

## **Commission Meeting Minutes March 11, 2020**

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:20 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 Kathleen Fallon. Commissioners Jennifer Sullivan and Robert McCarthy participated remotely pursuant to 940 CMR 29.10. Commissioner Kate Fitzpatrick was not present for the meeting. 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 Patrick Charles, Associate General Counsel Katie Brady, Assistant Deputy of Research, Planning and Public Affairs Bill Keefe, Compliance/Investment Data Coordinator Cheryl Johnson, Systems Administrator Robert Perez, Director of Information Systems Dan Boyle, and Communications Director Natacha Dunker.

Ms. Carcia announced the following guests in attendance: Tom Gibson representing Belmont Retirement Board and Middlesex County Retirement Board, John Brown representing Middlesex County Retirement Board and MACRS, and Nick Favorito representing the State Retirement Board. Kathleen Kiely-Becchetti representing Norfolk County attended remotely.

Commissioner Machado made a motion to adopt the February 12, 2020 Commission meeting minutes. Commissioner Fallon seconded the motion and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, James Machado YES, Jennifer Sullivan YES, and Robert McCarthy YES, and the minutes were adopted.

### **Administrative Sub-Committee Update**

The Chairman reported that the Administrative Sub Committee meeting which was to have been held prior to the Commission Meeting was cancelled and has been re-scheduled to April 8, 2020 @ 10:00 a.m.

### **Actuarial Update**

Mr. Boorack reviewed the charts that were included in the Commission packets and discussed the resources used in his determination of the recommended Investment Return Assumption for the January 1, 2020 Commonwealth Valuation Report. Mr. Boorack recommends that the rate should be between NEPC's short-term and long-term expected returns. Based on the results of the NASRA and Horizon studies, he recommended reducing the rate by 10 bp to 7.15% from the current 7.25%. It was discussed that local boards use a range between 7.5% - 7.0%. PERAC provides guidance and recommendations to the boards but it is ultimately their choice. However, if PERAC believes the board is using a rate too low, it is the responsibility of the Actuary to disclose the matter.

Decreasing the rate of assumption to 7.15% would result in approximately a \$1 billion increase in Actuarial Accrued Liability (AAL) for the Commonwealth as of January 1, 2020.

Commissioner Fallon made a motion to adopt the recommendation of the Actuarial Unit and to reduce the investment return assumption to 7.15%. Commissioner Dooling seconded the motion and the motion was unanimously adopted as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, James Machado YES, Jennifer Sullivan YES, and Robert McCarthy YES.

### **Legal Update**

Ms. Corrigan reported that she attended the NAPPA conference and discussed some of the topics that were of interest at the conference including difficulties which arise when trying to determine whether a retiree or beneficiary has died. She also mentioned the recently enacted Federal SECURE Act, which was the subject of several presentations at the conference.

Ms. Brady reported on the matter of Steven Caissie & Newton Ret. Bd v. PERAC, CR-16-579. This case involves possible overearning by an accidental disability retiree, who works for a business owned by his wife.

### **Legislative Update**

Mr. Keefe reported that PERAC communicated with both chairs of the Joint Committee on Veterans and Federal Affairs regarding H. 4143, our Veteran's Buyback bill. The committee is proposing larger Veterans' legislation and hopefully our bill will be included in that. He reported that he attended the PRIM Meeting on February 26, 2020 and PRIM is reporting an increase of 4.6% for the quarter ending December 31, 2019. The MBTA Retirement Fund has committed \$25 million to PRIM's private equity vintage year 2020 sleeve. Mr. Keefe outlined the results of special elections which he also summarized in his memorandum in the Commission packet.

### **Audit Update**

Ms. Shea reported that since the last Commission meeting, PERAC released two audits, one with findings and one without findings. Both audits are four-year audits, which will help us to get more up to date and clear up the backlog. The audit team continues to develop the necessary templates in the new software program that will provide both for a smoother tracking system and improved communication within that unit.

### **Compliance Update**

Mr. O'Donnell reported that the new enhancements in PROSPER that allows vendors to submit their annual disclosures electronically has proven beneficial. He reported that the online course offerings and webinars have also proven beneficial with over 70 board members participating to date along with many administrators. He reported that over half the SFI submissions have been submitted by board members. He also reported that over 58 procurements have been acknowledged to date with additional procurements in process.

## **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 PERAC staff have worked on updating many forms that are used by boards and that they have been finalized, released and are now available on our website. He reported that PERAC's Emerging Issues Forum for 2020 will be held at the Holiday Inn, Marlboro as the construction project at Holy Cross will continue for 2020 which caused us to seek a new venue site. Mr. Parsons reported that the 2020 NCPERS Conference will be held at Caesars Palace Hotel, Las Vegas, NV on May 10-13, 2020, however, due to the current health concerns regarding COVID-19, the conference may be delayed and/or cancelled. It was suggested that a vote be postponed until the April Commission meeting. Mr. Parsons reported that in regard to COVID-19, we are adhering to the guidance of the Administration. We are identifying critical responsibilities of the agency (short term and long term), essential staff to carry out those duties remotely, increasing VPN usage and providing staff with proper tools. We are also identifying points of contact for staff in the event of a shutdown of state office buildings. We are preparing guidance to the retirement boards with website notices, memoranda and alerts if needed. He reported that changes are occurring so rapidly but he is confident that PERAC will be able to continue with its essential functions.

Commissioners then shared what their offices have been doing to prepare and noted that in these unprecedented times we are all doing our part.

## **Other Business**

Chairman Brown stated that the next Commission meeting is scheduled to be held on Wednesday, April 8, 2020 @ 11:00 a.m.

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

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, James Machado YES, Kathy Fallon YES, Jennifer Sullivan, YES, and Robert McCarthy YES, and the motion was unanimously adopted. The meeting adjourned at 12:10 PM.

**Commission Meeting Documents**

Commission Agenda for the meeting of March 11, 2020

Commission Minutes from February 12, 2020

**Actuarial Update**

Investment Return Assumption Averages

**Legal Update**

Memorandum to Commissioners from Katie Brady regarding Steven Caissie & Newton Ret. Bd. V. PERAC, CR-16-579

**Legislative Update**

Memorandum to Commissioners from Bill Keefe regarding Legislative updates

**Audit Update**

Shrewsbury Audit (no Findings) – January 1, 2014 – December 31, 2017

State Audit Findings – July 1, 2013 – June 30, 2017

**Compliance Update**

Memorandum to Commissioners from Tom O'Donnell regarding Compliance updates

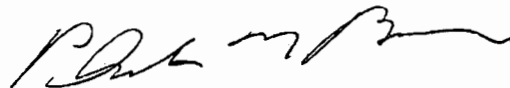
**Executive Director's Report**

Staff Activities

PERAC MEMO #13/2020 – Updated Forms

NCPERS Conference Schedule of Events – May 10-13, 2020 Caesars Palace Hotel, Las Vegas, NV

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission