

## **Commission Meeting Minutes**

**November 13, 2024**

Chairman Philip Y. Brown called the meeting (held at PERAC Offices, 5 Middlesex Ave., Somerville) to order at 11:05 AM. Chairman Brown acknowledged the Commissioners present at PERAC offices: Richard MacKinnon, Kathy Fallon, Michael Leung-Tat, and Jay Guido. Chairman Brown and Commissioner Jennifer Sullivan participated remotely. Therefore, the Chairman explained, all motions made at this meeting will be voted on by roll call vote. Commissioner Kate Fitzpatrick was not present for the meeting. The Chairman announced the meeting was being recorded.

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

PERAC staff attending remotely: Fraud Prevention Manager Sandra King and Executive Assistant Doreen Duane.

Guests attending remotely: Sean Neilon representing the Teachers' Retirement System, Tom Gibson representing the Middlesex County and Belmont Retirement Boards, Francesco Daniele representing PRIM, Linda Champion, and Emily Gallagher.

Commissioner MacKinnon made a motion to adopt the minutes of the Commission meeting of October 9, 2024. Commissioner Leung-Tat seconded the motion, and a roll call vote was taken:

Chairman Philip Brown YES, Commissioners Jennifer Sullivan YES, Kathleen Fallon YES, James Guido YES, and Richard MacKinnon YES and the minutes were adopted. Commissioner Leung-Tat abstained.

### **Actuarial Update**

Mr. Boorack discussed the results of the January 1, 2024 Massachusetts Teachers' Retirement System Actuarial Valuation. He indicated that the Unfunded Actuarial Liability decreased from \$25.75 billion to \$25.59 billion, and the Funded Ratio increased from 58.7% to 60.4% since the January 1, 2023 valuation. Mr. Boorack reported that the Investment return assumption remains the same as last year at 7.0%. He indicated that there was a small loss on the actuarial accrued liability of approximately \$306 million partly due to the pay for continuing active members increasing more than assumed. He explained that this loss is small compared to the overall liability, thus indicating that the assumptions used in the last valuation are working. He also indicated that there was a small gain of approximately \$504 million on the actuarial value of assets since the actual return of 8.4% exceeded the assumption of 7.0%. Overall, there was a total gain of approximately \$198 million.

He explained that the report incorporates new required disclosures under ASOP 4 requiring the disclosure of a new liability measure known as the Low-Default Risk Obligation Measure (LDROM) and disclosure of a reasonable Actuarially Determined Contribution (ADC). The LDROM discount rate will typically be vastly lower than the discount rate based on the plan's

actual investment portfolio. As a result, the LDROM will be significantly greater than the plan's actuarial liability. For the LDROM calculation, we used a discount rate of 4.76%. The LDROM for the MTRS as of January 1, 2024 is \$84.25 billion (compared to the actuarial liability for funding purposes of \$64.67 billion. Mr. Boorack indicated that the Commonwealth's current schedule meets the requirements of a reasonable amortization method under ASOP 4. As such, the Commonwealth's reasonable ADC for FY25 is equal to the scheduled FY25 payment of \$4.50 billion.

Commissioner Richard MacKinnon made a motion to accept the results of the Draft Teachers Valuation Report as of January 1, 2024 and release the final valuation report. Commissioner Leung-Tat seconded the motion, and a roll call vote was taken:

Chairman Philip Brown YES, Michael Leung-Tat YES, Kathleen Fallon YES, James Guido YES, and Richard MacKinnon YES and the motion was adopted. Commissioner Sullivan did not vote.

Mr. Boorack informed the Commission that a new component was added to our PROSPER Computer System to allow retirement boards to submit yearly questionnaire's electronically for the determination of appropriations. The Actuarial Unit is preparing to determine the boards' FY25 appropriation amounts.

### **Legal Update**

Ms. Corrigan updated the Commission on the recently decided case of Linda Celona v. MTRS and PERAC, CR-23-0395. This case involves anti-spiking under Section 5(2)(f), the second anti-spiking provision enacted with Chapter 176 of the Acts of 2011. Linda Celona ("Ms. Celona") was a finance director at a charter school, who, along with every other employee of the charter school, received larger than usual pay raises in 2022 and 2023 to make up for the lack of raises during the pandemic. Appropriately, the Massachusetts Teachers' Retirement System ("MTRS") found that she tripped the anti-spiking provision when she applied to retire and reduced her pension accordingly. Ms. Celona appealed that determination to the Division of Administrative Law Appeals ("DALA."). Subsequent to this, the law was changed to have "an employer's systematic wage adjustment" be an exception to anti-spiking, with an effective date of July 1, 2018. PERAC issued Memorandum No. 21 of 2024 on August 14, 2024, explaining these changes. Ms. Celona asked MTRS to adjust her retirement allowance in the wake of the change in the law. Following an analysis, the MTRS declined to do so, finding that the raises were not systemic wage adjustments because of a wide variance in the amounts of the raises. As the case headed toward its conclusion, DALA asked PERAC to weigh in on this matter. As Ms. Corrigan explained, this was highly unusual in that it gave PERAC an opportunity to interpret its own memorandum almost contemporaneously with its release. PERAC argued that this was a systematic wage adjustment and anti-spiking should not apply to Ms. Celona. DALA agreed with PERAC. However, this is not a final decision, as the MTRS has appealed to the Contributory Retirement Appeal Board. Ms. Corrigan promised to keep the Commission updated on the progress of this case.

### **Legislative Update**

Mr. Charles reported that PERAC filed seven bills and an eighth bill will be filed by a legislator. In addition, PERAC staff met with representatives from the Executive Office of Administration and Finance to discuss any legislative proposals and/or corrective action to be included in the Governor's FY25 budget. Because of the timing of the Supreme Judicial Court's decision in *Hartnett*, PERAC, following discussions with the Boston Retirement Board, drafted and submitted language that would

establish that anti-spiking applies to salary increases that occur between two consecutive years of creditable service even if they are not consecutive calendar years.

Mr. Charles indicated that a webinar was held with over 200 attendees updating them on recent legislation and he and Bill Keefe also presented at a Professional Firefighters of Massachusetts conference on November 12, 2024. He then reported that several memoranda have been issued to the retirement boards for guidance on most recent legislation.

Mr. Charles reported that DOR's September revenue was \$4.518 billion, \$331 million or 7.9% more than actual collections in September of 2023. This figure is below benchmark by \$29 million or 0.6%.

Mr. Charles reported that DOR's October revenue was \$2.685 billion, \$124 million or 7.9% more than actual collections in October of 2023. This figure is below benchmark by \$86 million or 3.1%.

Lastly, Mr. Charles reported that PRIM's return for September was 1.32%. The calendar year to date return through September 30 was 10.03%. The fund balance as of August 31 was \$110.5 billion.

### **Audit Update**

Caryn Shea reported that since the last Commission meeting, PERAC has released the Bristol County and Reading Retirement Board Audits and follow-up audits for the Lawrence and Northbridge Retirement Boards. Ms. Shea explained that the Reading Retirement Board Audit had no findings and reported on the findings outlined in the Bristol County Retirement Board audit. She further explained that the items have been resolved in the follow-up audits. Ms. Shea explained she will be presenting at the Administrators' Training on November 19, 2024 in Danvers, along with Scott Henderson.

### **Disability Update**

Mr. Hill discussed the recently released memoranda pertaining to recent legislation passed. Memorandum No. 27/2024 explains the new changes related to the Return to Service of disability retirees and Memorandum No. 28/2024 pertains to the Violent Assault Disability Act. Mr. Hill indicated that PERAC staff reached out to the retirement community on these memoranda and a lot of work went into them and still much more needs to be done internally.

Mr. Hill first spoke about the changes which have been made to the Return to Service process. He indicated that although the retirement boards are not involved in the Return to Service process, there will be lots of changes to PERAC's internal processes and procedures as well as changes our physicians/vendors will need to be updated as soon as is practical. We are currently editing forms, questionnaires, and the physician review process to accommodate these changes. Mr. Hill indicated that since this legislation passed, there have not been many questions relating to the change in the Return to Service process. However, we do have a test case and an individual requesting a return to service in a position other than that from which she retired and has been very helpful working with us to develop these changes. Discussion ensued around the various concerns that may arise pertaining to this new legislation which are being addressed as PERAC staff develop procedures.

Mr. Hill then briefed the Commission on Memorandum No. 28/2024 pertaining to the Violent Assault Disability Act. He discussed professions which are eligible and are not eligible for this enhanced accidental disability retirement under the new law. He further stated that the statute does not define what a catastrophic, life-threatening, or life-altering bodily injury means. However, PERAC sought

out definitions from other sources and provided examples in the memorandum. PERAC will need to further define this in the future. Mr. Hill also discussed other language in the statute pertaining to this enhanced benefit including increased disability allowance payments, beneficiary benefits, and other aspects of this new law.

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

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

He noted that on October 23, 2024, John Parsons, Joe Connarton, and himself met with representatives from the MBTA retirement Fund to discuss pension related matters. He noted that this has been past practice to meet with them which provides a collaborative effort.

Mr. Keefe noted that NCPERS annual Legislative Conference and Policy Day will be held from January 27-29, 2025 in Washington, DC for those Commissioners interested in attending.

Commissioner Leung-Tat made a motion to approve attendance at the NCPERS annual Legislative Conference and Policy Day from January 27-29, 2025 in Washington, DC in accordance with PERAC Policy 97-002. Commissioner MacKinnon seconded the motion, and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Jennifer Sullivan YES, Kathleen Fallon YES, James Guido YES, Richard MacKinnon YES, and Michael Leung-Tat, YES and the motion was adopted.

Mr. Keefe reported that the 2023 Annual Report has been released, mailed, and posted on PERAC's website. He further reported that included in the Commission packet is PERAC's Pension News No. 66 which highlights recent legislation passed, PERAC's filed bills, Emerging Issues Forum highlights, Cyber Security Guidance, most recent PERAC staffing, and the 4<sup>th</sup> Quarter Educational Schedule.

He further indicated that included in the Commission packet is PERAC's annual reporting of the Fiscal Year 2024 actual spending in accordance with PERAC Policy Number 99-001. He indicated that PERAC was 12% under budget mainly due to the delay in PERAC's moving expenses.

Mr. Keefe indicated that included in the Commission packet is the 2025 Commission meeting schedule for review. If there are no conflicts to the dates listed, the Commission will approve the schedule at the December 18, 2024 Commission meeting.

He discussed the Veteran's Buyback poster PERAC staff created relating to the Veterans' Buyback legislation. He explained that in addition to the webinars, memoranda, and other outreach, this poster will be distributed to retirement boards, Veterans' Affair contacts, and distributed widely throughout the Commonwealth to make sure that this benefit is publicized.

Mr. Keefe reported that he has heard from Chairman Ken Gordon from the Joint Committee on Public Service regarding appointments for the COLA Study Commission.

He discussed the recent news regarding the repeal of the GPO/WEP that the United States House of Representatives recently passed with no modifications. Although this repeal still needs to pass the United States Senate, this is great news.

Lastly, Mr. Keefe provided an update on the progress at 10 Cabot Road, Medford, MA. He indicated that the project team continues to meet regularly, and periodic walk-throughs are conducted to keep the project on track.

Mr. Keefe announced that PERAC's holiday party will be held after our offices close on Wednesday, December 18, 2024, at Pearl Street Restaurant in Malden, MA.

Chairman Brown then announced that the next Commission meeting will be held on Wednesday, December 18, 2024, at 11:00 AM at the PERAC offices.

Commissioner MacKinnon made a motion to adjourn the meeting. Commissioner Leung-Tat seconded the motion, and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners James Guido YES, Kathleen Fallon YES, Jennifer Sullivan YES, Michael Leung-Tat YES, and Richard MacKinnon YES. Thus, the motion was adopted. The meeting was adjourned at 12:10 PM

### **Commission Meeting Documents**

Commission Agenda for the meeting of November 13, 2024

Commission Minutes dated October 9, 2024

### **Actuarial Update**

Draft Teachers' Actuarial Valuation Report – As of 1/1/24

PERAC MEMO #29/2024 – FY26 Appropriation Questionnaire in PROSPER

### **Legal Update**

Linda Celona v. MTRS and PERAC, CR-23-0395

### **Legislative Update**

Memorandum regarding Legislative updates

### **Audit Update**

Bristol County Retirement Board Audit

Reading Retirement Board Audit

Lawrence Retirement Board Follow-Up Audit

Northbridge Retirement Board Follow-Up Audit

Audit Tracking Report

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

PERAC MEMO #27/2024 – Changes to Return to Service under G.L. c. 32, § 8

PERAC MEMO #28/2024 – Violent Assault Disability – Chapter 149 of the Acts of 2024

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

Staff Activities Memorandum

NCPERS Legislative & Policy Day Conference Notice–January 27-29, 2025 -Washington, DC  
PERAC’s 2023 Annual Report Cover Page  
PERAC Pension News – No. 66  
Policy No. 99-001 – FY24 Actual Expenditures  
Draft 2025 Commission Meeting Schedule  
Veteran’s Buyback Poster

Approved:

A handwritten signature in blue ink, appearing to read 'P. Y. Brown', is positioned above the printed name.

Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission