

# PERAC PENSION NEWSFLASH

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## PERAC

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## Governor Patrick Signs Pension Reform Bill

Date: November 22, 2011

PERAC Governance and Waiver bills included  
By Michael DeVito, Director of Strategic Planning, Management and Public Affairs

On Friday November 16, 2011 Governor Deval Patrick approved the next installment in a series of significant Massachusetts pension system reforms when he signed into law Chapter 176 of the Acts of 2011, **An Act Providing for Pension Reform and Benefit Modernization**. This law provides significant benefit changes to the Massachusetts pension system and is estimated to save in excess of \$5B for the retirement systems over the next 30 years. In addition, the law encompasses governance legislation sponsored by the Commission over the course of the last several years.

### The PERAC Governance Sections:

- (1) Codify disclosure requirements mandating that all vendors annually inform the Commission and the retirement board of any compensation arrangements to be received or to be paid in relation to the services provided as well as to annually disclose any conflict of interest that may exist;
- (2) Require vendors to submit a sworn statement that a good faith proposal has been made without collusion or fraud;
- (3) Establish an explicit open and competitive procurement process to be followed by retirement boards when soliciting investment, actuarial, legal or accounting services;
- (4) Require retirement board members to file statements of financial interests;
- (5) Prohibit vendors, contractors, or others receiving remuneration from a retirement board or anyone doing business with a retirement board from serving on a retirement board;
- (6) Require retirement board members to submit a sworn statement that to the best of his or her knowledge any proposal made as part of a competitive process is submitted in good faith and without collusion and fraud; and,
- (7) Mandate relevant education for retirement board members.

### Waiver Provision

In addition, under the new law PERAC may waive the requirement that disability retirement recipients file a statement of earned income if the disability recipient has been retired for more than 20 years and has not reported any earned income over the previous 10 years.

PERAC thanks the leaders whose cooperation, consideration and good faith were essential elements in the development and passage of this landmark pension reform legislation. They include Governor Deval Patrick, Senate President Therese Murray, Speaker of the House Robert A. DeLeo, Joint Committee on Public Service Senate Chairwoman Katherine Clark and House Chairman John Scibak and their able staff; President Ralph White and Association Legislative Liaison Shawn Duhamel of the Retired State, County and Municipal Employees Association of Massachusetts; President Denis Devine and Legislative Counsel J. Coleman Walsh of the Massachusetts Association of Contributory Retirement Systems.

The Commission also recognizes the work of the five governance experts from business and academia who served on the Pension Advisory Committee that PERAC assembled in 2004 to review the pension system's statutory and regulatory framework. The members of the Committee included Chair Scott Harshbarger, Senior Counsel, at Proskauer Rose LLP; Professor Cary Coglianese, Edward B. Shils Professor of Law and Professor of Political Science, Director, Penn Program on Regulation at University of Pennsylvania Law School; Paul M. Healy, James R. Williston Professor of Business Administration and Senior Associate Dean, Director of Research at Harvard Business School; Alan G. Macdonald, President Emeritus of the Massachusetts Business Roundtable; and Jerrold Mitchell, Senior Advisor at Saltonstall & Company. Their efforts, insights and vision were critical to developing the reforms enacted in Chapter 176.