

Commission Meeting Minutes March 13, 2019

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:10 AM. He then stated that the Commission meeting is being tape recorded and this will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, and James Machado. Commissioners Robert McCarthy and Jennifer Sullivan were not in attendance.

PERAC Staff present for all or some of the meeting: Executive Director John Parsons, Deputy Executive Director Joseph Martin, Deputy General Counsel and Managing Attorney Judith Corrigan, Director of Administrative Services Caroline Carcia, Actuary John Boorack, Compliance Officer Tom O'Donnell, Chief Auditor Caryn Shea, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Project Manager Anthony Tse, Senior Systems Engineer Robert Perez, Communications Director Natacha Dunker, Compliance Counsel Derek Moitoso, Compliance/Investment Data Coordinator Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Nick Favorito representing the State Retirement Board, Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement Board, Thomas Gibson representing the Middlesex and Belmont Retirement Boards, David Sullivan representing the Plymouth County Retirement Board, Lisa Adams representing the MMA, and Rob Ward representing MACRS.

Commissioner Fitzpatrick made a motion to adopt the February 13, 2019 Commission meeting minutes. Commissioner Fallon seconded the motion and the minutes were unanimously adopted.

Audit Sub-Committee Meeting Update

Commissioner Fallon reported that the Audit Sub-Committee met earlier in the morning and discussed a proposed modification on how to approach and conduct audits in the future, how to triage using risk based information, and to determine how to meet the statutory three year audit requirement. The staff will prepare some additional information for the proposed modification and will report again prior to the next Commission meeting. Commissioner Fallon expects that a proposal will be recommended to the Commission at the meeting in April.

Chairman Brown stated that about 50% of the retirement boards currently utilize independent auditors and all are subject to the rules of GASB. He continued that the Audit Unit has proposed utilizing the independent audits to focus on specific areas. He then inquired if it is likely that additional auditors would need to be hired.

Commissioner Fallon and Dooling stated that at this time the question is premature and will have to be addressed after further information is provided.

Actuarial Update

Mr. Boorack updated the Commissioners with regard to the Actuarial Roundtable meeting held on Monday, March 11, 2019. He reported that the actuaries discussed the investment return assumptions and the NEPC Study. All actuaries in attendance discussed and agreed with the recommendation of reducing the investment return assumption to 7.25%. Mr. Boorack also discussed the status of the local retiree mortality study currently in progress.

Commissioner Fitzpatrick made a motion to adopt the recommendation of the Actuarial Unit and to reduce the investment return assumption to 7.25%. Commissioner Dooling seconded the motion and the motion was unanimously adopted.

Legal Update

Mr. Charles reported on the matter of *Minuteman Regional Vocational Technical School District Retirement Board v. PERAC*, CR-17-285.

Ms. Corrigan updated the Commission on the *Vernava* case. Five retirement boards have sued PERAC, and have asked the Supreme Judicial Court ("SJC") to declare that PERAC's guidance regarding the implementation of the *Vernava* decision is incorrect. Unfortunately, the SJC has sent the matter down to the Superior Court, meaning that this ultimately be resolved in years instead of months.

Ms. Corrigan then reported on the *Cambridge Retirement Board v. PERAC*, CR-13-166.

Legislative Update

Mr. Charles reported that PERAC's 2019-2020 Legislation has been accepted by the House and Senate, bill numbers have been assigned, and the list of these is included in the monthly package. He stated that the continuing education credits flexibility bill, a refile from the prior year, is now Chapter 439 of the Acts of 2018, and so will no longer be part of this year's package. Mr. Charles also informed the Commission about committee assignments for the upcoming legislative session. He continued that Senate President Karen Spilka has appointed Senator Michael Rodrigues as the Senate Ways and Means Chair and Senator Michael Brady as Senate Chair of the Joint Committee on Public Service. Speaker of the House Robert DeLeo has appointed Representative Aaron Michlewitz as the House Chair of Ways and Means and reappointed Representative Jerald Parisella as the House Chair of the Joint Committee on Public Service.

Audit Update

Ms. Shea reported that the auditors are currently auditing the Attleboro, Everett, Greater Lawrence Sanitary District and Hampden County Retirement Systems. She then reported that the Haverhill Retirement System's audit report was posted on the PERAC Web Page since the last Commission meeting and then spoke about the findings. She then reported that follow-up audits were completed for the Norfolk County and Northbridge Retirement Boards over the past month and explained the findings.

Compliance Update

Mr. O'Donnell reported that the SFIs and Annual Vendor Disclosures have been distributed and the responses are being filed.

Commissioner Machado inquired if PERAC has heard anything about Pioneer Institute's Report recommendation that SFI filings be public for greater transparency.

Mr. Martin responded that the statute specifically exempts the SFIs filed by retirement board members from the public records law. He believes the Pioneer Report is referencing the SFI filings that are filed by public officials and people in decision making positions which are already considered a public document. He also stated that Pioneer does touch upon notification to be provided to the SFI filer once a request for the document has been made.

Executive Director's Report

Mr. Parsons briefly reported about the staff activities since the last Commission meeting. He continues to attend retirement board meetings as his schedule permits. He also updated the Commission about training initiatives utilizing webinars.

Mr. Parsons reported on the staffing updates and that the search for the general counsel position is well underway and he expects that the new appointment would be announced by the next Commission meeting.

Commissioner Dooling inquired about the number of interviews that have been held for the general counsel position.

Mr. Parsons stated that a total of five interviews will be held out of twenty applicants.

Mr. Parsons continued that the remaining audit position has been filled and the new auditor will begin in April.

Mr. Parsons then briefly discussed the Pioneer Institute Report which was discussed earlier.

Communication Unit Report

Ms. Dunker reported that more interested parties have requested to receive emails from us regarding RFP notifications, pension news and PERAC memos. She then reported about the publications produced which included 91A Form and instructions, SFIs, Annual Policy Review Book and a number of presentations. Ms. Dunker reported that they have updated four Disability Retirement Forms and will be working on the Beneficiary Forms next. She continued in order to help the retirement boards achieve more transparency, a link has been added on our website for all retirement board minutes where such minutes are available. Ms. Dunker then reported about the website statistics internally and externally. Finally, Ms. Dunker reported that the Pension News has been redesigned and will be distributed on a quarterly basis going forward.

Commission Travel

Mr. Parsons notified the Commission about the upcoming 2019 NCPERS Annual Conference being held in Austin, TX from May 19-22, 2019 should there be any interest in attending.

Commissioner Machado made a motion to grant permission for any interested Commissioners and staff to attend the above conference. Commissioner Fallon seconded the motion and it was adopted.

Other Business

Chairman Brown stated that the next Commission meeting will be held on April 10, 2019 at 11:00 AM.

Commissioner Fallon reported that the Audit Sub-Committee will be meeting at 10:00 AM just prior to the next Commission meeting.

Commissioner Machado inquired about the Section 91A over earners going back to 2010 as reported in the Norfolk County Retirement System audit.

Ms. Shea stated the updated salary is often times received from the retirement boards after the audit report is completed and the auditor will report on the matter during the follow up report.

In this particular case, the matter still remains unresolved and the Commission requested an additional follow up on this matter at the April Commission meeting.

Commissioner Fallon made a motion to adjourn the meeting. Commissioner Dooling seconded and the motion was unanimously adopted. The meeting adjourned at 11:50 AM.

Commission Meeting Documents

Commission Agenda for the meeting of March 13, 2019

Commission Minutes from February 13, 2019

Audit Sub-Committee Update

Proposed New Audit Approach Memo

Legal Update

Cases of Interest:

Minuteman Reg. Voc. Tech. Sch. Dist. Ret. Bd. v. PERAC, CR-17-285

Cambridge Retirement Board v. PERAC, CR-13-166

Legislative Update

Legislative Update Memo
2019-2020 Legislative Bills

Audit Update

Recent PERAC audit and six-month follow-up reports

Communications Report

Publications and Website Statistics
New Pension News Layout

Executive Director's Report

Staff Activities
Editorial from Newburyport News regarding pension debt
Pioneer Institute February 2019 White Paper

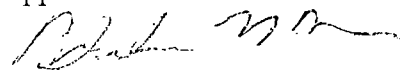
Commission Travel

Agenda for 2019 NCPERS Annual Conference

Materials Distributed at the Meeting

Actuarial Update from Roundtable meeting

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission