

Commission Meeting Minutes
August 10, 2016

Chairman Brown called the meeting (held at PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:10 AM. He then acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kate Fitzpatrick, Robert McCarthy, and Jennifer Sullivan. Commissioner Sullivan arrived at 11:20 AM, Commissioner James Machado participated remotely due to illness per the Attorney General's Open Meeting Law 940 CMR 29.10, and Commissioner Kathleen Fallon was not in attendance.

Chairman Brown announced that the Commission meeting is being tape recorded and will be so noted in the minutes. He stated that all votes will be by roll call vote due to remote participation.

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

Ms. Boisvert announced the following guests in attendance: Thomas Gibson representing the Middlesex County and Belmont Retirement Systems, Lisa Maloney and John Brown representing the Middlesex County Retirement System, Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement System, and Frank Valeri representing the Massachusetts Retirees Association.

Commissioner McCarthy made a motion to adopt the Commission meeting minutes dated June 29, 2016. Commissioner Fitzpatrick seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and the June 29, 2016 Commission meeting minutes were adopted.

Actuarial Update

Mr. Lamenzo discussed the draft 1/1/16 Commonwealth Actuarial Valuation Report. He stated that the FY16 appropriation under the schedule is \$1.972 billion and was increased by \$29.1 million to reflect the 2015 Early Retirement Incentive (ERI).

The Unfunded Actuarial Liability increased from \$33.4 billion, as of January 1, 2015 to \$37.9 billion as of January 1, 2016. He reported that there are about 42,500 members hired after April 1, 2012 and subject to the Chapter 176 provisions. Due to the members having less than four years of service and being generally young, there is relatively little impact (on a percentage basis) on plan costs in this valuation. The employer normal cost is approximately \$64 million lower and the actuarial liability is approximately \$136 million lower than it would have been if the prior

provisions were in place for these members. Mr. Lamenzo stated that based on the current funding parameters, the funding schedule would extend to FY 41. The goal is to be fully funded by FY 35, not FY40 as stated in statute. Mr. Lamenzo feels as though this report is ready to be distributed after final checks.

In the past six years there have been a number of assumption changes and plan amendments. The Commonwealth adopted a fully generational mortality assumption, decreased the investment return assumption from 8.25% to 8.0%, from 8.0% to 7.75% then to 7.5% this year, adopted an ERI, and some Optional Retirement Plan members have become members of the State Retirement System. The other plan amendments include a COLA base increase, the transfer of certain county sheriff departments and the Massachusetts Turnpike Authority to the State Retirement System.

Commissioner Fitzpatrick made a motion to adopt the draft 1/1/16 Commonwealth Actuarial Valuation Report and to distribute accordingly. Commissioner McCarthy seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, the motion was adopted.

Legal Update

Ms. Corrigan provided an update on *Barnstable County RB v. PERAC*, CR-12-572; and *Ronald E. Scott v. Plymouth County Retirement Board and PERAC*, CR-10-678 and CR-11-567.

Mr. Moitoso reported on *Richard Bretschneider v. PERAC*, CR-10-721; and *Paul Conway v. PERAC*, CR-11-195.

Legislative Update

Mr. DeVito reported that PERAC opposed two (2) outside sections of the Fiscal Year 2017 Budget. Governor Baker vetoed outside sections 43 and 44 which were sustained by the House and did not pass into law. Mr. DeVito also reported that there has been no response from the Public Service Committee on PERAC's redrafted language on H. 17 (the PERAC hearings bill). He stated that he had reached out to the Committee in hopes that the bill will pass prior to the end of the year.

Audit Update

Ms. Shea reported that the Audit staff is currently auditing the Brookline, Falmouth, and Framingham Retirement Systems. She further stated that the Brockton Retirement System and the PRIM Board audits were posted on the PERAC Web Page since the last Commission meeting. She also reported that PERAC completed the Milford Retirement System six-month follow up report since the last Commission meeting. Ms. Shea reported on the respective findings.

Ms. Shea then reported that Mr. Chadwick has retired and that Michael Pasternak, one of our audit staff, has been hired as the executive director at the Milton Retirement System. She also stated that a new auditor was just hired and PERAC is now searching for another auditor.

Executive Director's Report

Mr. Connarton made note of the staff activities. He then reported that Jim Lamenzo, John Parsons, and he had a conference call on Thursday, August, 4, 2016 with Greg Ryan, reporter from the Boston Business Journal "BBJ". Mr. Ryan had many questions regarding the annual report, rates of return, and where pension systems were heading. He hopes that Mr. Ryan fully understands and accurately reports the conversation.

Mr. Connarton updated the Commission stating that the City of Holyoke has appointed Rory Casey, Chief of Staff for the Mayor, to the Holyoke Retirement Board on an interim basis. He also reported that the Leominster Retirement Board has appointed Douglas Farwell as its fifth member. He stated that unfortunately once again the Leominster retirees had to forgo a COLA. However, both of these boards now have a full complement of board members.

Mr. Connarton stated that after Mr. Michael Gallerani made a presentation to the Commission in June 2016, it was decided that PERAC would reach out to the Natick Retirement Board to inquire if Mr. Gallerani was provided appeal rights. After his return to service in Natick, he had worked less than two consecutive years. (This is known as the "two-year rule" and it is located in the statute at G.L. c. 32, §3(6)(e).) Natick Retirement Board currently has \$130,000 on account for the buyback Mr. Gallerani made, but he is unable to retire because of the two year rule.

Ms. Corrigan stated that PERAC notified Mr. Gallerani in July and August 2014 that he was ineligible to retire because he did not have two years of active membership service. She distributed a timeline regarding Mr. Gallerani. She reviewed the timeline and stated that Mr. Gallerani misrepresented himself. Mr. Gallerani received his appeal rights from the Natick Retirement Board and he appealed to DALA/CRAB, case number CR-14-726. Mr. Gallerani was supposed to submit his legal memorandum and exhibits by December 12, 2015, he did not do so. The Case was dismissed by DALA on January 13, 2016 as he never replied to the briefing schedule, or the Order to Show Cause.

Mr. Connarton recommends that we reach out to Mr. Gallerani and inform him, after a careful review of his file, it is clear that he misrepresented his position before the Commission.

Ms. Corrigan stated that Mr. Gallerani went to DALA and CRAB therefore he does not have any further appeal rights. Her thoughts are that Mr. Gallerani knew he would have an unfavorable decision before DALA/CRAB so he decided to try other options.

The Commission wants PERAC to inform Mr. Gallerani of what it has discovered with a copy to the Natick Retirement Board.

Mr. Connarton reported that \$65,000 for the OPEB Analysis is in the Supplemental Appropriation in the Governor's FY17 budget. He has no reason to believe that it won't be approved.

Mr. Connarton then reported that PERAC's Emerging Issues Forum will be held on September 15, 2016, once again at the College of the Holy Cross in Worcester. He stated that currently 179 individuals have registered. He expects that number will go up to about 250 or 260 registrants.

Mr. Connarton explained that G.L. c. 32 § 20(4)(c) requires the Commission to appoint the fifth member for the Braintree Retirement Board. He explained that Mr. Roy Bjorlin, the fifth member, has moved out of Braintree therefore is not eligible to be the fifth member. Accordingly, the Board has sent in a request for PERAC to confirm the Board's vote. Along with Mr. David DelGallo's resume, the Board has included the public posting for the fifth member's position.

Commissioner Fitzpatrick made a motion to appoint Mr. David DelGallo as the fifth member of the Braintree Retirement Board for a full three-year term. Commissioner Dooling seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES, the motion was adopted.

Mr. Connarton updated the Commission about the meeting Mr. Parsons, Ms. Corrigan, and he had with State Police Colonel John McKeon, his deputy, and his command staff in regard to the disability process. Two issues were discussed: The disability process for troopers; and that a number of state troopers who are classified in Group 1 rather than Group 3.

Regarding the disability piece, there is a sticking point in that our medical process takes too long for the Rating Board as required in Chapter 32, Section 26. The goal is to have the same process for all public employees as well as the State Police. There is a strong reluctance to change the process as they felt that the Colonel and the Command staff are best suited to make the determination whether or not the trooper should remain on active duty or retire. The Colonel has a very strict timeline to make this decision.

The second matter is a coding issue which has created a debate between the state police and others. The coding issue includes about 400 people who should be paying 12% but are paying an incorrect amount which is a significant amount of money. This matter was included in the Commonwealth Actuarial Valuation. We will follow up with the Colonel and the State Retirement Board to attempt to correct the matter and keep the Commission informed.

Commission Travel

Mr. Connarton notified the Commission that he received the agenda about the upcoming NCPERS 2016 Public Safety Employees' Pension and Benefits Conference after the monthly package was sent. This Conference will be held in Las Vegas, NV from October 23-26, 2016. He apologized that the information was not included in the monthly package but there may be an interest for some Commissioners to attend. Due to the timing of the conference and the ability to receive the early bird special pricing, he requested the Commission to take this matter up today.

Commissioner Dooling made a motion to grant permission for any interested Commissioners and staff to attend the NCPERS Conference. Commissioner Fitzpatrick seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan ABSTAINED, the motion was adopted for interested Commissioners and staff to attend the NCPERS Conference in Las Vegas.

Other Business

Chairman Brown announced that the next Commission meeting will be held at 5 Middlesex Avenue, Somerville on Wednesday, September 14, 2016 at 11:00 AM.

Executive Session

At 12:20 PM Chairman Brown called for a roll call vote of the Commission to go into Executive Session to discuss and deal with matters the disclosure of which would result in an unwarranted invasion of an individual's privacy. The subject of the issue at hand has been notified in writing of this meeting and has not asked that it be held in open session. The Commission will reconvene in open session for the purpose of ratifying its decision and adjourn. A roll call vote was taken to go into Executive Session as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES.

Chairman announced that the Commission will reconvene in open session in about 10 to 15 minutes after the completion of the Executive Session.

A roll call vote was taken in Executive Session to return to the regular order of business and to adjourn the Executive Session at 12:37 PM.

Open Session

Commissioner McCarthy made a motion to ratify the Executive Session Vote and to remove certain board members who have not filed their SFI for 2015. Commissioner Machado seconded the motion. A roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES.

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

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, and Jennifer Sullivan YES and the meeting adjourned at 12:40 PM.

Commission Meeting Documents

Commission Agenda for the meeting of August 10, 2016

Commission Minutes for June 29, 2016

Legal Update

Memos regarding the cases of *Barnstable County RB v. PERAC*, CR-12-572; *Ronald E. Scott v. Plymouth County Retirement Board and PERAC*, CR-10-678 and CR-11-567; *Richard Bretschneider v. PERAC*, CR-10-721; and *Paul Conway v. PERAC*, CR-11-195

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Letter to Governor Baker regarding Outside Sections 43 and 44 of the FY17 Budget

Audit Update

Recent PERAC Audit reports

Executive Director's Report

Updated Staff Activities Memo

Article from Sentinel Enterprise entitled *Farwell appointed to Leominster Retirement Board*

Letter from Braintree Retirement System requesting a vote for their Fifth Member

Memo to the Commission regarding the State Police Disability update

Other Documents

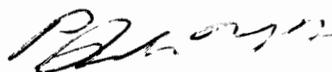
Save the Date card regarding the 12th Emerging Issues Forum

Distributed at the meeting

January 1, 2016 Draft Commonwealth Actuarial Valuation Report which was distributed

Timeline of Michael Gallerani's appeal to CRAB

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission