

Commission Meeting Minutes

July 13, 2022

Chairman Philip Y. Brown called the meeting (held at PERAC Offices, 5 Middlesex Ave., Somerville) to order at 11:07 AM. Chairman Brown acknowledged the other Commissioners participating: Commissioners Kathy Fallon, Kate Fitzpatrick, Michael Leung-Tat, Jennifer Sullivan, Richard MacKinnon and James Guido. The Chairman announced the meeting was being recorded. Commissioners Sullivan, Fallon and MacKinnon participated remotely, therefore; all motions made at this meeting will be voted on by roll call vote.

PERAC staff in attendance: Executive Director John Parsons, Deputy Executive Director Caroline Carcia, General Counsel Judith Corrigan, Assistant Deputy Director Kenneth Hill, Assistant Deputy Director Bill Keefe, Actuary John Boorack, Compliance Director Tom O'Donnell, Compliance Analyst John Galvin, Senior Associate General Counsel Patrick Charles, Associate General Counsel Felicia McGinniss, Fraud Prevention Manager Sandra King, Associate General Counsel Katie Bensel, Project Manager Tony Tse and Communications Director Natacha Dunker.

Guests in attendance: Nick Favorito and Angela Olszewski representing the State Retirement Board, Tom Gibson, representing the Middlesex County and Belmont Retirement Systems, Jim Quirk, Christine Weir representing the Boston Retirement Board, Tim Smyth representing the Plymouth County Retirement Board, and Sean Neilon and Erika Glaster representing the Teachers' Retirement Board.

Commissioner Fitzpatrick made a motion to adopt the June 8, 2022 Commission meeting minutes. Commissioner Leung-Tat seconded the motion, and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Kathy Fallon YES, Kate Fitzpatrick YES, Michael Leung-Tat YES, Richard MacKinnon YES, Jennifer Sullivan YES, and James Guido YES and the minutes were unanimously adopted.

Actuarial Update

Mr. Boorack discussed the January 1, 2022 preliminary State Retirement Board Actuarial Valuation results. Mr. Boorack reported that the Investment return assumption remains the same as last year at 7.0%. He indicated that there was a loss on the actuarial liability of approximately \$15 million, (0.031% of total actuarial liability), as well as a gain on investments of approximately \$2.91 billion. He indicated that the overall gain was approximately \$2.89 billion. He explained that the Funded Ratio is higher due to the increase in market value. He stated that the valuation report will be finalized in August for a vote of the Commission at the September Commission meeting for its release. There followed a discussion regarding that the current market returns thus far are in the negatives and this will hurt a little, however, the 7% assumption rate remains a good rate because it's a long-term assumption.

Legal Update

Felicia McGinniss provided the Commissioners with an update on the case of Gloucester Retirement Board v. PERAC, CR-21-217. Ms. McGinniss reported that the Division of Administrative Law Appeals ("DALA") issued an Order of Dismissal on appeals arising from two

PERAC Opinion Letters concerning the classification of certain payments as regular compensation. PERAC provided two opinions to the Gloucester Retirement Board on whether payments for “Compensatory Leave” under a Memorandum of Agreement (“MOA”) should be includable as regular compensation. PERAC had opined in each of the letters that the compensatory time would be considered regular compensation. The Board then filed an appeal. The DALA Magistrate issued an Order with several questions. Joint responses were submitted on June 8, 2022. The Order of Dismissal dated June 10, 2022 indicates PERAC’s opinion letters are not appealable because there was no “aggrieved” party as the issue was raised by the retirement board and not on behalf of any specific member. DALA concluded that, in general, PERAC’s advisory opinions are not appealable because they “are theoretical and non-final”. On June 19, 2022, the Board and PERAC filed a Joint Notice of Objections to the DALA Decision with the Contributory Retirement Appeal Board (“CRAB”).

Patrick Charles updated the Commissioners on the status of the Proposed Regulations 840 CMR 28.00 regarding Electronic Signatures. Mr. Charles explained that PERAC addressed the MACRS Conference about these regulations and had fielded several questions about them. In addition, we had received several comments from the public during the comment period. However, no changes needed to be made on these proposed regulations. Mr. Charles indicated that the proposed regulations need to be filed with the Legislature for committee review. If the committee has no changes, we will be providing the Commissioners with a final draft of the proposed regulations at the September commission meeting to file with the Secretary of State for publication.

Commissioner Leung-Tat made a motion to file PERAC’s Proposed Regulations 840 CMR 28.00 with the Legislature. Commissioner Guido seconded the motion, and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Kathy Fallon YES, Kate Fitzpatrick YES, Michael Leung-Tat YES, Richard MacKinnon YES, Jennifer Sullivan YES, and James Guido YES. The motion was unanimously adopted.

Legislative Update

Mr. Keefe reported that the FY23 budget is still not approved, however, Governor Baker signed a one-month budget for July. He explained that several items are still pending in Conference Committee. One of those items is the language to hold retirees harmless from the Vernava II Decision. The other matters are the one-time 5% COLA, along with proposed changes in the appointment of the public safety seat on the PRIM Board. Mr. Keefe indicated that the hours and earnings waiver was signed into law on June 7 as Chapter 80 of the Acts of 2022. PERAC MEMO #16/2022 provided details to the retirement community regarding this matter. Mr. Keefe informed the Commission that the current Open Meeting Law waiver will expire on July 15, 2022. The House and Senate each have different proposals for extending the waiver. Hopefully, action will be taken by the expiration date. Mr. Keefe stated that PERAC continues to push for the passage of the Veterans’ buyback bill, H.11 and the SFI flexibility bill, H.4839.

Mr. Keefe reported that DOR’s June revenue report has been delayed, however, through May, DOR had collected \$36.969 billion in tax revenue thus far, \$1.965 billion or 5.9 percent ahead of benchmarks. In addition, the Massachusetts Taxpayers Foundation is predicting a \$3.58 billion surplus, as well as \$750 million in additional federal revenue. The Legislature still has \$2.3 billion in unspent American Rescue Plan Act funds.

Audit Update

Mr. Keefe reported that since the last Commission meeting, PERAC has released the Milton Audit and follow-up Audits of the Boston and New Bedford Retirement Boards. He then explained the Milton Audit had a couple of findings and reported that the boards continue to resolve findings as indicated in our follow-up audits. Mr. Keefe further explained that the Audit staff continues to review the Annual Statements submitted by retirement boards.

Compliance Update

Mr. Galvin reported that PRIM's return for May was -0.53% with a calendar year to date through May 31 at -6.69%. The fund balance was \$96 billion as of May 31. Mr. Galvin also reported that six active members and five inactive members have yet to file their SFI forms. PERAC staff have begun reaching out to these members. Mr. Galvin also reported on the article in the Commission packet from the Wall Street Journal relating to two types of borrowing entities for pension funds: The more popular being pension obligation bonds, the other utilizing derivatives.

Executive Director's Report

Mr. Parsons discussed numerous staff activities since the last Commission meeting which are highlighted in the meeting materials.

Mr. Parsons reported that we hope to be able to remove the Temporary Orders on 2 retirement boards this Fall. He also indicated that we will have the Quincy Report out shortly regarding the cyber issue a few months back. Mr. Parsons reported on staff's participation at MACRS and that it was a good conference and having it live again provided an opportunity to introduce new staff as well as meet new members and administrators. Mr. Parsons informed the Commissioners that we have secured Holy Cross on Thursday, September 15, 2022 for our Emerging Issues Forum. He further indicated that we have secured speakers that presented at the NCPERS Conference regarding Crypto Currency. Mr. Parsons further informed the Commission that we have arranged to hold an Administrator's Training in Northampton, MA on August 24, 2022. There are many new administrators and this training should be very helpful, especially to new personnel. Mr. Parsons indicated that we need to schedule a Legislative Sub-Committee meeting to file legislation for the next session. The Committee members indicated that they would be available @ 10:00 a.m. on September 14, 2022.

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

Chairman Philip Brown YES, Commissioners Kathy Fallon YES, Kate Fitzpatrick YES, Michael Leung-Tat YES, James Guido YES, Richard MacKinnon YES, and Jennifer Sullivan YES. The motion was unanimously adopted. The meeting was adjourned at 11:55 AM.

Commission Meeting Documents

Commission Agenda for the meeting of July 13, 2022

Commission Minutes dated June 8, 2022

Actuarial Update

State Retirement System Valuation as of 1/1/22 – preliminary results

Legal Update

Gloucester Retirement Board v. PERAC, CR-21-217
Draft Proposed Regulations 840 CMR 28.00

Legislative Update

Memorandum regarding Legislative updates

Audit Update

Milton Audit
Boston Follow-Up Letter
New Bedford Follow-Up Letter
Audit Tracking Report

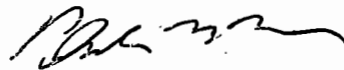
Compliance Update

Memorandum regarding Compliance updates
Article: Written by Dion Rabouin and Heather Gillers, Wall Street Journal, "Pension Funds Plunge into Riskier Bets – Just as Markets Are Struggling"

Executive Director's Report

Staff Activities
PERAC MEMO #17/2022 – 3rd Quarter Educational Memo

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission