

ESSEX REGIONAL RETIREMENT SYSTEM

NEWSLETTER FOR RETIREES AND MEMBERS

SPRING/SUMMER 2017

COLA BASE INCREASED TO \$14,000

ERRS Board also approves 3% increase

At their meeting on April 5, 2017, the Advisory Council of the Essex Regional Retirement System approved an increase to \$14,000 in the base amount to which a Cost-of-Living Adjustment (COLA) is applied. COLA increases awarded to eligible retirees and beneficiaries will be applied to the first \$14,000 of the retirement benefit beginning on July 1, 2017. This is the first increase in the COLA Base since 2012. The previous COLA Base had been \$13,000.



The Advisory Council's vote on the increase in the base was seven members in favor with two opposed. Approval of the Advisory Council is required before the COLA Base can be raised. At a meeting in December of 2016, the Essex Regional Retirement Board had previously voted four members in favor and one opposed to recommend this increase to the Advisory Council.

Earlier in 2016, the Board had directed that the proposed funding schedule for the retirement system include the proposed increase in the COLA Base to \$14,000, pending final approval by the Advisory Council at their spring 2017 regular meeting. The retirement system's funding schedule was eventually approved by the Public Employee Retirement Administration Commission (PERAC) in January of 2017. Therefore, even though the COLA Base has been increased, the retirement system does not need to make any adjustments in its current funding schedule.

On April 11, 2017, PERAC notified the Board that the increase in the COLA Base was approved, the final step in the process for implementing the increase.

The increase in the COLA Base to \$14,000 aligns the Essex Regional Retirement System (ERRS) with its peer group of the twelve regional and county retirement systems in Massachusetts. Of the twelve regional and county retirement systems, six have a COLA base greater than \$14,000 while five have a COLA Base of \$14,000. Only one regional retirement system has a COLA Base of less than \$14,000.

Also, at their meeting on February 27, 2017, the Essex Regional Retirement Board approved a 3% Cost of Living Adjustment (COLA) for Fiscal Year 2017. The Board voted to award the 3% COLA increase by a vote of four members in favor and one opposed. Eligible retirees and beneficiaries of the retirement system will see this 3% increase in their benefit payment beginning in July of 2017.

This is the seventh consecutive year the Essex Regional Retirement Board has approved the maximum 3% COLA increase for retirees. As of July 1, 2017, the 3% will now be applied to the increased base of \$14,000. Eligible ERRS retirees will see both increases to their benefit beginning with the payment in July.

Find us on the web at www.essexregional.com

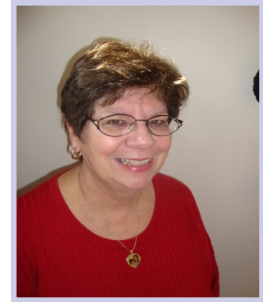


ERRS BOARD MEMBERS



H. Joseph Maney, Elected Member.
Contact: info@essexrrs.org

Susan J. Yaskell, Elected Member.
Contact: syaskell@essexrrs.org



Alan J. Benson, First Member.
Contact: abenson@essexrrs.org

Kevin A. Merz, Second Member.
Contact: kmerz@essexrrs.org



Vincent R. Malgeri, Fifth Member.
Contact: info@essexrrs.org

The Essex Regional Retirement Board meets monthly, typically on the fourth Monday of each month. Meetings start at 8:30 a.m. and are held at the retirement board offices located at 491 Maple Street, Building 200, Danvers, Massachusetts. All board meetings are open to the public and each meeting sets aside time at the beginning where the Board will entertain comments from the public. Notices of upcoming board meetings and the agenda items to be discussed are posted on the retirement system's website at www.essexregional.com. Meeting postings and agendas are also distributed to the town clerks in the nineteen municipalities that are members of the Essex Regional Retirement System and are posted in the same locations as your local board and committee meeting notices.

The Board is comprised of two elected members who must be retirees of the system and who are voted into office by all retirees and members. The First Member must be a chief executive of a member unit of the retirement system and is selected by a weighted vote of chief executives. The Second Member must be a member of and is selected by the ERRS Advisory Council, which is comprised of the treasurers of the member units of the retirement system. The Fifth Member is selected by the other four members of the Board and cannot be a retiree, member or employee of the retirement system. Every Board member serves a term of three years, except for the Fifth Member, whose term is five years.

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

OVER 50 PEOPLE ATTEND SYSTEM-WIDE INFORMATION MEETING

The staff of the Essex Regional Retirement System held a system-wide information session for treasurers, payroll coordinators and other interested persons on May 24, 2017 at the Ipswich Town Hall. This meeting was a resounding success with over 50 attendees from nearly every employer unit within the retirement system.

This two and one half hour session covered everything from the eligibility and enrollment of new members through the processing of retirement applications. Every staff member of the retirement system attended and presented information on their specific area of responsibility. In addition, those that attended the information session were able to ask questions regarding all aspects the retirement system.

Among the topics discussed was the new retirement system membership regulation and the affect of the recently decided Supreme Judicial Court case regarding continuing membership. Also reviewed was the enrollment process and what wages qualify as regular compensation and are eligible to be considered towards a retirement benefit. The discussion of regular compensation generated the most questions of any segment. And the process for submitting deduction reports, purchasing prior, non-membership service and what is needed when a member is seeking to retire were also covered in great detail.

The staff and Board members of the retirement system want to thank all of those who took the time out of their busy schedules to attend this information session. We greatly appreciate the effort made by so many people to participate in this meeting. The staff and the Board members also want to recognize the generosity of the Town of Ipswich, who has once again permitted the retirement system to use their excellent meeting room. The Town of Ipswich has been more than gracious in supporting the retirement system's efforts to hold meetings for our members and employer units.

FIRST BOARD MEMBER ELECTION

In the fall of 2017 an election will be held for the position of First Member of the Board. The First Member is selected from among the chief executives or chief administrative officers of the member units of the retirement system. The term of office for this position is three years and the term will begin on December 2, 2017. Only an individual who has been identified as the chief executive or chief administrative officer for a unit of the retirement system is qualified to seek the nomination and to vote for the position of the First Member of the Board. Nomination letters will be sent to all chief executives and chief administrative officers on September 13, 2017. The deadline for the submission of nominations is October 11, 2017. The election will be held by mail and ballots will be distributed to eligible voters on October 17, 2017. All ballots must be returned with a postmark no later than November 8, 2017. The election will be by weighted vote with the number of members of each unit determining the percentage vote for that unit. Please contact the Executive Director, Charles E. Kostro, if you wish to receive additional information regarding the election of the First Member of the Essex Regional Retirement Board.



BENEFICIARY SELECTION OPTIONS FOR MEMBERS

Note: This section is reprinted from the last ERRS newsletter. So many active members have asked about the beneficiary options available to them that it was decided to reprint this article in this edition.

Upon enrollment into the retirement system, members are provided with a beneficiary form. A member has options from which to choose in order to provide benefits to your survivors if you should pass prior to retirement. But you must complete a beneficiary form and submit it to the retirement system in order for your wishes to be followed. Please read the beneficiary form carefully before completing it and we recommend you speak with a retirement system staff person if you have any questions regarding your options. During your membership in the retirement system, you may change your beneficiary selection at any time by filing a new form.

If a member wishes to have a lump sum paid to a designated beneficiary or beneficiaries, they must complete the Beneficiary Selection Form. If the member has not designated an Option D beneficiary, the member's accumulated deductions will be paid in a lump sum to the beneficiary or beneficiaries based on the allocations provided on the Beneficiary Selection Form.

If a member wishes to have a monthly retirement benefit paid out to their beneficiary, they must fill out the Choice of Option D Beneficiary Form. Only a spouse, former spouse who has not remarried, child, mother, father, brother or sister is eligible to be designated as an Option D beneficiary.

If a member does not make an Option D designation, the member's spouse can still elect to receive the Option D allowance, or can request a return of the member's accumulated retirement deductions, provided:

- ◆ The member must have completed at least two years of creditable service;
- ◆ The member and spouse must have been married for at least one year;
- ◆ The member and spouse must have been living together at the time of death;
- ◆ If the member and spouse were not living together at the time of death, the Board must find that they were living apart for justifiable cause;
- ◆ ***The rights of a 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.***

Please find below a summary of the Option D selection:

- ◆ Option D provides a monthly 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.)
- ◆ A member can designate an Option D beneficiary at any time.
- ◆ Only one Option D beneficiary may be named and only a spouse, former spouse who has not remarried, child, mother, father, brother or sister of the member is eligible to be designated as an Option D beneficiary.
- ◆ **The Option D beneficiary must receive the survivor benefit allowance.**
- ◆ ***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 one-time, 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. Inactive members are not eligible for the dependent child benefit under Option D.

RETIREMENT SYSTEM NEWS

Information and updates for retirees and members of the Essex Regional Retirement System



ERRS Board Chair honored by Lynnfield

In June, the Board of Selectmen in Lynnfield voted to honor H. Joseph Maney by naming their public meeting room after him. Mr. Maney has served the Town of Lynnfield for over 50 years, including as town moderator, as a selectman and as town administrator. Mr. Maney is also an elected member of the Essex Regional Retirement Board, where he has served since 2010. Mr. Maney has served as Chair of the ERRS Board since 2012. Congratulations Mr. Maney!



ERRS Board Chair H. Joseph Maney

Board conducts asset allocation analysis

The Essex Regional Retirement Board has been conducting a series of meetings with its investment consultant to review the system's allocation of assets and its investment strategy. At the April 2017 meeting of the Board, the system's investment consultants, Dahab Associates, provided members with a discussion of the current allocation of assets and the options available to the system to potentially increase its investment return. The Board conducted a follow-up review of its asset allocation strategy at a special meeting held for this purpose on June 12, 2017. Presently, 96% of the retirement system's assets are invested in the state-managed Pension Reserves Investment Trust (PRIT) Fund. The retirement system presently has in excess of \$400 million in assets, a significant increase from the \$270 million in assets held in 2011. Only \$14 million of the system's assets remain in privately managed funds. Although further discussions will be held throughout the summer of 2017, the Board has indicated an initial consensus of opinion that it will maintain its commitment to fully invest the system's assets in the PRIT Fund. The minutes of these meetings, and all ERRS Board meetings, are available on the retirement system's website at www.essexregional.com.

Executive Director employment agreement renewed

At their meeting on June 12, 2017, the Board voted to renew the employment agreement of its Executive Director, Charles Kostro, for another five years. Mr. Kostro's new agreement will extend to the year 2022. Mr. Kostro was originally hired by the Board in March of 2011. Prior to being hired by the retirement system, he had previously served in a variety of state and local government positions, including as the Undersecretary of Transportation for the Commonwealth of Massachusetts and as the Town Administrator in Newbury, a member unit of the retirement system.



*Charles E. Kostro
ERRS Executive Director*



NEW MEMBERSHIP REGULATION

In December of 2016, the Supreme Judicial Court (SJC) issued a ruling which clarified the requirements for continuing membership in public retirement systems. To be in compliance with the ruling of the SJC, the Essex Regional Retirement Board approved a new membership regulation. This regulation was approved by PERAC and became effective in May 2017. While the basic requirements for initial membership in the retirement system remain essentially unchanged, there are some new elements to the approved membership regulation which are described below.

In general, all full-time employees must become a member of the retirement system. In order for a part-time employee to be eligible for membership in ERRS, the individual must be permanently employed twenty or more hours per week by a single member unit of the system and is required by statute to receive at least \$5,000 in wages annually. The retirement system considers permanently employed to mean that the individual is guaranteed twenty hours of weekly compensation each and every week. The wages earned by the employee must meet the definition of regular compensation, which is discussed below. Any elected official who earns at least \$5,000 in wages may elect to become a member of the retirement system within ninety days after the date of assuming office. An elected official who fails to elect to become a member within ninety days of assuming office must wait until the start of a new term in order to become a member.

To be eligible for membership, an individual must work twenty hours per week in one or more positions for one employer. An employee who does not work twenty hours per week for a single employer is not eligible for membership. Individuals holding intermittent or call positions are not eligible for membership in the retirement system as they do not work a regular, guaranteed schedule of twenty or more hours per week. Also, an individual who temporarily works or averages twenty hours per week does not meet the membership requirements. An individual who is assigned a twenty hour per week schedule but who is not guaranteed to receive regular compensation at least twenty hours per week, every week, is not eligible for membership. And an individual assigned to a position classified as temporary, seasonal or provisional is not eligible for membership even if they are working more than twenty hours per week.

Once an individual meets the requirements of membership in the retirement system, they shall remain a member as long as they are continuously employed by the same employer, even if they no longer work at least twenty hours per week.

The Board has also clarified what constitutes **regular compensation** (wages that are eligible for retirement deductions) in order to comply with the current regulations and clarifications provided by PERAC. In order to qualify as regular compensation, the wage must be predetermined, non-discretionary and guaranteed. Certain wages are specifically excluded as regular compensation, either by statute or by regulation. For instance, overtime wages, whether paid to a member for their primary position or for their second position, are never regular compensation. No wage paid as overtime, or any portion of such overtime wage, may be considered as regular compensation. Wages paid to individuals in a position classified as intermittent or on-call and who do not have a permanent set schedule are not regular compensation.



2017 ERRS RETIREES

Congratulations and best wishes to those members of the retirement system who have retired this year. Please find a list below of those whose retirements have been approved by the Board through May of 2017.

Camilla A. Ayers, Town of Rockport
 Melvin L. Cheney, Town of Georgetown
 Arthur F. Churchill, Town of Essex
 Robert D. Hazelwood, Town of Boxford
 Jane E. Lomanno, Boxford Public Schools
 Jean S. Frash, Town of Ipswich
 Ronald A. Hale, Town of Rockport
 Mark T. Kelly, Town of Middleton
 Allan M. Kirker, Town of Manchester
 David L. Mayerson, Town of Lynnfield
 Paul A. Pellicelli, Middleton Housing Authority
 Lauren M. Segee, North Andover Public Schools
 Jeffrey W. Tobey, Town of Wenham
 Robert A. Veator, Masconomet Regional School District
 Larry C. Wonson, Town of Rockport
 Daniel J. Crevier, Town of North Andover
 Timothy C. Frithsen, Town of Rockport
 Ronald P. Giovannacci, Town of Topsfield
 Claudia R. Johnson, Town of Middleton
 Steven Kenney, Town of Manchester
 Stephen W. May Sr., Town of Rowley
 Richard A. Morrill, Town of Ipswich
 Lana Seguin-Spillman, Town of Topsfield
 Edward J. Szczechowicz, Hamilton-Wenham Regional School District
 Bruce D. Thibodeau, Town of North Andover
 James S. Zabelski, Town of Ipswich
 Richard D. Lebel, Town of Topsfield
 William Lynch, Sr., Town of North Andover
 Jeanne M. McClung, Town of Rowley
 Sheila J. Parisien, Manchester-Essex Regional School District
 Debra A. Rillahan, Town of North Andover
 Daniel F. Collins, Triton Regional School District
 Kathryn F. Famulari, Town of Nahant
 Michael P. Goddu, Town of Georgetown
 George H. Hobbs, Town of Rockport
 Donald R. Levesque, Town of Salisbury
 Judy L. Savasta, Tri-Town School Union
 Gregory A. Stevens, Town of Hamilton
 Robert J. Tibert, Town of Rockport



Retirement Benefit Payment Dates

- * July 31, 2017
- * August 31, 2017
- * September 29, 2017
- * October 31, 2017
- * November 30, 2017
- * December 29, 2017



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



ERRS STAFF CONTACT INFORMATION

Charles E. Kostro, Executive Director

Phone: (978) 739-9151 x105

Email: ckostro@essexrrs.org

*Anne Speicher, Director of Finance
& Administration*

Phone: (978) 739-9151 x103

Email: aspeicher@essexrrs.org

Scott Provensal, Retirement Counselor

Phone: (978) 739-9151 x123

Email: sprovensal@essexrrs.org

Kathy Carleton, Retirement Counselor

Phone: (978) 739-9151, x104

Email: kcarleton@essexrrs.org

Traci Masterson, Membership Coordinator

Phone: (978) 739-9151 x121

Email: tmasterson@essexrrs.org

Pamela Lynch, Administrative Assistant

Phone: (978) 739-9151, x101

Email: plynch@essexrrs.org

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.