

PERAC

Pension News

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Emerging Issues Forum

Annual event gears up for the future

By Natacha Dunker
Communications Director

PERAC hosted the 15th Emerging Issues Forum on September 12, 2019, at the College of the Holy Cross in Worcester, Massachusetts. Despite the pouring rain as attendees arrived, and last minute off-site parking and shuttle bus announcement, we still had close to 230 individuals in attendance. Retirement board members who attended earned three hours of educational credit.

PERAC Executive Director, John Parsons opened the forum and welcomed attendees. He was followed by PERAC Actuary, John Boorack, with a presentation that provided a retrospective of pension funding with a look forward, with *Pension Funding: Past, Present, and Future*.

Jean-Pierre Aubry, Associate Director of State and Local Research at the Center for Retirement Research (CRR) at Boston College, presented *The Cost Burden of Pension and OPEB Plans* which provided insight into the research the CRR has done on pension systems across the United States.

While Massachusetts was not included in their research, the presentation highlighted some key findings.

The keynote speaker, Thomas Spahn of McGuireWoods, provided some eye-opening cautionary tales with *The Ethics of Email and Social Media*.

(continued page 4)



Emerging Issues Forum attendees at the College of the Holy Cross

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2019 Commonwealth Valuation Study

By John Boorack
Actuary

The *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 2019 report was released by PERAC on October 17, 2019. 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, 2019, Commonwealth Actuarial Valuation Report are presented.

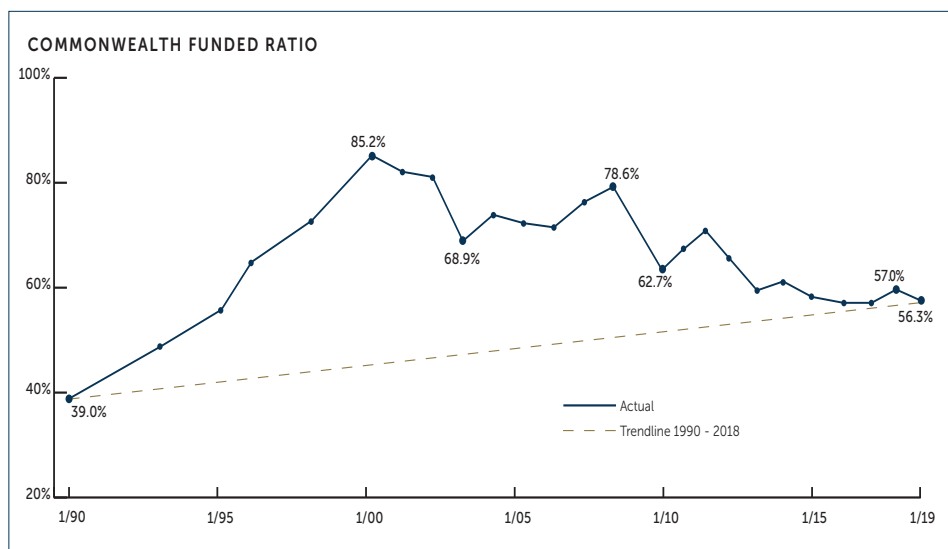
The bar chart, pictured on the following page, shows the unfunded actuarial liability (UAL) since 1990. The UAL represents the actuarial accrued liability less the value of plan assets. As of January 1, 2019, the actuarial liability was \$100.7 billion and the actuarial value of plan assets was \$56.7 billion. The difference of \$44.0 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 of was \$7.8 billion which resulted in a UAL of \$12.2 billion. Since 1990, the actuarial liability has grown by about 5.0 times while assets have grown by about 7.3 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, 2019 amount of 56.3%, the line is moving upward to the right. This demonstrates the funding progress 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 19 years (2000-2018), the average annual return on assets on a market value basis is approximately 6.2%. Over a 10-year and 5-year period, the returns have been 9.3% and 6.5% respectively. The 34-year return (since inception) is 9.3%.

The actuarial liability (and therefore the UAL) as of January 1, 2019, increased \$1.05 billion due to a reduction in the investment return assumption from 7.35% to 7.25%. If the 2019 valuation reflected the 2018 valuation assumptions and plan provisions, the UAL would have been \$43.1 billion. (*continued next page*)



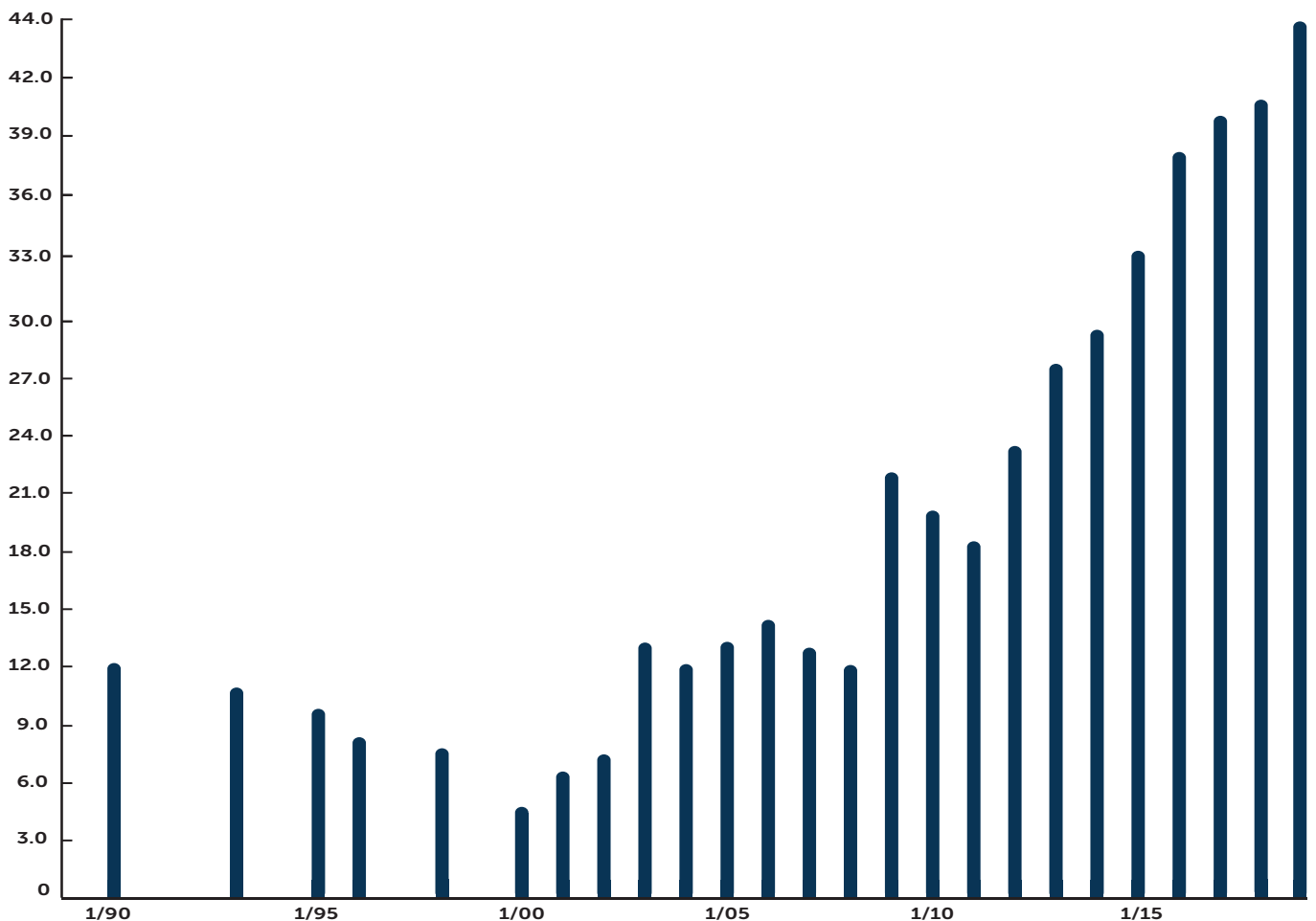
Valuation Study (continued from previous page)

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 five 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, and the change

noted earlier 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, 2019, the actuarial liability is approximately \$13.85 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, 2018 would be \$30.1 billion and the funded ratio would be 65.3%. ■

UNFUNDED LIABILITY
(in billions of dollars)



Fall MACRS Conference

Biannual conference held in Springfield, Massachusetts

By Natacha Dunker
Communications Director

Board members and staff who attended the Fall Conference of the Massachusetts Association of Contributory Retirement Systems (MACRS) were treated to a variety of informative sessions that provided them with additional tools to ensure their retirement systems are running at optimal levels.

Retirement board members could earn up to nine educational credits for attending the conference to help them meet the annual requirement, depending on the sessions they participated in: three credits for attending the presentation by Assistant Attorney General, Ann Lynch; three credits for attending the Legal Panel moderated by Tom Gibson; and three credits for attending the PERAC presentations held on the final morning of the conference, provided by members of the PERAC Legal and Audit Units. Other sessions ranged in topics from the SMART Plan, to human resources matters, and stock volatility.

Attendees were happy to see Susana Baltazar, Executive Director of the Springfield Retirement System, receive recognition for her many



MACRS President, Kathleen Kiely-Becchetti introduces the attorneys on the legal panel, (l-r): Kimberly Fletcher, Katherine Hesse, Judith Corrigan, Lori Krussell, and Natacha Thomas

years of service to the Massachusetts retirement community. She also won the raffle during the banquet!

The MACRS Conferences have become must attend events where board members and staff have an opportunity to not only gain valuable knowledge to help them better assist

their members, but also provide them with an opportunity to network with their peers and learn from each other.

Our thanks, as always, goes out to the planning committee and MACRS president, Kathleen Kiely-Becchetti for all of their hard work and dedication. ■

Emerging Issues (continued from page 1)

According to one of the comments on our feedback forms, "Keynote speaker - energetic, made a lot of good points in an informative way with a twist of humor - made you think!"

After lunch, we closed out the program with a Retirement System Best Practices panel moderated by PERAC Chairman, Philip Brown. Four executive directors from across the state presented on a variety of topics.

Gary Brenner, Executive Director of the Lynn Retirement System, went over *How to Run a Retirement Workshop*. James Lovotti, Executive Direc-

tor of the West Springfield Retirement System, walked attendees through his *Benefit Calculation Process*. Sheila LaBarbera, Executive Director of the Berkshire County Retirement System, presented on *Good Governance*. And finally, Erika Glaster, Executive Director of the Massachusetts Teachers' Retirement System, presented on *Cybersecurity Challenges*.

Due to anticipated ongoing construction on the campus of the College of the Holy Cross, we are currently looking into a new location for next year's conference. ■

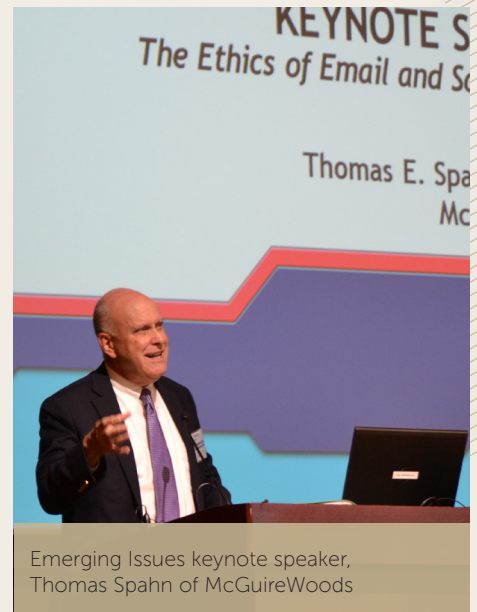
Highlights from

Emerging Issues Forum & MACRS Conference

Thank you all for attending these educational conferences. These events are made better with your participation and constant feedback.



Retirement System Best Practices presenters (l-r): Gary Brenner (Lynn); James Lovotti (W. Springfield); Sheila LaBarbera (Berkshire County); Erika Glaster (MTRS)



Emerging Issues keynote speaker, Thomas Spahn of McGuireWoods



Springfield Mayor Domenic Sarno and board member, Robert Moynihan, congratulate Susana Baltazar after her award at MACRS



Jean-Pierre Aubry of the Center for Retirement Research at Boston College



Members of the West Springfield Retirement Board, Gwen Keough and Fire Chief William Flaherty at the Emerging Issues Forum.



