13th Annual EMERGING ISSUES FORUM

RETIREMENT SYSTEM BEST PRACTICES

Phil Brown, Moderator | PERAC Commissioner

- Susana Baltazar, Executive Director | Springfield Retirement Board

- Lauren Durham, Executive Director | Hull Retirement Board

- Lisa Maloney, Executive Director | Middlesex County Retirement Board

- Irene Moran, Executive Director | Massachusetts Port Authority Employees' Retirement Board (Massport)

Hogan Conference Center
College of the Holy Cross, Worcester, MA

September 14, 2017

PERAC — PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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Technology/PROSPER

Susana Baltazar, Executive Director
Springfield Retirement Board

September 14, 2017

RETIREMENT SYSTEM BEST PRACTICES

Board Meetings

- Springfield now uses laptops at Board Meetings.

- Board Members are able to review information immediately.

- Saves time and paper!

Use of Laptop for Board Meetings

- The IT Department set up a folder in the network which is only accessible to the members of the Board, the Board Attorney and the Staff.

- The board is able to view the PDF's while attached to the VPN.

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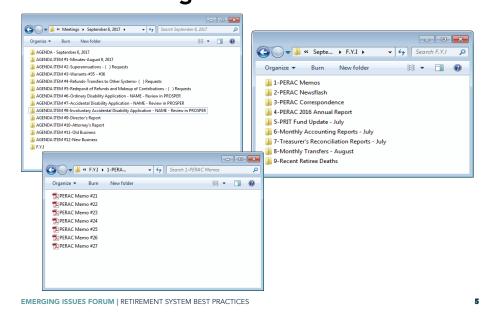_____

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Preparation for Board Meetings

- Information is added throughout the month.

- We create a new folder for each Board meeting with individual folders for each agenda item.

- We scan the information (PDF's) directly into the corresponding folder for each agenda item.

- When the agenda is finalized, we notify the Board.

- Right after a Board meeting, we create a new folder for the next meeting.

Sample Agenda Items From Board Meetings

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Thanks to PROSPER

- We can review and process Disability Applications from start to finish.

- We no longer have to make several copies of all the information.

- We receive real-time status notifications of the Disability Applications.

- Board Members are able to sign documents timely through PROSPER, even if they are not able to come to the office at a specific time.

Procedure to Add Information in PROSPER

- There are three tabs to get a process started:
  - "Start Medical Panel Request"
  - "Start Involuntary Panel Request", and
  - "Start Disability Transmittal".

- To start a Member's Application for Disability Retirement, we would select:
  - "Start Medical Panel Request" then,
  - answer all the questions and
  - scan the information into PROSPER.

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Sample PROSPER Tabs

Administrator View

When Board Members are Ready to Review the Disability Applications...

- All the information is available to Board Members in PROSPER.

- At the Board meeting, if the Board votes to ask for a medical panel, we would then submit the request to PERAC through PROSPER. The information has already been scanned into PROSPER for the Board and does not have to be scanned again when it is time to submit it to PERAC.

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When Board Members are Ready to Review the Disability Applications...

- The next step is for PERAC to set up a medical panel.

- Once PERAC sets up the medical panel, we would receive a notification through PROSPER and an email. (The Member and Employer would be notified by mail the same day.)

- Once we receive the medical panel information from PERAC and the Board reviews this information, the Board would vote on the application.

When the Board Approves an Application...

- We prepare the transmittal and scan the findings of facts and supporting documentation into PROSPER.

- We send an email to Board Members to let them know that they can now sign the Disability Transmittal through PROSPER.

- Once the Board Members have signed the Disability Transmittal, we can then submit the Disability Transmittal to PERAC.

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Because of PROSPER...

- We now have a secure online location to provide disability, medical and other information to Board Members, Physicians and PERAC.

- We no longer need to make several copies of all the Disability Application information for the Board.

- We no longer need to make several copies of medical information for the Physicians of medical panels.

- Board Members will receive information directly from PERAC.

- Board Members can provide information directly to PERAC.

Recent PROSPER Updates
Based on Feedback Received

- CME status will be displayed on the Disability Home Page

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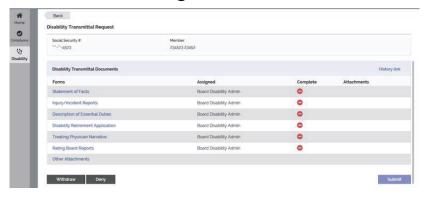_____

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Recent PROSPER Updates
Based on Feedback Received *(Continued)*

- Disability Transmittals for State Police will waive the board signatures

Future Enhancements

- Disability Transmittal submitted because of CRAB/DALA decisions will waive board member signatures.

- Ability to remove attached documents prior to submitting to PERAC

- 91A status displayed on Disability Home Page

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PROSPER Helpdesk

- If you have any PROSPER questions or concerns, please contact the PERAC Helpdesk.

- PERAC Helpdesk
  - 617-591-8983
  - 617-666-4446 ext. 983

- You may also email the Helpdesk at PER-ProsperHelp@per.state.ma.us

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Hull Retirement System

- Retirees/Survivors: 146

- Active Members: 173

- Inactive Members: 25

- Town Administrator/Board of Selectmen

- Community of approximately 10,000 residents

What Makes Hull Unique...

- Beach community — the population grows dramatically in the summer months

- School-aged population is decreasing dramatically

- Many part-time seasonal employment opportunities; lifeguards, seasonal police officers

- Call fire department

- Permanent Intermittent Police officers slowly phased out over the last 3 years

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Monthly Board Meetings

- Voice recording of all meetings, transcribed into the official meeting minutes

- Chair runs the meeting, but Administrator provides clarification when needed

- Executes timelines for statutory actions the Board must comply with, budgets, appropriations, COLA, etc.

- Prepares Town Meeting Articles to go before the BOS and Advisory Board (when needed)

Additional Responsibilities

- Counseling new members, inactive members, beneficiaries, retirees
- Enrolling members, notifying payroll for deductions, monitoring payroll records for correct rate
- Ensuring complete member files
- Posting deductions on a timely basis
- Calculating buybacks
- Processing refunds
- Calculating retirements and disabilities
- Monthly payroll processing of all retirees to get them **PAID!**
- Accounts Payable
- Monthly accounting/reconciling all the cash books
- Interpret and calculate DRO's
- Day-to-day operation of the office

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Annual Responsibilities *(Continued)*

- Process 1099-R
- Active member annual statements
- Budget
- Appropriations
- Extract valuation data (every other year)
- Complete the Annual Statement, have it signed and submitted to PERAC on **TIME!**
- Annual affidavits
- COLA Increase

Challenges

- There is no *"second set of eyes"* to review everything from retirement calculations, buybacks/make-ups and refunds to monthly cashbooks

- Keeping up with the ongoing changes to Chapter 32

- Attracting qualified Board members, Unpaid board (Ex-officio received a stipend) has lead to little interest in serving on our Board

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Checks and Balances

- All checks for payables are stored in the Town Accountants office, with sign out sheet
- Treasurer's office performs all transfers from retirement bank accounts
- Town Accountant/Ex-Officio member reviews monthly bank account reconciliations with sign off
- Annual Independent Financial Audit
- PERAC Audit
- Board is provided with calculation worksheets for all retirements, buybacks, make-ups and refunds to review
- PERAC approval for final pension calculation

Pension Reform

- Maintain open relationship with our Board attorney
- Contact PERAC for clarification when needed
- Create and maintain a working relationship with other Board administrators in order to discuss ongoing changes and/or issues
- Attend training made available for changes to C. 32 through PERAC, MACRS, or other outlets when available

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Quality Board Members

- All new members are required to come into the Retirement office to complete enrollment paperwork where an overview of retirement is presented to each new employee

- Provide semi-annual newsletters distributed to all retirees and active members to inform our membership of the Board's activities

- Posting of Board minutes to the web in a timely fashion to stay updated on Board's activities

- Ability to complete educational requirements online vs. in person

- Offer a Board Stipend to each board member to compensate for time spent on training and meetings

Challenges are what make life interesting.

Overcoming them is what makes it meaningful.

GeniusQuotes.net

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EMERGING ISSUES FORUM

Managing and Adapting to Organizational Change

Lisa Maloney, Executive Director
Middlesex County Retirement Board

September 14, 2017

RETIREMENT SYSTEM BEST PRACTICES

Defining Change Management

change man·age·ment
noun

1. The management of change and development within a business or similar organization

2. Improving an organization by altering how work is done

3. The process, tools, techniques to manage the people side of change to achieve the required business outcome
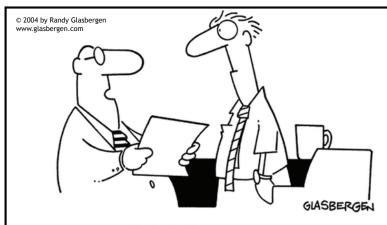
Impact of Change

Business	People
Processes	Board Members
Technology	Staff
Organizational Structure	Employers
Roles and Responsibilities	

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Board Directive/ Staff Mandate

Managing Change

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Change Process

- **Step 1: Assess**
  - Observe, question and listen
  - Identify what needs to be improved

- **Step 2: Prepare and Plan**
  - Form vision/strategy
  - Enlist support

Change Process *(Continued)*

- **Step 3: Enable Action**
  - Implement multi-step processes
  - Set reasonable goals
  - Provide necessary tools and resources
  - Anticipate resistance and plan for it

- **Step 4: Review, Revise, Improve**

  The Tie that Binds: Communication

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Adapting to Change

Sustaining the New Normal

- Constant reinforcement of the "new way"

- Continuous support in both tangible and intangible forms

- Recognition and celebration of results and people

- Leverage lessons learned

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Change Is Opportunity

"Change is the law of life. And those who look only to the past or present are certain to miss the future."

– John F. Kennedy

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EMERGING ISSUES FORUM

Government Finance Officers Association's (GFOA's) Certificate for Excellence in Financial Reporting Program

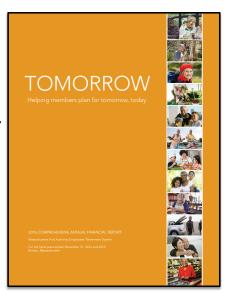*Comprehensive Annual Financial Reports (CAFRs) — An Introduction*

Irene Moran, Executive Director
MA Port Authority Employees' Retirement Board

September 14, 2017

RETIREMENT SYSTEM BEST PRACTICES

Who Is the GFOA?

- The Government Finance Officers Association (GFOA), founded in 1906, represents public finance officials throughout the US and Canada.

- GFOA's mission is to promote excellence in state and local government financial management.

- The association currently has over 19,000 members.

TOMORROW
Helping members plan for tomorrow, today

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT
Massachusetts Port Authority Employees' Retirement System
For the fiscal years ended December 31, 2016 and 2015
Boston, Massachusetts

Government Finance Officers Association's Awards Programs

One of the ways the GFOA promotes excellence in financial reporting is through their awards programs.

- These include:
  - Awards for Excellence in Government Finance
  - Distinguished Budget Presentation Award
  - *Certificate of Achievement for Excellence in Financial Reporting*

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Government Finance Officers Association's (GFOA's) CAFR Program

- GFOA established the Certificate of Achievement for Excellence in Financial Reporting in 1945.

- Objective is to encourage state and local governments (including public employee retirement systems) to go beyond the minimum requirements of GAAP (generally accepted accounting principles) compliance in annual reports.

- Individual governments that produce CAFR's to GFOA reporting standards of transparency and full disclosure are recognized by the GFOA for achieving that goal.

GFOA Awards Approximately 4,200 Certificates of Achievement Annually

- In Massachusetts, three retirement systems and PRIM produce CAFR's and have been award Certificates of Achievement for Excellence in Financial Reporting as well:
  - Massport Employees' Retirement System - 17 years
  - Worcester Retirement System - 13 years
  - PRIM - 11 years
  - MWRA - 3 years

- Also, in Massachusetts over 30 municipalities, authorities, special districts and agencies received the CAFR award this year.

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Is PERAC's Annual Statement a Comprehensive Annual Financial Report as Defined By the GFOA?

- No, a CAFR has a different format and reporting requirements.

- For Chapter 32 systems, a CAFR is produced *in addition to, not instead of,* the PERAC report.

- The components of a CAFR are determined and defined by the GFOA and aspects of the reporting can change on an annual basis.

Elements of a Comprehensive Annual Financial Report (CAFR)

- A CAFR has five sections:
  - Introduction
  - Financial Section
  - Investment Section
  - Actuarial Section
  - Statistical Section

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Introduction Section

- Board Letter (optional) – letter to members introducing theme and highlighting year

- Letter of Transmittal –letter from ex-officio member and director to the board reporting on specific required information

- Board and Staff – bios of board and director

- Organization Chart

- Certificate of Achievement

- Consulting and Professional Services – vendor list

Financial Section

- Independent Auditor's Report

- Management's Discussion and Analysis

- Financial Statements
  - Statements of Fiduciary Net Position & Changes in Fiduciary Net Position, Notes to financial statements

- Required Supplemental Information

- Other Supplementary Information

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Financial Section *(Continued)*

- Audit Requirements:
  - "The financial section of the CAFR must include an independent auditors report on the fair presentation of the financial statements. The auditor must have performed the audit in accordance with either generally accepted auditing standards (GAAS) or generally accepted government auditing standards (GAGAS)…"

  - *Source: www.gfoa.org*

Financial Section *(Continued)*

- Audit Requirements *(Continued)*
  - "The report must have an unqualified audit opinion (a "clean opinion") from an independent auditor."
    Source: gfoa.org

  - Therefore a PERS must have an independent auditor auditing the plan every year and issue financial statements that are GAAP compliant.
  - These financial statements are separate and distinct from the PERAC Annual Statement .

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Investment Section

- Report on Investment Activity
- Outline of Investment Policies
- Investment Results
- Asset Allocation
- List of Largest Assets Held
- Schedule of Fees and Commissions
- Investment Summary by Type

Actuarial Section

- Actuary's certification
- Summary of Actuarial Methods and Assumptions
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries
- Solvency Test
- Schedules of Funding Progress

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Statistical Section

- Financial Trends
  - Schedule of Changes in Fiduciary Net Position
  - Schedule of Additions by Source
  - Schedule of Deductions by Type
  - Schedule of Benefit Deductions by Type
- Demographic and Economic Information
- Operating Information
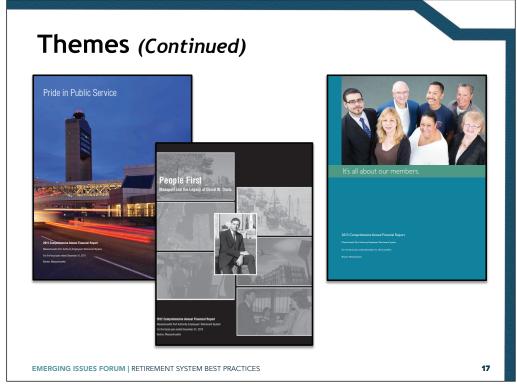 - Schedule of Average Benefit Payments

GFOA Application Process

- Deadline for submissions is six months following the end of the plan year. So June 30th for Chapter 32 systems.

- Application fee is required.

- Each CAFR submitted to the GFOA is reviewed by GFOA staff and members of the GFOAs Special Review Committee.

- A certificate is awarded only if there is consensus among reviewers that a CAFR substantially complies with both GAAP and program policy.

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Themes

Themes *(Continued)*

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Additional Considerations

- Adequate staffing?

- Hire a graphic designer?

- Coordination with outside vendors; auditor, investment consultant, actuary

- Independent auditor, independent actuary

So What's In It For Me?

- A CAFR is a comprehensive snapshot of your plan at specific point in time.

- A CAFR is a very useful tool for providing plan information to interested parties, for example, your members, the plan sponsor(s), outside auditors, the press, bond holders (if applicable).

- CAFR represents transparency and is a best practice that adds a level of professional credibility to your organization.

- It makes you look good ☺ - awards are good.

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MPAERS CAFR TIMELINE — 2017 (for FY2016 CAFR)

Report due to GFOA by June 30, 2017

February
1-28   Work on concept (design & copy)
14   Meet w/ graphic designer to discuss broad concepts & theme

March
1-28   Work on Intro section (Board Letter and Letter of Transmittal), Actuarial section, and review FAQ
6   Audit begins (KPMG)
20   Send Introduction, Actuarial, FAQ to graphic designer
24   Distribute Board letter to board members for review/feedback
30   Board Meeting: -KPMG presenting financials

April
1-30   Work on Financial, Investment, and Statistical sections
10   Send Financial, Investment, and Statistical sections to graphic designer

May
1   Board letter and stat section charts
3   Receive 1st round draft of CAFR
5   Distribute draft document to board members & KPMG
11   Comments due from Board & KPMG
12   Forward changes to graphic designer
18   Receive 2nd round draft of CAFR
19-22   Send revisions to 2nd round draft to graphic designer

June
5   CAFR to printer
8   Proof from printer; reviewed by all staff
14   Corrected proof returned to printer (changes reviewed with graphic designer)
21   CAFR back from the printer

Resources

- **Sample CAFR's: Websites of MPAERS, MWRA and Worcester Retirement System**

- **www.gfoa.org**
  - CAFR section
    - ○ Eligibility Requirements
    - ○ How To Submit a CAFR
    - ○ Checklist for Postemployment Benefit Systems and Investment Pools, 2016 Program Results
  - For questions, email CAFRprogram@gfoa.org

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13th Annual

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