

PERAC

Pension News

No.
57

April
2021

A Publication of the Public Employee Retirement Administration Commission

A Year Like No Other

By John W. Parsons, Esq.
Executive Director

As we look back at the unique year that was 2020, it's difficult to view this unparalleled period with any objectivity or critical eye. As individuals, we battled through the significant personal challenges that presented themselves; at home, work, amongst family and friends, and in the community.

As employers, we struggled to address the competing challenges of protecting the health of our colleagues and meeting the demands placed on our agencies on behalf of the members who rely on us. Collectively, we watched with great sadness at the pandemic's effect on families and businesses, while at the same time constantly adjusting to the new normal at work and throughout our society. At the risk of sounding

self-serving, I sincerely believe that the performance of all those who make our pension system work rose to the occasion in 2020, and remarkably, we were able to not only meet the demands on our agencies, but to move forward in several significant ways.

Apart from meeting the daily demands of counseling, buybacks, payroll, retirement and disability applications, Massachusetts' pension



systems moved forward in important, permanent ways. From the beginning of the pandemic, the disability process was upended, and we were forced to adapt to the world (continued page 6)

Inside this issue

New Investment Return Assumptions	2
PERAC Disability Unit Staffing	3
Legislative Update	4

Joint Committee on Public Service	5
New & Noteworthy	7
2nd Quarter Education Schedule	8

New Investment Return Assumptions

By John Boorack
PERAC Actuary

Over the past fifteen years, investment return assumptions used by actuaries have generally decreased, reflecting the economic environment and future expectations. The two charts below illustrate this trend.

Figure 1 shows investment return assumptions used by Massachusetts public plans in 2003, 2012, 2016, and currently. Note that all but 3 systems used an assumption of 8.0% or above in 2003. This represents a stark contrast to the current chart, as 100% of systems are using an assumption under 8.0% in 2021.

For local retirement systems, PERAC often used an investment return assumption of 8.0% (assuming a reasonable asset allocation) in our actuarial valuations from 1997 to 2012.

Beginning with our 2013 actuarial valuations of local systems, we have generally recommended a decrease in the investment return assumption each year. For our 2020 actuarial valuations, we generally recommended an assumption between 6.90% and 7.15%, partially depending on the assumption used in the prior actuarial valuation.

For our 2021 actuarial valuations, we will generally be recommending an assumption between 6.75% and 7.15%. For comparison, we will be using an assumption of 7.0% in the 2021

Commonwealth actuarial valuation.

Figure 2 illustrates investment return assumptions of large public plans based on an analysis by The National Association of State Retirement Administrators (NASRA). The NASRA survey includes data for 130 plans. Most of the plans are state or state teacher plans and the remainder are generally large city plans. The national assumptions are consistent with the Massachusetts assumptions. The average investment return assumption is 7.18% in the 2021 NASRA study. ■

Investment Return Assumptions Over Time

Figure 1.

Massachusetts Public Plans

Source: Retirement system valuation reports

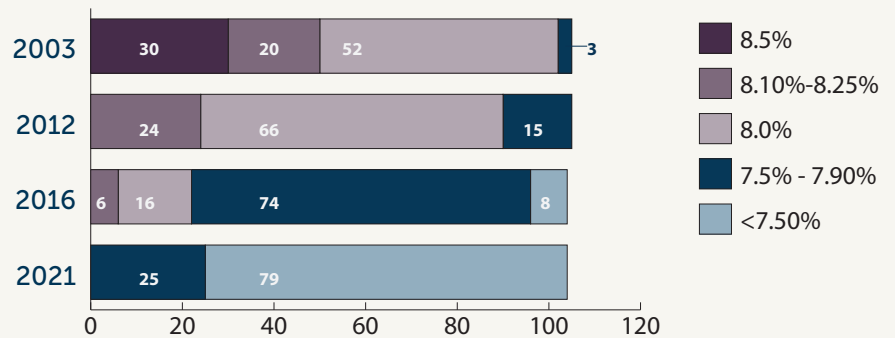
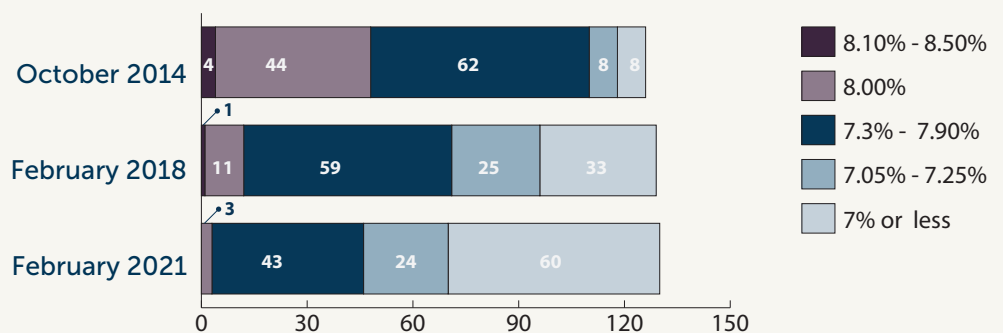


Figure 2.

National State, Teacher, and City Plans

Source: NASRA Public Fund Survey of 130 Large Plans, February 2021 and Prior



Disability Unit Staffing Update

By Caroline Carcia
Deputy Executive Director

Congratulations are in order for Patrice Looby after her promotion to Manager of Medical Services for the PERAC Disability Unit.

Patrice has been working at PERAC since March of 2006, as a Nurse Case Manager. She recently took on additional responsibility after the passing of Kate Hogan last year, and was officially promoted this month. As a Nurse Case Manager, she was previously responsible for the medical review of members in the Comprehensive Medical Evaluation and Restoration to Service process as well as educational training for retirement boards. She will now oversee the entire unit. Patrice has previous experience in case management and in acute care, rehabilitation, and home care. She graduated from Boston College with a Bachelor of Science degree in Nursing. ■



New Case Managers in Disability Unit



Mariyam Gadatias, R.N.
Nurse Case Manager

PERAC recently hired two Nurse Case Managers to assist with the case load in the Disability Unit.

Mariyam Gadatias started at PERAC on April 5, 2021. She is a Registered Nurse who worked at MIT Medical as a staff nurse. Prior to MIT, she also worked at Winchester Hospital and at Lahey Hospital.



Eileen Tobin, R.N.
Nurse Case Manager

Eileen Tobin started on March 15, 2021. She is a Registered Nurse who worked at Tufts Health Plan as a Quality Nurse Reviewer prior to coming to PERAC. She also worked at Beth Israel Hospital. ■

The PERAC Disability Unit

This unit plays a key role in PERAC's oversight of public retirement system administration. The Unit oversees disability retirement processing, including disability retirement applications, comprehensive medical evaluations, and restoration to service evaluations.

In 2020, the Unit processed:

- ✓ 511 Medical Panel Requests
- ✓ 1,181 In-House CME Reviews
- ✓ 527 Disability Approvals
- ✓ 11 Death Approvals

Other Members of the Unit:

Erin Groesser
Administrative Assistant

Regina Manning
Case Manager I

PERAC Legislative Update

By Bill Keefe
Assistant Deputy Director

PERAC has filed eight bills in the House of Representatives, two new and six re-filed, in its 2021-22 legislative package.

An Act to Protect Gender Pay Equity

An Act to Protect Gender Pay Equity (H. 16) is one of the new bills and would amend M.G.L. c. 32, §5(2)(f) to add an exemption from anti-spiking for salary actions related to the Massachusetts Equal Pay Act.

The Equal Pay Act, M.G.L. c. 32, §105A, prohibits an employer from paying someone less than they pay an employee of a different gender who does comparable work. The law states the remedy to address gender pay inequity is to raise the pay of an affected person, rather than cut the pay of another.

The MWRA Retirement Board made PERAC aware of employees who received salary adjustments based on the Equal Pay Act who would run afoul of the anti-spiking provisions upon retirement.

Adding an Equal Pay Act exemption to the anti-spiking statute would ensure the equity and spirit of the Equal Pay Act are fully realized.

An Act Providing Statement of Financial Interests Flexibility

PERAC's other new bill is H. 17, An Act Providing Statement of Financial Interests Flexibility. Similar to Chapter 439 of the Acts of 2018, which provided for a hardship waiver petition related to board member education compliance, this bill would allow for a hardship waiver petition related to timely filing of the SFI.

Refiled Bills

All six of PERAC's refiled bills were reported favorably by the Public Service Committee last session:

■ **H. 10 - An Act Relative to Pension Forfeiture.** The product of the Special Commission on Pension Forfeiture arising after the *Bettencourt* decision, this bill would remove misdemeanors from crimes that trigger pension forfeiture. It also creates tiers of forfeiture ranging from one-third to two-thirds forfeiture to full forfeiture.

■ **H. 11 - An Act Relative to Veterans' Buyback.** This bill would extend from 180 days to within one year following vesting the time which veterans working in public service have to purchase up to four years of military time as creditable



service. Additionally, it would create a one-year, one-time, grace period for veterans who missed their initial opportunity to buy back their military service.

■ **H. 12 - An Act Relative to the Recovery of Overearnings.** This bill would allow retirement boards to pursue recoupment of overearnings up to the amount of the retirement allowance paid.

■ **H. 13 - An Act Relative to Wages.** Sick and vacation leave taken in conjunction with workers' compensation would be included as wages and part of an employee's regular compensation for retirement purposes.

■ **H. 14 - An Act Relative to Modifications of Retirement Allowances.** This bill would alter PERAC's statutory directive to modify allowances of members

(continued page 5)

Joint Committee on Public Service Chairs Appointed

By Bill Keefe
Assistant Deputy Director

Senator Michael Brady of Brockton and Representative Ken Gordon of Bedford have been appointed Chairs of the Public Service Committee for the 2021-22 legislative session.

Senator Brady is serving his fourth term in the Senate after serving three terms in the House of Representatives. He previously served on both the Brockton School Committee and City Council. He was the Senate Chair of Public Service for some of the last session and we look forward to working with him again.

Representative Gordon is in his fifth term in the House. An attorney, he served on both the Bedford Zoning Board of Appeals and Cultural Council before the State House.

PERAC Executive Director John Parsons and other PERAC staff recently met with both Chairs to discuss retirement and pension issues.



Senator Michael Brady
Senate Chair
Public Service Committee



Representative Ken Gordon
House Chair
Public Service Committee

"We are fortunate to have people like Senator Brady and Representative Gordon leading the Public Service Committee this session," Parsons said. "They both are dedicated to the needs of members and the overall health of the pension system. We very much look forward to working together with them."

The Vice Chairs of the committee are Senator Barry Finegold of Andover and Representative Natalie Higgins of Leominster. ■

Joint Committee on Public Service Members

Senate

Michael D. Brady, Chair
Barry R. Finegold, Vice Chair
Nick Collins
Diana DiZoglio
Ryan C. Fattman

House

Kenneth I. Gordon, Chair
Natalie M. Higgins, Vice Chair
Bruce J. Ayers
David Paul Linsky
Kate Lipper-Garabedian
Paul W. Mark
Frank A. Moran
Erika Uytterhoeven
Michael P. Kushmerek
Timothy R. Whelan
David F. DeCoste

Legislative Update (continued from page 4)

with overearnings to make it more effective and efficient.

■ **H. 15 - An Act Relative to Accidental Disability and Group 1 Emotional Distress.** This bill would bring Group 1 employees in line

with other groups in permitting the use of employer incident records to satisfy the injury report requirement when filing for disability based on emotional injury. ■

A Year Like No Other (continued from page 1)

of telehealth to keep this process working. With PERAC, boards, employers, members and the medical community working together, we were able to overcome the many logistical and statutory complications at play and establish a telehealth review process that allowed members' applications to be processed.

I would be remiss if I did not credit PERAC's former Disability Director, Kate Hogan, for the primary role she played in establishing this system, all while battling illness that ultimately took her much too soon. Telehealth becoming a permanent element of the disability process is a small remembrance of Kate's many contributions during her 20 years of service to PERAC and the pension community at large.

In 2020, the next initiative in the development of the PROSPER system, electronic filing of retirement calculations, was rolled out. Following a trial application with retirement board staff who volunteered to test this new feature, and staff training, boards are now able to file all types of retirement calculations electronically, saving time and eliminating paper records. It is our hope and goal to significantly reduce the turnaround time in the processing of these applications.



Another significant addition to PROSPER, developed in the Fall of 2020 and recently rolled out, is the electronic filing of board members' Statements of Financial Interest (SFIs). Moving from an all-paper process to an electronic filing will save board members significant time going forward and improve recordkeeping.

Thank you to everyone involved in the successful implementation of these important new PROSPER features, including PERAC's IT, Actuarial, and Compliance Units, our development vendor, CGI, the volunteer retirement staff, and all board members and staff for taking part in the training that was needed.

Finally, 2020 fundamentally affected our ability to provide in-person training and continuing education.

However, through innovation and a commitment to the benefits of virtual presentations, PERAC and MACRS combined to provide 36 courses and 2,046 course completions in the past year. Thank you to all the presenters and staff who worked to make these presentations successful and enlightening, and to attendees for their continued commitment to becoming better informed board members and improving our pension systems.

Let us all hope that the enduring trial of the pandemic will fade away and we will return to the traditional business of operating a successful and strong performing pension system. ■

New & Noteworthy

Did you know?

Retirement Board members now have the capability to submit their **Statement of Financial Interest form** online through PROSPER.

Application developers held three webinars to give board members an overview of how to use this new feature, and the webinar recording is also available on our website.

To date, 305 members have already submitted their SFI through PROSPER! **Forms are due May 1, 2021.**

Memos released last quarter:

- #01: 840 CMR 10:10(3) & 10:15(1)(c)–Annual Review of Medical Testing Fee**
Medical testing fee reimbursements.
- #02: 2021 Limits under Chapter 46 of the Acts of 2002**
Compensation limits for retirement calculations.
- #03: 2021 Limits under Section 23 of Chapter 131 of the Acts of 2010**
Regular compensation limit.
- #04: COLA Notice**
Annual notice to boards of SSA COLA.
- #05: PROSPER SFI Online Submission**
Announcement of new PROSPER Feature.
- #06: 2021 Interest Rate Set at 0.1%**
Annual notice to boards of regular interest rate.
- #07: Buyback and Make-up Repayment Worksheets**
2021 Worksheets for buyback calculations.
- #08: Required Minimum Distribution: Now Age 72 For This Year's Notifications**
Includes sample letter.
- #09: Actuarial Data**
Annual request to boards for actuarial data.
- #10: Forfeiture of Retirement Allowance for Dereliction of Duty by Members**
List of individuals ineligible for membership.
- #11: Benefit Calculation Submissions Via PROSPER**
Paper calculation submissions no longer acceptable.
- #12: Tobacco Company List**
- #13: 2020 Annual Statement of Earned Income Filing (91A)**
New deadline of May 17th announced.



COLA

Both the Governor's and House FY22 budgets included a **3% cost of living adjustment (COLA)** for the State and Teachers' Retirement Systems. The Senate budget will be released in May. The COLA becomes official when the budget bill is formally signed into law by the governor.

After the COLA becomes law, PERAC will be issuing its annual memo with the amounts for the cost of living increase for the supplemental dependent allowance.

Upcoming Meetings

May 12, 11:00 a.m.
Commission Meeting

June 9, 11:00 a.m.
Commission Meeting

July 14, 11:00 a.m.
Commission Meeting

August 11, 11:00 a.m.
Commission Meeting

Until further notice, meetings are held virtually and are open to the public. See our website for more information.

PERAC

2021 Education Schedule

second quarter

Credits
board members
must earn

18
per term

3
Minimum
per term year

9
Maximum
per term year

Date:	Location:	Topic:
May 4	Webinar	Preparing for the Pandemic's Impact on Your Pension Plan
May 18-20	Virtual Conference	FINRA Annual Conference
June 3	Webinar	Conflict of Interest
June 7 - 8	Virtual Conference	Spring MACRS
June 17	Webinar	Liability in Certain Situations/Dual Membership

See our website for additional educational opportunities and registration information.

Public Employee Retirement Administration Commission | 5 Middlesex Avenue, Somerville, MA 02145
Phone 617 666 4446 | Fax 617 628 4002 | Web www.mass.gov/perac

Philip Y. Brown, Esq.
Chairman

The Honorable
Suzanne M. Bump
Auditor of the Commonwealth
Vice Chairman

Kathleen M. Fallon
Practice Area Director
Public Consulting Group

Kate Fitzpatrick
Town Manager
Needham

James M. Machado
Sergeant
Fall River Police Department

Richard MacKinnon, Jr.
President
Professional Firefighters
of Massachusetts

Jennifer F. Sullivan
Investment Professional
Governor's Appointee



John W. Parsons, Esq.
Executive Director

Natacha Dunker
Editor