Worcester Mayor and MassHousing Retirement System Executive Director, Joseph Petty at the Emerging Issues Forum



MassRetirees' new CEO, Shawn Duhamel at the Emerging Issues Forum



Spotlight: Bill Keefe joins PERAC

By Natacha Dunker
Communications Director

Bill Keefe joined the Public Employee Retirement Administration Commission as Assistant Deputy Director of Research, Planning, and Public Affairs on October 21, 2019. In this role, he will work on external affairs, legislation, and internal processes.

Prior to joining PERAC, Bill served as Director of Planning in the Office of State Auditor Suzanne Bump, serving in that capacity since 2011. He was responsible for developing and managing the annual audit plan and led a newly created unit in conducting research and engaging stakeholders to develop impactful audit topics and supporting auditors through engagements. This led to operational and policy changes in many diverse areas. Bill was with the Auditor's Office for 23 years, serving under Auditor Joe DeNucci from 1996-

2010 as a Communications Analyst and Deputy Chief of Staff.

After graduating from Syracuse University, Bill started his career in journalism as a writer and editor at what is today the MetroWest Daily News. He continued to freelance for many years for that publication and the Boston Herald, among others.

Bill is the proud father of Abby, 17, Tommy, 15, and Charlie, 13. He serves on two local non-profit boards of directors and plays and officiates hockey.



Bill Keefe, Assistant Deputy Director of Research, Planning, and Public Affairs

"After working with Bill for many years when I was at the Auditor's office, I know first-hand the work ethic and expertise Bill brings with him. I look forward to working with him again here at PERAC," stated Executive Director, John Parsons. "He will be a fresh set of eyes helping us as we work to meet our mission of protecting the benefits of the hard-working public employees of the Commonwealth." ■

Commissioners Machado and Fitzpatrick Reappointed

Commissioners James Machado and Kate Fitzpatrick were both reappointed to another term. The Commission and PERAC staff are grateful that we will continue to have Jim and Kate's experience and guidance," said Executive Director John Parsons.

Commissioner Machado, appointed by Governor Charles Baker, is a Sergeant with the Fall River Police and Commissioner Fitzpatrick, appointed by State Auditor Suzanne Bump, is Town Manager of Needham. ■



New & Noteworthy

Did you know?

PERAC has started posting private audit reports to the website in accordance with our new audit policy, announced with 2019 Memo #18. You can find a link to all audit reports on the Retirement Systems page.

Some of the most recent audit reports posted under the new guidelines include: MassHousing, Norfolk County, and Watertown, which is a blended PERAC/private audit.

Memos released last quarter:

- #19:** Mandatory Retirement Board Member Training - 3rd Quarter
Reviews guidelines for board member education as well as provides the schedule of upcoming training.
- #20:** Reinstatement to Service under G.L. c. 32 § 105
The updated form is effective July 1, 2019 through June 30, 2020.
- #21:** Cost of Living Increase for Supplemental Dependent Allowance Paid to Accidental Disability Retirees and Accidental Death Survivors
The new amount is \$952.32 for systems that have accepted these provisions.
- #22:** Tobacco Company List
Quarterly update of prohibited investments
- #23:** Mandatory Retirement Board Member Training - 4th Quarter
Reviews guidelines for board member education as well as provides the schedule of upcoming training.
- #24:** Appropriation Data Due October 31, 2019
Reminder to retirement systems that appropriation data must be submitted by October 31.



Pension Fraud Posters will be mailed this month!

Since inception, the
PERAC Fraud Prevention Unit
 has identified over
\$52 million
 in excess earnings

Upcoming Meetings

November 13, 10:00 a.m.
 Sub-Committee Meeting

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

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

2020 Meeting Dates
 Will be announced soon

Meetings are held at our Somerville office unless otherwise noted and are open to the public.

PERAC

2019 Education Schedule

fourth quarter

Credits
board members
must earn

18
per term

3
Minimum
per term year

9
Maximum
per term year

Date:	Location:	Topic:
October 31	Northampton	Board Administrator Training
November 20	Westborough	Board Administrator Training
November 20	Southborough	Open Meeting Law
November 25	Webinar	Cases of Interest
December 5	Boston	Conflict of Interest
December 12	Webinar	Chapter 32 in a Nutshell
December 23	PERAC	Cases of Interest

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

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John W. Parsons, Esq.
Executive Director

Natacha Dunker
Editor