

The regular meeting of the Andover Contributory Retirement Board was called to order by Chairman Cuticchia on Thursday, September 22, 2016 at 8:00 a.m. in the Board of Selectmen's Conference Room located in the Town Offices. Present were: The Chairman, Jim Cuticchia, Elena Kothman, Tom Hartwell, Tony Stankiewicz, and Donna Walsh. Also present were Administrative Assistant, Helen Armano and Board Counsel, Michael Sacco.

Retirement Board Member Change

Mr. Cuticchia announced Board Member and Town Accountant/Asst Finance Director/Ex-Officio, Theodora K Moccia has resigned effective 09/06/2016. Mr. Cuticchia thanked Ms. Moccia for her dedication to the Town of Andover, to the employees, and to the members of the retirement system. Mr. Cuticchia stated Ms. Moccia did exemplary work and was an asset to the Town. The Retirement Board wished her well in all of her future endeavors.

Next, Mr. Cuticchia announced the Town has appointed Finance Director, Donna Walsh, to the Board as Interim Town Accountant/Ex-Officio, effective 09/13/2016-01/01/2017 and stated the Board has received official notice concerning her appointment and asked Attorney Sacco if there was any action the Board needed to take. Attorney Sacco responded the position is Ex-Officio by statute, therefore, no action from the Board, however, Ms. Walsh will need to complete the required documentation, courses of study, and certifications. Ms. Kothman informed the Board she has been in communication with Ms. Walsh and forwarded her the appropriate documentation.

Retirement Board Election:

Ms. Armano gave the Board an update on the election and reported nomination papers were due by 12:00 Noon on 09/16/2016 and the only person to submit papers was Elena Kothman. Therefore, according to PERAC regulations, 840 CMR Section 7.05, the Board needs to vote to declare the candidate be the newest elected member to the Board.

At this time, Mr. Hartwell asked if there was a statute prohibiting the Executive Director of the system from being a member on the same Retirement Board. Attorney Sacco explained there was a change in the statute and currently it prohibits any employee or vendor from holding a seat on the same board, however, Ms. Kothman already held a seat on the board prior to the change in statute, therefore, she is grandfathered. Ms. Kothman asked what happens if she gave up a term. Attorney Sacco commented other boards have asked the same question and he has discussed it with PERAC and explained per statute, if the member served on the Board prior to the change in statute, then the member is grandfathered indefinitely.

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 4-0-1 to declare Elena M Kothman the newly elected member with term to commence on 11/05/2016 and expire on 11/04/2019 (Ms. Kothman abstained). The Board noted this is Ms. Kothman's fifth term on the Retirement Board. Ms. Armano will send a letter to PERAC and Mass Retirees Association.

Minutes

The Board reviewed the minutes for the meeting held on July 14, 2016. It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 4-0-1 to approve the minutes of the meeting held on July 14, 2016 (Ms. Walsh abstained).

The Board reviewed the minutes for the meeting held on July 28, 2016. It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 4-0-1 to approve the minutes of the meeting held on July 28, 2016 (Ms. Walsh abstained).

Monthly Payroll, Salaries, Stipends

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve the monthly retirement payroll for September 2016 as follows:

Annuity	184,598.10
Pension	<u>908,429.50</u>
Total	1,093,027.60

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 4-0-1 to approve the monthly salaries for September paid as follows (Ms. Kothman abstained):

Elena Kothman (Sept 2016)	7,070.04
Helen Armano	<u>4,256.12</u>
Total	11,326.16

Mr. Hartwell asked for clarification on the stipend amount paid to Ms. Moccia. Ms. Kothman explained how the amount was calculated and said she feels it's a timing issue with Town payroll. After a brief discussion, the Board decided to approved the payment this month, conduct further research with Ms. Walsh, and make an adjustment to the stipend next month, if necessary.

It was moved by Ms. Kothman, seconded by Mr. Stankiewicz and voted 4-0-1 to approve the monthly stipends paid as follows (Ms. Walsh abstained):

Theodora K Moccia 09/01-09/06/16	138.07
David J Reilly 09/30	250.00
Donna M Walsh 09/13-09/30/16	<u>149.94</u>
Total	538.01

Open Meeting Law Violation

Mr. Cuticchia stated there has been an open meeting law violation and turned the floor over to Mr. Hartwell for an explanation. Mr. Hartwell explained he left the August Retirement Board meeting early and later that afternoon received an email from Executive Director Kothman with attachments of handouts from Dahab Associates that were distributed after he left the meeting and suggested he watch the remainder of Dahab's presentation to the Board on Andover TV. Mr. Hartwell stated he watched the remainder of presentation and then drafted a memo in response to Ms. Kothman's email, however, he immediately realized he sent it to the entire Board and self-reported a possible open meeting law violation to the Attorney General's Office. Mr. Hartwell further explained he received a response from the Attorney General's office which included general guidance on the matter suggesting he announce the violation and discuss the contents of his memo during an open session.

At this time, Mr. Cuticchia expressed his concerns with Mr. Hartwell's open meeting law violation and reminded him that this is not the first time he has violated the open meeting law and the Board has cautioned him in the past about deliberating via email, yet it continues to happen and stated he feels it is becoming problematic. Ms. Kothman agreed and stated she sent the email in her role as Executive Director to provide documents to Board members that left the meeting early, but not to deliberate, which she feels Mr. Hartwell wanted to do. Ms. Kothman further stated she is not satisfied with Mr. Hartwell's solution to the violation and suggested the Board request a letter from the Attorney General which specifically addresses Mr. Hartwell's violation. Mr. Hartwell stated he feels he did what the Attorney General's office suggested he do by taking remedial steps such as announcing the violation and discussing the email in open session.

Mr. Cuticchia asked Attorney Sacco for his opinion on the matter.

Attorney Sacco commented he had an email exchange in the past with Ms. Kothman about her dual role as Executive Director and Board member and whether or not forwarding information to the Board via email constitutes a violation. Attorney Sacco explained there is no violation when providing information as long as there is no deliberation, therefore, Ms. Kothman's email to Mr. Hartwell was appropriate.

Next, Attorney Sacco explained because of Mr. Hartwell's actions, however, the entire Board is in violation of the open meeting law. Attorney Sacco stated based on his experience, the resolution for an open meeting law violation is usually a letter from the Attorney General describing what the violation was and suggesting board members take additional training so that the violation doesn't happen again. Attorney Sacco suggested the Board send the Attorney General a letter acknowledging the violation and ask them whether or not any further action from the Board needs to be taken. Attorney Sacco agreed with Mr. Hartwell's solution to the violation by acknowledging the violation and being allowed to discuss the contents of his memo in open session.

A brief discussion ensued and the Board asked Attorney Sacco to contact the Attorney General's Office on this matter and report back to the Board.

At this time, Mr. Hartwell discussed the contents of his email concerning Dahab's presentation and stated Dahab wasn't on the agenda and he didn't realize they were giving a presentation.

Mr. Hartwell commented Dahab's handout uses a combined blended long term rate and he feels the Board shouldn't view their handout as definitive support for choosing the 7.25% rate. Mr. Hartwell stated Dahab's firm does not provide long term projections and discussed reasons why he feels their "hybrid" approach should not be used as the basis for determining the rate. Mr. Hartwell discussed the 1/1/16 Actuarial Report in which the rate of return was determined by using a building block method consistent with actuarial standard 27 and GASB 68, however, he has concerns with this method as it is based on assumptions and expected future returns which we haven't met over the last 16 years. Mr. Hartwell stated the Board should be doing their own due diligence by having documentation to support the 7.25% rate such as having an investment policy. Next, Mr. Hartwell discussed using historical data to show what was earned over the past 20 years, 15 years, 10 years, and 8 years and commented on being below the 7.25% for 20 years. Mr. Hartwell recommends the Board set realistic rates and work with the Town to come up with a well-documented process for arriving at the long term rate.

Mr. Cuticchia informed Mr. Hartwell Dahab was on the agenda. Mr. Cuticchia stated the Board has always worked with the Town when deciding on the rate and have considered what the Town can afford. Mr. Cuticchia agreed with Mr. Hartwell that the Town should have been contributing more in the past, however, by setting the rate at 7.25%, the Board is asking the Town to contribute more and he feels the Board is accomplishing what needs to be done and the Board has fulfilled their fiduciary duty. Mr. Cuticchia informed Mr. Hartwell he appreciates his presentation and the Board will take it into consideration, however, each Board member makes their own decision based on the advice and analysis received from consultants the Board hires. Mr. Cuticchia reminded Mr. Hartwell the Board delayed their vote to set the discount rate until Dahab arrived and the Board was informed the rate is reasonable and could be supported. Mr. Cuticchia told Mr. Hartwell his approach is inappropriate.

Mr. Hartwell stated the unfunded liability has gone up from \$17M to \$100M and we do not have an investment policy or asset allocation strategy. Mr. Cuticchia stated Dahab is working on it. Mr. Hartwell stated he doesn't feel it should take six month to develop an asset allocation study.

Mr. Cuticchia stated we are attempting to address the unfunded liability situation and we are making progress and will continue to work with the Town.

Mr. Cuticchia stated the Board is within a reasonable range. Mr. Hartwell asked Ms. Walsh her opinion and she responded that the Town may have had a different rate in mind, however, they are comfortable with the 7.25% rate.

Expenses

It was moved by Mr. Stankiewicz, seconded by Ms. Walsh and voted 4-0-1 to approve the following expenses for the month (Mr. Hartwell abstained):

Helen Armano, reimbursement MACRS PTG Session, Billerica MA	22.79
Encore Images, toner cartridges	234.30
Thomas P Hartwell, Reimbursement for NCPERS Public Pension Forum	1,293.20
Ricoh, monthly copy machine expense (Oct)	126.57
The Law Offices of Michael Sacco, August 2016	<u>1,728.00</u>
Total:	3,404.86

Receipts:

The Board was informed of the following receipts:

Employee Contributions - August 2016:

Town	190,190.32
School	33,504.98
AHA	<u>2,958.89</u>
Total	226,654.19

Misc Receipts:

Lump sum rollover makeup pmt rec'd	14,230.63
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Refunds:

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve the following refunds:

Amy Carrasco, Town, Cr Serv = 7y, 9m, 13d 08/08/08-08/16/10+11/01/10-08/06/16
 Joseph J Connelly, Town, refund 1% overpayment of retirement deductions
 Martha Evangelista, School, Cr Serv= 1y, 0m, 1d 08/31/15-09/01/16

Transfers

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve the following transfers:

Transfers In:

Wayne Barchard, Town, from Essex Regional Retirement Cr Serv = 3y, 0m

Joseph J Connelly, Town, from Arlington Retirement Cr Serv = 22y, 0m

Michael Kelly, Town, from State Retirement Cr Serv = 9y, 8m

John S Mangiaratti, Town, from Middlesex County Retirement Cr Serv = 10y, 9m, 19d

Intent to Retire

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve the following intent to retire forms submitted:

Mark Conlon, Fire, DOR 10/02/2016, Cred Serv = 28y, 0m

William Ouellette, Police, DOR 09/18/2016, Cred Serv = 33y, 7m

Retirement Allowance Calculations (Not Approved by PERAC):

Kim A Glesmann, School, DOR 09/01/2016, Cred Serv = 15y, 0m, Superannuation

Monthly Allowance: \$776.10 Annual Allowance: \$9,313.20

James J Palen, Town, DPW/Water, DOR 09/01/2016, Cred Serv = 36y, 3m, Superannuation

Monthly Allowance: \$4,240.38 Annual Allowance: \$50,884.56

Ronald J Argenbright, School, DOR 09/08/2016, Cred Serv = 13y, 7m, Superannuation

Monthly Allowance: \$810.27 Annual Allowance: \$9,723.24

Retirement Allowance Calculations (Approved by PERAC):

Charles E Heseltine, Town, Police, DOR 08/01/2016, Cred Serv = 34y, 2m, Superannuation

Monthly Allowance: \$9,130.67 Annual Allowance: \$109,568.04

Thomas P Lambert, Town, P&F, DOR 08/14/2016, Cred Serv = 13y, 8m, Superannuation

Monthly Allowance: \$1,196.28 Annual Allowance: \$14,355.36

Recalculation - Retroactive Contract Settlement (approved by PERAC):

Patricia Ward, Dispatch, DOR 10/04/2015, Cred Serv = 32y, 0m, Superannuation

Monthly Allowance: \$4,586.21 Annual Allowance: \$55,034.52

PRIT

It was moved by Ms. Kothman, seconded by Mr. Stankiewicz and voted 5-0 to note receipt of the PRIT statement for the period ending 08/31/2016.

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to confirm \$7.5M wire transfer to PRIT fund.

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve transfer of \$400,000 for September operating expenses. The Board noted receiving appropriation payments last month, therefore, amount transferred for September operating was less than usual.

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve a transfer of up to \$1,200,000 for October operating expenses.

Report from Executive Director - Other Business

a. PERAC - Memos 22 & 23/2016

Emerging Issues Forum, Thursday, 09/15/2016 at Holy Cross - Mr. Hartwell attended the Forum and gave the Board an update. Mr. Hartwell discussed PERAC's presentation regarding the unfunded liability crisis and commented on what they believe the contributing factors are which included investment returns not being met, assumption changes for mortality tables need to be changed, plan changes, and cash flow. Mr. Hartwell stated there was an OPEB presentation that was very informative and commented the State's liability is up to \$46.7 billion and could be even higher. Mr. Hartwell stated there was another presentation discussing a modernization fund and setting up a committee to oversee and manage investment of the fund. Mr. Hartwell further stated there was a discussion about disabilities and what qualifies as a disability.

The Board noted receipt of approval of the funding schedule from PERAC dated 08/30/2016

b. NCPERS - *The Monitor* Sept 2016

c. MACRS - PTG Reports/Forms Training for Board Admins, 09/12/2016, Billerica

Ms. Kothman and Ms. Armano attended

Fall Conference, Springfield, MA 10/02-10/05/2016

- d. Misc - PTG User's Group meeting, 10/19/16 at Topsfield Library - It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to close the office at 11:00 a.m. while Ms. Armano attends meeting. Hours to be posted on website.
- 2016 Budget compared to actual as of 06/30/2016 - The Board reviewed various changes made to the budget which included title changes, an increase to the compensation fund due to two years of retroactive payments on contracts, increase in travel, increase in legal fees, and an increase in fees for PTG pension program.
- 2017 Tentative Retirement Board meeting dates - Board members to review dates and contact Ms. Kothman if any conflicts.
- Malden Retirement - Change of Address notice
- Mass Teachers' Retirement - Change of Address notice
- Ms. Kothman informed the Board of the following:
- Powers & Sullivan will be arriving on 09/26/2016
- A newsletter will be sent out containing election results, biennial notarized letters due from all retirees and/or survivors in 2017, and health care premium updates
- Ms. Kothman asked Board for permission to order refreshments for upcoming Retirement Seminars being held in October and November. The Board approved.

Retirement Staff:

Ms. Kothman informed the Board the Retirement Office staff follow the Town's AEIA contract and have submitted their 15% longevity request form effective 07/01/2017. It was moved by Mr. Stankiewicz, seconded by Ms. Walsh and voted 4-0-1 to approve the 15% longevity forms submitted as follows (Ms. Kothman abstained):

Elena M Kothman, 15% longevity request form
Helen Armano, 15% longevity request form

Cash books:

June 2016 (2nd reading)

It was moved by Ms. Kothman, seconded by Ms. Walsh and voted 5-0 to approve the trial balance, cash receipts, cash disbursements, adjusting journal entries, and bank reconciliation for the month of June 2016.

July 2016 (1st reading)

The Board conducted a first reading of the July 2016 cash books and a vote will be taken at the October meeting.

Cash balance

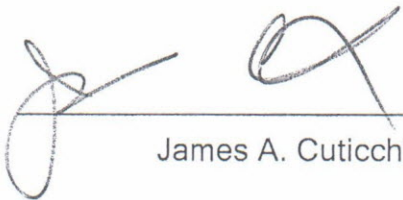
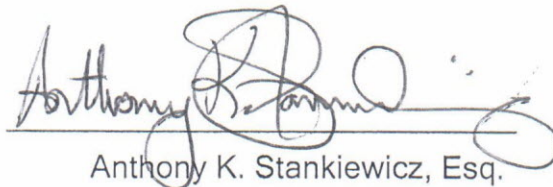
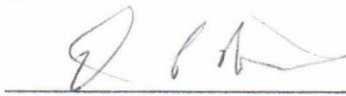
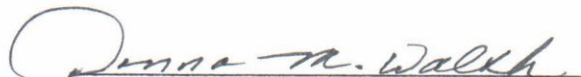
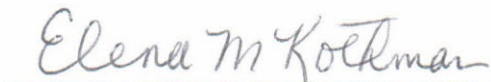
It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to approve the cash balance as of September 22, 2016 as follows: Bank of America - \$14,922.78.

Next meeting

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to confirm the next Retirement Board meeting will be held on Thursday, October 27, 2016 at 8:00 a.m.

Adjourn

It was moved by Mr. Stankiewicz, seconded by Mr. Hartwell and voted 5-0 to adjourn the meeting at 9:25 a.m.


James A. Cuticchia
Anthony K. Stankiewicz, Esq.
Thomas P. Hartwell
Donna M. Walsh
Elena M. Kothman