

ESSEX REGIONAL RETIREMENT SYSTEM

Newsletter for retirees and members

Spring 2018

COLA APPROVED

ERRS BOARD APPROVES 3% INCREASE

At their regular monthly meeting on March 26, 2018, the Essex Regional Retirement Board approved a 3% Cost-of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the retirement system. This 3% increase will be applied to the first \$14,000 of the retirement benefit. The COLA base was raised to \$14,000 in 2017. This 3% increase will be effective with the July benefit payments, which will be received by eligible retirees and beneficiaries on July 31, 2018.

Board members H. Joseph Maney, Susan J. Yaskell, Vincent R. Malgeri and Kevin A. Merz voted in favor of the 3% COLA. Board member Alan J. Benson voted against the measure.



The ERRS Board conducting business at a recent meeting.

WHAT IS “ANTI-SPIKING”?

The 2011 Pension Reform Act requires that all Massachusetts retirement boards review the earnings history of members who file an application for a superannuation (or regular) retirement. As part of this process, staff at the Essex Regional Retirement Board collect and analyze a member’s payroll records before calculating a retirement benefit. This process is required to prevent some individuals from “spiking” their earnings in their last years of working immediately prior to retirement. A member who is subject to this “anti-spiking” statute will have their retirement benefit calculated differently. For instance, your retirement benefit is typically calculated based on your three highest consecutive years of earnings if you were a member on or before April 2, 2012. (If you became a member of a Massachusetts public retirement system on or after April 2, 2012, the retirement *(continued on page 2.)*)

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Anne Speicher (above) left ERRS in March 2018 after six years as the Director of Finance.

NEW ERRS DIRECTOR OF FINANCE APPOINTED

In March, Anne Speicher, the Director of Finance, left ERRS after six years of service. Anne did an extraordinary job restoring confidence in the management of the financial affairs of the retirement system. Anne's proficiency managing the retirement system's accounting helped turn ERRS into a model of financial management. She will be missed.

After publicly posting an

advertisement to fill the position of Director of Finance, the Board appointed Scott Provensal to this position effective as of May 7, 2018. Scott has been with the Essex Regional Retirement System since 2013, and prior to that worked for the Massachusetts Teachers Retirement System. Since 2015, Scott has been an ERRS Retirement Counselor. A search process is presently underway to fill Scott's former position.

ERRS BY THE NUMBERS

Group 1 Members

2,189 Active Members
1,102 Inactive Members

Group 2 & 4 Members

477 Active Members
43 Inactive Members

Retirees & Beneficiaries

1,611 Retirees
214 Beneficiaries

Total Members

4,688 Group 1
948 Group 2 & 4

Total Members, Retirees & Beneficiaries

5,636

WHAT IS "ANTI-SPIKING"? (CONTINUED FROM PAGE 1)

benefit is calculated based on the highest five consecutive years of earnings.)

The anti-spiking statute requires a retirement board to review the last five years of a member's earnings. If it is found that a member's earnings at any point during this period exceed 10% over the average salary for the preceding two years, this would be a violation of the statute. The earnings that are found to be in excess of the 10% limit cannot be included in the member's retirement benefit. Further, the member's retirement benefit must be calculated based on the *five* consecutive highest years of earnings rather than three years (or seven years for members enrolled on or after April 2, 2012.) The statute does provide for exemptions to the "anti-spiking" limitations. For instance, the statute does not apply if the wage increases were due to an increase in the member's hours during this period, or to a change in jobs, or if the increases were negotiated as part of a collective bargaining agreement. The anti-spiking statute does not apply to accidental disability retirements either.

Anti-spiking will also apply if the member's earnings more than double in consecutive years. The five-year calculation requirement mentioned above would then be applied. There are no exceptions to this provision of the statute.



Kathy Riley of Segal Company addresses the Essex Regional Retirement System Advisory Council on the 2018 Valuation Study. (April 25, 2018)

VALUATION STUDY UNDERWAY FOR 2018

Each Massachusetts public retirement system is required to conduct a valuation study no less than every two years. The valuation study will assess the assets and liabilities of the retirement system and will determine the system's current funded ratio. In addition, the data from the valuation study forms the basis for the funding schedule that determines the annual appropriation, which is apportioned among the employer units of ERRS. In April, the ERRS Advisory Council and the ERRS Board were provided with a presentation from Segal Company regarding the 2018 Valuation Study.

The Board made several determinations at their April meeting that established the parameters of the valuation study. For instance, the Board voted to set the annual rate of assumed investment return at 7.5%, a reduction from the current 7.75%. (The assumed rate of return is how much in earnings the retirement Board estimates it will receive from the investment of its assets.) The Board also voted to maintain a full-funding date of 2035, five years earlier than the 2040 date required by law.

The valuation study is presently scheduled to be completed in the fall of 2018. Upon completion, the valuation study will be posted on the ERRS website (www.essexregional.com).

ERRS BY THE NUMBERS



- ◇ As 12/31/2017 the total assets of the retirement system were \$467,474,288.

- ◇ ERRS assets are 97.1% invested in the state managed PRIT Fund.

- ◇ The five-year rate of return (net) on investments is 9.4%.

- ◇ The three-year rate of return (net) on investments is 8.1%.

- ◇ Total assets increased by \$67 million in 2017.

BOARD MEMBERS



JOSEPH MANEY
ELECTED MEMBER—CHAIR



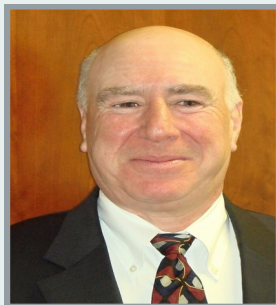
SUSAN YASKELL
ELECTED MEMBER—VICE CHAIR



ALAN BENSON
FIRST MEMBER



KEVIN MERZ
SECOND MEMBER



VINCENT MALGERI
FIFTH MEMBER

RETIREMENT SELECTION OPTIONS—OPTION A

At the time you submit your retirement application, you will have three options from which to select. This section briefly describes **Option A**. Option A provides you with the greatest retirement payment, as no beneficiary is selected. Upon your death, all payments will cease and no survivor benefits will be provided.

Choice of Retirement Option Form a
Form Last Revised: March, 2002

Retirement Board: Please place your address and phone number here. ▶	Essex Regional Retirement Board 491 Maple Street, Suite 202 Danvers, MA 01923 (978) 739-9151
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Member's Information

Member's Last Name (Print)	First
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Instructions
When you apply for retirement, you may select one of three (A, B or C). For the Option selection to be valid, this complete retirement board:

- on or before the date the board receives your written
- on or before the date your allowance becomes effective
- not more than 15 days after the board receives a written retirement from your department head.

1. You may change your Option selection before your retirement.
2. You may not change your Option selection once your retirement is approved.
3. If no Option selection is made or none is in effect, your allowance will be paid under Option A.

RETIREMENT SELECTION OPTIONS—OPTION B

Option B provides a member with a lifetime allowance which is approximately 1% to 5% less per month than the allowance payable under Option A. The annuity portion of a member's allowance is reduced to allow a potential benefit for his or her beneficiary or beneficiaries. Upon the member's death, the retirement board will pay the unexpended balance of the member's accumulated total deductions, if any, from the annuity reserve account in one lump sum. Under Option B, a member may designate as many beneficiaries as he or she desires.

RETIREMENT SELECTION OPTIONS—OPTION C

Option C is also known as the joint and last survivor allowance. Selecting this option means that the allowance payments that the member would receive during his or her lifetime will be approximately 7% to 15% less than he or she would receive under Option A. Upon the death of the retiree, his or her designated beneficiary will be paid a monthly allowance for the rest of his or her life. That allowance will be equal to two-thirds of the allowance which was being paid to the retiree at the time of his or her death. Only one beneficiary may be named under Option C. The eligible beneficiary is limited to a member's spouse, the member's former spouse (provided he or she has not remarried at the time the Option C benefit becomes payable), the member's child, parent, or sibling.

BENEFICIARY OPTIONS PRIOR TO RETIREMENT

OPTION D

Members may choose an **Option D** beneficiary upon becoming a member or at any point prior to retirement. Option D provides a designated beneficiary with an allowance for life rather than a one-time, lump sum payment from the member's annuity account.

Members may designate only one Option D beneficiary. The eligible beneficiary is limited to a member's spouse, the member's former spouse (provided he or she has not remarried at the time of being designated as the Option D beneficiary), the member's child, parent, or sibling. Even if not nominated, an eligible spouse may elect to receive this benefit.

Your beneficiary may receive an Option D benefit, provided:

- ◆ You have completed at least two years of service;
- ◆ You and your spouse have been married for at least one year;
- ◆ You and your spouse have been living together at the time of death, or the Board finds you were apart for justifiable cause;
- ◆ The rights of an eligible surviving spouse will always supersede any other person nominated as the Option D beneficiary. The eligible spouse will have 90 days from the date of notification from the retirement board to elect the Option D benefit.

Option D provides a benefit that a beneficiary would have received under Option C had the member retired on the date of death. If the member is under age 55, the member's age is "bumped up" to age 55 under Option D. (For members joining after April 2, 2012, the age is "bumped up" to 60.)

If the member's spouse is designated as the Option D beneficiary, the spouse **must** receive the monthly retirement allowance and may not choose a lump sum return of the member's accumulated deductions.

Option D also provides benefits to eligible dependent children. Option D survivor benefits are available to inactive members, but they are not eligible for the dependent child benefit.

RETIREMENT BENEFIT PAYMENT DATES

June 29, 2018
July 31, 2018
August 31, 2018
September 28, 2018
October 31, 2018
November 30, 2018
December 31, 2018

CHECKING YOUR CREDITABLE SERVICE

- ◇ Your total years of service earned during your career will be part of your retirement benefit calculation.
- ◇ Please regularly check with the retirement system staff at any time during your career to make sure your service has been calculated correctly—do not wait until you plan to retire!
- ◇ If you worked both full-time and part-time, your part-time service may be prorated.
- ◇ If you work less than 20 hours per week after May 16, 2017, that service will be prorated.
- ◇ If you bought prior non-membership service many years ago, please contact the retirement system staff and ask them to check that your purchase was calculated correctly.

2018 RETIREMENTS



ESSEX REGIONAL RETIREMENT SYSTEM

Phone: (978) 739-9151

Email:
info@essexrrs.org

Website:
www.essexregional.com

Office Hours:
Monday through Friday,
8:30 a.m. to 4:30 p.m.

The following individuals have been approved for a superannuation retirement benefit since January 1, 2018:

Garrett C. Boles, Town of North Andover
Susan M. Burns, Town of Ipswich
Alicia M. Murray, Town of North Andover
Lisa R. Rundquist, Town of Middleton
Joyce Shipley-Alders, Triton Regional
Steven A. Weir, Town of Topsfield
Robert A. Blanchard, Town of Wenham
Erin C. Chase, Pentucket Regional
Charles R. Denault, Town of Topsfield
Thomas M. Hills, Town of Rowley
Angelene B. Hopping, Ipswich Schools
Craig R. Lemke, Town of North Andover

Janet L. Lemnah, Manchester-Essex
Eileen M. Nylen, Ipswich Schools
Denise Samolchuk, Town of Manchester
John S. Sibbalds, Town of Manchester
Richard E. Swaine, Masconomet Regional
Elizabeth A. Adelson, Town of Lynnfield
Michael L. Soares, Town of Rockport
Stefan S. Taschner, Lynnfield Water
Cynthia E. Chard, Triton Regional
Nancy L. Smith, North Andover Schools
Dennis Sullivan, Town of Georgetown
Scott Waiswilos, Town of Ipswich

Congratulations to all of the recent retirees and best wishes for a happy and healthy retirement!

ESSEX REGIONAL RETIREMENT SYSTEM
491 Maple Street
Building 200, Suite 202
Danvers, MA 01923

