

**Commission Meeting Minutes
March 9, 2016**

Chairman Brown called the meeting to order at 11:07 AM. He then acknowledged the other Commissioners present: Commissioners Kathleen Fallon, Kate Fitzpatrick, James Machado, Robert McCarthy, and Joannah Quinn. Commissioner Elizabeth Fontaine attended via conference call.

Chairman Brown welcomed and introduced Commissioner Kathleen Fallon who is the designee of the Governor and comes to us from Public Consulting Group. He stated that Commissioner Fallon replaced Commissioner John Langan. Chairman Brown briefed all those in attendance about a letter he received from Commissioner Langan.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes and stated that because of remote participation and Attorney General Regulation 940 CMR 29.10, all votes will be taken by a roll call vote.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, Deputy Director and General Counsel John Parsons, Deputy General Counsel and Managing Attorney Judith Corrigan, Director of Strategic Planning Mike DeVito, Director of Administrative Services Caroline Carcia, Chief Auditor Harry Chadwick, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Compliance Analyst Cheryl Johnson, Senior Associate Counsel Ken Hill, Associate Counsel Patrick Charles, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Sean Neilon representing Mass Teachers' Retirement Board, Lisa Maloney representing Middlesex Retirement Board, Kimberly Fletcher representing Newton Retirement Board, Thomas Gibson representing Middlesex and Belmont Retirement Boards, Katie McCue representing Massachusetts Municipal Association, and Paul Shanley representing Amity Insurance. Frank Valeri representing Mass Retirees, and Jennifer Sullivan representing Administration and Finance arrived later in the meeting.

Commissioner McCarthy made a motion to adopt the Commission meeting minutes dated February 17, 2016. Commissioner Machado seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Kathleen Fallon YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES, and Joannah Quinn YES.

The Commission meeting minutes dated February 17, 2016 were adopted.

Administrative Sub-Committee

Chairman Brown reported about the Administrative Sub-Committee that was held just prior to this meeting wherein the Strategic Plan, the Executive Director's contract, the Capital Budget,

and the IT project were discussed. He continued that the Sub-Committee voted for an extension of the Executive Director's contract to October 2018 for approval by the full Commission.

Commissioner McCarthy made a motion to extend the Executive Director's contract until October 2018. Commissioner Machado seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Kathleen Fallon YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES, and Joannah Quinn YES.

The Executive Director's contract was extended until October 2018.

Mr. Connarton thanked the members of the Commission for the extension and the on-going support from the Commission.

Legal Update

Mr. Hill reported on *Kelleher v. Barnstable County Retirement Board and PERAC*, CR-10-794. Mr. Charles reported on *Hampshire County Retirement Board v. PERAC*, CR-09-1029 & CR-10-156. Finally Mr. Moitoso reported on *Lombardo v. Waltham Retirement Board and PERAC*, CR-12-159 (DALA 2015).

Legislative Update

Mr. DeVito stated that PERAC's proposed Concurrent Beneficiaries legislation has been referred to the Senate Committee on Ways and Means. He thanked all who have assisted thus far and hopefully the bill will be reported out prior to the legislative recess in July. He then reported that PERAC has sent the new language approved by the Commission for H. 17 (the PERAC hearings bill) to the Joint Committee on Public Service and hopes that this language will be deliberated quickly. He also reported that PERAC's new Election and Disability Regulations will be in effect on March 11, 2016. Mr. DeVito reported that the Governor's FY'17 budget has been filed and that the House budget would likely be released during the week of April 18, 2016.

Mr. Connarton reported that he recently had the opportunity to speak with Mr. Edward Kelly, President of the Professional Fire Fighters of Massachusetts, who reported that he is satisfied with the redraft of H. 17 and will notify Public Service of its support. Mr. Connarton anticipates that this bill will be released from the Joint Committee on Public Service.

Audit Update

Mr. Chadwick reported that the Audit staff is currently auditing the Dedham, Easthampton, and Worcester Retirement Systems. He then reported that the Audit staff just completed the Essex County, Milton, Montague, and Saugus Retirement Systems. He stated that internal reviews are being conducted on the Brockton, Maynard, Middlesex, PRIM, and State Retirement Systems reports. He stated that the Bristol County, Holyoke, and Revere Retirement Systems audit reports have been posted on the PERAC Web Page and explained their respective findings. Mr.

Chadwick then reviewed the most recent six-month follow up audit reports for the Blue Hills, Lynn, Plymouth County, and West Springfield Retirement Systems.

The Commission had further discussion regarding travel regulations, systems that fail to terminate allowances for those retirees who have failed to comply with Chapter 32, Section 91A or failed to collect the excess earnings, and audit reports being provided to member units within county retirement systems.

Compliance Update

Mr. O'Donnell introduced Mr. Moitoso and Ms. Johnson to those in attendance of the meeting. He then reported that PERAC has received 151 SFIs to date and stated SFI's are due in May. He stated the educational program is moving along quite well. PERAC issues an annual course summary report to the Board Members requesting confirmation of the accuracy of their report. There may be a matter of three (3) members who have not met their educational responsibility due to some health issues. Mr. O'Donnell then stated that PERAC has received about 75% of the Annual Vendor Disclosures to date. There are over 1250 relationships with nearly 340 investment vendors.

Mr. O'Donnell reported that the Securities and Exchange Commission ("SEC") just recently shut down an investment firm that wasn't registered with the Secretary of State or the SEC. This is a prime example why the Commission adopted a policy that investment firms managing money must register with Secretary of State or the SEC, depending on the amount of funds they have under management. He notified everyone in at meeting that anyone can subscribe to the SEC's website to get up to date alerts and litigation information regarding broker dealers and investment advisors.

Executive Director's Report

Mr. Connarton reported on staff activities since the last Commission meeting. He stated that Mr. Moitoso attended the National Association of Public Pension Attorneys conference in Washington which was very enlightening and informational.

Mr. Connarton updated the Commission about the Modification Hearing that was held for a gentleman from the City of Boston. Mr. Connarton explained the statute along with the policy and procedure the Commission adopted several years ago. He stated that since the hearing we have met with the Boston Retirement Board which has communicated with the gentleman regarding repayment. At this time, we have not heard the final decision, we are monitoring this matter.

As a follow-up from the February Commission meeting, Commissioner McCarthy stated that the National Conference on Public Employee Retirement Systems ("NCPERS") worked on the enclosed Code of Conduct for Public Pension Service Providers ("Code of Conduct") for over three (3) years. He asked if the Commission would support, not adopt, the Code of Conduct and recommend that the retirement boards adopt this policy.

The Commission discussed two (2) points that seem to be unrelated to our fiduciary duty, that many of the points contained in the document are in our “Strategic Plan”, and that NCPERS would be presenting the Code of Conduct at the MACRS June conference. It was decided to hold this item in abeyance.

Mr. Connarton reported that the Election (840 CMR 7.00) Regulations and Disability (840 CMR 10.00) Regulations will be in full force and effect once published by the Secretary of State on March 11, 2016.

Mr. Connarton reported that as a follow-up from the February Commission meeting - forty-two (42) retirement boards have notified the Commission that they have adopted the Attorney General’s Remote Participation (940 CMR 29.10) Regulations and that the Leominster Retirement Board had adopted them, but later revoked them.

There was further discussion regarding the opportunity of the systems to participate in their respective meetings remotely according to the Attorney General regulations. There was a suggestion that PERAC reach out to MACRS or the Retirees Association and request that they build up the opportunity and explain the benefits of adopting this policy, especially for those individuals that travel south for the winter months.

Mr. Connarton reported that included in the package for informational purposes is a white paper from NCPERS regarding defined contribution plans.

Other Business

Chairman Brown stated that the next Commission meeting will be held on Wednesday, April 13, 2016 at 11:00 AM.

Commissioner Fitzpatrick made a motion to adjourn. Commissioner McCarthy seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Kathleen Fallon YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES, and Joannah Quinn YES.

The Commission meeting adjourned at 12:30 PM.

Commission Meeting Documents

Commission Agenda for the meeting of March 9, 2016

Commission Minutes for February 17, 2016

Administrative Sub-Committee Update

Strategic Plan Update
Executive Director's contract
IT Project update presentation

Legal Update

Memo and decisions for:
Kelleher v. Barnstable County Retirement Board and PERAC, CR-10-794
Hampshire County Retirement Board v. PERAC, CR-09-1029 & CR-10-156
Lombardo v. Waltham Retirement Board and PERAC, CR-12-159

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audit reports and six-month follow up reports

Executive Director's Report

Updated Staff Activities Memo
NCPERS Code of Conduct
List of Retirement Boards regarding Remote Participation

Other Documents

How Did the Shift from Defined Benefit Pensions to Defined Contribution Plans in the Private Sector Impact Retirement Savings? prepared by NCPERS

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission