

Commission Meeting Minutes
July 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. James Machado and Jennifer Sullivan participated remotely pursuant to Section 20 of Chapter 20 of the Acts of 2021. Therefore, the Chairman announced, any votes in this meeting shall be taken by roll call vote.

PERAC Staff in attendance: 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, Compliance Analyst John Galvin, Senior Associate General Counsel Patrick Charles, Associate General Counsel Katie Brady, Associate General Counsel Felicia McGinniss, Information Systems Director Dan Boyle, and Project Manager Tony Tse. PERAC staff participating remotely: Natacha Dunker, Communications Director and Kim Boisvert, Senior Executive Assistant.

Guests in attendance: Frank Valeri representing Retired State, County and Municipal Employees Assoc. of Massachusetts, Mike Walsh representing the Professional Firefighters of Massachusetts, Tom Hartwell from Andover, and Kevin Connors from Andover.

Guests participating remotely: Nick Favorito representing the State Retirement System, Sean Neilon representing the Massachusetts Teachers' Retirement System, Thomas Gibson representing Middlesex County and Belmont Retirement Boards, and Kathleen Kiely-Becchetti, representing MACRS, Norfolk County Retirement System and the Watertown Retirement Board.

Commissioner Fitzpatrick made a motion to adopt the June 9, 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, Richard MacKinnon YES, James Machado, Yes, and Jennifer Sullivan YES, and the minutes were unanimously adopted.

Actuarial Update

Mr. Boorack discussed the 1/1/21 preliminary State Retirement Board Actuarial Valuation results. He reported that the Investment Return Assumption was reduced to 7.00% from 7.25%. He indicated that there was a gain on the actuarial liability of approximately \$740 million, (1.6% of total actuarial liability), as well as a gain on investments of approximately \$1.1 billion. Mr. Boorack indicated that the valuation report will be finalized in August for a vote of the Commission at the September Commission meeting for its release. Commissioner Machado expressed concerns of continuing to reduce the rate of return and inquired on the method used to determine such assumption. Mr. Boorack discussed that PERAC reviews the NEPC Study and

other sources before making such determinations in addition to discussing with PRIM. There followed a discussion regarding other states reducing their rates of assumption. Also, it was noted that the state would be providing additional funding into the pension system.

Legal Update

Ms. Corrigan reported on the NAPPA Conference that was held virtually June 22-June 24, 2021. Several PERAC attorneys attended the conference and the materials are included in the Commission packets. Ms. Corrigan reported that the latest iteration of the Vernava matter will be heard by the Supreme Judicial Court ("SJC"). This is very important and a good development since this will provide final guidance as to how the original SJC case involving Vernava is to be implemented.

Ms. Corrigan went on to explain that since the last Commission meeting, PERAC has received four legal decisions. Three of these decisions were from the Division of Administrative Law Appeals ("DALA") and one decision was from the Contributory Retirement Appeals Board ("CRAB").

Mr. Hill reported on the case of Hartnett v. Boston Retirement System and PERAC, CR-17-218 (CRAB) in which CRAB affirmed DALA's 2018 affirmance of the Boston Retirement Board's calculation of Susan Hartnett's pension pursuant to the anti-spiking provisions as contained in Section 32, Section 5(2)(a).

Ms. Brady reported on the DALA decision in Jeffrey Leclair v. New Bedford Retirement Board & PERAC, CR-19-0322 regarding the excess earnings of Mr. Leclair in the amount of \$23,260.81. DALA confirmed that PERAC properly determined the overearnings and that Mr. Leclair owes a refund in that amount to the Board. Mr. Leclair has filed his notice of objections to CRAB.

Ms. Brady also reported on the Arthur Reed v. Essex Regional Retirement Board & PERAC, CR-20-0124 regarding Mr. Reed's eligibility for retirement benefits. DALA confirmed PERAC's position that Mr. Reed, a Group 4 member who left his employment with three years of creditable service and later applied for retirement, was not eligible for a retirement because he had less than 10 years of service and had not vested. July 17th is the filing deadline for objections with CRAB.

Ms. McGinnis reported on the DALA decision in Sharon Moran v. Brockton Retirement Board & PERAC, CR-20-332 regarding accidental disability retirement benefits. DALA confirmed PERAC's position that Ms. Moran was not injured performing her duties as a 911 Dispatcher and thus, not entitled to accidental disability benefits. To date, PERAC has not received notification that this decision was appealed to CRAB.

Legislative Update

Mr. Keefe informed the Commission that the Governor has the FY22 budget on his desk. Some of the bills that PERAC has been tracking and included in the budget is a 3% COLA for State and Teacher's retirees, increasing the post retirement hours limit from 960 to 1200, a payment to

the pension fund in the amount of \$250 million on September 1, expanding Section 100 of Chapter 32 to include police officers who are killed at the scene of an emergency, and a salary increase for Sheriffs. What was not included in the budget was changing the selection of PRIM's membership from a public safety union representative appointed by governor to an appointment of the governor from a group of three public safety union representatives selected by the MACRS Executive Board.

Mr. Keefe reported on PRIM's May returns, which was .97%, for calendar year to date of 8.26%. FY21 was standing at 26.21%.

Audit Update

Mr. Keefe reported that since the last Commission meeting, PERAC has released the North Attleboro Audit. He reported that North Attleboro had a couple of findings as noted in the Audit Report. Mr. Keefe reported on the audits in the field work phase, waiting for board responses, pending exit reviews, and in planning phases. Mr. Keefe also indicated that the Audit staff are currently reviewing the annual statements that have been received to date.

Compliance Update

Mr. O'Donnell reported that to date, there have been 1300 course completions by board members. The 2020 Statement of Financial Interests (SFI) submitted in PROSPER are 480 of 507 active board members. Additionally, 65 Investment Service Providers have been procured by approximately 16 retirement boards to date.

Mr. O'Donnell highlighted that the Securities and Exchange Commission (SEC) announced charges against Parallax Health Science Inc. for making false statements about its efforts to fight COVID -19.

Executive Director's Report

Mr. Parsons discussed staff activities since the last Commission meeting which are highlighted in the materials. He reported on the Hampden County Follow-up report that is included in the Commission materials. He stated that Caryn Shea, Bill Keefe, and himself continue to meet the administrator on a weekly basis to review and oversee the steps taken by the board to remedy its issues. Mr. Parsons reported that several items are also included in the Commission materials such as a copy of the Mass. Emergency Paid Sick Leave and the 3rd Quarter Education Memorandum.

Thomas Hartwell Presentation

Mr. Hartwell, a board member of the Andover Retirement Board (ARB) requested to address the Commission about investment return assumptions for the Commonwealth and the local retirement systems. Mr. Hartwell made it clear that he is not presenting as a board member of ARB but as a citizen of Massachusetts expressing his concerns. Mr. Hartwell discussed with the Commission that the State is using unrealistically high investment return assumption rates and that local systems are not paying enough to the pension fund. He advised the group that the

Commission is responsible for recommending these rates as written in statute. Mr. Hartwell reminded the Commission that the funding schedule keeps getting extended and we never get to the root of the problem. He stated that this debt will never get paid off unless changes take place now which will impact the future expenses on the local systems. Mr. Hartwell provided the Commission with his presentation materials. Several Commissioners thanked Mr. Hartwell for his detailed presentation and informed him that the Commission takes this matter seriously. PERAC Actuary, John Boorack, Commissioner Sullivan, and Frank Valeri of the Mass. Retirees Association offered rebuttal to Mr. Hartwell's comments.

Video Options for Meetings

This matter was on the agenda, but, due to other matters taking longer than anticipated, was tabled.

Other Business

Chairman Brown informed the Commission that one month in the summer, the meeting is typically cancelled. The Commissioners agreed to cancel the August 11, 2021 meeting and meet again for the September 8, 2021 meeting at PERAC offices in person.

Commissioner Fitzpatrick made a motion to adjourn the Commission meeting. 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, Richard MacKinnon Yes, James Machado YES, and Jennifer Sullivan YES, and the motion was unanimously adopted. The Commission meeting adjourned at 1:20 PM.

Commission Meeting Documents

Commission Agenda for the meeting July 14, 2021

Commission Minutes from June 9, 2021

Legal Update

NAPPA Conference Materials

Vernava Update – AG e-mail regarding SJC to review case

Hartnett v. Boston Retirement System and PERAC, CR-17-218 (CRAB)

Jeffrey Leclair v. New Bedford Retirement Board & PERAC, CR-19-0322

Arthur Reed v. Essex Regional Retirement Board & PERAC, CR-20-0124

Sharon Moran v. Brockton Retirement Board & PERAC, CR-20-332

Legislative Update

Memorandum regarding Legislative updates

Audit Update

North Attleboro Retirement System Audit

Audit Tracking Report

Compliance Update

Memorandum regarding Compliance updates

Executive Director's Report

Staff Activities

Hampden County Follow-up Letter

Mass Emergency Paid Sick Leave Policy

PERAC Memo #19/2021 – 3rd Quarter Education listing

Thomas Hartwell

PowerPoint presentation

2019 Discount Rate Analysis

Thomas Hartwell's Resume

Approved:

A handwritten signature in black ink, appearing to read 'Philip Y. Brown', with a stylized, flowing script.

Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission