

## **Commission Meeting Minutes**

### **April 14, 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, Richard MacKinnon, and Jennifer Sullivan. 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, Executive Assistant Doreen Duane, and Senior Executive Assistant Kim Boisvert.

The guests introduced themselves: Nick Favorito representing the State Retirement System, Sean Neilon representing the Massachusetts Teachers' Retirement System, and Patrick Brock representing the Hampshire County Retirement System.

Commissioner Dooling made a motion to adopt the March 10, 2021 Commission meeting minutes. Commissioner MacKinnon 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, Richard MacKinnon YES, and Jennifer Sullivan YES, and the minutes were unanimously adopted.

#### **Legal Update**

Mr. Charles reported on *Michael Ryan v. Woburn Retirement Board, Wakefield Retirement Board and PERAC*, CR-14-394, regarding creditable service under G.L. c. 32, §4(2)(b) and the applicability of G.L. c. 32, §4(1)(o) to Section 4(2)(b)'s special grant of service.

#### **Legislative Update**

Mr. Keefe explained that two Retirement Incentive Bills are driving the most inquiries across the pension community. Bill numbers H 2808 and S 1669 both involve the possible award of a "COVID-19" retirement credit to Essential Public-Sector Workers. Bill numbers H 2620 and S 1791 involve a possible Retirement Enhancement Opportunity for Certain Members of the Massachusetts Teachers' Retirement System. He stated that Mr. Parsons, Mr. Charles and he held a video conference with the House Chair of Public Service, Ken Gordon and his staff

regarding both these bills and the bills filed by PERAC. He explained both of the COVID-19 retirement credit bills in detail.

Mr. Keefe reported that 120 out of 160 legislators are sponsors or co-sponsors of the COVID-19 Retirement Credit to Essential Public-Sector Workers bill. He continued that Mr. Boorack did some preliminary estimates for this bill. Based on the credit being applicable to all members of a system the total actuarial liability would increase between 7-10%.

Discussion ensued regarding the cost impact which could decimate budgets, a possible exodus of active employees, how eligible employees would be identified, further definition of "employees," and how much work was required outside the home for various classes of employees.

Mr. Keefe reported that 69 legislators are sponsors or co-sponsors of the Retirement Enhancement Opportunity for Certain Members of the Massachusetts Teachers' Retirement System bill. He stated that Mr. Boorack did some preliminary estimates for this bill, which is to be cost neutral for the systems, but could cost those members who avail themselves of this benefit between 2 and 6 times their final average salary (FAS). The bill is a local option and it requires all positions vacated by this ERI to be backfilled by the school district or else the school district then bears the actuarial costs of the early retirees. Mr. Keefe reported that the entire bill is subject to IRS approval to avoid impacting Chapter 32's status as a "qualified plan."

Discussion ensued about the number of teachers retiring. The number of teacher retirements have actually decreased. However, inquiries regarding retirement increased considerably after this bill was filed by the MTA. Although extremely generous, the cost to the members may change the members' minds especially if the cost is 6 times their FAS. The Commission inquired if this bill could impact a system's funded date and there was agreement that it could. Other comments mentioned that many public employees took the risk of working during the pandemic and considered that so many people that didn't even have a job to go to.

Mr. Keefe stated that the House budget is scheduled to be released this afternoon, April 14, 2021. He then reported that the Department of Revenue's March report shows the state significantly continues to exceed the FY 21 benchmarks. March collections totaled \$3.06B which is 26.8% over the benchmark and 15% over March 2020. Year-to-date collections totaled \$22.58B which is 6.9% over the benchmark and 7.2% over FY 2020. He then reported on the Returns for PRIM, S&P and the Dow.

Mr. Keefe then reported that Quincy and Lynn are talking about Pension Obligation Bonds (POB). The Commission inquired about PERAC's position.

Mr. Parsons stated that the Commission has remained neutral on POBs since 2014 and would consider each request on a case-by-case basis. He stated that a bill had passed for Andover which had to be adopted by a home rule petition and also requires a local vote. He believes that low interest rates are driving this recent interest in POBs. He then reported that the City of Worcester was involved in POBs which worked for a short period until the recession of 2008, then the City had to meet both their bond and pension responsibilities.

### **Audit Update**

Ms. Shea reported that since the last Commission meeting, PERAC has released the Essex Regional (no findings) and New Bedford Retirement Board Audits and the Pittsfield Retirement Board follow up letter. She then reported on the respective findings. She explained that there are currently 15 audits in process. Of those 15 audits, 1 audit is in the internal review stage, 1 is 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 2 are in the planning stage. Ms. Shea stated that 33 annual statements have been received which the auditors have started to review.

### **Compliance Update**

Mr. O'Donnell reported that education is off to a good start and in 2021 there have been 741 course completions by retirement board members. In addition, close to 60% of the board members have electronically filed their Statement of Financial Interests (SFI) in PROSPER for the year 2020. He continued that there are about 1240 service providers and of those, 973 have completed their annual vendor disclosure forms and 30 new procurements have been acknowledged this year. Mr. O'Donnell then spoke about how wonderful PROSPER is and that the board members appear to be pleased by it.

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

Mr. Parsons discussed staff activities and the Administrator's Roundtable, a 3-member panel who discussed the boards' survival during the pandemic. The Roundtable was very successful, with about 160 attendees. He also reported on the third meeting regarding Electronic Signatures. That group concluded that there are opportunities that exist for some submissions in electronic form, but there are concerns about the nature of some of the other forms. PERAC will issue a memo regarding this matter.

Mr. Parsons reported on the presentation by A&F regarding the "Future of Work" in the Commonwealth. He believes this is a long-term initiative that came to light because of the pandemic. It appears from this presentation, the goal of the Commonwealth would have staff work in the office 50% of the time which would help with traffic congestion, would save money on office space, and space would be considered community space which individuals would have to reserve. The goal seems to be to move as many entities back to State owned property such as Ashburton Place as possible. He stated that the presentation provided guidance and is something PERAC should probably refer to a Sub-Committee to discuss any reforms as our lease ends in about 2 years.

Discussion ensued regarding remote working, getting the job done, the loss of communication, and the difficulties of forming that human bond especially for newly hired staff.

Mr. Parsons spoke to the Commission about the 5-year Strategic Plan which Mr. Keefe and Ms. Carcia provided an update with input from managers. The first year of the Plan we were all dealing with the pandemic so some of the IT initiatives fell right in line as it was necessary for

communication, purchasing more lap tops and VPN. Other areas of significant changes were the Audit Unit with the inability to be present in the retirement boards, the way audits were being done, and unit retention. The Actuarial Unit had issues over the past year due to all of their work being paper driven; now there is a calculation portal in PROSPER which is helpful. He then stated that there are another 4 years remaining to be able to complete all of the objectives.

Commissioner Dooling thanked Mr. Parsons for keeping on top of updating the report and requested an update every six months or so. Mr. Parsons replied that he would do so.

Mr. Parsons reported that the 91A filing deadline has been extended to May 17, 2021 keeping in line with the federal tax filing date. He also briefly touched on the second quarter educational line up and specifically noted that a 2-day MACRS/PERAC Virtual Conference will be held in June.

Mr. Parsons updated the Commission on the Hampden County matter specifically that PERAC has issued a Temporary Order (TO) which is quite stringent. The Chairman and one board member have or would be resigning, he suggested that any resignations should be staggered so that the Board will keep a quorum to keep business going. He also stated that PERAC is reviewing all their monthly paperwork and a conference call is held on a weekly basis. The auditors will review subsequent paperwork when they return to review more recent years of activity.

The Chairman thanked Mr. Parsons and the staff for keeping abreast of the matter.

### **Other Business**

Mr. Parsons stated that Ms. Boisvert would be reaching out to schedule an Administrative Sub-Committee meeting prior to the next Commission meeting to discuss the FY 22 proposed budget.

Chairman Brown stated that the next Commission meeting would be held on April 14, 2021 at 11:00 AM.

Commissioner Machado made a motion to adjourn the Commission meeting. 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, Richard MacKinnon YES, and Jennifer Sullivan YES, and the motion was unanimously adopted. The Commission meeting adjourned at 12:10 PM.

**Commission Meeting Documents**

Commission Agenda for the meeting April 14, 2021

Commission Minutes from March 10, 2021

**Legal Update**

*Michael Ryan v. Woburn, Wakefield Retirement Board and PERAC, CR-14-394*

**Legislative Update**

Memorandum regarding Legislative updates

**Audit Update**

Essex Regional Retirement System Audit

New Bedford Retirement System Audit

Pittsfield Retirement System Follow-up Letter

Audit Tracking Report

**Compliance Update**

Memorandum regarding Compliance updates

**Executive Director's Report**

Staff Activities

Strategic Plan – Update

PERAC Memos number 13 and 14 of 2021

MassLive article – Hampden Chairman Resigning

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission