



Memorandum # 37/2006

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
Five Middlesex Avenue, Third Floor, Somerville, MA 02145
Ph 617 666 4446 | Fax 617 628 4002 | TTY 617 591 8917 | www.mass.gov/perac
Domenic J. F. Russo, *Chairman* | A. Joseph DeNucci, *Vice Chairman*
Kenneth J. Donnelly | James M. Machado | Donald R. Marquis | Thomas Trimarco
Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards
FROM: Joseph E. Connarton, Executive Director
RE: Pension Reform and PERAC's Concessions
DATE: August 14, 2006

As you may know, the formal session of the Massachusetts General Court has ended for the 2005-2006 session. PERAC's pension reform package did not achieve final passage this session. The Commission will be deliberating its legislative agenda for the 2007-2008 session in the ensuing months and will likely decide to refile this bill or a similar bill for next session.

As you know, the Commission did not embark upon this effort lightly. Considerable effort and deliberation went into the development of this pension governance reform effort over more than 18 months. The concept of sound governance for retirement boards and all public agencies is one that will continue to be of central importance going forward. PERAC would be remiss if we as an agency were not aware of this important dynamic and did not pursue positive change for the retirement boards. The goal of this effort is simple yet vital: to assist Board members and administrators in meeting their responsibilities to employees, retirees and beneficiaries.

Our Thanks

I again want to thank the members of the retirement community, especially the Public Pension Advisory Group (PPAG) who constructively and positively participated with PERAC on this effort. Your contributions were appreciated, and the Commission listened to your viewpoints. One aspect of this listening process, of which you may not be aware, involved a serious, in-depth and fruitful discussion between PERAC and representatives of MACRS leadership in conjunction with the Chairs of the Joint Committee on Public Service. In a nearly 3-hour meeting with the Chairs of the Committee and their staffs, every aspect of the bill was discussed. As a direct result, significant changes to the PERAC-proposed bill were agreed to by PERAC. These changes were included in the final bill, H. 4939 that emerged from the Committee. In addition, the Committee itself undertook changes - all of which were reflected in the bill that ultimately emerged from the Committee on May 10, 2006 with a unanimous Favorable Report

I feel that it is imperative for you, the representatives of the systems, to be made aware of the great flexibility displayed by PERAC in these discussions with MACRS leadership. PERAC, in the interest of cooperation, collaboration and the future success of the retirement systems in the Commonwealth, made several wide-ranging concessions at the request of MACRS.

PERAC's Intentions Mischaracterized

Seeking compromise on a governance bill that could best serve the boards as we go forward in the politically charged and volatile atmosphere surrounding the very existence of the defined benefit plan and the 106 systems is an optimum strategy for all. Instead, the strategy adopted by some members of the retirement community has been adversarial and rife with misinformation – even in light of the significant concessions made by PERAC in adopting many of suggestions offered by MACRS.

Some have demeaned PERAC and its staff to the retirement community at-large and mischaracterized our intentions to the General Court. It has been said that “to pave the way for the planned abolition of the current public pension system, the state’s Public Employee Retirement Administration Commission (PERAC) initiated so-called ‘pension reform’ legislation, designed to centralize and enhance PERAC’s authority over municipal, county and regional retirement boards.” Such a short - sighted approach will ultimately fail by undermining the credibility of those who take it. Worse yet, not acting in a prudent, proactive and positive fashion could be counter-productive. The result will be a vacuum to be filled by those with an antipathy towards the very existence of our present retirement system structure.

Open for Discussion

To more clearly outline the amendments in the pension reform legislation agreed to by PERAC, I have attached a compilation of the changes that were made to the bill as a result of our discussions with MACRS and the Joint Committee on Public Service as well as those made by the Committee itself. I think that this demonstrates that PERAC was quite flexible in adopting ideas and suggestions that improved the bill without undermining its intent. On that note, we remain open to suggestions and further discussion. As always, PERAC stands willing to meet with representatives of the retirement community to discuss this or any other issue of importance to the boards.

We look forward to assembling a coalition of like-minded individuals in the retirement community to join us in moving forward. Being reactive to the assault on the pension system in Massachusetts is a strategy of failure. A proactive, positive approach as embodied in PERAC’s legislation is the best alternative. Please call me personally at any time to discuss. We hope that you will join us.