

# PERAC

## Pension News

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## *Déjà Vu All Over Again*

By John W. Parsons, Esq.  
Executive Director

*As I sat down to summarize calendar year 2021, I began by reviewing what I wrote last year at this time. Strikingly and sadly, the description of the profound effects of the COVID pandemic and the resulting challenge was all too familiar.*

While we have adjusted and risen to the health, societal, and business hurdles presented by the enduring pandemic, much of our ability to return to our pre-COVID lives has remained hindered by its continuing impact.

Similar to 2020, our systems continued to adapt to the “new normal” in 2021, and provided consistent and necessary services to our members and communities.

Boards and PERAC have cooperatively worked together

to ensure that vital processes remain efficient and timely despite the logistical challenges that remain.

As in 2020, Massachusetts pension funds realized another year of highly positive investment returns, moving us a year closer to full funding of our systems

while maintaining a balanced and measured approach towards this goal. The benefits of due diligence in our decision-making, strong board oversight, and competitive processes have all contributed to these strong returns.

Collectively, 2021 saw PERAC and the boards *(continued page 6)*



PHOTO: ADOBE STOCK IMAGES

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# 2021 Commonwealth Valuation

By John Boorack  
Actuary

**T**he Commonwealth Actuarial Valuation Report presents the results of the actuarial valuation of the pension benefits that are the obligation of the Commonwealth of Massachusetts. The 2021 report was released by PERAC on October 21, 2021. The four components of the report are the State Employees' Retirement System, the Massachusetts Teachers' Retirement System, Boston Teachers, and the Cost of Living Allowance reimbursements to local systems. Two charts from the January 1, 2021 Commonwealth Actuarial Valuation Report are presented.

The bar chart, pictured on the following page, shows the unfunded actuarial liability (UAL) since 1990. The UAL represents the actuarial accrued liability less the value of plan assets. As of January 1, 2021, the actuarial liability was \$109.0 billion and the actuarial value of plan assets was \$63.4 billion. The difference of \$45.6 billion is the UAL.

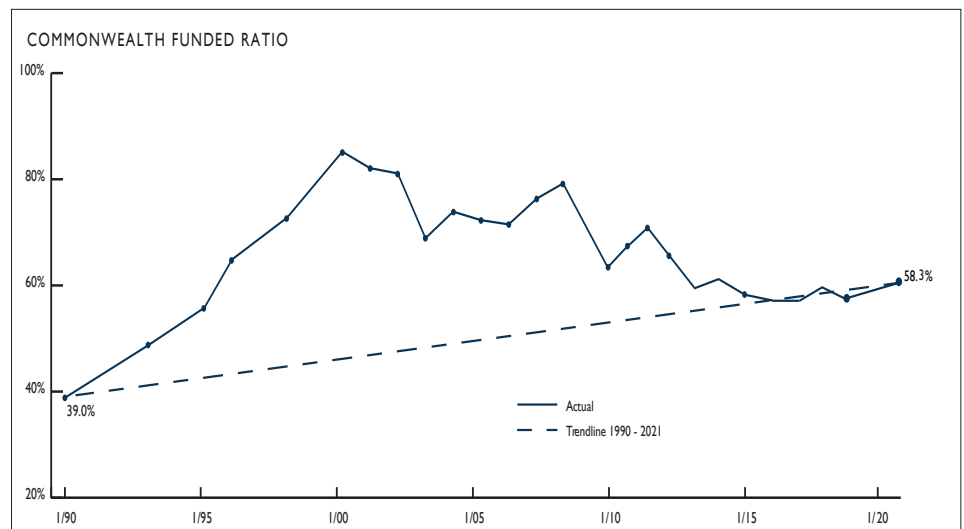
It is important to note that plan assets have grown faster than plan liabilities since 1990. As of January 1, 1990, the actuarial accrued liability was approximately \$20.0 billion and the actuarial value of assets was \$7.8 billion which resulted in an UAL of \$12.2 billion. Since 1990, the actuarial liability has grown by about 5.5 times while assets have grown by about 8.1 times.

For this reason, we believe the funded ratio (assets divided by actuarial liability) represents a better measure of the Commonwealth's progress. If you draw a straight line from the 1990 funded ratio of 39.0% to the January 1, 2021 amount of 58.2%, the line is moving upward to the right. This demonstrates the funding prog-

ress to date. Although the funded ratio reached 85.2% on January 1, 2000, this was the result of average annual returns from 1985-1999 that exceeded 12.5% and attaining such a high level of funding so quickly was not expected. If there had been no gain or loss on assets from 1985-1999, the funded ratio would have been about 45%. Over the past 21 years (2000-2020), the average annual return on assets on a market value basis is approximately 6.9%. Over a 10-year and 5-year period, the returns have been 9.0% and 10.4% respectively. The 36-year return (since inception) is 9.6%.

The actuarial liability (and therefore the UAL) as of January 1, 2021, increased \$2.85 billion due to a reduction in the investment return assumption from 7.25% to 7.0%. This was offset somewhat by a slight change in the mortality assumption for teachers which decreased the actuarial liability by approximately \$800 million. The net change was an increase in the actuarial liability of approximately \$2.1 billion. If the 2021 valuation reflected the 2019 valuation assumptions and plan provisions, the UAL would have been \$43.5 billion.

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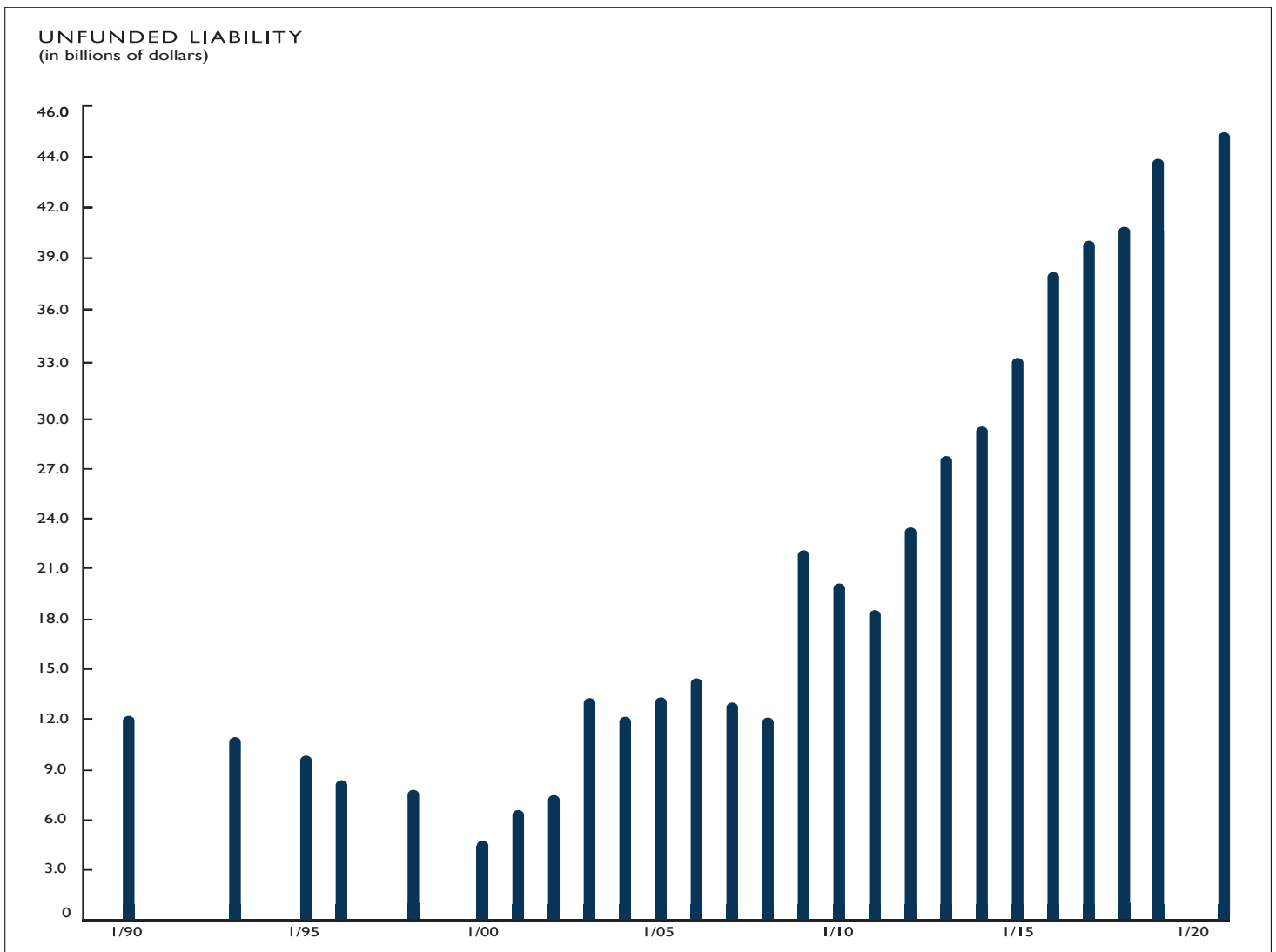


# Valuation (continued from previous page)

There have been a number of other plan and assumption changes in the past 10 years that have increased the Commonwealth actuarial liability. These changes include six reductions in the investment return assumption (from 8.25% to 8.0% as of January 1, 2013, from 8.0% to 7.75% as of January 1, 2015, from 7.75% to 7.50% as of January 1, 2016, from 7.50% to 7.35% as of January 1, 2018, from

7.35% to 7.25% as of January 1, 2019, and the change noted above in this valuation). There have also been frequent adjustments to the mortality assumption including the adoption of a fully generational mortality assumption as of January 1, 2015, the adoption of a \$13,000 COLA base, the transfer of active members of sheriff departments in six counties to the State, and the transfer of former

members of the Massachusetts Turnpike Authority Retirement System to the State. Including the changes as of January 1, 2021, the actuarial liability is approximately \$15.93 billion greater than it would have been using the 2009 basis. Therefore, on a comparable basis with the 2009 plan provisions and assumptions, the UAL on January 1, 2021, would be \$29.7 billion and the funded ratio would be 68.1%.■



# Legislative Update

## Open Meeting Law Waiver Extended

By Bill Keefe  
Assistant Deputy Director

*With the passage of Sections 3, 4, and 5 of Chapter 22 of the Acts of 2022, the Open Meeting Law waivers have been extended to July 15, 2022. The waivers had been scheduled to expire on April 1, 2022 per Section 20 of Chapter 20 of the Acts of 2021.*

In effect, nothing has changed in this regard since the start of the state of emergency in March 2020. As detailed in PERAC Memo 17/2021, public meetings do not require a quorum or the chair to be physically present if remote participation is utilized and the public has adequate, alternative means of public access.

If a meeting is held in a public place that is open and physically accessible to the public, the adequate, alternative means of public participation are not required by statute, but are encouraged.

If a public body decides to meet in person and does not provide for alternative means of public access, then the public body must have a physical quorum present.

### Hours, Earnings Waiver On Hold

When signing Chapter 22 of the Acts of 2022, Governor Baker objected to Section 14 which would provide a waiver from Section 91 (b) and (c) earnings and hours restrictions in calendar year 2022 for superannuation retirees working in the public sector.

Rather than outright vetoing the language, he returned it to the Legislature with an amendment that would provide for the waiver to be in effect for “up to 90 days” after the end of the Governor’s declared public health emergency or calendar year 2022, whichever occurs first.

Both the House and the Senate must pass the amendment to return it to the Governor for his approval for the waiver to happen.

In PERAC’s view, the “up to 90 days” provision, if enacted, would be established by the employers, consistent with the Governor’s intent.

The public health emergency is different than, but similar to the state of emergency that was in place earlier in the pandemic. It authorizes the Commissioner of Public Health to take certain actions. Like the state of emergency, it is initiated and terminated by the Governor. The public health emergency was enacted



May 28, 2021, in conjunction with the ending of the state of emergency on June 15, 2021.

This waiver, if enacted, would be identical to the waiver that was in place from the start of the Governor’s State of Emergency in March 2020 through June, 15, 2021.

As with the previous waiver, this waiver **would not apply** to disability retirees.

### All PERAC bills reported favorably

All eight of PERAC’s bills this legislative session have been reported favorably after the State Administration and Regulatory Oversight Committee reported out H.17, An Act Providing for Statement of Financial Interests Flexibility. The bill was amended in committee and renumbered H.4349. The bill would provide the Commission some discretion in handling non-compliance akin to board education (continued next page)

## Staffing Update - Two PERAC colleagues recently retired

By Caroline Garcia  
Deputy Executive Director



Kim Boisvert, Senior Executive Assistant was with PERAC for a little over 20 years and retired in January. Kim was instrumental in ensuring all Commission meetings ran smoothly.



Charles Hoyt, Senior Programmer/Analyst, was with PERAC for 10 years and also retired in January. Chuck played an integral role in the development of the PROSPER application.

*We wish them both a long and healthy retirement! ■*

## Legislative Update (continued from page 4)

requirements. It would also exempt a board member who served less than 30 days in a calendar year from filing an SFI.

As of this writing, that bill was with the House Committee on Bills in Third Reading while PERAC's seven other bills were with House Ways and Means.

### Three-year COVID retirement credit bill sent to study

A number of other bills of note to the retirement community were acted on ahead of the February 2 reporting deadline.

#### Reported favorably:

- H.2664, which would incrementally increase the state and teacher's COLA base by \$1,000 annually from the current \$13,000 until it reached \$16,000.
- H.1677, which would provide an added benefit of \$100 on top of

the usual COLA to a retiree who had 20 years of public service, has been retired for 15 years and has an allowance at or below the average for that retirement system. The bill would provide an additional \$200 to such a retiree who has been retired for 20 years. The bill would affect the state and teachers' systems with a local option.

#### Granted an extension on reporting until March 11:

- H.2620, the enhanced teacher retirement credit of a combination of 10 years of age and service.

#### Sent to Study, which effectively ends the legislation's progress this session:

- H.2608, the three-year retirement COVID credit for employees working outside the home.
- S.1674 and H.2742, bills that would have lowered the threshold

on board performance below the current 65% funding level and/or two points of PRIM.

### Gov. Baker includes COLA in budget proposal

Governor Baker filed his FY23 budget bill on January 26 and included a 3% COLA for state and teachers' retirees.

The House Ways and Means Committee is currently holding hearings ahead of releasing its version of the budget in mid-April. The Senate will do so in May with a goal of having a signed budget in place for the start of the fiscal year on July 1.

The Governor's budget contained a \$3.744 billion payment to the state pension system in accordance with the current funding schedule. It also contained a provision to make a supplemental \$250 million payment from anticipated FY23 surplus funds. ■

# Option D:

## Selection or Election?

By Judith Corrigan, Esq.  
General Counsel

**P**ERAC's Legal Unit fields many inquiries about benefits payable under G.L. c. 32, § 12(2)(d) ("Option D"). An Option D benefit may arise when a member dies of a cause or illness unrelated to his or her employment. The Option D beneficiary will receive an allowance for his or her lifetime, the so-called "Member Survivor Allowance."

A member may **select** an Option D beneficiary, and an eligible surviving spouse may **elect** an Option D benefit, even if the late member selected someone else. In the course of PERAC's fairly recent revamping of forms, one form, the "Notice of Election of Benefits Under G.L. c. 32 § 12(2)(d)" was removed from circulation. It is currently being revamped to reflect the reality that no one other than an eligible spouse may elect an Option D benefit, and a nominated beneficiary, including a spouse, may not reject an Option D benefit. The soon-to-be released form will reflect the following:

- **A member may select** only one beneficiary (a spouse, a former spouse who has not remarried, a child, a sibling or a parent) to receive the Option D benefit following his/her death. Pursuant to G.L. c. 32, § 11(2)(c), the selected beneficiary, including a spouse, **must** accept the Option D benefit.
- **A surviving spouse is eligible to elect** an Option D benefit if he or she has been married for not

less than one year to a member who has two or more years of creditable service. The spouse and the member must have been living together at the time of the member's death. The spouse may still elect the benefit if the board finds that they were living apart for justifiable cause other than desertion or moral turpitude on the part of the surviving spouse.

- Although the **spouses of inactive members** may elect the Option D benefit, they **are not eligible for the minimum allowance or the dependent benefits for children** provided for in G.L. c. 32, § 12B. A spousal election is also available when a member who did not choose Option C dies within 30 days of the effective date of his or her retirement.

We appreciate the patience of the public pension community, as well as the valuable suggestions we have received about this important form. ■

## Déjà Vu (continued from page 1)

move forward in automating our interactive processes. Retirement calculations are now processed completely online, eliminating the need for paper files and improving the timing and integrity of the pension calculation function. In addition, board members submitted their annual Statements of Financial Interest electronically for the first time and PERAC reported 100% compliance for active members. Subsequent filings will be greatly enhanced by the new program.

2021 has brought the danger of cyber-attacks to our door, and our collective focus and response will be strongly emphasized in 2022 training and guidance. With our increased reliance on electronic systems has come the responsibility to safely protect our assets and information.

I sincerely look forward to a year that allows all of us to continue to improve upon our service delivery to our members, and hope that these efforts can be carried out without the social limitations of the past two years. ■



# New & Noteworthy

## Did you know?

The 2021 Annual Statement of Earned Income forms were mailed on February 24, 2022. Most members should have received their form by now.

If you receive an inquiry from one of your members who has not received their form yet, please have them contact our office or submit an inquiry through our website.

Last year, 98% of 2020 forms mailed were returned.

## Memos released last quarter:

### #27: Appropriation Data Due October 31, 2021

### #28: Buying Back Elected Official Time

Memo provides overview of options available to elected officials under the law.

### #29: Expansion of Post-Retirement Work

Superannuation retirees may now work up to 1,200 hours per calendar year in the public sector.

### #30: Investment Fraud Alert

Alert on recent hack at a retirement system

### #31: 2021 Pension Fraud Prevention Campaign

Launch of biennial campaign & poster design

### #32: Cybersecurity and Internal Controls

Announcement of new training and requirements to increase board security

### #33: Tobacco Company List

### #34: 2021 Disability Data

Request for boards to update their member info

### #35: 840 CMR 10:10(3) & 10:15(1)(c) - Annual Review of Medical Testing Fee

Commission voted to continue practice of allowing staff to approve up to \$100 in medical fees per case



## Statements of Financial Interest are due May 1st.

This year may be the easiest filing year yet with electronic filing in PROSPER! Members leaving their position should file before they lose access to their account.

## Upcoming Meetings

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

April 13, 11:00 a.m.  
Commission Meeting

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

June 8, 11:00 a.m.  
Commission Meeting

Meetings will be held remotely until further notice. See our website for details.

# PERAC

## 2022 Education Schedule

### upcoming courses

Credits  
board members  
must earn

**18**  
per term

**3**  
Minimum  
per term year

**9**  
Maximum  
per term year

March 8	Webinar (AGO)	Open Meeting Law
March 9	Webinar (PRIM)	PRIM Cash Transactions & Processes
March 22	Webinar (AGO)	Open Meeting Law
March 24	Webinar (Ethics)	Conflict of Interest
March 31	Webinar (CTR)*	Internal Control Plan
*The webinar on 3/31 is hosted by PERAC in partnership with the Office of the State Comptroller, who will be presenting.		
Links to all above webinars are on our website		

See our website for additional educational resources and registration information, including:

- [Comptroller's Cybersecurity presentation](#)  
Presentation contains information on best practices for protecting board assets from external threats.
- [Templates for the 2021 Annual Statement](#)

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