

Commission Meeting Minutes
May 12, 2021

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 Richard MacKinnon 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.

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, Actuary John Boorack, Compliance Director Tom O'Donnell, Director of Audits Caryn Shea, Senior Associate General Counsel Patrick Charles, Associate General Counsel Katie Brady, Associate General Counsel Felicia McGinniss, Project Manager Tony Tse, and Virginia Barrows, Chief Financial Manager.

The guests introduced themselves: Nick Favorito representing the State Retirement System, Sean Neilon representing the Massachusetts Teachers' Retirement System, Patrick Brock representing the Hampshire County Retirement System, Thomas Gibson representing Middlesex County and Belmont Retirement Boards, and Timothy Smyth and Padraic Lydon representing the Boston Retirement Board.

Commissioner Sullivan made a motion to adopt the April 14, 2021 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, Kate Fitzpatrick YES, James Machado YES, and Jennifer Sullivan YES, and the minutes were unanimously adopted.

Administrative Sub-Committee Update

Chairman Brown reported that the Administrative Sub-Committee met earlier that morning just prior to the Commission meeting to discuss the proposed FY22 operating budget of PERAC. Mr. Brown reported the FY22 proposal was approved unanimously by the sub-committee to be forwarded to the full Commission. Mr. Parsons reported that the proposed budget represents an increase of 2.46% from FY21. He reported that FY22 has fixed increases which include rent, networking chargebacks for the increased use of Commonwealth applications due to remote working, and fringe/payroll tax increases. These fixed cost increases result in approximately 41% of the proposed increase. He continued that other increases as outlined in the budget proposal include the continuation of PROSPER enhancements and additional applications that benefit critical functions of the agency and retirement boards. Additionally, the FY22 budget includes a position for an individual to coordinate with managers on reporting functionality, data analysis, and trends that will provide well informed business decisions. Lastly, the FY22 budget

includes a 3% salary adjustment which is broken out as 1.5% COLA and 1.5% performance review based.

Discussion ensued regarding the status of the lease, the future location of PERAC offices, and the current landlord's construction projects. Mr. Parsons informed the Commission that our lease ends on June 30, 2023, however, we will be contacting the Division of Capital Asset Management and Maintenance (DCAMM) this fall as the process is lengthy with bid proposals, site reviews, buildouts, and moving an agency.

Commissioner Machado made a motion to approve the FY22 proposed operational budget. Commissioner Fitzpatrick seconded the motion, and a roll call vote was taken.

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kate Fitzpatrick YES, James Machado YES, Kathleen Fallon YES, and Jennifer Sullivan YES, and the motion was adopted.

Mr. Parsons informed the board that Commissioner MacKinnon had reached out to him and provided his support of the FY22 budget as well.

Legal Update

Ms. Corrigan reported that since the last Commission meeting, PERAC has had two appeals docketed in the Appeals Court, Vernava and O'Leary. Vernava involves a challenge to a PERAC memorandum implementing the decision of the SJC regarding the regular compensation status of certain supplemental payments. O'Leary involved the regular compensation status of certain payments made in lieu of taking vacation. Ms. Corrigan provided a brief overview of both cases.

Ms. Brady reported on the DALA decision in Marlborough Ret. Bd. v. PERAC, CR-19-0014, regarding whether salaries set by city ordinance would qualify for the salary "specified by law" exception to the anti-spiking provisions of G.L. c. 32, § 5(2)(f). Ms. Brady informed the Commission that there are currently two other cases pending relating to this issue. Ms. Brady also informed the Commission that CRAB had taken those cases up on its own initiative for review. Although provided for in G.L. c. 32, § 16 (4), this is highly unusual.

Legislative Update

Mr. Keefe updated the Commission that the House of Representatives passed its version of the budget on April 29, 2021 which included a 3% COLA for State and Teacher's retirees. The Senate released its budget on May 11, 2021. Mr. Keefe noted various retirement related amendments outlined in his memorandum in the Commission materials.

Mr. Keefe reported that the Department of Revenue's (DOR) April report continues to exceed benchmarks. Overall, DOR is 7.4% over benchmark for FY21. April collections totaled \$3.86B, up from \$3.06B in March 2021 and 95.1% over April 2020 revenues. Additionally, Mr. Keefe reported on PRIM's March returns, which was 3.22%, topping the fund at \$90B for the first time. For FY21, the return is 21.65% and for the one-year period ending March 31, 2021, the return is 30.33%.

Audit Update

Ms. Shea reported that since the last Commission meeting, PERAC has released the Danvers audit and Beverly follow-up letter. She reported that the Danvers Audit had no findings and Beverly's audit finding has since been resolved. She explained that there are currently 15 audits in process. Of those 15 audits, 1 audit is in the internal review stage, 2 are with the board awaiting its response, 1 is in the exit pending stage, 4 are in the field work review phase, 6 are in the field work phase, and 1 is in the planning stage. Ms. Shea stated that 84 annual statements have been received and 13 extensions have been approved. The audit staff have started to review the annual statements received.

Compliance Update

Mr. O'Donnell reported that education is off to a good start in 2021. He reported that to date, there have been 781 course completions by board members. In addition, 380 board members have filed their 2020 Statement of Financial Interests (SFI) in PROSPER. He continued that there are vendor disclosure forms coming in and new procurements have been acknowledged this year.

Executive Director's Report

Mr. Parsons discussed staff activities since the last Commission meeting. He reported on the various remote conference/trainings attended by staff last month to maintain their educational credentials. He reported that the Inspector General's Office will be included in PERAC's educational schedule conducting trainings every 6 months on various fiduciary and fraud topics. He stated that we are looking into other topic areas that would be similar to incorporate in our program. Mr. Parsons noted that the latest PERAC Pension News was distributed to interested parties since the last Commission meeting.

Mr. Parsons updated the Commission on Hampden County Retirement Board's activities relating to corrective action on the audit findings released by PERAC. He stated that Caryn Shea, Bill Keefe, and himself are updated weekly to review and oversee the steps taken by the board to remedy such issues.

Other Business

Chairman Brown stated that the next Commission meeting would be held on June 9, 2021 at 11:00 AM.

Commissioner Machado wanted to make the Commission aware that by reducing the rate of return each and every year, local government is using the resulting payment increase to the pension appropriation as an excuse to not approve costs associated with a COLA for retirees. The rate of returns reported are larger than the current assumptions, and he just wanted to make the Commission aware that reducing the assumption has other effects on the retirement system.

Commissioner Fallon inquired about the latest COVID-19 restrictions from the Governor's office. Discussion ensued regarding office restrictions, future remote working for Commonwealth agencies and private businesses, as well as increasing in-house staffing.

Commissioner Dooling inquired about PERAC's lease agreement and status of working with DCAMM about the possibility of relocating to Boston in state owned buildings.

Commissioner Machado made a motion to adjourn the Commission 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, James Machado YES, and Jennifer Sullivan YES, and the motion was unanimously adopted. The Commission meeting adjourned at 11.47 AM.

Commission Meeting Documents

Commission Agenda for the meeting May 12, 2021

Commission Minutes from April 14, 2021

Administrative Sub-Committee Update

FY22 Proposed Operating Memorandum & Budget

FY22 Proposal Fringe Benefit Memorandum from CTR

Legal Update

Marlborough Ret. Bd. v. PERAC, CR-19-0014

Legislative Update

Memorandum regarding Legislative updates ,

Audit Update

Danvers Retirement System Audit
Beverly Retirement System follow-up letter
Audit Tracking Report

Compliance Update

Memorandum regarding Compliance updates

Executive Director's Report

Staff Activities
PERAC Pension News No. 57 – April 2021

Approved:

A handwritten signature in black ink, appearing to read 'Philip Y. Brown', with a stylized flourish at the end.

Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission