

**Commission Meeting Minutes  
November 18, 2020**

Chairman Philip Y. Brown called the meeting 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 participating: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, James Machado, and Jennifer Sullivan. Commissioner McCarthy was not in attendance. All attendees participated remotely pursuant to Governor Charles Baker's Executive Order dated March 12, 2020. Therefore, the Chairman announced, any votes in this meeting shall be taken by roll call vote.

Mr. Parsons reported that Commissioner McCarthy stated that he would continue attending the meetings until his replacement is sworn in. He spoke with State Auditor Bump regarding Commissioner McCarthy's replacement on the Commission. However, a new representative has not yet been named.

PERAC Staff attending remotely: Executive Director John Parsons, Deputy Executive Director Caroline Carcia, General Counsel Judith Corrigan, Assistant Deputy Director Bill Keefe, Assistant Deputy Director Ken Hill, Director of Audits Caryn Shea, Compliance Director Tom O'Donnell, Information Technology Director Dan Boyle, Communications Director Natacha Dunker, Senior Associate General Counsel Patrick Charles, Associate General Counsel Katie Brady, Associate General Counsel Felicia McGinniss, Actuary John Boorack, and Senior Executive Assistant Kim Boisvert.

Guests participating remotely were: Nick Favorito representing the State Retirement System, Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement System, Tom Gibson and Lisa Maloney representing the Middlesex Retirement System, and Patrick Brock representing the Hampshire County Retirement System.

Commissioner Machado made a motion to adopt the October 14, 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, Kate Fitzpatrick YES, James Machado YES, and Jennifer Sullivan YES and the minutes were adopted.

**Executive Session Update**

Chairman Brown indicated that an Executive Session meeting was held at the end of the last Commission meeting to discuss the board members who did not file their Statement of Financial Interests (SFIs). Chairman Brown reported that the Commission voted to remove James Gray from the Winchester Retirement System, Brian Thompson from the Hull Retirement System, and Michael Cornetta from the North Attleboro Retirement System.

Commissioner Fitzpatrick made a motion to adopt and open the October 14, 2020 Executive Session 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, James Machado YES, and Jennifer Sullivan YES and the minutes were adopted.

### **Legal Update**

Mr. Hill reported on the *Gloucester Retirement Board v. PERAC*, CR-17-1059 and *Swartz v. Barnstable County Retirement Board and PERAC*, CR-19-334.

### **Legislative Update**

Mr. Keefe reported that the House and Senate amended the language in Section 14 of Chapter 53 of the Acts of 2020 extending the waiver from earnings and hours worked for superannuation retirees during the Governor's March 10, 2020 State of Emergency. With the Governor's approval, the waiver would end when the state of emergency is lifted or the end of calendar year 2021, whichever occurs first. He said that the House and Senate budgets include the COLA for the State and Teachers' Systems, retroactive to July 1. He then notified the Commission that there will be two new senators and 17 new representatives in the Legislature in January 2021.

Mr. Keefe discussed the white paper issued by Ice Miller regarding *DOL Issues Final Rule on ESG Investments* and an article from the State House News *Research: PRIT Switch Led to Gains for Local Retire Systems, 2007 Reform Targeting Underperforming Systems* as it pertains to Chapter 68 of the Acts of 2007.

### **Audit Update**

Ms. Shea reported that since the last Commission meeting, PERAC released the Middlesex County and Plymouth Retirement Systems' Audit Reports which were limited scope audits as both have private auditors, she then reported on the findings. She reviewed the Audit Tracking Report noting that there are 16 audits in process. She explained that of those 16 audits, 2 audits are with the board awaiting response, 2 are pending their exit conferences, 4 are under review pending revisions, the auditors are physically at 2 retirement boards, 5 audits are being conducted electronically and 1 is in the planning phase. She stated that because of the spike in COVID many systems will not allow us to enter their offices. Ms. Shea informed the Commission that 9 auditors attended a training session entitled *Many Faces of Fraud* and she continues to work with IT to finalize audit templates.

A discussion ensued regarding the great work Ms. Shea provides in the level of detail currently reported in the audit findings but the Commission would appreciate some sort of notification where further focus may be needed. There may be administrative issues or systematic issues but it would be more helpful to the non-auditors to know if more scrutiny is needed in certain areas, for example the cash books or investment fees.

Mr. Parsons explained what PERAC does prior to an actual audit, including the risk analysis. Prior to the field work being done in any retirement board, our managers are surveyed, our two investment analysts review the cash books and provide any issues to the Director of Audits to alert the auditors to areas which may need extra scrutiny. He continued that “frequent findings” are included in the Audit training at least annually.

### **Compliance Update**

Mr. O’Donnell reported that the terms for about 125 board members will be expiring within the next few months. He has been reaching out to those members to be sure they are up to date on their statutory requirements. He said that there have been 926 various course completions at this time, and that the vendor disclosures will begin in January. He informed the Commission that he attended the PRIM Board remotely and their assets have rebounded and are over \$80 billion dollars. Finally, Mr. O’Donnell informed all in attendance on the white paper prepared by Asset Management Culture, entitled *Ivy League Endowments Underperform 60-40 Portfolio Again* which was included in this month’s package.

### **Information Technology Report**

Mr. Boyle reported on PERAC’s risk-based approach to cyber security to comply with the Federal Information Security Management Act (FISMA) and National Institute of Standards and Technology (NIST). FISMA’s intent is to protect governmental information and assets from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems. NIST publishes a standard that contains the individual security controls required to comply with FISMA. He stated that PERAC has followed the FISMA and NIST standards due to the voluminous private information PERAC has in its possession. He also reported on the security testing process and results. He stated that we have done a security survey and expects that security training will be held in early 2021.

Mr. Boyle then discussed the timelines included in the monthly package. He stated that Middlesex Retirement Board assisted in the testing of both new modules - the Benefit Calculation and Statement of Financial Interests (SFI) phases of PROSPER. Phase I of the Benefit Calculation includes the submission of the calculations and Phase 2 will integrate the information into PROSPER. He stated that Phase I has gone live and he has not heard of any major issues as of this time. Ultimately this new application will provide greater transparency, significantly improve efficiency and drastically reduce the time needed to review and process a submission. He said that board training sessions have already been held.

Mr. Boyle then spoke about the SFI module which will allow Board Members to complete their yearly SFI submissions through PROSPER. In addition to the improved ease of use of online submission, one key benefit of this new module is that it will remember and carry over the previous year’s information. After the first year, Board Members will only need to provide updates to their information that has changed in the past year. There will be no need to duplicate the same answers year after year if no updates have taken place. This will help improve productivity and simplify the entire process for board members for years to come. Mr. Boyle

expects that this module will go live in January 2021 with remote training sessions scheduled shortly thereafter.

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

Mr. Parsons reported on the recent staff activities. He then reported that the 2021 Schedule of Commission meetings is included in the monthly package assuming that the second Wednesday of the month will continue to work for the Commissioners. He then asked the Commissioners to review the schedule and let him or Ms. Boisvert know if there are any conflicts prior to next month when the Commission would be adopting the schedule.

Mr. Parsons stated that a draft Resolution has been included in the monthly package as requested by the Commission last month. He said that the Resolution is still in draft form and he expects a few minor changes. He plans to finalize the Resolution for Commissioner McCarthy and to present him with a gift for his years of service.

Mr. Parsons updated the Commission that in accordance with PERAC Regulation 840 CMR 10:10(3) and 10:15(1)(c), an Annual Review of Medical Testing Fees must take place. His recommendation is that PERAC continue the same limit of \$100.00 for any possible medical testing for calendar year 2021.

Commissioner Sullivan made a motion to keep the Medical Testing Fee at \$100.00 according to the recommendation made. 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, James Machado YES, and Jennifer Sullivan YES and the motion was unanimously adopted.

Mr. Parsons informed the Commission that annually PERAC recruits new physicians. He pointed out that letters were sent to the Massachusetts Medical Society and the Commissioner of the Department of Public Health.

### **Other Business**

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

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, and Jennifer Sullivan YES and the motion was unanimously adopted. Commissioners Fallon and Machado did not respond as they had left the meeting. The Commission meeting adjourned at 12:24 PM.

### **Commission Meeting Documents**

Commission Agenda for the meeting November 18, 2020

Commission Minutes from October 14, 2020

Executive Session Minutes from October 14, 2020

### **Legal Update**

Memoranda and copies of the decisions in the matters of the

*Gloucester Retirement Board v. PERAC*, CR-17-1059 and

*Swartz v. Barnstable County Retirement Board and PERAC*, CR-19-334

### **Legislative Update**

Memorandum regarding Legislative updates

Ice Miller white paper regarding *DOL Issues Final Rule on ESG Investments*

State House News article regarding *Research: PRIT Switch Led to Gains for Local Retirement Systems, 2007 Reform Targeting Underperforming Systems*

### **Audit Update**

Cover pages

Middlesex County and Town of Plymouth Retirement Board reports

Audit Tracking Log

### **Compliance Update**

Memorandum regarding Compliance updates

Course Completions and Acknowledged Procurement data

Asset Management Culture white paper entitled *Ivy League Endowments Underperform 60-40 Portfolio Again*

### **Information Technology Report**

Benefit Calculation and Statement of Financial Information timelines

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

Staff Activities

Draft 2021 Commission Meeting schedule

Resolution for Commissioner McCarthy

Medical Panel Annual Fee Review Memo

Correspondence regarding Annual Physician Recruitment

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission