

**Commission Meeting Minutes  
November 13, 2019**

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:05 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, and Robert McCarthy. Commissioner Kate Fitzpatrick participated remotely pursuant to 940 CMR 29.10. Therefore, the Chairman announced, any votes in this meeting shall be taken by roll call vote. Commissioners James Machado and Jennifer Sullivan were not in attendance.

PERAC Staff present for all or part of the meeting: Executive Director John Parsons, Deputy Executive Director of Policy Joseph Martin, Deputy Director of Administration Caroline Carcia, General Counsel Judith Corrigan, Actuary John Boorack, Compliance Director Tom O'Donnell, Audit Director Caryn Shea, Senior Associate General Counsel Ken Hill, Senior Associate General Counsel Patrick Charles, Associate General Counsel Katie Brady, Assistant Deputy of Research, Planning and Public Affairs Bill Keefe, Project Manager Anthony Tse, Senior Systems Engineer Robert Perez, Communications Director Natacha Dunker, Graphic Designer and Editor Karen McMahon, Fraud Prevention Manager Sandra King, Manager of Medical Services Kate Hogan, Compliance/Investment Data Coordinator Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Chairman Brown requested a moment of silence for Worcester firefighter Jason Menard, who died in the performance of his duties while fighting a fire this morning. The Commission and staff offered its deepest sympathy to the family of Lieutenant Menard.

Ms. Boisvert announced the following guests in attendance: Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement Board, and Nick Favorito representing the State Retirement Board.

Commissioner McCarthy made a motion to adopt the October 16, 2019 Commission meeting minutes. Commissioner Dooling seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, and Robert McCarthy YES, and the minutes were unanimously adopted.

**Joint Audit/Fraud Prevention – Disability Sub-Committee Meeting Update**

Commissioner Fallon, Chair of the Audit Fraud Sub-Committee, reported that a meeting was held earlier in the morning at 5 Middlesex Avenue in Somerville. She stated that the Sub-Committee voted on poster #1, the whistle blower poster, for the fraud poster campaign for this year. She also reported that the 91A process was discussed, the savings to the retirement boards since the inception of the Fraud Prevention Unit, and updates on the number of investigations currently taking place.

Chairman Brown reported that the Disability Sub-Committee did not have a formal meeting due to lack of a quorum, but Ms. Hogan made a presentation that the Medical Panel process is now taking an average of 30 days instead of 100 days and the Comprehensive Medical process is now averaging 20 to 40 days instead of an average of 57 days now that they are being processed through PROSPER. The Chairman is impressed with this great news, the efficiencies, and the cost savings. The Commission would like to make this known to retirement board members, other groups, and suggested that an article be published in the Pension News.

Commissioner McCarthy inquired about the pool of doctors performing the reviews for PERAC. Ms. Hogan stated that PERAC is always searching for additional physicians throughout the Commonwealth to perform both joint and separate medical panel exams.

Chairman Brown reiterated that the Audit/Fraud Prevention Sub-Committee voted on poster #1, the whistle blower poster, for the fraud poster campaign for this year and to forward to the full Commission for its approval prior to dissemination and inquired if the Commission had a preference.

On behalf of the full Commission, a motion was made by Commissioner Fallon to adopt poster #1, the whistle blower poster, for the fraud poster campaign for its dissemination. Commissioner Dooling seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, and Robert McCarthy YES, and the motion was unanimously adopted.

Mr. Parsons introduced Ms. McMahon, the Graphic Designer of the Communications Unit. Ms. McMahon works behind the scenes but prepares all of our posters, public documents, presentations, and newsletters.

The Commissioners thanked Ms. McMahon and complimented her on her creativity.

### **Actuarial Update**

Mr. Boorack discussed the Commonwealth Funding Schedule based on the January 1, 2019 Actuarial Valuation report. He explained the meaning of negative amortization which is like making a minimum payment on a credit card while continuing to make charges on that credit card. He stated that the statute provides that the systems shall be fully funded by fiscal year 2040 but his goal is to have the systems be fully funded by fiscal year 2035 and to pay down the negative amortization as quickly as possible. Mr. Boorack presented 2 Alternative Funding Schedules for the Commonwealth and recommended Alternative # 2 as it completes the amortization of the unfunded liability at the same time as the current schedule.

Ms. Glaster is interested in accelerating the payments in the funding schedules for the Commonwealth to catch up to the Annual Required Contribution (ARC) and to eliminate the negative amortization sooner.

Mr. Favorito would like to be more involved in the process as the funding schedule is put together, and to have State and Teachers' be allowed more participation. He believes it would be helpful to understand the process of the creation of the triennial schedule.

Commissioner McCarthy made a motion to accept the Actuary's report and to send both alternative funding schedules to A&F, along with an additional report showing a 15 % increase with accelerated payments to end the negative amortization by fiscal year 2023 and complete the amortization of the unfunded liability by fiscal year 2035. Commissioner Dooling seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, and Robert McCarthy YES, and the motion was unanimously adopted.

### **Legal Update**

Ms. Corrigan updated the Commission that PERAC has requested permission from the Attorney General's Office to file an appeal in the *O'Leary* case and the matter is currently under advisement. We have until November 29, 2019 to file the appeal. She also reported that Mr. O'Leary has already appealed his case.

### **Legislative Update**

Mr. Keefe reported that PERAC's bill H 22, regarding veterans' buyback, was reported out favorably by Public Service and is now H 4143. Included in the package is the red-lined version which is now with the Ways and Means Committee. He also reported that H 2346, veterans' allowance for public retirees, was also reported out favorably by the same committee, and this bill includes an increase in the veteran's benefit from \$300 per year to \$1,000 per year if adopted through a local option. Mr. Keefe then reported about important dates to keep in mind as follows: Formal session will end on Wednesday, November 20, 2019 and will resume on Wednesday, January 1, 2020; the Governor's budget is due by Wednesday, January 22, 2020; and, Wednesday, February 5, 2020 is the Joint Rule 10 deadline for bills to come out of committee.

Commissioner Fallon inquired about the status of the Pension Forfeiture bill.

Mr. Parsons stated that last year Chairman Parisella reported that there was general consensus about removing misdemeanors from statute. This would mean that a misdemeanor would not trigger pension forfeiture. He continued that there have now been several cases in which forfeiture was halted by the Eighth Amendment.

Then there was a brief discussion about the language in the forfeiture bill about forfeiting on a tiered basis, how low the benefit could be and how much beneficiaries might be financially harmed under no fault of their own.

Commissioner Fitzpatrick inquired about the legislation regarding vacation buyback.

Mr. Parsons stated that there is legislation that will be heard that allows for regular compensation for vacation buyback but only for those who are already participating in a vacation buyback program under a current Collective Bargaining Agreement (CBA).

Commissioner McCarthy inquired about H 2346, the veterans' allowance, and if the increase would be retroactive or prospective. Mr. Keefe replied that it would be prospective only.

### **Audit Update**

Ms. Shea reported that the Audit Roundtable meeting was held on October 24, 2019 which was well attended with representation from 9 of the 12 CPA firms that conduct audits of the boards. PERAC staff explained our oversight, audit process, our work papers, source documents, and the process we will be utilizing to accept their respective private reports. She explained that some of the firms thought it would be best to allow remote access to their work papers. Ms. Shea stated that at the end of the meeting it was decided to get together again in about 6 months and then to eventually meet annually to keep the lines of communications open.

Ms. Shea stated that another auditor has resigned, 1 auditor is out sick until January, so we are in the process of hiring 2 or 3 more auditors. She updated the Commission that PERAC has just purchased audit software and will start training in that software soon. Ms. Shea stated that the Audit Unit is currently reviewing the 2018 Annual Statements from the retirement boards. She reported that there have been 2 audits and 1 follow up report posted to the website since the last Commission meeting: Peabody and Waltham Retirement Boards, both had no findings, and she reported about the findings of the follow up report for the Salem Retirement Board.

Finally, Ms. Shea spoke about the Audit Tracking report that was distributed. She stated that there are currently 15 audits in process which she expects to be finalized in the 1<sup>st</sup> quarter of 2020 and stated that she expects that 16 new audits will begin between now and February 2020.

### **Compliance Update**

Mr. O'Donnell reported that 1167 courses have been completed year to date, including individuals who attended the 2019 Fall MACRS Conference. He then reported about the U.S. Securities and Exchange Commission Division of Enforcement 2019 Annual Report & Federal Trade Commission Disclosures 101 for Social Media publications. He reported about a few of the highlights of the publications such as the high dollar settlements, \$387 Million paid (tax free) in the whistle blower program, and the interactive links to the various cases reported.

### **Executive Director's Report**

Mr. Parsons reported on the staff activities and touched upon the Massachusetts Association of Public Pension Attorneys (MAPPA) Meeting, Public Service hearings, webinars held, and live trainings. He stated that he continues to attend retirement board meetings across the Commonwealth.

Mr. Parsons reported on 840 CMR 10:10(3) and 10:15(4) regarding the Annual Review of Medical Fees and at this time he does not recommend an increase, and believes that the fees should be kept at \$100.00.

Commissioner Fallon moved to continue the previous schedule of \$100 for the Medical Fees. The motion was seconded by Commissioner Dooling and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, and Robert McCarthy YES, and the motion was unanimously adopted.

Mr. Parsons stated that a proposed schedule of Commission meetings for 2020 was included in the monthly package. The proposed meetings would be held on the second Wednesday of each month at 11:00 AM. He requested the Commissioners vote on the enclosed schedule at the next meeting after reviewing their personal schedules.

Mr. Parsons reported that the Strategic Leadership Workshop was held on November 6, 2019 at Bentley College. He believes this session was successful and that the facilitator will provide the notes and a plan for PERAC within a few weeks.

### **Commission Travel**

Mr. Parsons notified the Commission about the upcoming 2020 NCPERS Legislative Conference, January 26-28, 2020 at the Capital Hilton Hotel in Washington, DC should there be any interest in attending.

Commissioner McCarthy made a motion to grant permission for any interested Commissioners and staff to attend the above conference. Commissioner Dooling seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, and Robert McCarthy YES, and the motion was unanimously adopted.

### **Other Business**

Chairman Brown stated that the next Commission meeting is scheduled to be held on Wednesday, December 11, 2019. Ms. Boisvert will double check with the Commissioners on the timing of this meeting for quorum purposes.

Commissioner Dooling made a motion to adjourn the meeting. Commissioner Fitzpatrick seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, and Robert McCarthy YES, and the motion was unanimously adopted. The meeting adjourned at 12:17 PM.

### **Commission Meeting Documents**

Commission Agenda for the meeting of November 13, 2019  
Commission Minutes from October 16, 2019

**Joint Audit/Fraud- Disability Sub-Committee Meeting Materials**

Fraud Poster Campaign  
91A Savings Cover Sheet 2019  
91A Statistics 2019  
Disability Cover Memo  
MPR Statistics  
CME Statistics  
MPR & CME Statistics 2018 & 2019

**Actuarial Update**

January 1, 2019 Commonwealth Funding Schedule – Alternatives 1 & 2

**Legislative Update**

H 22 v. H 4143 red-lined language

**Audit Update**

Recent PERAC audits and follow up reports  
PERAC Audit Tracking Report

**Compliance Update**

U.S. Security & Exchange Cover Memo  
Division of Enforcement 2019 Annual Report  
Federal Trade Commission Disclosures 101 for Social Media

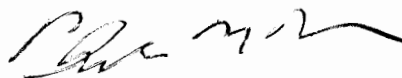
**Executive Director's Report**

Staff Activities  
Memo regarding 840 CMR 10:10(3) & 10:15(4) – Annual Review of Medical Testing Fee  
Proposed Schedule of 2020 Commission Meetings

**Commission Travel**

2020 NCPERS Legislative Conference Agenda

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission