

**Commission Meeting Minutes**  
**February 12, 2020**

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, James Machado, and Kate Fitzpatrick. Commissioners Jennifer Sullivan, Kathleen Fallon and Robert McCarthy participated remotely pursuant to 940 CMR 29.10. Therefore, the Chairman announced, any votes in this meeting shall be taken by roll call vote.

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, 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, Compliance/Investment Data Coordinator Cheryl Johnson, Project Manager Anthony Tse, and Communications Director Natacha Dunker.

Ms. Carcia announced the following guests in attendance: Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement Board, Tom Gibson representing Belmont Retirement Board and Middlesex County Retirement Board. Nick Favorito was also present for the meeting representing the State Retirement Board.

Commissioner Machado made a motion to adopt the January 8, 2020 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, James Machado YES, Kate Fitzpatrick YES, Jennifer Sullivan YES, and Robert McCarthy YES, and the minutes were adopted.

**PROSPER Update**

Dan Boyle provided the Commissioners with an in-depth overview of the progress PERAC has made as it relates to PROSPER enhancements with various applications, upgrading agency infrastructure, future goals with the PROSPER application and security measures on the horizon. Discussion included the concerns of keeping up with phishing and hacking, as well as possibly implementing multi-factor authenticity security. Dan discussed that we are reaching out to State vendors to conduct a Penetration and Risk Assessment test to ensure that our applications are secure and the actions of staff do not inadvertently lead to release of confidential information or attacks. Questions were raised about training staff, boards, and vendors regarding securing personal data. Dan stated that there are various training modules from other agencies such as the Comptroller's Office, Department of Revenue, and Health and Human Services relating to their specific data, but the Executive Office of Technology Services and Security has not provided a training tool to cover all eventualities, therefore, we have put our own module together. Although PERAC is not a covered entity under HIPAA rules, we do recognize the importance to secure such personal and private records and try to follow HIPAA guidelines as much as practicable. We also follow FISMA standards.

### **Actuarial Update**

Mr. Boorack mentioned that the NEPC Study was recently released. As part of this study, both the short-term and long-term projected expected returns showed a 60 basis point decrease from the prior year's study. He discussed that PERAC reviews information from various sources (NEPC, Horizon Study, NASRA and some investment consultants) when determining the recommended investment return assumption. He mentioned that not all the information is available at this time, so we could not make a formal recommendation. However, all information to date seems to indicate that he will recommend decreasing the investment assumption rate for the January 1, 2020 Commonwealth Valuation. It is expected that the recommended assumption would be between .10% to .25% less than the assumption used last year. He was asked whether he uses information from S&P in determining the recommended assumption. He indicated that we do not use S&P as one of our sources. He stated that we have decreased the investment return assumption five times over the past seven years. He stated the largest reduction was .25% (3 times), with the last two by .15% and .10% respectively. Mr. Boorack contacted PRIM to confirm the NEPC recommendation and they were fine with the expected returns in the NEPC study. There was a discussion regarding reducing the investment return assumption for the local retirement systems. He stated that local retirement systems typically adopt PERAC's recommendation. He stated that we will have more data available to provide a recommendation for the Commission to vote on at the March Commission meeting.

### **Legal Update**

Ken Hill reported on the matter of Russo v. Plymouth County Ret. Bd. & PERAC, CR-15-583 (DALA) (1/4/2020).

### **Legislative Update**

Mr. Keefe reported that all six bills PERAC filed for the 2019-2020 legislative session have been reported out of Public Service Committee favorably. He continued that PERAC staff met with members of the Governor's Office, Public Service, and Ways and Means Committee to discuss the Pension Forfeiture Bill (H.21). Mr. Keefe reported on other bills of interest to PERAC are outlined in the Commission packets in addition to other items in the Governor's Budget that was filed on January 22, 2020.

### **Mission Statement Update**

Mr. Keefe discussed the memorandum which outlines the work of the mission statement working group, made up of Commissioners and staff. This group was charged with providing the Commissioners with a new and revised PERAC mission statement. This was an assignment resulting from the Strategic Leadership Workshop in November 2019. Commissioner Dooling also added the effort that was taken to change the statement to the current times and believes the new statement captures a crisp, concise and modernized mission statement. He thanked all the members of the working group who contributed to this recommendation. The group recommended changing the mission statement to read "Provide oversight and guidance for the effective, equitable, and ethical operation of the Commonwealth of Massachusetts' public pension system." Discussion took place with regards to whether this statement captures PERAC's responsibilities as a regulatory agency and whether the pension system is one system or multiple systems. Commissioner Machado

made a motion to add the word “regulatory” after the word provide and change system to systems. Commissioner McCarthy seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, James Machado YES, Kate Fitzpatrick YES, Jennifer Sullivan YES, and Robert McCarthy YES, and the mission statement, as amended was adopted.

### **Audit Update**

Ms. Shea reported that since the last Commission meeting, PERAC released 2 audits, one with findings and one without findings, along with one follow-up letter. She reported that we are waiting for several boards to provide comments on draft audits that have already been submitted to the boards. The audit team is developing the necessary templates in the new software program that will provide for a smoother tracking system and communication within that unit.

### **Compliance Update**

Mr. O’Donnell reported that we have added an enhancement to the PROSPER application that allows vendors to submit their annual disclosure forms electronically into PROSPER and it has proven beneficial to the vendors as well as to PERAC. Tom also discussed that PERAC has joined the National Council of Teacher’s Retirement Association to maintain access to various courses they have available on-line for board members. Tom discussed that the Quincy Retirement Board is currently utilizing PERAC’s RFR guide and scoring worksheet that we recently issued to the boards as a guide when seeking consultant/management services. We are working with Quincy as a pilot program to decide if any further adjustments are needed. Again, the boards can create their own questionnaires and scoring guidelines as long as their RFR’s are competitive but we have provided guidance to the boards because it was requested.

### **Executive Director’s Report**

Mr. Parsons reported on the staff’s activities since the last Commission meeting which is outlined in the packet. Mr. Parsons reported that the annual NCPERS Conference in Washington, DC was excellent and well attended. He added that we are reaching out to one of the speakers from the conference, a Commissioner of the Public Company Accounting Oversight Board, to speak at our annual Emerging Issues Conference. Mr. Parsons also mentioned that in the Commission packets are the annual Summary of the Conflict of Interest Law and acknowledgement forms for Commissioners to sign and complete the on-line training program if they are due this year. Mr. Parsons also mentioned that the 2020 Annual Policy Booklet that is disseminated to PERAC staff on a yearly basis which contains policies of PERAC and the Commonwealth has been provided to each Commissioner. Lastly, Mr. Parsons provided the Commissioners with the final PERAC Strategic Plan for the next 5 years and added that Commissioners will be updated periodically.

### **Other Business**

Chairman Brown stated that the next Commission meeting is scheduled to be held on Wednesday, March 11, 2020 @ 11:00 a.m.

Chairman Brown also discussed scheduling an Administrative Sub-Committee meeting to review the Annual Performance of the Executive Director. Those in the sub-committee will have their

meeting on March 11, 2020 @ 10:15 a.m. Commissioner Fitzpatrick will not be able to attend either meeting on March 11, 2020.

Commissioner Machado 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, James Machado YES, Kathy Fallon YES, Kate Fitzpatrick YES, Jennifer Sullivan, YES, and Robert McCarthy YES, and the motion was unanimously adopted. The meeting adjourned at 12:30 PM.

**Commission Meeting Documents**

Commission Agenda for the meeting of February 12, 2020

Commission Minutes from January 8, 2020

**PROSPER Update**

Memorandum to Commissioners regarding IT Project Updates

**Legal Update**

Memorandum to Commissioners from Kenneth Hill regarding Russo v. Plymouth County Ret. Bd., & PERAC, CR-15-583 (DALA) (1/24/2020)

**Legislative Update**

Memorandum to Commissioners from Bill Keefe regarding Legislative updates

**Mission Update**

Memorandum to Commissioners from Bill Keefe regarding Mission Statement Recommendation.

**Audit Update**

Beverly Audit Findings – January 1, 2014 – December 31, 2017

Wakefield Audit (no findings) – January 1, 2014 – December 31, 2017

**Compliance Update**

Memorandum to Commissioners from Tom O'Donnell regarding Compliance updates.

2018 Comparative Analysis Fee Report

**Executive Director's Report**

Staff Activities

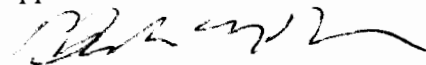
Conflict of Interest Summary Law & Acknowledgment

PERAC Strategic Plan 2020-2024

Annual Policy Review Booklet – 2020

PERAC Pension News – Issue No. 54

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission