

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

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An Open Letter to All Retirement Boards

March 26, 2012

Dear Retirement Board Members:

As you are aware, Governor Deval Patrick signed into law Chapter 176 of the Acts of 2011 on November 18, 2011. This legislation contained several provisions long sought and advocated for by the Public Employee Retirement Administration Commission (PERAC). The intent of these governance provisions was in part to provide greater transparency and openness in government and to establish some additional oversight of the systems by PERAC. It was our belief, then as now, that all of this would provide an opportunity for the retirement systems to explain to their respective media outlets that they are carefully monitored and that specific measures were now in place by which board members were in fact held to a very high standard of accountability.

To that end, back in 2004 the Commission embarked on a review process of current laws and regulations as it related to the public pension community in an effort to determine how PERAC could better service the systems and how the systems could in fact be engaged in a more transparent way. The result, after many public hearings, meetings with impacted parties and years of public debate, was the enactment of Chapter 176 of the Acts of 2011. We thought given the recent concerns which have been voiced by some on the on-going implementation of the Act, it would be helpful to provide each of you with the following detailed chronology for your review.

We believe it is important to note that throughout the elongated process, it was never the intent of the Commission to support or advocate for a punitive legislative approach for the management of the public pension systems. It was, however, the intent to provide each of you with the tools to bring all of our retirement systems into full compliance with today's expectation of openness and transparency in government by the taxpayers of the Commonwealth.



All Retirement Board Members

March 26, 2012


Page Two

We hope that after a careful review of the chronology the mis-statements and mis-information surrounding Chapter 176 of the Acts of 2011 will be dispelled.

For those who have already complied with the necessary filings pursuant to the statute, we thank you. For those who have not yet filed their reports, we urge you to do so before May 1, 2011.

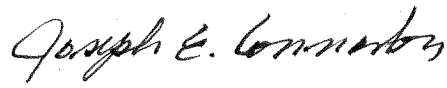
Thank you for your cooperation in this regard.

Sincerely,



Domenic J.F. Russo
Chairman

Sincerely,



Joseph E. Connarton
Executive Director

Attachment

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Chronology: Board Governance Reform

August 26, 2004 and September 20, 2004: PERAC Legislative Subcommittee deliberated and developed discussion items for governance and other legislative changes to be considered by the Commission for the 2005-2006 legislative session.

January 6, 2005: Reform Initiatives Advisory Committee began its deliberations and met roughly monthly; Executive Director Connarton established the Pension Reform Initiatives Advisory Committee (as instructed by the Commission) to review the Discussion Items and Report their observations and recommendations to the Commission; The Advisory Committee consisted of five esteemed governance experts from business and academia with several possessing backgrounds in Massachusetts state government. The members who agreed to serve were:

- **Scott Harshbarger**, former Massachusetts Attorney General, former President and CEO of Common Cause, Chair.
- **Professor Cary Coglianese**, then Chair of the Regulatory Policy Program and Assistant Professor of Public Policy at the John F. Kennedy School of Government at Harvard University;
- **Professor Paul M. Healy**, James R. Williston Professor of Business Administration, Harvard Business School, Harvard University.
- **Alan G. Macdonald**, then Executive Director of the Massachusetts Business Roundtable, a former member of the Winchester Retirement Board, and former Massachusetts assistant Attorney General; and,
- **Jerrold Mitchell**, former Chief Investment Officer of the Pension Reserves Investment Trust (PRIM);

March 2, 2005, meeting with PERAC's Public Pension Advisory Group (PPAG) to discuss the discussion items.

April 29, 2005: A focus group of retirement board representatives from around the state was invited to the April 29 Advisory Committee meeting to solicit their feedback on the draft concepts being considered by the Committee. The Advisory Committee completed its deliberations.

May 25, 2005: The Advisory Committee presented its Report to PERAC at the Commission meeting. The "Blue Book" Report was the result of their efforts.

On May 25, 2005: the Commission unanimously approved all of the "Blue Book" recommendations.

March 26, 2012

Page Two

May 31, 2005: met at the request of the Massachusetts Association of Contributory Retirement Systems (MACRS) with the MACRS Executive Committee.

September, 2005 conducted a series of four public hearings around the State:

- o September 14, 2005, Somerville, MA
- o September 15, 2005, Worcester, Massachusetts
- o September 25, 2005, Springfield, Massachusetts
- o September 28, 2005, Plymouth, Massachusetts.

October 17, 2005: a PERAC delegation of three Commissioners, Chairman Domenic J. F. Russo, Commissioner John Parsons and Commissioner Donald Marquis, Executive Director Joseph Connarton and Chair of the Advisory Committee, Scott Harshbarger, offered a major presentation - at the invitation of MACRS - to a general session of the MACRS membership at their Fall Conference.

October, 2005: extended the written comment period on the proposals to near the end of October so that all interested parties from the regulated community and the general public could have an opportunity to be heard on this issue.

December 22, 2005: Commission unanimously approved filing all of the recommendations that required legislation and approved other recommendations.

Spring, 2006, PERAC's bill presented to the Joint Committee on Public Service.

May 4, 2006: H. 4939 heard by the Joint Committee on Public Service.

May 10, 2006: H. 4939 reported favorably by the Joint Committee on Public Service as amended after discussion among the PERAC, the Committee and the Massachusetts retirement community.

December, 2006, substantive negotiating session with MACRS and Retirees' Association leadership.

January 10, 2007: filed H. 14; heard by the Joint Committee on Public Service on April 19, 2007; May 7, 2007 referred to the House Committee on Ways and Means; H. 4801, May 27, 2008 reported favorably as amended by House Ways and Means; recommitted to House Ways and Means, July 1, 2008; July 31, 2008, H. 5048, reported favorably as amended by the House Committee on Ways and Means; September 2, 2008 recommitted to the Joint Committee on Public Service.

November 5, 2008: filed H. 29; June 15, 2009, reported favorably by the Joint Committee on Public Service; April 12, 2010 reported favorably by Senate Ways and Means as amended; April 15, 2010, S. 2377 passed the Senate.

March 26, 2012

Page Three

May 28, 2010: essentially all PERAC governance proposals passed the Senate as part of the FY'11 Senate budget.

January 3, 2011: H. 16 filed in the House; April 4, 2011, H.16 hearing before the Joint Committee on Public Service. supported by MACRS; the Massachusetts Retirees' Association; and, in writing by the Massachusetts Teachers' Association.

September 15, 2011: S. 2018, passed the Senate as part of the Senate pension reform bill.

November 15, 2011: S. 2065, included in the Conference Committee report of the House/Senate pension reform bill.

November 18, 2011: enacted as Sections of Chapter 176 of the Acts of 2011 as signed into law by Governor Deval Patrick.