

PERAC

Pension News

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A Return to “Normal”

By John W. Parsons, Esq.
Executive Director

After nearly two years of operating under the restrictions and challenges of the pandemic, 2022 allowed the retirement community to return to a period of normalcy, including live meetings and education conferences.

While remote public meetings and hybrid work schedules appear to have become mainstream, overall, there was a sense of turning the corner and returning to our active lifestyles. After overcoming these significant challenges, it was a welcome relief.

2022 also saw the retirement of two longtime public servants and

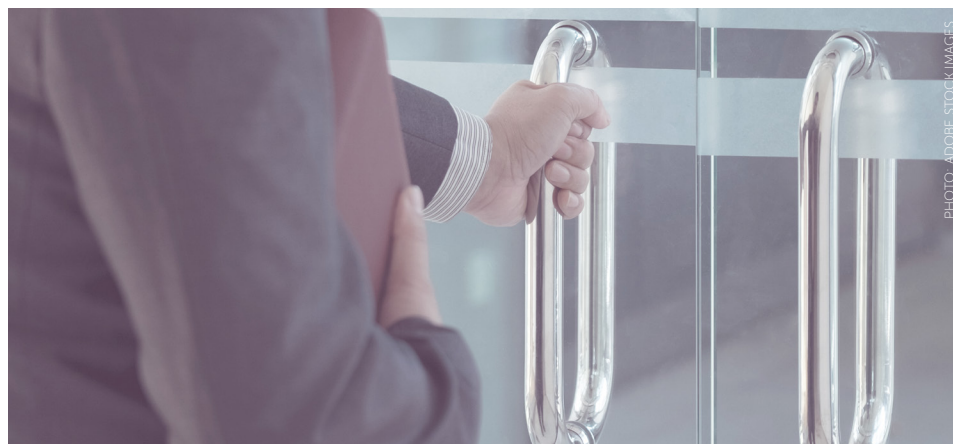


PHOTO: ADOBE STOCK IMAGES

constitutional officers. Former Governor Charlie Baker and former State Auditor Suzanne Bump, who each appointed three Commissioners to the seven member PERAC Commission, were strong supporters of the Massachusetts pension system during their respective tenures. Governor Baker was instrumental in

maintaining the Commonwealth's commitment to full funding of our systems and addressing needed relief to court decisions, protecting our retirees. Auditor Bump served as Vice Chair of the Commission and was a strong supporter of our defined benefits structure and the initiatives of the Commission. *(continued page 6)*

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Investment Return Assumption Adopted

By John Boorack
Actuary

Each year, we review the investment return assumption to determine our recommendations for each retirement system that uses PERAC to perform an actuarial valuation. Based on our analysis this year, we recommended a 7.0% investment return assumption for use in the actuarial valuations for the State Retirement System, the Massachusetts Teachers' Retirement System and for the Commonwealth's total pension obligation. The Public Employee Retirement Administration Commission (PERAC) adopted the recommended 7.0% investment return assumption at its meeting on March 8, 2023. This is the same investment return assumption that was used in the January 1, 2022, actuarial valuations.

The plan's actuary uses several different assumptions when performing an actuarial valuation of a pension plan. The investment return assumption is one of the principal assumptions. For most public pension plans, the investment return assumption serves two purposes. First, it is used to project the growth of a plan's assets. Second, it is used as the discount rate for the plan's actuarial liabilities. The discount rate is the rate used to value the current cost of future pension obligations.

There is an inverse relationship between the discount rate and the value of the plan's actuarial liabilities – when the investment return assumption decreases, the associated actuarial liabilities increase, and vice versa. To demonstrate this relationship, consider a one-year, interest-bearing account. The present value would be the amount invested at the beginning of the year to have a balance of \$100 at the end of the year. In the extreme, let's assume two accounts, one that earns 0% and the other that earns 100%.

For the account that earns 0%, you would need to invest \$100 at the beginning of the year to end up with a balance of \$100. For the fund that earns 100%, you would need to invest only \$50 at the beginning of the year to end the year with a balance of \$100. Therefore, the lower the interest rate, the higher the starting (or present) value.

Since most of the Chapter 32 retirement systems are invested in the Pension Reserves Investment Trust (PRIT), we use NEPC, the Pension Reserves Investment Management's (PRIM's) investment consultant, as our primary source in determining the recommended investment return assumption. We use information from secondary sources to help corroborate our recommendation. For example, we compare NEPC's Capital Market Assumptions (CMAs) to publicly available CMAs from other investment consultants to determine whether the NEPC CMAs are outliers in any given year. We use information from the National Association of State Retirement

Administrators (NASRA) to compare our investment return assumption to the assumption used by other State, Teachers' and large city plans from across the country. To a lesser extent, we compare our recommended assumption to PRIT's historical investment performance over a couple of time periods (5 years, 10 years, and 20 years). We analyze all this data to establish our recommended investment return assumption. For the handful of systems who are not invested with PRIM, we also review their investment policies, in addition to all the other information, to establish their recommended investment return assumptions. ■

Auditor DiZoglio Sworn In

By Bill Keefe
Assistant Deputy Director

State Auditor Diana DiZoglio was sworn into office on January 18, 2023, for a four-year term. Prior to being elected Auditor, DiZoglio served two terms as a State Senator, three terms as a State Representative and as chief of staff to the president of the Professional Fire Fighters of Massachusetts.

By virtue of her office, Auditor DiZoglio serves as a PERAC Commissioner; she is the Vice Chair. Michael Leung-Tat continues to serve as the Auditor's designee on the Commission.

"On behalf of the Commissioners, staff and public retirement community, I congratulate Auditor DiZoglio on her election and welcome her to PERAC," said Executive Director John Parsons. "Her perspective and experience will prove valuable to our work and I look forward to a strong partnership."

A native and resident of Methuen, Auditor DiZoglio has prioritized increasing transparency, accountability and equity in government. ■



State Auditor
Diana DiZoglio

Staff Update - Attorney Patrick Charles Promoted

By Natacha Dunker
Communications Director

PERAC attorney, Patrick Charles has been promoted to PERAC's Deputy General Counsel, effective February 1, 2023.

Prior to joining PERAC in 2012, as Associate General Counsel, Patrick earned his law degree at Northeastern University School of Law in 2004, and was hired as General Counsel to the Joint Committee on Public Service in the Massachusetts Legislature in June of 2005, remaining in that position until he came to PERAC.

He was promoted to Senior Associate Counsel in 2019. On July 1, 2020, he was appointed as the PERAC designee to the Contributory Retirement Appeal Board in accord with Chapter 32, § 16(4).

"Patrick is an invaluable member of the Legal Unit and PERAC, and this promotion is well-deserved," states General Counsel Judith Corrigan, who noted that Patrick serves as the legal advisor to the Audit and Compliance Units, and that "his prior experience with the Massachusetts



Deputy General Counsel
Patrick Charles, Esq.

Legislature provides us with a unique perspective when dealing with legislative issues." ■

Legislative Update

Open Meeting Law Waiver Extension on Governor's Desk

By Bill Keefe
Assistant Deputy Director

The Legislature has sent an extension of the Open Meeting Law waiver until March 31, 2025, to Governor Healey for her signature.

The current waiver, authorized in Section 4 of Chapter 107 of the Acts of 2022, expires on March 31, 2023. The waiver extension is included in Section 40 of H 58, a supplemental budget bill. The extension would take effect immediately upon the Governor's signature.

The Governor has 10 days to act on the bill. It is expected she will sign it sooner as there are a number of time-sensitive matters in it. PERAC will issue a memo to provide official notification should the waiver become statute or if the waiver expires.

The waivers have permitted public bodies to conduct public meetings without a physical quorum or the chair being physically present if remote participation is utilized, and the public has adequate, alternative means of public access.



COLA, Commonwealth Pension Schedule

Governor Healey included a 3% COLA for the state and teachers' retirement systems in the FY 24 budget she filed on March 1.

A three-year Commonwealth pension schedule was adopted: \$4.1 billion in FY 24; \$4.49 billion in FY 25 and \$4.93 billion in FY 26. This was the PERAC-endorsed schedule which has a 9.63% increasing appropriation to FY 28 then 4.0% increasing amortization of the Unfunded Actuarial Liability until FY 36.

Public Service Chairs Re-Appointed

Senator Michael Brady of Brockton and Representative Ken Gordon of Bedford have been re-appointed Chairs of the Public Service Committee for the 2023-24 legislative session.

"This is very welcome news," said PERAC Executive Director, John Parsons. "Chairmen Brady and Gordon have great knowledge and experience with Chapter 32 issues. They care deeply about public employees and the stability and security of the retirement system. We have had an excellent working relationship with them and are excited to work with and support them in this current legislative session."

Both Chair Brady and Chair Gordon provided key leadership in the passage of the legislation last summer holding retirees harmless from the *Vernava* decision. Both have also been strong supporters of the veterans' buyback bill.

Senator Brady is serving his fifth term in the (continued next page)

Legislative Update (continued from page 4)

Senate after serving three terms in the House of Representatives. He previously served on both the Brockton School Committee and City Council.

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

The Vice Chairs of the committee are Senator Patricia Jehlen of Somerville and Representative Natalie Higgins of Leominster.



Veterans Buyback

Having been engrossed by the House in July, An Act Relative to Veterans Buyback was amended and engrossed by the Senate on the last day of the 2021-22 legislative session. The House then concurred with the amendment, but did not vote to enact the bill before adjourning and the session ending. The bill needed to be enacted by the House and then by the Senate to reach the desk of Governor Baker, whose staff had indicated he was prepared to sign it.

The bill now starts fresh in the 2023-24 legislative session. Senator John Velis of Westfield and Representative Jerry Parisella of Beverly, both veterans, have filed the bill. The Professional Fire Fighters of Massachusetts, the Massachusetts Coalition of Police, and a host of veterans have been supportive of this measure and were instrumental in getting this close to the finish line, and are committed to working to getting it over the finish line in the new session.

The bill would extend the time allowed to purchase up to four years of military service for veterans working in the public sector from 180 days of entering public service to within a year of vesting, effectively 11 years. Additionally, the bill creates a one-year grace period for any veteran to purchase their service who missed their initial opportunity to do so. ■

Board Member Education – earn up to 6 credits!

PERAC will be presenting at the upcoming
Spring MACRS Conference, June 4-7
Registration for the conference opens in April - macrs.org

The Annual Statement:

Is your board ready to file online?

By Natacha Dunker
Communications Director

On March 1st, the new PROSPER Finance feature became available to all boards. This new capability allows boards to submit their monthly cash books (2023 and later) and annual statements (2022 and later) completely online, eliminating the need for paper submissions and streamlining the review process.

If your board needs assistance with the process, we have handouts and an instructional webinar available on our website. We also have a downloadable template on our website which must be used when completing the required schedules. If you have questions or need assistance, you may contact Scott Henderson, Deputy Chief Auditor or Sarita Yee, Compliance Analyst. ■

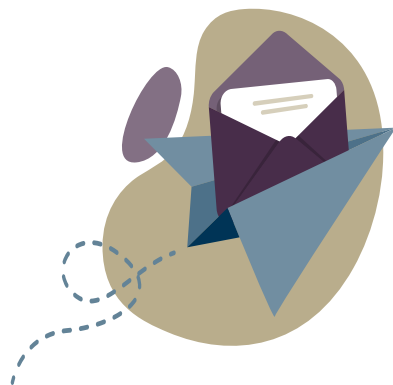


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A Return to “Normal” (continued from page 1)

Internally, the Commission said thank you on the retirement of Director of Compliance, Tom O'Donnell. Tom served in this capacity since 2012, and oversaw the implementation of pension investment reform. We will miss his camaraderie and wish him well in his future travels.

For the first time in several years, investment returns fell short of assumptions, and the gains of prior years were absorbed. Overall, however, systems continue to move towards full funding in a positive, controlled fashion while also returning investment gains back to retirees in the form of an increased COLA base and COLA increases. Many of our systems are approach-

ing full funding as a result of consistent municipal funding, responsible investment decisions, and strong stewardship of the pension system.

In 2022, we continued to emphasize education and training, with priority being placed on cybersecurity and internal controls. For the first time in three years, we were also able to hold Administrator Training days in Northampton and Danvers, and board members and staff benefitted from our continuing training partnership with the Office of the Inspector General and admission in the Municipal Cybersecurity Training program. Our collaboration with MACRS grows stronger each year, improving the quality of the educational confer-

ences, and allowing for the implementation of enhancements in the interactive processes between PERAC and systems.

In closing, I want to recognize the commitment of our boards, staff, and practitioners to work collaboratively to protect and improve the performance of our systems, and the dedication of the PERAC staff to work with each system towards this common goal. I look forward to the continued successes of our systems to the benefit of our members and retirees. ■

Updates

New & Noteworthy

Did you know?

The 2022 Annual Statement of Earned Income forms were mailed on February 23, 2023. 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, **99% of 2020 forms** mailed were returned.



Statements of Financial Interest are due May 1st.

Members leaving their board position should file before they lose access to their PROSPER account.

Memos released last quarter:

- #01: Reintroduction of Earnings and Hour Limitations**
Waiver expired on 12/31/2022
- #02: 2023 Limits under Chapter 46 of the Acts of 2002**
General compensation limit set at \$330,000,
general benefit limit set at \$265,000
- #03: 2023 Limits under Section 23 of Chapter 131 of the Acts of 2010**
Regular compensation limit set at \$211,200
- #04: COLA Notice**
Limit set at 3%
- #05: PROSPER Cash Books and Annual Statement Submission**
Latest feature added to PROSPER
- #06: Buyback and Make-Up Repayment Worksheets**
Updated worksheets available
- #07: 2023 Interest Rate Set at 0.1%**
- #08: Actuarial Data**
Request for boards to update their member info
- #09: Tobacco Company List**

Upcoming Meetings

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

May 10, 11:00 a.m.
Commission Meeting

June 7, 11:00 a.m.
Commission Meeting

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

Meetings are open to the public. See our website for details on how to attend in person or remotely.

PERAC

2023 Education Schedule upcoming course highlights

Credits
board members
must earn

18
per term

3
Minimum
per term year

9
Maximum
per term year

April 4	Webinar (AGO)	Open Meeting Law
April 20	Webinar (MCPPO)	Boards & Commissions
April 25	Webinar (MCPPO)	Contract Administration
April 27	Webinar (MCPPO)	Understanding Leadership
April 28	Webinar (AGO)	Open Meeting Law
May 20-24	Conference (NCPERS)	New Orleans, LA
May 25	Webinar (PERAC)	Veterans' Benefits
June 4-7	Conference (MACRS)	Hyannis, MA
Save the date:	Emerging Issues Forum, September 21st	

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

- [Templates for the 2022 Annual Statement](#)
- [On demand webinars for credit](#)

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