

# PERAC

## Pension News

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### *Figuring It Out*

#### *Retirement Systems' Successes Reflect Collaborative Efforts*

By John W. Parsons, Esq.  
Executive Director

**A**s we close out 2023, it is easy to feel overwhelmed by the coverage of turmoils that rage around the world, and the increasing bitterness and polarization that consumes our media, our politics, our schools, and our society generally.

Whether you are actively involved in matters important to you, or seek to quietly lead your life, we are pulled in different directions, whether we choose to be or not. In our small, but essential retirement world, however, we have successfully managed to rise above the challenges presented by these pressures,



working collaboratively to deliver quality services to our members and municipalities.

It is difficult sometimes to quantify the performance of our collective services, although not an hour goes by without PERAC and a retirement board resolving a challenging matter, and our willingness and ability to work collectively and positively has led to

strong, effective collaboration. We have modernized our joint processes through the PROSPER system, allowing for quicker, more efficient communication and results, while providing PERAC and boards with an online database of ongoing and prior matters.

We have also seen significant, measurable (continued page 5)

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# Commonwealth Valuation

By John Boorack  
Actuary

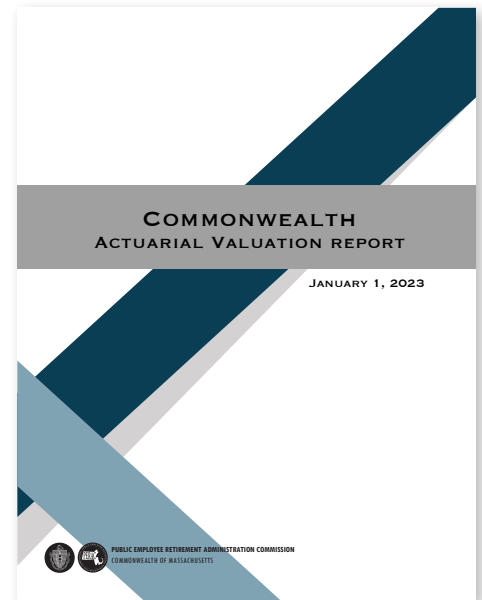
**T**he *Commonwealth Actuarial Valuation Report* presents the results of the actuarial valuation of the pension benefits that are the obligation of the Commonwealth of Massachusetts. At this time, the 2023 valuation work is complete. However, the final report is being drafted and has not yet been released. The four components of the report are the State Employees' Retirement System (SRS), the Massachusetts Teachers' Retirement System (TRS), Boston Teachers, and the Cost-of-Living Allowance reimbursements to local systems.

The chart, pictured on the following page (Table 1), shows a comparison of the principal valuation results of the January 1, 2022 and the January 1, 2023 actuarial valuations. The unfunded actuarial liability (UAL) represents the actuarial accrued liability less the value of plan assets. The funded ratio is the value of plan assets divided by the actuarial accrued liability. The funded ratio represents the portion of the actuarial accrued liability covered by plan assets. As of January 1, 2023, the actuarial liability was \$116.2 billion, and the actuarial value of plan assets was \$73.8 billion. The difference of \$42.4 billion is the UAL. The funded ratio is 63.5%.

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 and a funded ratio of approximately 39%. Since 1990, the actuarial liability has grown by about 5.8 times while assets have grown by about 9.5 times.

For this reason, we believe the funded ratio represents a better measure of the Commonwealth's funding progress. 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 20 years (2003-2022), the average annual return on assets on a market value basis is approximately 8.5%. Over a 10-year and 5-year period, the returns have been 8.3% and 6.8% respectively. The 38-year return (since inception) is 9.3%.



There have been several plan and assumption changes over the past 14 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 from 7.25% to 7.0% as of January 1, 2021). 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 for the SRS and TRS as well as the adoption of a \$15,000 COLA base for the Boston teachers, the transfer

(continued next page)

# Valuation (continued from previous page)

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, 2023, the actuarial liability is approximately \$16.2 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, 2022 would be \$26.2 billion and the funded ratio would be approximately 74%. ■

		Valuation Date	
		1/1/2023	1/1/2022
<b>Actuarial Liability</b>			
	Actives	\$48,916,993	\$47,077,024
	Retirees and Inactives	\$67,294,231	\$65,117,877
	<b>Total</b>	<b>\$116,211,224</b>	<b>\$112,194,901</b>
<b>Assets (Actuarial Value)</b>		<b>\$73,831,127</b>	<b>\$72,168,013</b>
<b>Unfunded Actuarial Liability</b>		<b>\$42,380,097</b>	<b>\$40,026,888</b>
<b>Funded Ratio</b>		<b>63.5%</b>	<b>64.3%</b>

Table 1 | All dollars in thousands

## Christmas in the City

PERAC staff joined in the holiday spirit by participating in a toy drive to benefit Christmas in the City.

