

SALEM RETIREMENT BOARD
OPEN SESSION MEETING MINUTES
APRIL 27, 2022
12:00 P.M.

In attendance at this regular meeting of the Salem Retirement Board (“the Board”), via zoom webinar, were Dominick Pangallo (Chair), Anna E. Freedman, Robert W. Callahan, Sarah M. Hayes, and Matt Veno

Also in attendance were Segal Actuarial Consultants Lisa VanDermark and Jack Sullivan, as well as Board Treasurer Kathleen McMahon and Executive Director Paul Findlen

Remote Participation Announcement

Mr. Pangallo announced that, “pursuant to Governor Baker’s March 12, 2020 Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, §20, and the Governor’s March 15, 2020 Order imposing strict limitations on the number of people that may gather in one place, and the signing of Chapter 22 of the Acts of 2022, which includes an extension, until July 15th, 2022, of the remote meeting provisions of his March 12, 2020, Executive Order Suspending Certain Provisions of the Open Meeting Law, this meeting of the Salem Contributory Retirement Board is being conducted via remote participation. No in-person attendance of members of the public will be permitted, but every effort will be made to ensure that the public can adequately access the proceedings as provided for in the Order. Persons who would like to listen or view this meeting while in progress may do so by visiting <https://zoom.us/join>, entering meeting ID # ‘823 8856 7652’ as directed on the webpage, and clicking ‘Join’. Follow the on-screen instructions to join the meeting. You can also dial a toll-free phone number at 833-548-0276 to join the meeting. When prompted, enter meeting ID # ‘823 8856 7652’ and then follow the instructions to join the meeting. All votes taken by this body shall be by roll call vote. To offer public comment, participants may click the ‘Raise Hand’ button or, if on the phone, may press *9 to raise their hand to speak.”

I. Actuarial Valuation

Segal Actuarial Consultants Lisa VanDermark and Jack Sullivan presented the preliminary valuation results for the Salem Contributory Retirement Board, as of January 1, 2022, as well as an analysis of the costs associated with increasing the COLA base to \$15,000. Mr. Pangallo asked Ms. VanDermark if Segal had also been able to prepare reports that reflected COLA base increases to \$13,000 and \$14,000 as well, which had not been included in the packet sent to the Board prior to the meeting, as they had not been completed at that time. Ms. VanDermark indicated that those reports had been prepared for the meeting, and would be included in the presentation. Mr. Pangallo suggested that the Board consider holding a special meeting prior to the May regular meeting of the Board, so that the Board members would have time to review all of the COLA base scenarios prepared by Segal before putting the funding schedule scenarios to a vote. The Board members determined that they would decide if a special meeting would be necessary after hearing Mr. VanDermark’s presentation. Ms. VanDermark explained the methodology used to arrive at the valuation results and noted that the experience in the years

since the last valuation had been generally very positive. Ms. Vandermark discussed the positive growth experienced by the SCRB's investment portfolio, and the smoothing technique that is used to spread out changes in the investment performance, so as to stabilize the Board's funded ratio from year to year. Ms. VanDermark explained that the actuarial value of assets used to determine the future funding needs of the retirement plan does not reflect an unrecognized investment gain of close to \$32 million. The Board was asked to consider changes to some of the actuarial assumptions, such as the expected rate of return. Ms. Freedman asked for an explanation of the assumptions used to arrive at the plan's normal cost and how the normal cost annual increases could best be anticipated, when determining an annual budget. Ms. VanDermark explained that once the unfunded liability is addressed and the plan is fully funded, the normal costs would stabilize to more closely reflect the costs of the plan that are not covered by the assumed investment returns. Ms. VanDermark presented "funding schedule 2" which indicated that an increase to the COLA base from \$12,000 to \$15,000, would not negatively impact the annual appropriation assessed to the SCRB's member units, nor would it require an extension of the funding timetable. Ms. VanDermark explained that this funding schedule was possible due to the fund's strong performance over the last few years. Mr. Pangallo indicated that he no longer believed the Board would need to hold a separate to review the COLA base scenarios, Mr. Veno described the Board's positive actuarial experience as a unique experience to share the positive gains made by the plan with the members of the system. Mr. Callahan made a motion, which was seconded by Mr. Veno to adopt "funding schedule 2", which reduces the investment return assumption to 6.9%, as well as increases the COLA maximum base amount to \$15,000, and adopts the assumptions laid out on page 5 of the preliminary valuation results. Those assumptions include an increase to the Administrative Expense assumption and the adoption of a revised mortality assumption, which updates the mortality projection scale to the new Mortality Schedule MP-2021. The Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to adopt "funding schedule 2", which reduces the investment return assumption to 6.9%, as well as increases the COLA maximum base amount to \$15,000, and to adopt the assumptions laid out on page 5 of the preliminary valuation results, which increases the Administrative Expense assumption and revises the mortality assumption with an update to the mortality projection scale by bringing it forward to the MP-2021 scale.

II. Regular Matters of Business

Meeting Minutes

The minutes of the previous Board meeting, held on March 30, 2022, were reviewed, as well the revised minutes of the Board meeting held on February 23, 2022. On a motion made by Mr. Callahan and seconded by Ms. Freedman, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to approve the March meeting minutes as submitted and the February revised meeting minutes as amended.

Monthly Warrants

The warrants for the month of April were reviewed. On a motion made by Mr. Callahan and seconded by Mr. Veno, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to approve the April warrants as amended.

Applications to Purchase Service

The Board did not take up any new applications to purchase service.

Recent Enrollments

All recent new enrollments were reviewed. On a motion made by Ms. Hayes and seconded by Mr. Callahan, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to acknowledge the new enrollments as submitted.

Benefit Calculation Results

There were no new benefit calculation results that required the Board's attention.

III. Treasurer's Report

The Board reviewed the reconciliation report for the month of March, prepared by Board Treasurer, Kathleen McMahon. On a motion made by Mr. Callahan and seconded by Ms. Freedman, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to accept the Treasurer's Report as submitted.

IV. Executive Director's Report

Mr. Findlen presented the Board with a report on all cash receipts for the month of March, a report on all adjustments made for the first quarter of 2022, as well as a trial balance for the month of March. Mr. Findlen also presented the Board with a monthly expenditure report for the month of March for the Board's review. The Board reviewed monthly statements of the SCRB's investment in the PRIT Core Fund, prepared by the MA PRIM Board. The PRIT Core Fund grew by approximately 1.70% in the month of March, reducing the extent of the Fund's loss for the calendar year to date to a loss of (2.10%). On a motion made by Ms. Freedman and seconded by Mr. Veno, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to acknowledge the Executive Director's Report.

V. PERAC Memos

The Board reviewed PERAC memo 11 and Mr. Pangallo reminded the members of the Board that the 2021 SFI's are due to be submitted to PERAC.

VI. 2022 Spring MACRS Conference

The Board discussed attendance to the 2022 MACRS Kevin J. Regan Annual Conference. On a motion made by Ms. Hayes and seconded by Mr. Callahan, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to approve attendance as well as costs associated with attendance to the 2022 MACRS Kevin J. Regan Annual Conference.

VII. Old Business

There were no old business matters that required the Board's attention.

VIII. New Business

The Board discussed scheduling the COLA vote for the May regular meeting. Mr. Findlen noted that, because the Social Security Administration granted a 5.9% COLA, based on the Consumer Price Index, boards are not required to notify the local legislative body of a COLA vote, pursuant

to M.G.L. c. 32 § 103(i). However, Mr. Findlen expressed his agreement with PERAC's suggestion that notifying the local legislative body would be good public policy, and as such, would draft a letter to the Salem City Council, informing them of the Board's plan to hold a vote in consideration of an FY2023 at its May meeting. The Board scheduled its next regular meeting, which will be held on Wednesday, May 25^h, 2022, at 12:00 p.m. On a motion made by Ms. Freedman and seconded by Mr. Callahan, the Board voted by roll call: Mr. Callahan, yes, Ms. Freedman, yes, Ms. Hayes, yes, Mr. Veno, yes, Mr. Pangallo, yes, to adjourn the meeting at 12:29 p.m.

Dominick Pangallo, Chair

Anna E. Freedman

Robert W. Callahan

Sarah M. Hayes

Matt Veno

Documents used in SCRB Board meeting of April 27, 2022

- Agenda for April 27, 2022 SCRB Board meeting
- January 1, 2022 Preliminary Actuarial Valuation Results
- April 2022 Investment Return Assumptions
- Call Research on Investment Return Assumptions
- Open Session minutes of March 30, 2022 SCRB Board meeting
- April Cash Disbursements Warrant
- New Member Enrollment Report
- March Treasurer's Report
- March Cash Receipts
- 2022 Q1 Adjustments Report
- March Trial Balance
- March monthly expenditure report
- PRIT Fund March Statement
- PRIM Performance Update
- PERAC Memo 11.2022