

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Administrators are Encouraged to Attend PERAC Training

DATE: January 26, 2017

PERAC has scheduled several educational sessions related to the Annual Statement and Accounting. Although board members receive three educational credits for attending, administrators are also encouraged to participate. Those sessions will take place on:

- ☐ January 31, 2017 at 10:00 AM at PERAC;
- ☐ February 2, 2017 at 1:00 PM at the Taunton Public Library;
- ☐ February 15, 2017 at 10:00 AM at the Springfield Retirement Board; and
- ☐ March 9, 2017 at 10:00 AM at the Middlesex Retirement Board.

Asset Management

Legislative changes to Section 23B of the General Laws expanded the period between mandatory searches for investment services. Boards should review the existing time frames for these contracts and institute a program to conduct and complete searches before the new deadline. April 2019 will mark the outer limit for existing relationships as seven years will have elapsed since the effective date of Chapter 176 of the Acts of 2011.

Investment service providers have been submitting Annual Vendor Disclosures to retirement boards and PERAC for several years. The Commission reminds retirement boards that, in order to protect against future controversy and to comply with fiduciary duty, boards must formally acknowledge receipt of and review these disclosures at a board meeting. In addition, the review process must be reflected in the minutes. This will assure that a record exists of the retirement board assessing the disclosures and protect the board from criticism and/or litigation.

Retirement boards are reminded of their duty to submit accurate cash books to PERAC on a timely basis. Accounting standards require that transactions be accurately identified and properly classified. The parties to whom payments are made, or from whom payments are received, must be identified and various actions must be classified in the proper account.



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TO: All Retirement Boards
FROM: Joseph E. Connarton, Executive Director
RE: Administrators are encouraged to attend PERAC training
DATE: January 27, 2017

Retirement boards that are investing assets themselves should with the assistance of their consultant, review and if necessary, revise investment objectives, asset allocation, and investment plans each year. These documents should be submitted to PERAC annually. Generally, that submission can take place through filing the relevant information from the consultant report electronically.

There has been some confusion as to how to accomplish this review for systems that are invested in the Pension Reserves Investment Trust ("PRIT") Fund or have committed assets to an Outsourced Chief Investment Officer ("OCIO") strategy.

In the case of PRIT systems, a board "participating" in PRIT effectively adopts the PRIT investment objectives, asset allocation, and investment plan when it transfers assets to PRIT. It is suggested that "participating" systems also conduct periodic reviews of PRIT's approach to these matters.

However, a retirement board that has "purchased shares" of the PRIT Fund and committed all of its assets to various sleeves of PRIT, must adopt investment objectives as well as asset allocation and investment plans. Thus, in that circumstance, the annual review noted above must be conducted.

Similarly, in the case of retirement boards that have committed all or nearly all assets to an OCIO strategy, the board must adopt and annually review investment objectives, asset allocations, and investment plans.

The competitive process, mandated by Section 23B and the fiduciary duty owed by the retirement board to system members and beneficiaries, requires that Requests for Proposals ("RFP") and notices relative to the search ensure the broadest response from potential service providers possible. Restrictions on participation, such as not accepting submissions from service providers that are not active in the Massachusetts public pension fund arena, is a violation of that statute and that duty. Points may be awarded for such experience in grading the responses, however, that criteria must not be a barrier to entry.

Submission of and/or access to manager, consultant, and custodian reports is critical to the analysis that PERAC conducts to assess board activities. Please be advised that a change in staff at the board does not necessitate the reauthorization of PERAC access or the redirection of the manager, consultant, or custodian to submit the information to PERAC.

We are thankful for the cooperation of all parties regarding this issue.