



PERAC

The Year in Review



Actuarial Unit

As always, actuarial information details the fiscal condition of the systems, which can play a direct role in state and local budgets. The funded ratio indicates the extent to which assets cover system liabilities. When the system will pay off its unfunded liability and what type of funding technique is being used are also noted. PERAC has consistently urged boards to conduct actuarial valuations in order to provide an up-to-date assessment of the fiscal condition of the system.

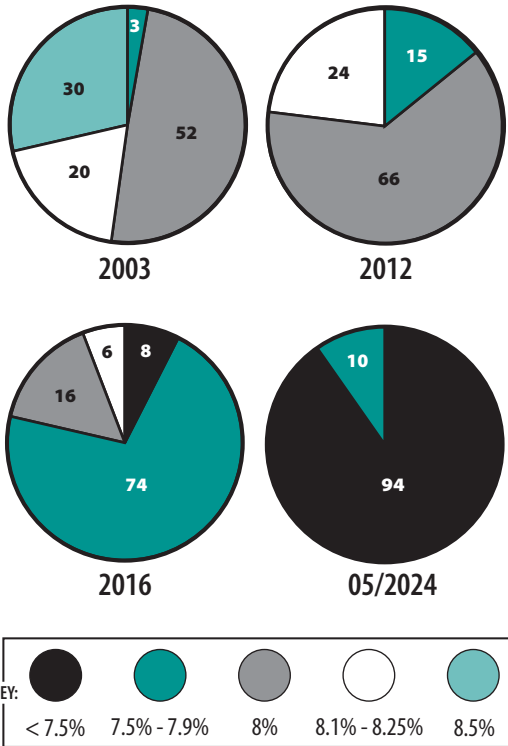
In the actuarial area, PERAC approved 46 revised funding schedules and completed 20 actuarial valuations in 2023. The valuations complemented the 20 valuations performed by private actuaries. Throughout the year, PERAC responded to legislative and gubernatorial requests for analysis of legislation and made several presentations. ■

Actuarial Valuations and Funding Schedules (By Year)

YEAR	PERAC VALUATIONS	PRIVATE VALUATIONS	FUNDING SCHEDULES
2023	20	20	46
2022	19	55	68
2021	20	23	38
2020	18	55	69
2019	17	22	36
2018	19	44	63
2017	22	24	46
2016	21	50	62
2015	24	24	40

The Massachusetts Investment Return Assumptions from 2003 to present:

Investment Return Assumptions—Massachusetts





Audits

As in 2022, the Audit Unit continued to work in a hybrid fashion, although more in person than remote. PERAC issued 21 audits and 17 follow-up audits in 2023. Appreciation is extended to all retirement boards that underwent audits for their cooperation, courtesy, and accommodations.

We had some staff changes during the year as one auditor left for other employment and two new auditors were hired.

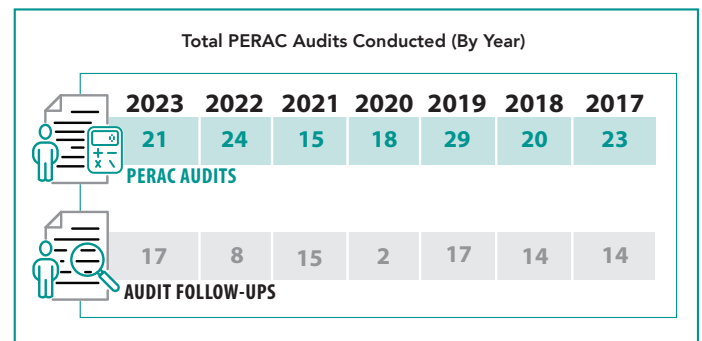
The Audit Unit continued to work with PERAC's IT Unit to integrate the Annual Statement submission process into PROSPER. All Annual Statements are now submitted and housed in PROSPER. Our goal is to introduce even more audit functionality into the PROSPER application

to streamline the information gathering needed to complete our audits more efficiently.



The Audit Unit also participated in the internal working group reviewing all of PERAC's regulations, conducted our annual seminar on the preparation and submission of the Annual Statement, presented at the spring MACRS conference and the New Administrator trainings and provided technical assistance to dozens of boards.

Monthly meetings of the full Audit Unit continued to provide opportunities for coaching, troubleshooting, and training for our staff. ■



Information Technology

The Information Technology Unit has been busy with projects to enhance internal PERAC functionality and automating processes for retirement systems within the PERAC Portal.

Three such projects in the works that will impact Retirement Boards for FY25 are outlined in the figure below.

The PERAC IT unit has also been very busy preparing the office for the upcoming move later this year. ■



Projects Moving into PROSPER in FY 2025

- 1 Retirees will have the option to file 91A online via PROSPER.
- 2 Ability to submit Audit Pre-Planning Questionnaire & Audit files through PROSPER.
- 3 Plans to move audit Internal Control Questionnaire to an online submission, allowing Boards to only update information that has changed from a prior submission.

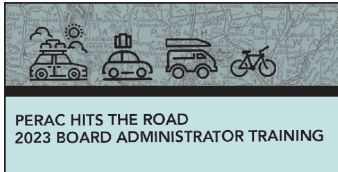


Education

PERAC's educational offerings continued to build off the previous year's offerings with several in-person and remote sessions available for retirement board members and staff.

A wide variety of sessions were offered each quarter giving board members an opportunity to comply with their educational requirements while also ensuring the topics remained varied and relevant to them.

Board Administrator Training



The New Administrator Training continued for the second year in a row after a brief post pandemic hiatus. The one-day events were held in Northampton, Norwood,

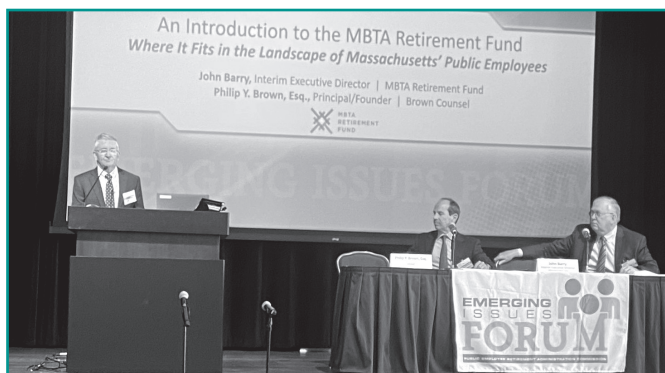
and Danvers with very well attended sessions. The topics covered in these sessions included An Audit Case Study, Recent Audit Results, Before and After 4/2/2012, Common Questions Concerning Post-Retirement Work, Actuarial Valuation Basics, Local Options and a Compliance Overview. Board members who attended earned three educational credits.



Above Left: The Honorable Ali Khawar from the US Department of Labor delivers a Forum presentation.



Above Right: (L-R) PERAC's John Parsons, Bill Keefe, Ken Hill and Chairman Phil Brown at the 2023 Forum



Emerging Issues Forum



This year's Emerging Issues Forum felt like old times with a packed house and a full agenda. This was the final year at Holy Cross and the day did not disappoint. We

had beautiful weather, a host of engaging presentations and close to 200 participants.

Doug Howgate, president of the Massachusetts Taxpayers' Foundation, gave an engaging presentation on the state of the Massachusetts economy. The Honorable Ali Khawar, Principal Deputy Assistant Secretary with the U.S. Department of Labor provided insight on the Department of Labor rules on fiduciary consideration of environmental, social and governance (ESG) factors. The Honorable Ken Gordon, Chair of the Joint Committee on Public Service updated attendees on legislative matters related to public retirement. Finally, John Barry, Interim Executive Director of the MBTA Retirement Fund, and PERAC Chairman Phil Brown, helped attendees better understand the differences and similarities of the MBTA retirement plan.

We look forward to welcoming everyone at our new location in 2024.



Welcome and Agenda posters greet participants at the 2023 Emerging Issues Forum.



Above: Chairman Phil Brown delivers the Forum's Welcome Remarks
Left: PERAC's John Parsons introduces the MBTA Retirement Fund presentation.

EMERGING ISSUES FORUM	
AGENDA	
8:00	REGISTRATION DESK OPENS
9:15 - 9:30	Welcome / Opening Remarks <ul style="list-style-type: none"> Philip Y. Brown, Esq., Chairman PERAC John W. Parsons, Esq., Executive Director PERAC
9:30 - 10:30	State Fiscal Climate and Economic Outlook <ul style="list-style-type: none"> Doug Howgate, President Massachusetts Taxpayers Foundation
10:30 - 10:45	MOBING BREAK
10:45 - 11:30	DOL Rule on Fiduciary Consideration of ESG Factors in Selecting Investments <ul style="list-style-type: none"> Honorable Ali Khawar, Principal Deputy Assistant Secretary, U.S. Department of Labor
11:30 - 12:00	Retirement and Pension Issues Before the Public Service Committee <ul style="list-style-type: none"> Honorable Kenneth Gordon, House Chair, Joint Committee on Public Service
12:00 - 1:00	BUFFET LUNCH
1:00 - 2:15	An Introduction to the MBTA Retirement Fund <ul style="list-style-type: none"> John Barry, Interim Executive Director MBTA Retirement Fund Philip Y. Brown, Esq., Principal Founder Brown Counsel
2:15 - 2:30	Closing Remarks
2:30	FORUM ENDS

MACRS

PERAC staff also participated in the spring and fall MACRS Conferences in 2023. The Conferences were well attended and included several PERAC presentations including Reading Accounting Reports, Recent Remand Trends, Section 91A and Business Ownership, the Legal Panel, and an overview of the proposed updates to some of PERAC's regulations.



2023 Pension Fraud Poster Campaign

PERAC is mandated by the Legislature with identifying and preventing public pension fraud and runs a poster campaign every other year. Copies of a poster, PERAC's Referral Report of Potential Fraud and a brochure about the PERAC Fraud Prevention Unit and various types of pension fraud are distributed to the public. The mission is to facilitate the reporting of fraudulent pension claims and payments. The 2023 Fraud Poster Campaign portrayed a superhero theme to spread the word to the public about the PERAC hotline and email address for confidential reporting of pension fraud.



PERAC's 2023 Pension Fraud Prevention Campaign poster.

Other Training Events

In addition to the in-person events, we continued our virtual educational series with several webinars throughout the year. Our partnership with the Inspector General continued with webinars on Fiduciary Duty for Board Members, Fraud Prevention and Awareness and Contract Administration. PERAC staff also conducted webinars on the ever popular Recent Cases of Interest, Veterans Benefits and Annual Statements and Cash Books. Webinars offered by PERAC are typically recorded and posted to our website for board members to have another opportunity to earn credits if they are unable to attend the live sessions.

With close to 1700 course completions in 2023 for all educational sessions, we will continue to listen to the feedback we receive to ensure we keep offering topics that are relevant and useful to the public retirement community. ■

Number of Education Courses Completed (By Year)

2013		1,743
2014		1,796
2015		1,412
2016		1,348
2017		1,874
2018		1,633
2019		1,278
2020		1,273
2021		1,992
2022		1,548
2023		1,658



Legislation

This year saw PERAC file an ambitious legislative agenda. With the start of a new two-year legislative session beginning in 2023, PERAC filed seven bills in the House of Representatives in November of 2022. Five were refiles from the 2021-2022 session and two were new bills.

The two new bills were H. 14, An Act to Provide for Payment of Creditable Service which would require the members of a public entity that joins Chapter 32 to purchase their prior service in line with other buybacks. H. 15, An Act Clarifying the Chapter 32 Definition of Wages was filed in response to the *Vernava* case, which hinged on the Chapter 32, Section 1 definition of regular compensation being tied to services performed. To ensure that usage of accrued leave time remains treated as regular compensation as it has since the beginning of the public retirement system in 1946, this bill adds vacation, sick and personal time to the definition of wages, excluding when used with workers comp benefits.

In addition to the bills filed by PERAC four legislators also sponsored bills that PERAC had filed in the past. Rep. Jerry Parisella and Sen. John Velis, both veterans, filed An Act Relative to Veterans' Buyback. After being passed by the House in July 2022, the Senate passed Veterans' Buyback on the last day of the legislative session in January 2023, but it needed one more procedural vote in each chamber to get to the Governor before the clock ran out.

Additionally, Rep. Jay Livingstone and Sen. Pat Jehlen, the authors of the Massachusetts Equal Pay Act which ensures people of different genders are paid comparably, filed An Act to Protect Gender Pay Equity, which would add an exemption to the anti-spiking statute for salary adjustments made in accordance with the Equal Pay Act.

All of the legislative initiatives had public hearings before the Joint Committee on Public Service during 2023.

The Fiscal Year Budget for 2023 included a 3% Cost of Living Adjustment for the State and Teachers' Retirement System.

The Open Meeting Law waivers, which have exempted public bodies from having a physical quorum for a meeting and the Chair being physically present as long as there is adequate alternate means of access to the public, were extended to March 31, 2025.

The Actuarial Unit provided cost estimates on two dozen classification bills at the request of the Public Service Committee to aid in their deliberations. PERAC regularly reviewed legislation by legislative request for matters of equity, consistency and technicality. Additionally, PERAC regularly responded to legislative requests regarding retirement-related issues for constituents. ■

PERAC-Filed Bills

1	House 9 - An Act Relative to Pension Forfeiture
2	House 10 - An Act Relative to the Recovery of Overearnings
3	House 11 - An Act Relative to Modifications of Retirement Allowances
4	House 12 - An Act Relative to Accidental Disability and Group 1 Emotional Distress
5	House 13 - An Act Providing for Statement of Financial Interest Flexibility
6	House 14 - An Act to Provide for Payment of Creditable Service
7	House 15 - An Act Clarifying the Chapter 32 Definition of Wages

Legislator-Filed Bills

1	House 2627/S 1750 - An Act Relative to Veterans' Buyback
2	House 2588/S 1691 - An Act to Protect Gender Pay Equity





Legal Unit

PERAC's Legal Unit represented the Commission in numerous cases this past year at the Division of Administrative Law Appeals. Cases also progressed through the Contributory Retirement Appeal Board, and to the Superior Court, where the Legal Unit assisted the Attorney General's office in ongoing cases.

The Legal Unit also produced 131 Opinion Letters in 2023, including the statutorily required review of the supplemental regulations of retirement boards, and conducted the statutory review of all accidental disability, accidental death, ordinary disability, and termination retirement allowance applications approved by the 104 retirement boards.

The Legal Unit reviewed 572 disability transmittals and remanded 39 transmittals. Members of the Legal Unit also participated in, produced, and presented numerous educational webinars. ■

Total Legal Opinions and Disabilities Reviewed (By Year)

	2023	2022	2021	2020	2019	2018
 LEGAL OPINIONS	131	147	192	115	131	169
 DISABILITIES REVIEWED	572	613	602	537	628	629







Medical Panels

In addition to the information detailed in the Profiles, PERAC, as always, has been busy assisting the boards in other areas.

In 2023, 770 medical panel requests were initiated and processed. A total of 569 disability applications and 10 accidental death claims were approved in 2023.

For Post-Retirement medical reviews, 1,607 disability retirees were eligible for comprehensive medical evaluations. Occupational Health Physicians conducted comprehensive medical evaluations on 20 retirees and 5 retirees were examined for restoration to service. ■

Medical Panels (By Year)

	 MEDICAL PANEL REQUESTS	 IN-HOUSE CME REVIEWS	 DISABILITY APPROVALS	 DEATH APPROVALS
YEAR				
2023	770	1,607	569	10
2022	703	578	585	14
2021	806	1,116	600	16
2020	470	1,110	494	9
2019	768	1,424	628	23
2018	641	1,312	616	9
2017	523	1,315	456	53
2016	659	1,356	499	76
2015	648	1,398	543	66
2014	669	1,302	573	24



Post-Retirement Earnings

PERAC is responsible for the post-retirement monitoring of disabled retirees. One aspect of that task is enforcing the earnings limits set forth in Chapter 32. In 2023, PERAC analyzed 12,680 earnings reports, 3,492 retirees reported earnings and 136 earned more than the statutory limits.

An additional 49 retirees failed to comply with the reporting requirement. This resulted in the identification of \$2,006,406 in excess earnings and \$452,518* for non-compliance. In addition, 23 retirees waived their allowance, saving \$534,268. ■

*Not all boards submit amounts.

“In 2023, PERAC analyzed 12,680 earnings reports, 3,492 retirees reported earnings and 136 earned more than the statutory limits. An additional 49 retirees failed to comply with the reporting requirement.”

Post-Retirement Earnings (By Year)

YEAR	EARNINGS REPORTS ANALYZED	REPORTED EARNINGS	NUMBER OF EXCESS EARNERS	NON-COMPLIANT	WAIVED
2023	12,680	3,492	136	49	23
2022	12,789	3,304	108	67	20
2021	12,733	3,344	87	178	21
2020	12,783	3,563	87	161	22
2019	12,859	3,473	87	92	23
2018	12,773	3,557	62	73	21
2017	15,576	3,720	59	135	21
2016	15,895	3,849	54	101	37
2015	15,887	3,845	146	84	36

YEAR	EXCESS EARNINGS AMOUNT	NON-COMPLIANCE AMOUNT	WAIVED AMOUNT
2023	\$2,041,733	\$1,175,814	\$534,268
2022	\$1,624,757	\$827,719*	\$463,090
2021	\$1,189,525	\$5,624,045	\$438,967
2020	\$1,459,319	\$4,100,425	\$263,238
2019	\$1,222,947	\$2,401,351	\$356,167
2018	\$933,422	\$1,572,729	\$352,691
2017	\$858,781	\$4,418,867	\$400,867
2016	\$839,993	\$2,606,471	\$502,028
2015	\$1,459,550	\$2,176,174	\$556,935

* Not all boards reported Non-Compliance Amounts