

ESSEX REGIONAL RETIREMENT SYSTEM

NEWSLETTER FOR RETIREES AND MEMBERS

Spring 2016



COLA APPROVED FOR 2016

This past February the Board of the Essex Regional Retirement System (ERRS) has again voted to provide a 3% Cost-of-Living Adjustment (COLA) for all eligible retirees. This increase will take effect as of July 1, 2016 and you will see the adjustment in your benefit payment that you will receive on July 29, 2016. In 2012, the Board, with the approval of the Advisory Council, increased the base to which the COLA applies to \$13,000. So in July, the 3% COLA increase will be on the first \$13,000 of the benefit you receive. For those who receive a benefit of at least \$13,000 per year, this 3% increase translates into an additional \$32.50 per month in the benefit payable to ERRS retirees and beneficiaries.

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ERRS offices are open Monday through Friday from 8:30 a.m. to 4:30 p.m. You may also contact ERRS staff directly via our main office phone at (978) 739-9151, or via email at info@essexrrs.org.

PARKING OPTIONS WHEN VISITING ERRS

The driving force behind the search for a new office location for the retirement system is the limited parking available at the current facility in Danvers. Although ERRS continues to search for a cost-effective and convenient place to relocate, steps have been taken to provide some immediate relief to those retirees and members who visit the retirement system offices.



Some time ago, the ERRS Board approved the installation of four signs designating the parking spaces assigned to ERRS as reserved for our visitors and staff. If you visit the retirement system office, please look for these signs and please feel free to park in these spaces if they are available.

The reserved parking space immediately adjacent to the retirement system office, which is located in building 200 at the Hathorne Office Park, is designated just for visitors and should be available for you on a regular basis.



ERRS BOARD MEMBERS



H. Joseph Maney is one of two Board members who are elected by all of the retirees and members of ERRS. Mr. Maney currently serves as Chair of the Board and formerly served as the Town Administrator in Lynnfield. You can contact Mr. Maney at info@essexrrs.org.



Susan J. Yaskell is one of two Board members who are elected by all of the retirees and members of ERRS. Ms. Yaskell currently serves as Vice Chair of the Board and previously served as the Town Accountant in West Newbury. You can contact Ms. Yaskell at syaskell@essexrrs.org.



Alan J. Benson serves as the First Member of the Board, who is chosen by a weighted vote of the chief executives and chief administrative officers of the retirement system. Mr. Benson is the Town Administrator in Boxford and can be reached at abenson@essexrrs.org.



Kevin A. Merz is the Second Member of the Board and is elected by the ERRS Advisory Council. Mr. Merz is the Treasurer-Collector in Ipswich and also serves as Chair of the Advisory Council. You can reach Mr. Merz directly at kmerz@essexrrs.org.



Vincent R. Malgeri is the Fifth Member of the ERRS Board and is appointed by his fellow Board members. Mr. Malgeri is an attorney and also serves as the Administrator of the Greater Lawrence Sanitary District Retirement Board. You can reach Mr. Malgeri directly at vmalgeri@essexrrs.org.

Suggestions Welcome: *ERRS attempts to include information in each newsletter which addresses issues or concerns for our retirees and members. Many of the issues discussed in these newsletters are the result of subjects that come up in the ordinary course of business and which may affect your benefit or retirement planning. If you would like to see a particular subject or issue addressed in an upcoming newsletter, please send your thoughts to:*

info@essexrrs.org

and we will do our best to address the matter you raise in a future edition of the newsletter.



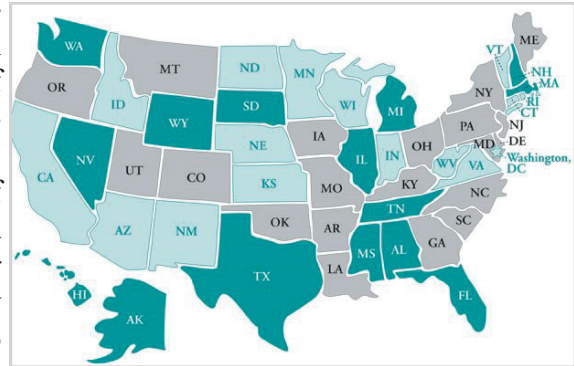
UPDATES FOR ERRS RETIREES

Benefit Payment Dates: Benefits are paid to ERRS retirees and survivors on the last business day of each month. All benefits are paid through a direct deposit in your designated bank account. If you have any questions about your benefit payment or if you wish to change the account into which your benefit is paid, please contact Anne Speicher, the ERRS Director of Administration and Finance at (978) 739-9151, extension 103. You can also reach Anne via email at aspeicher@essexrrs.org. Direct deposit forms are available on the Forms page of the ERRS website. The benefit payment dates for the remaining months of 2016 are:

May 31, 2016
June 30, 2016
July 29, 2016
August 31, 2016

September 30, 2016
October 31, 2016
November 30, 2016
December 30, 2016

Retirement Benefit Tax Information: As a reminder to ERRS retirees, there is no state tax on your retirement benefit in the Commonwealth of Massachusetts. If you live outside of Massachusetts, however, you could be subject to a tax depending on where you reside. On the Retiree tab of the ERRS website, there is a link which contains a map with each state color-coded indicating whether or not that state taxes your retirement benefit. By clicking on a particular state, you will be taken to the government website for that state. The information on this map is intended as a guide and you should always contact the local tax office in a particular state to confirm whether or not your retirement benefit is taxable in that state.



ERRS BOARD ELECTIONS SCHEDULED

Elections for Third and Fourth Members of the Board of the retirement system will be held in the fall of 2016. The election of the Third and Fourth Members of the Board is by a vote of all retired members, active members and inactive members with funds still on deposit with the retirement system. To be eligible for nomination to the Third and Fourth Member positions, a candidate must be a retiree of the retirement system. In September, all retired members of ERRS will receive a notice of the election and information on how to obtain nomination papers. Any person wishing to find out more about the 2016 elections can contact Charles Kostro, the Executive Director at (978) 739-9151, extension 105, or via email at ckostro@essexrrs.org. Additional information will also be posted on the website as the election date approaches.



UPDATES FOR ERRS MEMBERS

Membership Policy: The ERRS membership policy requires that an individual must be permanently em-

ployed twenty or more hours per week in a single position by one employer and must earn at least \$5,000 in regular compensation to become a member of the retirement system. In addition, ERRS requires that upon becoming a member, the individual must maintain the status of being permanently employed twenty or more hours per week and continue to earn \$5,000 annually in wages to continue contributing to the System and accruing creditable service. ERRS, along with several other Massachusetts retirement systems, differ in this regard with PERAC's "once a member, always a member" policy. This matter is presently being litigated and a decision is expected in this case this year.

The twenty or more hours per week requirement must be the result of a permanent work schedule. In other words, the individual must be assigned to work twenty or more hours per week, every week with no preplanned end point. Therefore, individuals holding intermittent or call positions would not be eligible for membership in the retirement system. In addition, an individual who temporarily works or averages twenty hours per week also would not meet the membership requirements. Finally, an individual assigned to a temporary position with a specified termination or end date, would not be eligible for membership even if they are working more than twenty-hours per week.

The twenty hour per week standard does not apply to elected officials. Rather, any elected official who earns at least \$5,000 in wages may elect to become a member of the System within ninety days after the date of assuming office.

Full-Time and Part-Time Membership Service: On September 24, 1996, the retirement system adopted a regulation that a member of the retirement system who is a part-time employee and who becomes full-time, has the part-time membership service prorated. Therefore, any member who has both full-time and part-time membership service after September 24, 1996, must have their part-time service prorated. All membership service, whether part-time or full-time and which was rendered prior to September 24, 1996, receives full-time service credit.

The proration of any part-time service for a member who also has full-time service is calculated based on the supplemental regulation that became effective on March 20, 2013. This regulation prorates part-time service based on the full-time equivalency of 150 hours being the equivalent of one (1) month of service.

Creditable Service Less Than 20 Hours Per Week: The retirement system has a creditable service regulation which states that if a member is not permanently employed at least 20 hours per week and earning at least \$5,000 in regular compensation per year, that member will not receive any creditable service. This regulation will remain effective regardless of any change that may be made in the ERRS membership policy. While the "once a member, always a member" policy requires individuals to continue to have retirement deductions withheld from their earnings even if they are not receiving service credit, that is not the policy of the ERRS Board. It is ERRS' policy that a member who is not receiving service credit should not have to contribute to the retirement system. Rather, a member who is not receiving service credit should be contributing to another qualified retirement plan, such as an OBRA account. Further, the Board's policy is that any retirement deductions taken from a member in error for the period in which they will not receive service credit, should be refunded to the member.



UPDATES FOR ERRS GROUP 4 MEMBERS

Service Purchases and Regular Compensation: Members purchasing prior non-membership service rendered as a reserve or permanent-intermittent police officer or a reserve, permanent-intermittent or call fire fighter, which service is beyond the five full years awarded pursuant to Massachusetts General Law Chapter 32, Section 4(2)(b), can only receive service credit for those wages that qualify as regular compensation. Regular compensation does not include earnings resulting from overtime, private detail or any other pay which is not consider regular compensation in accordance with PERAC's regulations and ERRS policies.

Reserve Police & Call Firefighter Wages: As a reminder from our last edition of the newsletter, last year ERRS received a copy of a notice from PERAC in response to an inquiry from one of our member communities. This notice clarified when wages paid to a reserve police officer or call firefighter are to be considered regular compensation and, therefore, are eligible to be included as earnings towards retirement. ERRS agrees with PERAC that wages paid to call firefighters and reserve police officers (or any member of ERRS), must be regular, recurring and predictable in order to be considered regular compensation. Wages that do not meet this standard cannot be considered as regular compensation and retirement withholdings should not be taken from such wages. In addition, it is the position of ERRS that overtime wages are also not regular compensation as specifically described in Chapter 32. If any Group 4 member, or any payroll coordinator within the ERRS system, has a question about a specific wage and whether it can be considered as regular compensation, please do not hesitate to contact Traci Masterson, the ERRS Membership Coordinator at (978) 739-9151, extension 121, or via email at tmasterson@essexrrs.org.

NEW RETIREMENT GUIDES AVAILABLE

The Public Employee Retirement Administration (PERAC) has recently released updated retirement guides, which have been posted to the website of the Essex Regional Retirement System. The new guides to retirement benefits, to the disability application process and to the benefits available to survivors have been posted to the website and are available by contacting the retirement system.

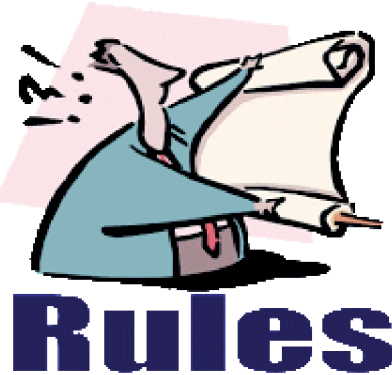
Please remember that different rules apply to retirement benefits for those who became members of the retirement system prior to April 2, 2012, and those who became members of the retirement system after April 2, 2012. Please make sure that you access the appropriate guide for your membership status.

If you have any questions, please do not hesitate to contact us at (978) 739-9151 or via email at info@essexrrs.org.



RETIREMENT SYSTEM ODDS AND ENDS

Supplemental Regulations and Policies: Massachusetts public retirement systems are governed by Chapter 32 of the General Laws. In addition, each retirement system may issue certain supplemental regulations governing the manner in which the retirement systems operate. Supplemental regulations are subject to approval by the state through the Public Employee Retirement Administration Commission (PERAC). In addition, some retirement systems issue policies so that the application of certain rules and procedures are applied fairly to all members. All ERRS supplemental regulations and policies are available for your review on the Reports page of the retirement system's website. Please do not hesitate to contact the ERRS staff if you have any questions or need any clarification on the regulations and policies of the retirement system.



Status Changes: It is very important that the retirement system be notified any time there is a change in your job status or position. Your employer should file such notices with the retirement system at the time of any change, but members should also check with us to confirm that any changes have been properly recorded. This will help insure that your records accurately reflect your service and your future retirement benefit.

Annual Membership Statements: In March, all active and inactive members should have received their annual statement with their account information. If you see anything on your membership statement that needs to be corrected, please contact the retirement system at your earliest convenience. Your assistance in helping us keep your information current is greatly appreciated.

ERRS INVESTMENT REPORT:

According to the fourth quarter investment performance report compiled by Dahab Associates, the ERRS investment consultant, on December 31, 2015, the ERRS investment portfolio was valued at \$373,832,488, representing an increase of \$537,207 from the September quarter's ending value of \$373,295,281.

For the period since December 2010, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$373.3 million, or \$580,461 less than the actual value as of December 31, 2015.

As of 12/31/2015, 93.2% of ERRS assets are invested in the Public Reserves Investment Trust (PRIT) Fund, 4.2% of the assets are invested in private equity funds, and 1.6% are invested in real estate funds. Cash assets comprise 1.0% of the portfolio.



SOME QUICK FACTS ON BENEFICIARY SELECTION:

- ⇒ ***Section 12(2)(d) beneficiaries selected by members:*** At the time of enrollment or anytime thereafter, a member of the retirement system may select an Option D beneficiary. The member must make this designation by submitting a completed beneficiary form to the retirement system. Only one beneficiary may be named, and only a spouse, child, former spouse who has not remarried, mother, father, brother or sister is eligible to be designated. An eligible spouse may also make an Option D selection upon the member's death. To be eligible for an Option D benefit, the member must have completed two years of creditable service, the member and spouse must have been married for at least one year and living together at the time of the member's death, or if not living together, the retirement board must find that they were separated for good cause. If a member does not select an Option D beneficiary, the member's accumulated deductions will be paid in a lump sum to their spouse or other eligible beneficiaries.
- ⇒ ***Option A:*** Upon retirement, a member may select Option A. Under Option A, the member will receive the largest possible retirement allowance, but upon his/her death, no money is payable to the member's survivors.
- ⇒ ***Option B:*** Option B provides the member with a retirement benefit that is 1% to 5% less per month than Option A. The member's annuity account (the amount of funds paid in by the member during his/her career) is used to fund a portion of the member's benefit. Generally, all of the accumulated deductions which the member contributed to the system during his or her career will be depleted approximately 12 to 15 years after retirement. (The member still receives the full retirement benefit even after the annuity account is depleted.) Upon the member's death, the designated beneficiary receives a lump sum payment of whatever funds remain in the member's annuity account.
- ⇒ ***Option C:*** If, at the time of retirement, the member selects Option C, he/she will receive 7% to 15% less of a retirement benefit than under Option A. Upon the retiree's death, however, the designated beneficiary will receive a monthly allowance equal to two-thirds of the allowance which was being paid to the retiree at the time of his or her death. If the designated beneficiary pre-deceases the retiree, the retirement benefit "pops up" to Option A. A member may only designate one Option C beneficiary and it must be the spouse, parent, former spouse who has not remarried, sibling or child. The eligibility of the beneficiary is determined at the time of retirement.
- ⇒ ***General Guidelines for Selecting a Beneficiary:*** The selection of an option (A, B, or C) at the time of retirement may not be changed after the effective date of retirement. For a member who is married, the spouse must acknowledge the selection of the beneficiary option, but does not have any power to object to or disapprove of the selection. Option B retirees cannot change their option selection after the effective date of their retirement, but they may change their designated beneficiary if they desire to do so.



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Disclaimer: This newsletter is intended as a guide for our retirees and members. The contents are for informational purposes only. Regardless of any statement contained herein, the benefits due to members of the Essex Regional Retirement System shall be governed by statute and/or regulation. This newsletter is not intended to confer any right or benefit that is not authorized by statute and/or regulation.