This organization held a large holiday party every year from 1989 until 2019 when the pandemic put everything on pause. After their founder, Jake Kennedy, passed away from ALS in 2020, they had not held another party. His family decided to honor his memory this year by starting the tradition back up and distribute toys and gifts to children experiencing homelessness.

We collected 44 toys and gift cards which were delivered to the organization on December 15th.

Happy Holidays everyone! May the joy of the season be with you. We wish you a healthy and joyous rest of the year! ■



PHOTO: BILL KEEFE



# Governor Files HERO Act

## Bill Would Improve Benefits for Veterans

By Bill Keefe  
Assistant Deputy Director

**O**n November 9, Governor Maura Healey filed the HERO Act, a comprehensive bill to improve services and benefits for veterans.

Included in the 116-section bill is the PERAC-sponsored veterans' buyback language filed as H 2627 and S 1750 by Representative Jerald Parisella of Beverly and Senator John Velis of Westfield, respectively.

Section 9 of the bill would provide a veteran working in public service with more time to enter an agreement to purchase up to four years of military service, to within a year of vesting rather than the current within 180 days of entering public service.

Section 111 of the bill calls for a one-year grace period to give all veterans working in public service who missed their initial window to purchase their military service the opportunity to do so.

The HERO Act, numbered H 4172, has been sent to the Committee on Veterans and Federal Affairs, chaired by Senator Velis and Representative



Gerry Cassidy of Brockton. The Committee will hold a hearing on the bill, may choose to amend it, and then will hopefully report it favorably to continue through the legislative process, first in the House and then the Senate.

"To have Governor Healey's support for veterans' buyback in this way is tremendous," said PERAC executive director John Parsons. "I thank her and Veterans Secretary Jon Santiago for their leadership on this matter to add to the superb work to date by Senator Velis and Representative Parisella."

Among other provisions in the HERO Act, it expands property tax exemptions for veterans, widens access to behavioral health service and aligns the MGL Chapter 115 definition of veteran with the U.S. Veterans Affairs allowing more veterans to be eligible for services and benefits including the state annuity and care at the Soldiers Homes.

"Our veterans have sacrificed so much for our country, and this transformative legislation marks an important step toward ensuring that Massachusetts supports them in return," said Governor Healey. ■

# Member Education Wraps Up for the Year

By Natacha Dunker  
Communications Director

**P**ERAC's board member education series wrapped up for 2023 with the annual *Recent Cases of Interest* webinar on December 14th with over 200 attendees!

Every quarter, we offer a variety of options for retirement board members and staff to stay up to date on retirement law and running a system. Many online options offer the convenience of remote learning while the in-person offerings, such as the Emerging Issues Forum, the MACRS Conferences, and the New Administrator Training, offer an opportunity for the retirement

community to network and learn from each other.

This year, we also continued our partnership with the Office of the Inspector General to deliver informative webinars at no cost to board members and staff.

Our sessions had nearly 1700 attendees in 2023. We are planning another robust series of sessions in 2024, both in person and online,



and hope to see many familiar faces alongside our newest members! ■

## Figuring It Out (continued from page 1)

improvements in the funding of our systems over the past 5 years. In 2018 there were 38 systems that were 70% funded, in 2022 64 of our systems were at or above this level. We now have 30 systems that are over 80% funded, compared to just 16 in 2018. Twelve of our systems have now reached 90% funding, this number was 5 in 2018. These gains were achieved at a time when systems collectively reduced their investment fees from 58 basis points to 55 basis points. Our commitment to competitive bidding and due diligence has greatly

contributed to the investment gains and the reduced fees. Finally, this has been achieved while simultaneously reducing our investment assumption rates; in 2022, 74 systems were at 7% or lower. Municipalities have recognized our hard work and results and worked with boards to meet their funding commitments. You have met your commitment to our system members and retirees.

As this is my final opportunity to write to all of you, I want to thank you for your partnership over the past five years in achieving the above successes.

We have put aside philosophical differences and approached issues and challenges collectively and cooperatively, and the results have been significantly positive. A recently retired politician was described as someone who would prefer to "figure it out" rather than "fight it out". Thank you for working together with us to "figure it out."

I wish you all a healthy and happy holiday season and all the best in 2024!

# Meet Our New Hires!

By Natacha Dunker  
Communications Director

We had several new hires in 2023 to fill our staffing needs after recent departures and retirements. We are delighted to welcome them to PERAC! ■

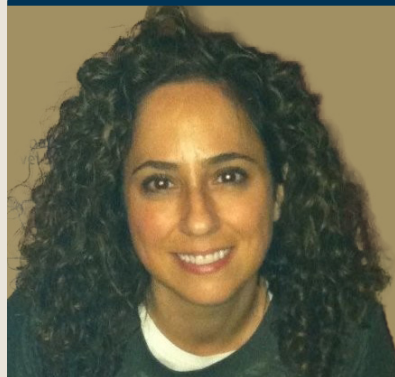
## Kellie-Ann Capurso Investment Analyst

Kellie-Ann is a dedicated Investment Operations professional who comes to PERAC with 12+ years of Business Administration and Investment Operations experience.



## Loretta Lamoureux Fiscal Officer

Loretta's career revolved around higher education, most recently as Assistant Director of Finance in the Patent Office at Brandeis University, where she earned a Master's in Finance.



## Benjamin Condon Actuarial Assistant

Ben recently graduated from Texas Tech University with a degree in mathematics. He works in the actuarial unit under John Boorack.



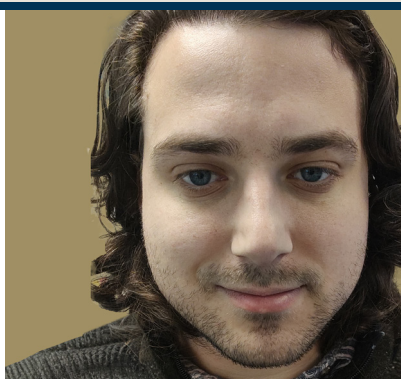
## Naomi Marinez Auditor I

Naomi is a 2021 graduate of the University of Massachusetts/Boston. She got engaged and started her new job all in the same month!



## Nathaniel Gietz Actuarial Assistant

Nate studied math at the College of William and Mary and enjoys cooking. He also works in the actuarial unit under John Boorack.



## Rajeshwari Prasad Auditor I

Raj comes to PERAC from a public accounting firm where she worked as an internal auditor. She is very excited to join the Commission!



## Anna Huang Investment Analyst

Anna recently completed her MBA in Finance and comes to us from the Boston City Council where she worked as a Legislative Aide.



## Daniel Svirkin Actuarial Assistant

Daniel studied math in college and likes to hike! He is the third new hire to join John Boorack in the Actuarial Unit.

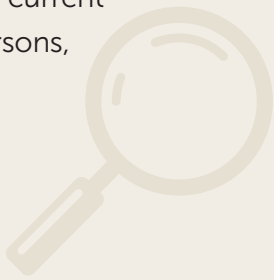




## Executive Director Search

The work of the search committee has begun after the announcement earlier this year of the upcoming retirement of the current executive director, John Parsons, in March 2024.

See our website for the job description and meeting dates.



ADOBE STOCK ILLUSTRATION

## Recently released Memos:

### #23: Paid Family and Medical Leave & Supplemental Payments

Recent Updates to PFML

### #24: Outsourced Chief Investment Officer (OCIO) Policy

Commission limitations on the use of an OCIO

### #25: Cybersecurity Training

Free year-long program available to all retirement boards

### #26: 2023 Pension Fraud Prevention Campaign

New biennial campaign launched

### #27: Current Members in Service Who Made an Election at Age 70

Members may now elect to restart their contributions

### #28: Disability Data Changes

Requests to boards to update data by January 15, 2024

### #29: Tobacco Company List

### #30: Mandatory Retirement Board Member Training

Schedule of available training for first quarter, 2024

## Updates to 840 C.M.R. continue

The Commission has voted to approve changes to several sections of the regulations. We will keep you posted as the changes to the regulations go through final approval.

The next round of updates will begin next year. We will send notice of the public hearings when they are scheduled.

Thank you for all your feedback during this process!



ADOBE STOCK ILLUSTRATION

## Upcoming Commission Meetings

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

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

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

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

Meetings are open to the public. See our website for information on joining in person or remotely.

# PERAC

## 2024 Education Schedule course highlights

Credits  
board members  
must earn

**18**  
per term

**3**  
Minimum  
per term year

**9**  
Maximum  
per term year

January 8	Webinar (AGO)	Open Meeting Law
January 18	Webinar	Contract Administration
January 21-22	Conference	Communications Summit (NCPERS)
January 22-24	Conference	Legislative Conference (NCPERS)
February 9	OIG Academy	Boards and Commissions
February 15	Webinar	Preparing the Annual Statement
	- SAVE THE DATE -	
March 21	Board Administrator Training in Norwood - registration is open!	
	Recent Cases of Interest webinar is available on our website!	

Go to [mass.gov/perac-education](https://mass.gov/perac-education) for  
additional resources & registration links

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