

## Commission Meeting Minutes

October 12, 2022

Chairman Philip Y. Brown called the meeting (held at PERAC Offices, 5 Middlesex Ave., Somerville) to order at 11:10 AM. Chairman Brown acknowledged the other Commissioners participating: Commissioners Kathy Fallon, Kate Fitzpatrick, Michael Leung-Tat, Richard MacKinnon and James Guido. Commissioner Jennifer Sullivan was not in attendance. The Chairman announced the meeting was being recorded. Commissioners Guido and Fallon participated remotely. Therefore, the Chairman explained, 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, 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, Fraud Prevention Manager Sandra King, Senior Investment Analyst, Sarita Yee, and Project Manager Tony Tse.

Guests in attendance: Sean Neilon representing the Teachers' Retirement Board, Brad Croall representing Quincy Retirement Board, and John Brown representing MACRS, Middlesex County and Fitchburg Retirement Boards.

Guests participating remotely: Richard Fitzpatrick representing the Quincy Retirement Board.

Commissioner Fitzpatrick made a motion to adopt the September 14, 2022 Legislative Subcommittee minutes. Commissioner MacKinnon 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, and James Guido YES and the minutes were unanimously adopted.

Commissioner MacKinnon made a motion to adopt the September 14, 2022 Commission meeting minutes. Commissioner Fitzpatrick 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, and James Guido YES and the minutes were unanimously adopted.

### Actuarial Update

John Boorack discussed the January 1, 2022 preliminary Massachusetts Teachers' Retirement System (MTRS) 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 gain on the actuarial liability of approximately \$450 million, a gain on investments of approximately \$2.98 billion for an overall gain of approximately \$3.43 billion. He indicated that the unfunded actuarial liability decreased slightly and that the Funded Ratio increased by approximately 6.0%. He stated that the Teachers' valuation results will be finalized in November. He indicated that the MTRS is one component of the Commonwealth's Total Pension Obligation. He indicated

that the next steps were to draft both the MTRS and Commonwealth Actuarial Valuation reports which he expects to complete in the coming months and to begin work on the next triennial Commonwealth funding schedule.

### **Legal Update**

Patrick Charles provided the Commission with an update on the case of *William White v. Somerville Retirement Board & PERAC*, CR 22-95. Mr. Charles reported that the Division of Administrative Law Appeals (“DALA”) decision ruled in favor of the Petitioner. This case involves anti-spiking and the interpretation of the anti-spiking rules and whether city ordinances qualify as an exception to the spiking rules. The DALA’s Magistrate found that ordinance’s do meet the exception. There are currently other cases similar to this that have been appealed to the Contributory Retirement Appeals Board (“CRAB”) and are currently awaiting decisions. PERAC has filed its Notice of Objections to the *White* DALA decision with CRAB.

Mr. Charles also provided the Commission with an update on the case of *Cynthia Sarapas v. Plymouth County Retirement System*, CR-19-616. He reported that the DALA decision found that Ms. Sarapas was not eligible to purchase pre-membership service as a non-teacher in a charter school as non-teaching employees in a charter school do not qualify for membership in a Chapter 32 retirement system. Charter schools are not considered “governmental units” rather a “body politic” according to case law. PERAC also argued that even if the charter school was considered a “governmental unit”, the charter school in which Ms. Sarapas worked has never adopted chapter 32 and established a retirement system. It has yet to be determined if Ms. Sarapas has filed objections with CRAB.

Finally, Mr. Charles reported that the Electronic Signature Regulations, 840 CMR 28.00 have been published with the Secretary of State and the final version of the regulations is included in your packets. He indicated that PERAC will provide the retirement boards guidance on how to adopt these regulations.

### **Legislative Update**

Bill Keefe reported that included in the Commission packets is the language for the five bills the Commission recommended re-filing along with the two new bills to file in the next legislative session:

#### Re-Filed Bills:

- An Act relative to pension forfeiture
- An Act relative to the recovery of overearnings
- An Act relative to modifications of retirement allowances
- An Act relative to accidental disability and Group 1 emotional distress
- An Act providing for statement of financial interests flexibility (filed as H17)

#### New Bills to File:

- An Act to Provide for Payment of Creditable Service
- An Act Clarifying the Chapter 32 Definition of Wages

Mr. Keefe further explained the Veterans Buyback and Gender Pay Equity Bill will be filed by legislators if not passed this session.

Mr. Keefe informed the Commission that there have been no updates relating to the 5.0% COLA for locals.

Mr. Keefe reported that NCPERS has a new Communications Director who is convening a roundtable in September which he and Natacha Dunker will participate in.

Mr. Keefe reported that DOR's September revenue was \$4.2 billion, \$224 million or 5.7% over benchmark.

### **Audit Update**

Bill Keefe reported that since the last Commission meeting, PERAC has released the Marlborough and Revere audits. He then explained the findings in each of the audits. Mr. Keefe reported on the status of audits as outlined in the Audit Tracking Log included in the Commission packets. Mr. Keefe further reported that Ms. Shea and Mr. Henderson participated at the Springfield MACRS Conference to discuss common audit findings. He further explained that the Audit staff continues to review the Annual Statements submitted by retirement boards and indicated that two new auditors will begin employment on October 17, 2022.

### **Compliance Update**

John Galvin reported that PRIM's return for August was -2.69% with a calendar year to date return through August 31 at -9.88%. The fund balance was \$93 billion as of August 31. Mr. Galvin further reported that the S&P was down 17%, Dow down 13%, Nasdaq down 24%, and Russell 2000 was down 17% as of August 31. Mr. Galvin also reported that while reviewing board procurements, PERAC found two placement agent issues which have since been resolved. One placement agent registration had expired with FINRA/ SEC. The other placement agent registration was no longer in good standing. Mr. Galvin reported that one of the presentations at MACRS on Best Governance and Risk Management Practices by Segal Advisors was excellent. He further discussed other topics discussed at the MACRS conference. Mr. Galvin reported that PERAC's Emerging Issues Forum at Holy Cross had over 150 attending with topics covering digital assets, state of the economy, ASOP-4 and communication for retirement systems. Several PERAC staff presented. Mr. Galvin reported that the 4<sup>th</sup> Quarter Education Memo has been released which includes another Administrator's Training Session on November 15, 2022 in Danvers, MA.

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

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

Mr. Parsons told the Commission about recent updates to the Quincy Retirement Board Temporary Order. The Order has been in place since October 2021 due to the cyberattack resulting in the loss of \$3.5 million in funds. He reported that PERAC completed its Investigative Report outlining the details of this situation which is included as a hand-out at this meeting. Mr. Parsons introduced

Quincy's Executive Director, Brad Croall to address the Commission on recent activities the board has put in place to avoid a future occurrence.

Mr. Croall told the Commission that since his employment at Quincy, which began after the cyberattack occurrence, he has put in place protocols and procedures to avoid another such occurrence. He explained that the board has instituted multi-factor authentication security measures throughout their business processes. It is also currently working with a third party on cash reconciliation, and submitting and processing cashbooks timely. He thanked PERAC staff for assisting them in developing these plans and providing guidance. The Quincy Retirement Board continues to review their internal control plan and procedures to ensure the protection of their members.

Mr. Parsons recommends the Temporary Order be lifted. Commissioner MacKinnon made a motion to remove the Temporary Order currently in effect for the Quincy Retirement System. Commissioner Fitzpatrick seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Leung-Tat YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Guido YES, and Richard McKinnon YES, and the motion was unanimously adopted.

Caroline Carcia provided an update on the status of PERAC's office relocation. Ms. Carcia indicated that an RFP was posted for five weeks with a response date of August 24, 2022. Ms. Carcia discussed that PERAC currently has 14,500 sq. ft. and is paying \$32.00 sq. ft. PERAC's RFP included the Commonwealth's future workplace guidelines utilizing huddle rooms and collaboration spaces. These new standards reduced the overall sq. footage in that RFP. Ms. Carcia reported that two responses were received for the same building location. One response was the ground level and the other proposal was the first floor level. The cost proposed was \$85.00 - \$89.00 sq. ft. not including costs for reserved parking and/or utilities. After discussions with the Division of Capital Asset Management (DCAM), the RFP was canceled due to the excessive price proposal. Mr. Parsons and Ms. Carcia met with DCAM personnel to discuss a new strategy. Recommendations were made to issue a new RFP, reduce potential build-out costs, add additional locations, provide further outreach to commercial realtors in our designated search area, and possibly extend the RFP response time to eight weeks. Ms. Carcia explained that PERAC's current lease will expire on June 30, 2023 and that DCAM will need to begin lease extension discussions with the current landlord due to the reduced timeframe.

Ms. Carcia informed the Commission that included in the packets is the FY22 Expenditure Report and filings in accordance with PERAC's Policy 99-001.

Mr. Parsons informed the Commission that Tom O'Donnell, PERAC's Compliance Director will be retiring on November 1, 2022 and so this will be his last Commission meeting. Mr. Parsons thanked Mr. O'Donnell for his dedication and comprehensive work in the Compliance Unit ensuring compliance with Chapter 176 of the Acts of 2011 and improving processes. Mr. Parsons wished him a healthy and enjoyable retirement. Mr. O'Donnell addressed the Commission and thanked them for their support over the years. Chairman Brown thanked Mr. O'Donnell for his continued oversight of Chapter 176 and wished him a wonderful retirement.

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

### **Commission Meeting Documents**

Commission Agenda for the meeting of October 12, 2022  
Legislative Sub-Committee Minutes dated September 14, 2022  
Commission Minutes dated September 14, 2022

### **Actuarial Update**

Teachers' Retirement System Valuation Preliminary results as of 1/1/22

### **Legal Update**

*William White v. Somerville Retirement Board & PERAC*, CR 22-95  
*Cynthia Sarapas v. Plymouth County Retirement System*, CR-19-616  
Regulations 840 CMR 28.00 – Final Publication

### **Legislative Update**

Memorandum - 2023-2024 – Legislative Filing & Language  
Memorandum regarding Legislative updates

### **Audit Update**

Marlborough Retirement System Audit Report  
Revere Retirement System Audit Report  
Audit Tracking Report

### **Compliance Update**

Memorandum regarding Compliance updates  
Presentation Materials: Written by Maureen O'Brien & Julian Regan, Segal Advisory Group regarding "Best Governance and Risk Oversight Practices"

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

Staff Activities  
Quincy Retirement Board's Temporary Order Notice  
Quincy letter requesting lifting of Temporary Order

Quincy Retirement Board Investigative Report – Hand-out  
PERAC MEMO #24/2022 – 4<sup>th</sup> Quarter Education Notice  
Policy 99-001 – FY22 Encumbrance Filings

**Hand-out Documents**

Quincy Retirement Board Investigative Report – Hand-out

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission