Letter from the EXECUTIVE DIRECTOR Bill Keefe

To borrow from noted philosopher Ferris Bueller, retirement moves pretty fast. If you don't stop and look around once in a while, you could miss it.

For what is perceived to be a sleepy, forgotten part of government, public retirement was a blur in 2025. There is always so much going on from a day-to-day basis, never mind adding 2025 initiatives and achievements that rise above the daily action. One item gets checked off while five more get worked on and the one item quickly falls off the radar.

Every day, there are so many tasks accomplished that we often don't look back and realize the impact they have or identify them as achievements. This is the time and opportunity to do so and to say great job.

We started off 2025 learning more about Social Security than we ever have after the repeal of the Windfall Elimination Provision and Government Pension Offset (WEP-GPO). Because nearly every public worker in the state was so dramatically impacted by the WEP-GPO, there wasn't a need to know all that much about Social Security. While it is still outside of our realm, across the spectrum the Chapter 32 community read up on Social Security and attended informational sessions to better serve and help members with this life-changing development.

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Meanwhile, the grace period for military buybacks created by the HERO Act was ongoing and continued into August. Retirement boards rose to the occasion of meeting the increased workload to ensure the people who served our country were able to take advantage of this benefit they earned and are entitled to. Where there were some bumps in the road, we worked together to smooth them out the best we could. Also at the same time, PERAC and boards implemented two new processes: the new return to service provisions that allow a disability retiree to elect to attempt to return to a different job than the one they retired from, in any system, if medically cleared; and the online filing of earned income for 91A disability retirees, over 1,800 of whom e-filed.

Two laws passed that will improve fairness and ensure practice matches intent. One ties to the Vernava decision which upset longstanding practice by disallowing leave time as regular compensation when used in conjunction with workers compensation. The decision hinged on the premise that regular compensation requires the provision of a service. Kate Fitzpatrick and the PERAC Commission had been fearful of a slippery slope future decision that could negate vacation, personal or sick time as regular compensation altogether and filed a bill to address this. The Commission's position was that this time is earned by providing a service.

Gratefully, the Legislature passed and the Governor signed Section 26 of Chapter 9 of the Acts of 2025, the FY 26 state budget, which incorporated the PERAC bill language and amended the Chapter 32 definition of wages. This act states that vacation, personal and sick time are regular compensation except when used in conjunction with workers compensation, abiding with the Vernava decision.

Another legal change came in Chapter 73 of the Acts of 2025 which involved the violent act disability under Section 7. The original law passed in 2024, provides for a full disability payment to first responders seriously injured as a result of an intentional violent attack with a dangerous weapon. The first part of the change brought State Police under this provision. The second addressed the nature of the injury to qualify for the benefit. The original statute called for a catastrophic, life-threatening or life-altering injury. Upon some early legal review by pension attorneys and early activity around applications, it became apparent that "life-altering" was too hard to define and could lead to invocation of the benefit that was not intended by the legislators and police unions, who were the statute's main proponents. Thus, life-altering was removed from the description of the injury. Lastly, the statutory description of the dangerous weapon was also amended. The original statute included language requiring the weapon be designed to cause serious injury or death. Upon further scrutiny, that would leave out items like a baseball bat or tire iron. The change to the law dropped that part of the description. Our Disability, Communications, and Legal Units worked to update the disability forms and medical panel certificates to reflect these changes.

A law passed in 2024 led to the creation and implementation of the Special COLA Commission on Cost-of-Living Adjustments for Members of the State Employees and Teachers' Retirement Systems. The Commission was tasked with reviewing options for increasing the base amount, estimating the fiscal impact of such increases and establishing sustainable funding methods. While the State and Teachers' systems were the primary focus, the Commission also considered local systems. The Commission consisted of: House Public Service Chair Dan Ryan; Senate Public Service Chair Mike Brady; Administration and Finance Assistant Budget Director Ameila Marceau; PRIM Executive Director and Chief Investment Officer Michael Trotsky; Mass. Taxpayers Foundation President Doug Howgate; Mass. Retirees Association President Frank Valeri; State Retirement Board Executive Director Kathryn Kougias; Teachers' Retirement Board Executive Director Emerita Erika Glaster; and myself. The Commission met 11 times in 2025 before issuing its report on December 31 with three recommendations: develop an Enhanced COLA to assist long-term retirees who meet eligibility guidelines; institute a regular COLA base increase process; and, create a reserve fund comprised of a small percentage of investment gains to fund COLA enhancements.

In taking steps to increase audit efficiency, we initiated a new PERAC Help Line service to provide assistance to boards. I like to call it the "Don't Call Scott" line, in reference to Deputy Audit Director Scott Henderson who previously handled a large volume of inquiries in an informal, ad-hoc basis. We certainly don't want to deprive boards of information they need, but we also needed to free up Scott to be able to devote more time to audit work. The PERAC Help Line has handled hundreds of inquiries dispersed to other PERAC staff, largely the Legal and Actuarial Units, turning the vast majority around in the same day or next day. In addition to Legal and Actuarial, PERAC's IT Unit developed a tracking system in conjunction with Tracey Legaski of the Administrative staff, who has coordinated all the intake, processing and record keeping.

The PERAC Help Line was one reason our Audit Unit, under the direction of Caryn Shea, increased its output in 2025 by over 50%, issuing 31 audits after issuing 20 in 2024. Other contributing actions taken included: streamlining the audit program, instituting a career path program to reward, incentivize and retain staff, a unit reorganization, and Commission support to add six new audit staff positions. We welcomed Catherin Christopher, Doug Dike, Phuong Nguyen, Cheryl Norden, Kyle Sturniolo and Otis Williams. Under Caryn, Scott and Elaine Pursley's tutelage, they quickly became contributing members of the team.

The Legal Unit also welcomed Associate General Counsel Dan Taylor, who hit the ground running. We celebrated Administrative staffer Rose Morrison's 40th work anniversary at PERAC (she started at age 10). And we congratulated Disability Case Manager II Regina Manning on her well-deserved retirement after 27 outstanding years at PERAC.

PERAC education sponsored a strong and successful program. Two Ice Miller webinars on taxation coordinated by Judith Corrigan and Felicia Baruffi were very well attended, covering some complex topics and getting questions answered. PERAC sponsored a cyber insurance webinar which provided great insight into current market conditions and practices. PERAC again contributed to two excellent MACRS conferences. What's a Wednesday morning at MACRS without PERAC? In addition, PERAC participated in the Legal and Legislative Panels. The annual Emerging Issues Conference was a hit. We thank Mass. Taxpayers President Doug Howgate for his fiscal picture presentation, Mass. Retirees president Frank Valeri, CEO Shawn Duhamel and the Social Security Administration for discussing WEP-GPO, former accountant Tom Hughes for sharing his story of exploiting business weaknesses, and John Boorack, Linda Bournival and Kathy Riley for an actuarial discussion on approaching full funding by the 2040 deadline, which spurred future conversations. John, Ken Hill, Patrick Charles and Arlington director Rich Greco represented public retirement for the first time in the Department of Revenue's Local Finance Commonwealth Fellowship Program. They each presented to the 25 community college students who were placed in municipal government roles for the summer with the hope that retirement might be part of their rotation. Throughout coordinating education, PERAC's Communications Unit also issued PROSPER User Manuals and continued to work on website accessibility.

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Once again, systems had strong investment returns, and all met the standard of being 65% funded or being within 200 basis points of PRIM's 10-year return. There are 75 boards that are funded at 70% or better, including 22 above 90% and six that are fully funded. This is excellent progress and something that all involved throughout the retirement community should be proud of.

It was an outstanding year of achievement for Massachusetts public retirement, which is a credit to the efforts of the dedicated, knowledgeable and collaborative people across the Chapter 32 community. We can do more together than we can apart.

To finish the way I started, the question in 2025, or any year, isn't "what are we going to do," the question is "what aren't we going to do?" ■

Sincerely,

Bill Keefe

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Executive Director