

The meeting of the Andover contributory retirement board was called to order on Thursday, April 20, 2023, at 8:30 A.M. in the third-floor conference room A (Select Board Conference Room) located in the Town Offices. Members participating: Hayley Green, Chair, Tom Hartwell, Elena Kothman, Blackwell Taylor, and Eric Teichert. Also present: Recording Secretary Susan McKelliget, Greg McNeillie and Kevin Condy of Dahab Associates, Linda Bournival, of KMS Actuaries, and Patrick Lawlor, Town Chief Financial Officer.

Mr. Hartwell gave a presentation on "Selecting and Documenting the Long-Term Expected Rate of Return (LTRR) discount rate (4/20/2023)".

Mr. Hartwell began by saying he joined the retirement board in 2014 and still believes setting the long-term discount rate remains one of the most important roles of the Retirement Board. Unrealistic discount rates typically lead to underfunded public pension funds. Lower rates mean larger town annual contributions and higher taxes -- which politicians and public unions oppose. As a consequence, asset allocation in risky assets is often needed to achieve high returns. Unrealistic rates mask the true costs of pension benefits which threatens the ability of plans to pay basic retiree benefits. Over the last 23 years, the plan's actual returns were significantly lower than the rates used by the Retirement Board which was the main cause for the unfunded pension liability. The Board has a fiduciary responsibility to ensure a realistic discount rate. It is not the responsibility of the actuary.

There are certain data to consider for investment return and multiple rates could be used instead of a single investment return rate. Computer simulations estimate the chance of earning a plan's return, given the plan's asset allocation. The long-term expected rate of return must be forward-looking. It is not sufficient to rely solely on past investment experience.

Recommendation: The 5.75% discount rate should continue to be used.

Preliminary valuation results - KMS Actuaries, LLC - Linda Bournival

Ms. Bournival began her presentation by saying periodic reviews of a system's experience are usually done every other year. Along with experience, assumptions and methods are reviewed.

Among key findings are the 5.75% discount rate which continues to be realistic, especially because of the Town's \$165M of POB debt--which brought the fund from about 50% to nearly 96% funded. POB payments replace Retirement System appropriations needed to fully fund UAAL by 2040.

The Actuarial Value of Assets (AVA) as a percentage of Market Value of Assets (MVA) was 107.2% in 2022. Inactive members between January 2021 and 2023 increased, and the annual salary also showed a modest change. Plan provisions will be the same as the 2021 valuation (except for recent COLA increases). A discussion of sources of gains and losses during the two-year period ensued. It was noted the Andover Housing Authority did not receive any proceeds from the POB funding. Mortality rates assumption were also discussed.

Recommendation: Keep Administrative expense assumption at 3.5%

Recommendation: Keep Investment return assumption at 5.75%.

Funding Schedule scenarios (A1, B1, B2, B3, and B4) and recommendations were discussed.

Schedule B3 with UAAL \$16.98M and LTTR of 5.75% means an Andover Housing Authority increase of 7.37% and fully funded date of 2037; all others fully funded in 2032 with a 5% increase.

Ms. Green noted 2040 is no longer the year for the Andover Retirement system to be fully funded, but wondered if PERAC would accept the Housing Authority's funded year at 2037, since they recommend being fully funded by 2035 or earlier. Ms. Bournival said in light of the Town's portion of the unfunded liability being so low due to the POB, she doubts PERAC would have a problem with the Housing Authority going out to 2037. Ms. Green asked Mr. Lawlor if he had any comments as a representative of the Town. Mr. Lawlor said the B-3 schedule would be preferred.

It was moved by Mr. Hartwell, seconded by Mr. Taylor, and voted 5-0 to adopt the B-3 funding schedule.

Investments:

Dahab Associates:

Mr. McNeillie and Mr. Condry briefly discussed investment performance in 2023. Mr. McNeillie reported a gain of 2.5% thus far into the year, but noted that PRIT has not given any recent balances. A discussion of bond interest rates followed, and Mr. Condry said the Town took the POB at exactly the right time at the right interest rate, as bonds are generally trading higher.

Mr. Hartwell asked about keeping \$24 million in cash and Mr. Condry responded they still recommend doing so. Ms. Green said the POB cut annual appropriation payments from the Town. Mr. McNeillie said 5.75% will likely be earned over the life of the POB. The 8.7% loss last year should not result in considering changes based on that one year alone.

Statements:

MMDT:

It was moved by Mr. Taylor, seconded by Mr. Hartwell, and voted 5-0 to approve the MMDT Statement for 03/31/2023.

MassPRIM/PRIT:

It was noted the Mass PRIM/PRIT Statement for 03/31/2023 had not been received yet, therefore, a vote will be taken at the May meeting.

RhumbLine:

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the following RhumbLine statements received: Mid Cap 400 & Small Cap 600 03/31/2023.

MassPRIM/PRIT:

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to confirm the wire transfer of \$1,400,000.00 for March operating expenses.

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the wire transfer of \$1,400,000.00 for April operating expenses.

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve a wire transfer of up to \$1,400,000.00 for May operating expenses.

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to confirm the Exchange of Emerging Markets to PRIT CORE in the amount of \$3,253,353.07.

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to confirm the Exchange from International Equity to PRIT CORE in the amount of \$2,390,108.02.

Minutes:

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the minutes for March 30, 2023.

Monthly Payroll:

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the April 2023 monthly payroll as follows:

Annuity	309,096.33		
Pension	1,349,669.68	Total	1,658,766.01*

*includes Retro add'l 2% COLA \$98,988.26

Expenses - April expense warrant #2023-043(8)(c) Payments (to other Retirement systems):

Barnstable County Retirement	3,712.65	
MTRS	439,080.84	
	Total 3(8)(c) :	442,793.49

Dahab Associates, Inc., 1 st qtr fee	8,750.00
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KMS Actuaries, 1 st qtr fee	4,000.00
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Konica Minolta Business Solution, BW & Color Copies	37.07
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Konica Minolta Premier Finance, monthly fee	168.00
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Elena Kothman - ET digital access reimbursement for March	26.99
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Middlesex County Retirement - Transfer out: Acct of Ana-Maria DeRosa	18,905.98
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Deds = 9% = \$16,660.09, 2% = \$2,231.57, interest = \$14.32

Total Cred Serv = 2.2500 years

Andover = 04/11/2022-03/10/2023 = 0.8333 years

Middlesex County = 10/19/2020-04/08/2022 = 1.4167 years

MTRS - Transfer out: Acct of Lisa Freeman	62,488.23
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Deds = 9% = \$59,307.84, 2% = \$1,798.11, interest = \$1,382.28

Total Cred Serv = 22.8333 years

Andover = 09/15/1997-09/01/2009 = 11.9167 years

Andover = 08/30/2010-08/29/2021 = 10.9167 years

MTRS - Transfer out: Acct of Emily Gibson	9,159.90
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Deds = 9% = \$8,661.63, 2% = \$477.71, interest = \$20.56

Cred Serv = 2.9167 years = 09/24/2018-08/29/2021

MTRS - Transfer out: Acct of Elizabeth Jaeschke	12,816.68
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Deds = 9% = \$12,435.41, 2% = \$338.70, interest = \$42.57

Total Cred Serv = 5.2500 years

Andover = 01/04/2016-01/11/2019 = 3.0000 years

Andover = 05/06/2019-08/29/2021 = 2.2500 years

MTRS - Transfer out: Acct of Jessie Livingston	6,462.60
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Deds = 9% = \$5,999.94, 2% = \$450.88, interest = \$11.78

Cred Serv = 1.5833 years = 01/02/2020-08/29/2021

MTRS - Transfer out: Acct of Kali Otis	9,358.66
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Deds = 9% = \$9,012.85, 2% = \$320.98, interest = \$24.83

Total Cred Serv = 3.6667 years

Andover = 10/10/2017-08/31/2020 = 2.8333 years

Andover = 10/08/2020-08/29/2021 = 0.8333 years

Refund: Acct of Zahira Boufares	1,869.12
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Deds = 9% = \$1,761.28, interest = \$107.84

Cred Serv = 0.9167 years = 09/11/2019-09/01/2020

Refund: Acct of Jake Celentano	10,811.93
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Deds = 9% = \$9,225.50, 2% = \$1,346.08, interest = \$240.35

Cred Serv = 1.0833 years = 05/24/2021-07/22/2022

Refund/Rollover: Acct of Daniel DiCesare	8,464.72
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Deds = 9% = \$6,918.88, 2% = \$1,064.45, interest = \$481.39

Cred Serv = 0.7500 years = 03/23-12/31/2020

Refund: Acct of Colleen Fitzpatrick	42,980.94
Deds = 9% = \$34,234.63, 2% = \$4,203.87, interest = \$4,542.44	
Cred Serv = 5.5833 years = 12/28/2015-08/13/2021	
Refund: Acct of Leah Noonan	5,030.72
Deds = 9% = \$4,624.53, interest = \$406.19	
Cred Serv = 2.0833 years = 04/02/2018-02/05/2021	
Refund/Rollover: Acct of Christopher Primes	41,451.61
Deds = 9% = \$34,039.94, 2% = \$4,381.97, interest = \$3,029.70	
Total Cred Serv = 7.5833 years	
Andover = 06/27/2017-10/03/2022 = 5.2500 years	
Andover buyback = 06/10/2013-06/26/2017 = 2.3333 years (non-taxable)	
Refund: Non-taxable portion - Acct of Christopher Primes	4,377.00
Refund: Acct of Lina Sierra	372.17
Deds = 9% = \$356.86, interest = \$15.31	
Cred Serv = 0.2500 years = 03/04-06/19/2019	
Refund: Acct of Donna Stevens, retirement deds taken in error	562.14
Refund: Acct of Emalie Tjalsma	274.55
Deds = 9% = \$264.56, interest = \$9.99	
Cred Serv = 0.0833 years = 05/03-06/17/2021	
Refund: Acct of Mary Torres	950.05
Deds = 9% = \$915.51, interest = \$34.54	
Cred Serv = 0.5833 years = 04/05-11/17/2021	
Refund: Acct of Kerry Whalen	3,210.47
Deds = 9% = \$3,038.25, interest = \$172.22	
Cred Serv = 1.5833 years = 01/27/2020-08/29/2021	
RhumbLine Advisers, 1 st qtr invoice	4,359.00
The Law Offices of Michael Sacco, March 2023	182.00
Town of Andover:	
Elena Kothman	8,438.80
Helen Armano	6,453.04
Vincent Malgeri	1,550.40
Susan McKelliget (03/30/2023)	250.00
Total Salaries:	16,692.24
Town of Andover:	
Hayley Green	250.00
Michael Morse	250.00
Total Stipends:	500.00
WB Mason, Misc Office Supplies	110.32
<u>Total expenses - Warrant #2023-04:</u>	717,166.58

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5 to 0 to approve the total expenses of \$717,166.58 as printed in warrant #2023-04. Ms. Green abstained from voting on her stipend and Ms. Kothman abstained from voting on her salary and her ET digital access reimbursement.

Ms. Green asked why there were so many refunds and Ms. Kothman responded that over 200 inactive members are being contacted about their funds on deposit, and we will see more over the next few months.

The Board noted the following receipts:

Receipts:

Employee Contributions - March 2023:

Town	309,501.51	
School	117,314.73	
AHA	5,737.99	
Total employee contributions:		432,554.23

Misc Receipts:

3(8)(c) payments rec'd:

Haverhill Retirement	64,111.40	
Essex Regional Retirement	88,416.20	
Lexington Retirement	1,035.50	
Norfolk County Retirement	9,124.12	
Worcester Regional Retirement	17,623.95	
Total 3(8)(c):		180,311.17

Transfers in

Marissa M Reese, School, from Concord Retirement 5,047.96

Deds = 9% = \$4,879.40, 2% = 166.24, interest = \$2.32

Cred Serv = 1.4167 years = 08/31/2021-02/08/2023

Raymond J Joniec, School, from Essex Regional 19,919.90

Deds = 9% = \$19,403.54, 2% = 445.75, interest = \$70.61

Total Cred Serv = 7.1667 years

Essex Regional = 1.5833 years = 01/21/2015-08/28/2016

Essex Regional = 5.5833 years = 08/31/2016-04/15/2022

Isha F Agarwal, School, from Middlesex County Ret Sys 727.38

Deds = 9% = \$709.80, 2% = 17.40, interest = \$0.18

Cred Serv = 0.1667 years = 03/28/2022-06/21/2022

Transfers In total: 25,695.24

It was moved by Mr. Hartwell, seconded by Mr. Teichert and voted 5-0 to approve transfers in total in the amount \$25,695.24.

Total Receipts: 638,560.64

The Board approved the following notices of Intent to Retire:

Catherine DeSantis, School cafeteria, DOR 05/03/2023, Cred Serv = 22y, 6m, Superannuation

Leonard Foote, Town/Prks & Grnds, DOR 05/10/2023, Cred Serv = 23y, Superannuation

Barbara Lyle, School, DOR 07/06/2023, Cred Serv = 22y, 8m, Superannuation

The Board noted the following:

Retirement Allowance Calculations approved by PERAC:

Kathleen McDonald, Town/Library, DOR 03/18/2023, Cred Serv = 22y, 5m, Superannuation

	<u>Annual</u>	<u>Monthly</u>
Allowance	30,300.84	2,525.07

Office Assistant Position Status & Hours

Ms. Green said Mr. Teichert asked for this item to be placed on this month's agenda. The temporary, part-time position of Office Assistant, held by Vincent Malgeri, is for 19 hours per week. Ms. Kothman said Mr. Malgeri has been of great assistance to both her and Office Coordinator Helen Armano. Mr. Malgeri has worked on office backlogs, most recently contacting inactive members, but there is still much work to be done. Ms. Kothman asked the Board to consider making the position permanent and increasing the hours to 30 hours per week. The position would then be eligible for benefits and would be eligible to become a member of the Retirement System.

Ms. Green said she felt increasing the hours from 19 to 30 per week was a large step and felt it should be done gradually. Ms. Green said she would also like to have more information about what additional duties the position would be doing, and stressed focus should be on the position itself, not the employee currently in the position. Mr. Hartwell agreed that the increase in hours should be done gradually and would like additional data about the responsibilities. Mr. Taylor asked about other costs associated with increasing the hours, such as eligibility for health insurance. Mr. Hartwell agreed and said this type of change would also impact OPEB. The Board asked Ms. Kothman to provide more data about the additional duties that would be performed under a 30-hour week schedule, and for a cost analysis. Ms. Kothman said she will research and will present this information at the next meeting. Ms. Green asked if increased hours have been discussed with Mr. Malgeri and Ms. Kothman told the Board he is available to work extra hours.

Report from the Executive Director:

PERAC memos: 11/2023 confirmed the State's extension of Open Meeting Law Waivers and PERAC memo 12/2023 lists the former members who have been determined to be ineligible for membership in any MA retirement system due to dereliction of duties.

Ms. Kothman mentioned the MACRS Annual Conference being held in June 2023, Hyannis MA, 6/4-6/7/2023. If interested, Ms. Kothman needs to register Board members who wish to attend. It was noted that Mr. Teichert would like to attend. It was moved by Mr. Hartwell, seconded by Ms. Kothman and voted 4-0-1 to approve Mr. Teichert's attendance (Mr. Teichert abstained).

2023 Retiree affidavits - due by April 28, 2023; only 80 of 590 have not submitted. Ms. Kothman said the staff will make efforts to contact the outstanding retirees and will update the Board at their next meeting. Ms. Kothman noted that if a retiree fails to comply, she will ask the Board for permission to withhold future payments until they comply. Ms. Green asked if a vote was needed at this time and Ms. Kothman said no, she will ask for a Board vote at the May meeting but is hoping it won't be needed.

Retirement news April 2023 newsletter to retirees—COLA information

Board to discuss retro COLA payments due to deceased retirees- MGL, Ch 32, §11(2)(c) - Ms. Kothman informed the Board Attorney Sacco and PERAC have advised paying retro COLA to beneficiaries or estates of the deceased, although some other Retirement Directors she spoke with said they do not feel deceased retirees are entitled to the benefit. Ms. Kothman said she will present the retro COLA payments to the Board as expenses.

It was moved by Mr. Hartwell, seconded by Ms. Kothman, and voted 5-0 to pay retro COLAs due to deceased retirees as advised by PERAC and Attorney Sacco.

Cash/Accounting:Cash Books:January 2023:

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the trial balance, cash receipts, cash disbursements, adjusting journal entries, and bank reconciliation.

February 2023:

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the trial balance, cash receipts, cash disbursements, adjusting journal entries, and bank reconciliation.

Cash balance: as of April 20, 2023

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to approve the cash balance as of April 20, 2023, in Bank of America for \$47,361.43.

Ms. Green noted receipt of the Cash Flow Forecast for April 2023 and the Budget compared to actual for the first quarter of 2023.

Next Meeting date

Ms. Green noted the next meeting is scheduled for Thursday, May 25, 2023, at 8:30 AM.

Other Business before the Board

Ms. Green announced the Investment Committee will meet Monday, April 24, 2023.

Adjourn

It was moved by Mr. Hartwell, seconded by Mr. Teichert, and voted 5-0 to adjourn at 10:35 A.M.



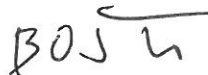
Hayley S. Green



Elena M. Kothman



Thomas P. Hartwell



Blackwell O.J. Taylor



Eric J. Teichert

Documents:

Selecting the LTRR presentation
1/1/2023 Preliminary Results of Actuarial Valuation
Proposed funding schedules
MMDT Statement & RhumbLine Statements
Wire transfer confirmations
Unofficial Minutes 03/30/23
Monthly Payroll
Expenses

Receipts
Transfers In
PERAC memos:11-12/2023
MACRS June 2023 Annual Conference
Retirement News April 2023
Cash books - January & February 2023
Cash flow forecast April 2023
Budget compared to actual 1st qtr 2023