

## **Commission Meeting Minutes**

**May 8, 2024**

Chairman Philip Y. Brown called the meeting (held at PERAC Offices, 5 Middlesex Ave., Somerville) to order at 11:03 AM. Chairman Brown acknowledged the other Commissioners present: Kathleen Fallon, Kate Fitzpatrick, Richard MacKinnon, Michael Leung-Tat, and James Guido. The Chairman announced the meeting was being recorded. Commissioner Jennifer Sullivan was not in attendance.

PERAC Staff in attendance at the PERAC offices: Executive Director Bill Keefe, First Deputy Executive Director Caroline Carcia, Assistant Deputy Director Patrick Charles, Director of Audits Caryn Shea, Actuary John Boorack, Compliance Manager John Galvin, Senior Associate General Counsel Felicia McGinniss, and Project Manager Anthony Tse.

PERAC staff attending remotely: Fraud Prevention Manager Sandra King and Communications Director Natacha Dunker.

Guests in attendance at the PERAC offices: Fernando Martins from the State Auditor's Office.

Guests attending remotely: Sean Neilon representing the Teachers' Retirement System, John Brown representing the Middlesex County Retirement System and MACRS, Jim Quirk, Matthew Feeney from the Norfolk County Retirement System, and Kate Jackson.

Commissioner Guido made a motion to adopt the minutes of that portion of the Commission Meeting of March 13, 2024 which was held in Executive Session. Commissioner Leung-Tat seconded the motion and the minutes were adopted. Commissioner Fitzpatrick abstained.

Commissioner Leung-Tat made a motion to adopt the April 10, 2024 Commission meeting minutes. Commissioner Guido seconded the motion and the meeting minutes were adopted.

### **Administrative Sub-Committee Update**

Chairman Brown briefed the Commissioners that an Administrative Sub-Committee meeting was held earlier that day to discuss the Fiscal Year 2025 Proposed Budget. The Sub-Committee approved the budget and voted to send it on to the full Commission for its approval.

Mr. Keefe explained that the proposed Fiscal Year 2025 operating budget in the amount of \$12,870,334 is an increase of 9.51% from the Fiscal Year 2024 budget. Also included in the Fiscal Year 2025 budget is funding for PERAC's move in the amount of \$850,000. He informed the Commission that primarily this increase in the budget is due to increasing physician and medical fee payments that haven't changed in over 12 years; funding additional auditors to help increase with audit output; the increase of actuarial software licenses from \$16,100 per license to \$36,000 per license; the continuation of administrator trainings throughout Massachusetts; and funding for cost-of-living adjustments and performance-based salary increases for staff. Mr. Keefe added that on a separate line item to the budget is funding for PERAC's move to 10 Cabot Road, Medford. To date, PERAC has not used any funding from this line item as the move has been postponed several times. However, PERAC is on schedule to move its offices during Fiscal Year 2025 and the estimated additional costs for this project is based upon quotes for furniture, filing systems, trash and moving expenses. Factored into this is an additional \$70,000 from the Fiscal Year 24 estimate.

Commissioner MacKinnon made a motion to approve the Proposed Fiscal Year 2025 budget as submitted. Commissioner Fitzpatrick seconded the motion and the Fiscal Year 2025 budget was approved.

### **Legal Update**

Felicia McGinniss updated the Commission on James Hannon v. Essex, Reg. Ret. Bd., Gloucester Ret. Bd., & PERAC, CR-20-0303. This decision makes clear that a person cannot be a superannuation retiree from one system, and an accidental disability retiree in another. There is no provision in Chapter 32 which would allow for this.

James Hannon was a member in both the Essex Regional Retirement System (“ERRS”) and Gloucester Retirement System (“GRS”) leading up to his retirement in 2018. Mr. Hannon was approved an accidental disability retirement from GRS on July 25, 2018 on the basis of a job injury in September 2016. Mr. Hannon took a leave of absence from ERRS following the 2016 injury and later applied for superannuation retirement from ERRS on July 31, 2018. In June 2020, when PERAC discovered this, PERAC ordered ERRS to cease paying the superannuation retirement allowance and ordered each system to take certain measures to correct this error.

On April 19, 2024, the Division of Administrative Law Appeals (“DALA”) issued a decision largely affirming PERAC’s determination, DALA agreed that ERRS was to cease payments and Mr. Hannon was to repay all received allowance to ERRS. Also, ERRS was to transfer Mr. Hannon’s account to GRS who would recalculate the accidental disability benefits.

PERAC had also advanced the argument that Chapter 32, Section 3(8)(c) should not apply to accidental disability retirement allowances. DALA disagreed with this, finding that the ERRS would be liable for a portion of Mr. Hannon’s accidental disability retirement benefit. DALA found that G.L. c.32, § 3(7)(b) contemplated the proration of a retirement allowance in this case and instructed PERAC’s Actuary to determine an appropriate proration that ERRS must pay to GRS.

The ERRS, GRS, and PERAC have each appealed all or part of this decision to the Contributory Retirement Appeal Board (“CRAB”).

### **Legislative Update**

Mr. Charles reported that on April 26, 2024, the House passed its version of the Fiscal Year 2025 annual budget which is approximately \$58 billion. Included in both the House and Governor’s budget is a 3% Cost of Living Adjustment (COLA) for the State and Teacher’s retirement systems. Each budget contains a provision establishing a Special Commission to study the COLA, specifically increasing the COLA base, determining the cost, and analyzing how to fund any increase. He also reported that included in the approved House budget are amendments increasing the mandatory life insurance for State employees from \$5,000 to \$10,000 and additional PRIM Board membership. He further indicated that the Senate budget was released on May 7, 2024 which includes a COLA increase but did not include a Special Commission to study the COLA as did the House and Governor’s budgets.

Mr. Charles also explained that DOR’s April collection of \$6.324 billion was \$1.034 billion or 19.5 % above benchmark.

Lastly, Mr. Charles reported that on May 2, 2024, the Joint Committee on Veterans and Federal Affairs released favorably the Governor's HERO Act (H4172) with minor amendments which includes PERAC's veterans' buyback proposal which was filed by Rep. Parisella and Senator Velis at our request.

### **Audit Update**

Caryn Shea reported that since the last Commission meeting, PERAC has released the Greater Lawrence Sanitary District Retirement Board and Webster Retirement Board Audits as well as the Fairhaven Retirement System Follow-Up letter. Ms. Shea explained that the Greater Lawrence Sanitary District Retirement Board had no findings while the Webster Retirement Board had one finding. She also explained that the Fairhaven Retirement Board has resolved most of the issues identified in the original audit. She went on to point out that PERAC has received 85 Annual Statements and 13 boards have filed for extensions. She indicated that the Audit staff will begin reviewing these statements. She next went through the Audit Tracking Log included in the Commission packet, which outlines the status of all audits. She then told the Commissioners that the PERAC Investment Analysts are preparing for the annual performance report of the retirement boards for calendar year 2023.

### **Compliance Unit**

John Galvin reported that PRIM's return for March was 1.7%. The fund balance as of March 31, 2024 was \$104.1 billion.

Mr. Galvin reported that over 436 board members have filed their annual Statement of Financial Interest Forms through PROSPER and that we are reaching out to those who have not filed yet.

Mr. Galvin mentioned that Boards continue to notify PERAC if and when any fraud attempts occur at the Board. There have been several notifications of fraud attempts involving changing members accounts and/or beneficiary information. However, the Boards have policies and procedures in place to safeguard the pension assets and we continue to work the Boards on this effort.

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

Mr. Keefe discussed numerous staff activities since the last Commission meeting, which are highlighted in the meeting materials. He reported on several organizational changes and promotions that were made recognizing staff's commitment to the goals and priorities of the Commission which were highlighted in the PERAC Pension News No. 65 which was recently posted and included in the Commission packet. He further reported on an article listed in the Massachusetts Lawyers Weekly regarding the CRAB lawsuit due to delays in rendering case decisions.

Chairman Brown then announced that the next Commission meeting will be held on Wednesday, June 12, 2024 at 11:00 AM at the PERAC offices.

Commissioner Leung-Tat made a motion to adjourn the meeting. Commissioner Guido seconded the motion, and the Commission voted to adjourn.

### **Commission Meeting Documents**

Commission Agenda for the meeting of May 8, 2024

Commission Minutes dated March 13, 2024 – formerly in Executive Session

Commission Minutes dated April 10, 2024

### **Administrative Sub-Committee Update**

FY25 Proposed Budget

Comptroller Communication RE: Fiscal Year 25 Proposed Fringe Benefit & Payroll Tax Rates

### **Legal Update**

James Hannon v. Essex. Reg. Ret. Bd., Gloucester Ret. Bd., & PERAC, CR-20-0303

### **Legislative Update**

Memorandum regarding Legislative updates

### **Audit Update**

Greater Lawrence Sanitary District Retirement Board Audit

Webster Retirement Board Audit

Fairhaven Retirement Board – Follow-Up Letter

Audit Tracking Report

### **Compliance Update**

Memorandum regarding Compliance updates

PRIM Summary of Plan Performance – As of March 31, 2024

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

Staff Activities Memorandum

PERAC Pension News No. 65

Massachusetts Lawyers Weekly Article – “Contributory Retirement Appeal Board sued in federal court over delays.”

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission