November 16, 2001 with the Town of Woburn and from August 6, 2002 to December 3, 2002 with the Town of Georgetown.
2. Debra Webster shall be awarded one year and sixteen days of creditable service for the period from August 1, 1991 to August 16, 1992 with the Town of Groveland, during which time retirement deductions were not taken.

### **Approval of Installment Plan**

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 4-0; To approve the installment plans as described below for the following members:

1. Jeffrey C. Fiorentino, for the purchase of prior call firefighter service with the Town of Lynnfield which shall be paid in full on or before June 30, 2020, in accordance with the terms and conditions as presented.
2. Juan R. Guillermo, for the purchase of prior refunded service with the State Retirement Board which shall be paid in full on or before August 31, 2020, in accordance with the terms and conditions as presented.

### **Acceptance of Liability**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; That the Board accepts liability for past service rendered by the following individual as described below:

1. Kenneth D. Pruitt for four years and eleven months of prior refunded service from July 7, 1998 to June 30, 2003, with the Town of Boxford, as requested by the Arlington Retirement Board.

### **Denial of Liability**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; That the Board deny liability for past service rendered by the following individuals as described below:

1. Michael J. Bell as requested by the Amesbury Retirement System, for service rendered from December 8, 2005 to December 10, 2010, as a call firefighter with the Town of Middleton, as he was not eligible for membership in the retirement system, did not remit contributions, and was not wrongfully excluded during this period.

2. Lynda S. Richards as requested by the Massachusetts Teachers Retirement System, for service rendered from September 1983 to June 1984, as a Tutor with the Ipswich Public Schools, as she was not eligible for membership in the retirement system, did not remit contributions, and was not wrongfully excluded during this period.

### **Refund Warrant**

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 4-0; To approve the warrant for August 2017, to refund, rollover and transfer the total accumulated deductions for thirty-two members beginning with Anna P. Bacall and ending with Allison R. Wright, in the total net amount of \$331,161.69.

<b>Name</b>	<b>Type</b>	<b>Board or Institution</b>
Bacall, Anna P.	Withdrawal	
Blais, Elizabeth R.	Withdrawal	
Cirinna, III, Frank G.	Withdrawal	
Croyle, Abigail B.	Withdrawal	
Davis, Jesse R.	Transfer	Mass Teachers Retirement System
Deguio, Keith D.	Transfer	State Retirement Board
Deguio, Keith D.	Withdrawal	
Dini, Gary L.	Withdrawal	
Foley, Jeffrey M.	Withdrawal	
Gilardi, Robert	Withdrawal	
Goodwin, Ryan M.	Transfer	Gloucester Retirement Board
Griffiths, Jonathan G.	Withdrawal	
Hadge, Lisa M.	Transfer	Middlesex County Retirement Board
Hansen, Diane V.	Transfer	Middlesex County Retirement Board
Herrick-Stella, Cheryl A.	Transfer	Swampscott Retirement Board
Joy, Danielle N.	Transfer	Mass Teachers Retirement System
Keville, Carrie L.	Transfer	Newburyport Retirement Board
Lindberg, Christine M.	Transfer	Middlesex County Retirement Board
Lipomi, Justin M.	Transfer	Mass Teachers Retirement System
Mackie, Kathleen M.	Transfer	Mass Teachers Retirement System
Mammolette, Louis V.	Transfer	Chelsea Retirement Board
McDonough, Barbara C.	Withdrawal	
Montgomery, Sheridan I.	Withdrawal	



O'Malley, Kathryn A.	Transfer	Mass Teachers Retirement System
Ober, Benjamin E.	Transfer	Mass Teachers Retirement System
Padula, David S.	Transfer	Middlesex County Retirement Board
Saylor, Oshsa R.	Rollover	Fidelity Management Trust
Saylor, Oshsa R.	Withdrawal	
Sullivan, Jacqueline M.	Withdrawal	
Terry, Amanda J.	Transfer	Mass Teachers Retirement System
Uttley, Michael C.	Transfer	Andover Retirement Board
Walsh, Anne S.	Rollover	Fidelity Management Trust
Woodworth, Jena G.	Transfer	Mass Teachers Retirement System
Wright, Allison R.	Transfer	Mass Teachers Retirement System

### **July Retirees Payroll**

Upon a motion by Kevin A. Merz, seconded by Alan J. Benson, the Board voted 4-0; To approve the retirement allowances for the month of July in the actual amount of \$3,646,426.61.

### **August Retirees Payroll**

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 4-0; To approve the retirement allowances for the month of August in the actual amount of \$3,722,123.82.

### **ERRS Payroll**

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 4-0; To approve the payment of the ERRS employee payrolls for July 21, 2017 in the amount of \$20,599.06, and August 4, 2017 in the amount of \$18,724.05, and August 18, 2017 in the amount of \$20,599.06.

### **Cash Disbursement Warrant CD2017.08**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; To approve the Cash Disbursement Warrant CD2017.08 for August 2017 as presented in the total amount of \$22,732.55.

<b>Vendor</b>	<b>Amount</b>
ASI Flex - Admin Fees - 2016.7	10.00
Comcast - August	356.08
Comcast - September	356.98
Town of Danvers - Electric - Suite 202	145.32
Town of Danvers - Electric - Suite 201	137.70

Group Insurance Commission - Dental - 4th Quarter FY 2017	1,110.60
H.C.O.P.T. - Condo Fee	1,482.00
HIQ Computers - #115826	5,575.00
HIQ Computers - #115523	1,115.00
HIQ Computers - #115881	880.00
HIQ Computers - #115846	450.00
Harpers Payroll Service	80.64
Harpers Payroll Service	80.64
Harpers Payroll Service	67.89
Law Office of Michael Sacco - 2017.07	2,838.21
Murphy, Hesse, Toomey & Lehane - 2017.07	1,050.00
Neopost - Postage	3,000.00
North of Boston Media Group - RFP Legal Ads	400.20
Pension Benefit Information - Monitoring	1,800.00
Rainmaker Spring LLC - Office Water	4.25
Retrievevex Monthly Bill - July	315.48
Retrievevex Monthly Bill - August	315.48
Ricoh USA, Inc. - Print Cartridge	59.00
Ricoh USA, Inc. - Monthly Bill - July	288.69
Ricoh USA, Inc. - Monthly Bill - August	288.69
SJC Services Inc. - Monthly Bill	225.00
Verizon Wireless - Monthly Bill	159.96
W.B. Mason Company, Inc. - Office Supplies	139.74
<b>Total</b>	<b>22,732.55</b>

#### **Cash Disbursement Warrant CD2017.08a**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; To approve the Cash Disbursement Warrant CD2017.08a for prior payments authorized by the Executive Director to avoid an interruption in insurance coverage, as presented in the total amount of \$3,830.00.

<b>Date</b>	<b>Vendor</b>	<b>Amount</b>
8/14/2017	Arbella Insurance Group - Business Protection - 8/1/2017 to 8/1/2018	3,038.00
8/14/2017	Arbella Insurance Group - Workers Comp - 8/1/2017 to 8/1/2018	792.00
	<b>Total</b>	<b>3,830.00</b>

### **Rescinding Membership – Constance Rowe**

Mr. Kostro reviewed the membership history of Constance Rowe. She was originally properly enrolled and later separated from service. She returned later in a position that was only ten hours per week. He noted that under “once a member, always a member” when you return to employment after separating from service you must still meet the membership requirements at the time you re-enter employment. A ten-hour position does not meet the membership requirements in effect at the time of her enrollment so her membership from that point forward must be rescinded. Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 4-0; To rescind the membership of Constance A. Rowe for the period of December 27, 2007 to July 19, 2013, as she did not meet the membership requirements of the retirement system at the time of her re-enrollment.

### **Asset Allocation and Investment Strategy Review**

Mr. Maney reviewed the options that were presented by Dahab Associates regarding active management of the retirement system’s investments. Mr. Maney stated these presentations showed the success realized by other systems but he noted that the strategies used by those systems also carry risk. Mr. Maney said that this has been thoroughly reviewed and that he supports maintaining the Board’s current course. Mr. Benson discussed his concern about what the Board will do if the appropriation increases continue to rise, which could be something that occurs as the next valuation may require a further reduction in the assumed rate of investment return. Mr. Malgeri pointed out that there is continued pressure for retirement boards to reduce the assumed rate of return. Mr. Benson asked where do you then go, do you try to hit the administrative budget harder? Mr. Maney pointed out that there is not much left in the administrative budget to reduce. Mr. Benson noted that every municipality is talking about sustainability but the retirement appropriation keeps sitting there as a problem. Mr. Benson then asked what do you do with the investment consulting agreement? Mr. Maney stated that you let it go to December 31<sup>st</sup> and not renew it and save \$30,000. Mr. Merz stated his agreement with Mr. Maney and noted that you can always do something in a few years to revisit the asset allocation. Mr. Benson concurred that a periodic review of the investment strategy is a requirement of the Board’s fiduciary responsibility. Mr. Merz noted that there is no bright light at the end of the tunnel for municipal budgets. Mr. Benson stated that if that is the case, he will be even more vocal in his opposition to COLA increases and increases in the COLA Base. Mr. Malgeri noted that ever since he has been on the Board it has been moving to being fully invested in PRIT. He reviewed the history of the other options that were provided and noted his concern about the risks involved in going in another direction. He said that it also doesn’t make much sense to keep an investment consultant if the retirement system remains in the PRIT Core Fund. Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; That after significant analysis and several discussions over multiple meetings, the Essex Regional Retirement System will continue its current investment course at this time.

## **Quarterly Investment Performance Report – Dahab Associates**

Greg McNellie and Seth Lynn from Dahab Associates presented the second quarter 2017 investment performance report. Mr. Maney advised Dahab Associates that the Board has voted on its asset allocation strategy and that it is not going to change course at this time. Mr. Lynn reviewed the second quarter investment performance. He noted that ERRS did very well and that actually, everyone did very well in the second quarter in 2017. Mr. Lynn further reviewed economic performance so far in 2017 and took the Board through the second quarter performance report. Overall, Mr. Lynn said, the fund is in very strong shape. Mr. Merz discussed with Mr. Lynn the batting average statistics in the report on PRIT's performance versus the benchmark. Mr. Kostro noted that less than 2% of the investments are not in the PRIT Fund. Mr. Benson asked Mr. Kostro if he is using the distributions from the private fund managers for cash flow.

## **Ascent Venture Partners**

Walter Dick from Ascent reviewed the performance of the three funds in which ERRS is invested and which are still active.

## **BlackRock PEP IV – Via Conference Call**

Erin Lane, Dylan Herman, and Ryan Coulter from BlackRock reviewed the performance of the one fund in which ERRS is invested.

ERRS Counsel Michael Sacco joined the meeting.

## **Executive Session**

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted by roll call, Alan J. Benson, Yes; H. Joseph Maney, Yes; Vincent R. Malgeri, Yes; and Kevin A. Merz, Yes; To move to executive session to act on the disability applications of Samuel Edwards, Brian Faye, Kim Diorio-McGonnell and Bryce Mutchler and to remain in executive session to discuss strategy with respect to litigation in the matter of John Swallow as an open meeting may have a detrimental effect on the litigating position of the retirement system.

The Board moved into executive session at 10:15 a.m.

The Board returned to open session at 12:16 a.m.

While in executive session, the Board voted as follows:

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; To request PERAC to appoint a Regional Medical Panel consisting of three separate examinations pursuant to the accidental disability application of Samuel

Edwards and to authorize ERRS Counsel to submit such questions as he shall deem necessary.

Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted by roll call: Alan J. Benson, Yes; H. Joseph Maney, No; Vincent R. Malgeri, No; Kevin A. Merz, No; That the ERRS Board determine that Officer Brian Faye is eligible to appropriately receive an involuntary disability.

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted by roll call: Alan J. Benson, No; H. Joseph Maney, Yes; Vincent R. Malgeri, Yes; and Kevin A. Merz, Yes; To authorize ERRS Counsel to seek clarification from the Regional Medical Panel and to submit any additional questions that he shall deem necessary regarding the involuntary accidental disability application submitted by the Town of North Andover.

Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted by roll call: Alan J. Benson, Yes; H. Joseph Maney, Abstain; Vincent R. Malgeri, Yes; and Kevin A. Merz, Yes; That the accidental disability application of Kim Diorio-McGonnell is hereby denied.

Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted by roll call: H. Joseph Maney, Yes; Vincent R. Malgeri, Yes; and Kevin A. Merz, Yes; To request PERAC to appoint a Regional Medical Panel pursuant to the accidental disability application filed by the Town of Boxford to involuntarily retire Bryce Mutchler and to authorize ERRS Counsel to submit such questions as he shall deem necessary.

### **Membership Regulation – Ten-Month School Employees**

Mr. Kostro reviewed the current membership regulation and the difficulty of applying to ten-month school employees the standard that you must receive twenty-hours of regular compensation per week, each and every week, to be eligible for membership. Mr. Kostro said that the school year schedule makes it nearly impossible for any ten-month school employee to meet this membership eligibility requirement. He noted that the ERRS staff advocated strongly that a membership regulation be adopted to address the unique circumstances of ten-month school employees. Mr. Kostro stated that initially he was hesitant to adopt a new regulation but the staff convinced him that the current regulation would exclude from membership nearly all ten-month school employees. The staff researched regulations adopted by other retirement boards that address just ten-month school employees. He noted that some schools may push back on this regulation as it could be perceived on their end as restricting membership, since the schools have not been fully exposed to the requirements of the new membership regulation. Thus, the staff has drafted the detailed question and answer handout that the Board is being asked to approve as well. Mr. Kostro also noted that ERRS Counsel Michael Sacco spent considerable time editing and re-writing this proposed regulation. Upon a motion by Vincent R. Malgeri, seconded by Kevin A. Merz, the Board voted 4-0; That the regulation as stated below establishing the requirements for membership for ten-month

school employees is approved and that it be submitted to PERAC for their approval, and, further, that the question and answer addendum to the regulation is also approved as presented.

### **Membership Regulation – Ten-Month School Employees**

An employee who is not guaranteed twenty (20) hours of weekly compensation each and every week is not eligible for membership in the retirement system.

Notwithstanding the foregoing, however, employees of a school department whose employment requires him/her to work a minimum of thirty (30) hours per week from on or about September 1st to on or about June 30th shall be eligible for membership in the Essex Regional Retirement System after ten (10) months of consecutive school year employment with a single employer. School year employment shall mean the period from on or about September 1<sup>st</sup> to on or about June 30<sup>th</sup>, and shall not include the months of July and August.

This regulation shall not apply to employees who, at the time of hire with a school department in a position that requires him/her to work a minimum of thirty (30) hours per week from on or about September 1st to on or about June 30th are members of the Essex Regional Retirement System or of another Massachusetts public employee retirement system with an account eligible for transfer pursuant to Massachusetts General Law Chapter 32, Section 3(8).

This policy shall become effective for the 2017/2018 school year.

### **Regular Compensation for Reserve Police Officers and Call Firefighters**

Mr. Kostro reviewed the history of the ERRS membership regulation and the recent Supreme Judicial Court decision in the Stoneham case relative to continuing membership. He also reviewed the history of applying the definition of regular compensation since pension reform in 2009 and the Board's 2016 policy on reserve police officer and call firefighter wages for second positions. He noted that at least one member has filed an appeal of this policy. Mr. Kostro expressed his concern that should the Board prevail in this appeal, how will that affect members whose only position within the retirement system is as a reserve police officer or a call firefighter. Mr. Sacco noted that the only thing the Board can do is to express to members what the policy is at the time. If something changes because of a DALA decision then the Board must follow it. Mr. Sacco noted that regular compensation used to be one of the most litigated issues and that cases since pension reform are starting to percolate. Mr. Sacco said that he agrees with the Board position on regular compensation as it applies to reserve police officers and call firefighters. Mr. Benson discussed how small towns use call firefighters to fill shifts on schedules set periodically. He asked when are we going to get to a point where we are going to have to give them creditable service? Mr. Sacco noted that reserve police officers and call firefighters do not meet the new membership regulation so that issue has been cleared up. The issue is the individuals who were admitted to membership before

the new membership policy was adopted. Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; To reaffirm the Board's determination in accordance with the directive from PERAC in their letter dated March 24, 2015, that wages earned by reserve police officers and call firefighters do not qualify as regular compensation as the wages are not regular, recurring and predictable since these members do not work set schedules. Further, that this policy was effective as of the approval date of the new membership regulation, which date is May 16, 2017, and shall apply to those individuals whose only position as a member of the retirement system is as a reserve police officer or call firefighter.

### **Police and Firefighter Premium Holiday Pay**

Mr. Kostro reviewed the issue of whether premium pay for police officers and firefighters is regular compensation. He noted that the staff thought the PERAC regulation, which mirrors the statute was clear and that premium pay for working holidays was regular compensation for police officers and firefighters. However, because of an issue involving a new retiree and the practices in one community, he consulted with ERRS Counsel who advised that overtime, such as premiums paid for working holidays, is not regular compensation. Mr. Sacco reviewed for the Board the distinction between holiday pay, which is regular compensation, and premium pay for working holidays which should not be considered regular compensation. The Board discussed several scenarios regarding this issue and asked the Executive Director to contact a few of the larger ERRS units to determine what their practices are regarding premium pay for police officers and firefighters.

### **Free Service**

Mr. Kostro reviewed for the Board the issue of free creditable service granted to members of the Manchester-Essex Regional School District and one member of the Rowley Housing Authority. He noted that this free service was granted for employment prior to the unit becoming a member of the retirement system. Mr. Kostro referred to the report prepared by the ERRS Actuary and the draft notice letters in the Board's packet. Upon a motion by Alan J. Benson, seconded by Kevin A. Merz, the Board voted 4-0; To request PERAC to approve a special appropriation beginning in FY2019 for the Manchester-Essex Regional School District and the Rowley Housing Authority for the payment of creditable service granted at no cost to certain employees of each unit and to further request that the two units be provided with the option to pay in a single lump sum or in equal installments until FY2035.

### **PROSPER & PERAC Memo #26**

Mr. Kostro reviewed the process used by ERRS staff to convey protected information to ERRS Counsel. He described the security used in this process and that he is comfortable continuing to convey protected information in this manner. Mr. Malgeri indicated that we should continue on our current path handling protected information until PROSPER is further developed.

### **New Supplemental Regulation for Purchasing Part-Time Non-Membership Service**

Mr. Merz requested that the issue of prorating non-membership service when it is purchased by part-time members be reviewed with ERRS Counsel. Mr. Kostro noted that he had sent a copy of Mr. Merz's proposed new regulation to ERRS Counsel in preparation for a discussion at this meeting. Mr. Sacco said that he was not aware of any Board that prorates service in the manner proposed and noted that all other Boards have a regulation prorating the purchase of non-membership service against full-time service. He did note that the Board has discretion to adopt the proposed regulation but it is something that he has not seen done. Mr. Malgeri asked if to his knowledge, Counsel is aware of any Massachusetts retirement system that has a regulation similar to that being proposed? Mr. Sacco said that no other Board has a similar regulation to that being proposed nor has he ever drafted anything similar to what is proposed. Mr. Merz noted that after doing the calculations he did not think the current regulation was fair. Mr. Sacco noted that some Boards, after the SJC decision in the DeFelice case, are looking at excluding part-time employees from membership completely. Mr. Maney asked if Mr. Merz was satisfied that the current regulation is ok? Mr. Merz said that he still thinks its flawed but if no other board is doing it then he did not think we should pioneer it. Mr. Benson noted that every member should continuously check their service and should not wait until the time of retirement. Mr. Merz asked Mr. Kostro if the staff is checking member's service. Mr. Kostro noted that the staff developed a retirement questionnaire to be completed by any member requesting a retirement estimate to identify any potential issues. Mr. Merz indicated that he would speak with Ms. Wile-Taves regarding Counsel's indication that nothing can be done for her at this point. Mr. Malgeri asked if when members look at their account on PTG is there any warnings provided to members about their creditable service? Mr. Kostro noted that ERRS requested that a disclaimer be put on any PTG retirement estimate and that disclaimers are placed on many different documents warning members to check their creditable service and the applicable regulations.

Mr. Sacco left the meeting.

### **Powers & Sullivan 2016 Audit – Management Letter Response**

Mr. Kostro reviewed the management response to Powers & Sullivan audit comments. He said that he thought it important to correct the statement that the travel reimbursement forms were not being used as that is not the case. Mr. Kostro reviewed the auditors' comments when they met with the Board and said that the issues raised were about small items such as no date on one form, or that another did not attach a Google map showing the mileage. He wanted to make clear to the public that the ERRS Board and staff are diligent about completing the travel forms and that these findings concerned only the smallest of infractions. Mr. Benson and Mr. Malgeri commented that these findings are



so miniscule that in the big picture they are actually a commentary on how well the records are kept and how deep the auditors must dig to find issues. Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 4-0; To approve the following response to the three comments contained in the management letter submitted by Powers & Sullivan as part of the 2016 audit of the retirement system:

### **1. Timing Consideration for Actuarial Valuations**

Powers & Sullivan presented the three options listed in this report to the Board at their meeting on May 22, 2017. The Board endorsed the first option and a subsequent RFP for actuarial consulting services was issued containing a schedule consistent with this recommendation. Powers & Sullivan was provided a draft of the RFP for actuarial consulting services prior to its issuance.

### **2. Travel Authorization and Reimbursement**

The Board disagrees that the forms required by the system's travel regulation are not being used. No travel reimbursements are issued without a proper travel reimbursement form being filed by a Board member or staff. We are unaware of any example where the required form was not filed. However, we are aware of the three instances described in the Management Letter where the forms were not fully complete. The Board members and staff have been made aware of the need to fully complete the forms going forward.

### **3. Verification of Payroll Amounts Used for Appropriations**

The Board shares the auditor's view that the failure to verify whether the withholdings from individual members are accurate increases the risk that the retirement system is using inaccurate information to determine the annual appropriations for each member unit. The Board further shares the auditor's view that 100% verification compliance is necessary to insure the accuracy of the annual salary survey.

However, there is no current mechanism to compel 100% compliance, other than to withhold the entire salary survey report to PERAC until such time as all units have verified and returned their individual survey. It should be noted that PERAC has an October 31<sup>st</sup> deadline for the submission of the annual salary survey.

The Board will have to determine as a matter of policy if the entire salary survey should be withheld until 100% compliance is achieved, even if this means that PERAC's October 31<sup>st</sup> annual reporting deadline will be missed and, consequently, the receipt by our member units of the annual appropriation letter may be delayed.

## **Actuarial Consulting Services RFP**

Mr. Kostro reviewed the changes made in the Actuarial Consulting Services RFP, including the schedule change to provide the Board with two meetings to review the proposals. Mr. Malgeri asked if the bidders will be invited to interviews. Mr. Kostro noted that the Board has that option.

### **Website Upgrade**

Mr. Kostro described the proposed upgrade to the ERRS website. He stated that the current platform used by ERRS will only be supported for another two years and that there are sufficient funds in the current budget to support the one-time \$5,000 implementation cost. Mr. Kostro also noted that with the upgraded website the support fee will not change from the current contract. Upon a motion by Alan J. Benson, seconded by Vincent R. Malgeri, the Board voted 4-0; To terminate the existing agreement for website hosting services and to authorize the Chair to sign the new agreement as presented with Virtual Town Hall Holdings, LLC to provide for an upgraded website at a one-time cost of \$5,000 with annual support costs of \$2,750.

### **Deduction Reports**

Mr. Kostro described the sample deduction reports that were included in the Board's packet. He felt it was important to review what really is in a deduction report and the very limited information that is provided. Mr. Kostro stated that checking the deduction report for ERRS is limited to reconciling the amounts posted to the amount paid. Mr. Malgeri asked if this goes back to the PTG Employer Reporting Module discussion from last month? Mr. Kostro said that in reviewing the last meeting he felt that he failed to adequately explain what a deduction report is and, also that there seems to be a belief that ERRS staff is getting more information from the reports than is actually provided. Mr. Malgeri said that he thought after the last meeting that the Board would receive some feedback from the Advisory Council that would be provided to Mr. Merz. Mr. Merz indicated that he did not have the opportunity to garner that feedback. Mr. Benson noted that he saw this discussion on the tape of the July meeting and subsequently he spoke with his finance director about the PTG Employer Reporting Module. He said that his finance director would love to see it implemented and had no issues with it. Mr. Malgeri asked if this could be placed on the agenda for discussion at the next meeting. Mr. Kostro noted that it is discussed in the proposed budget but that considering the Board's unanimous opposition to the proposal as expressed at the July meeting he did not fund it in the 2018 budget. Mr. Malgeri spoke to how the PTG Employer Reporting Module will be a good thing for the units as it will be more efficient. Mr. Kostro said he will bring it back to the Board next month and adjust to the 2018 budget accordingly.

### **2017 Budget Reserve Fund Transfer**

Upon a motion by Kevin A. Merz, seconded by Vincent R. Malgeri, the Board voted 4-0; To transfer from the reserve fund to the line-item entitled Database Software in the 2017 budget the sum of \$2,100.00.

## 2018 Preliminary Administrative Budget

Mr. Malgeri made a motion, seconded by Alan J. Benson for discussion; To approve the preliminary administrative budget for 2018 for submission to the Advisory Council in the total amount of \$1,066,375. Mr. Benson questioned the salary budget and asked if Mr. Kostro is only receiving a 1.5% raise why are salaries going up by 2.4%? Mr. Kostro responded that the salary reserve item assumes an average annual increase of 3% for all other staff. Mr. Benson said his second point is that salaries go up by \$11,000 and the retirement appropriation is also proposed to go up by \$10,000. He wanted to note that this is a big number. Mr. Benson asked about the increase in the actuarial line-item and if that was related to the current procurement? Mr. Kostro said it was and is a result of the accelerated schedule for completing the valuation study required in the new RFP as recommended by the auditors. Mr. Benson noted as well the reduction of \$30,000 by eliminating the investment consultant. Mr. Kostro reviewed several other cost-saving measures including thousands of dollars of savings because of competitive procurements completed at the end of last year and the beginning of 2017. Mr. Kostro explained that the budget will need to be adjusted to add in the PTG Employer Reporting Module. Mr. Malgeri withdrew his motion and Mr. Kostro will present a revised preliminary budget at the next Board meeting.

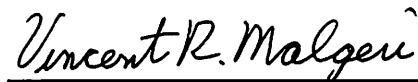
## Motion to Adjourn

Upon a motion by Vincent R. Malgeri, seconded by Alan J. Benson, the Board voted 4-0; To adjourn the meeting

The meeting was adjourned at 1:18 p.m.

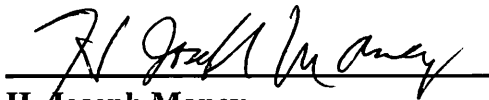
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Alan J. Benson



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Vincent R. Malgeri



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H. Joseph Maney

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Kevin A. Merz

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 Financial Statement 4Q 2016  
Boston Globe - Will Massachusetts Break Its Pension Promises  
Center for Retirement Research - State and Local Pension Plan Funding Sputters in 2016  
DALA Notice of Hearing  
Executive Director's Schedule  
Levine Leichtman Fund III - Distribution Letter dated July 24, 2017  
Levine Leichtman Fund IV - Distribution Letter dated July 31, 2017  
MHT&L Client Alert - SJC Decision - Barbuto July 2017  
Monthly Account Adjustments - June 2017  
Monthly Account Summary - June 2017  
Monthly Bank Reconciliation Report  
Monthly Deduction Completion Report  
Monthly Disbursements - June 2017  
Monthly Trial Balance - June 2017  
PERAC Memo 22.2017 - PROSPER and Legal Review of Disabilities  
PERAC Memo 24.2017 - COLA Increase for Dependents  
PERAC Memo 25.2017 - The Repeal of Over 70 Continuing Deductions  
PERAC Memo 27.2017 - Reinstatement to Service  
PPERAC Pension News  
PERAC NewsFlash - Over Age 70 Election Option Repealed  
Principal Real Estate Q2 Investment Report  
PRIT Fund Monthly Report - June 2017  
PRIT Fund Monthly Report for July 2017  
Sacco, Michael - Disclosure Pursuant to Section 23(b)(3)  
Sentinel Real Estate Corporation Final Distribution Notice dated July 21, 2017  
TA Realty Fund IX Distribution Notice dated August 15, 2017