

**Commission Meeting Minutes
September 13, 2017**

Chairman Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:10 AM. He then asked for a moment of silence in honor of former State Auditor and former Vice Chair of this Commission Joseph DeNucci whose funeral is today.

Chairman Brown announced that there is a stenographer taking the minutes on behalf of the Chelsea Retirement Board and asked the speakers to announce their names and to speak clearly. He then stated that the Commission meeting is being tape recorded and will be so noted in the minutes.

He then acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, and James Machado. Commissioners Robert McCarthy (attending the funeral) and Jennifer Sullivan were not in attendance.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, Deputy General Counsel and Managing Attorney Judith Corrigan, Actuary James Lamenzo, Compliance Officer Tom O'Donnell, Compliance Counsel Derek Moitoso, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Director of Administrative Services Caroline Carcia, Chief Auditor Caryn Shea, Compliance Analyst Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Erika Glaster and Sean Neilon representing Massachusetts Teachers' Retirement System, Thomas Gibson representing the Middlesex County and Belmont Retirement Boards, Gerald McDonough representing Thomas Gibson Law firm, Frank Valeri representing the Massachusetts Retirees Association, Brian Fox representing Murphy, Hesse, Toomey, and Lehane LLP, and Anne Bohan from Doris Wong Associates.

Commissioner Fitzpatrick made a motion to adopt the July 12, 2017 Commission meeting minutes. Commissioner Machado seconded the motion and the minutes were adopted.

Actuarial Update

Mr. Lamenzo discussed the draft January 1, 2017 Commonwealth Actuarial Valuation Report. He stated that the FY18 appropriation under the schedule is \$2.394 billion and will increase by 8.94% each year until FY36.

As of January 1, 2017, the Commonwealth's Total Pension Obligation unfunded liability was approximately \$39.6 billion. That amount is the difference in the value of benefits owed and the value of assets available as of that date. This represents an increase of \$1.8 billion from the Unfunded Actuarial Liability (UAL) as of January 1, 2016. This increase primarily reflects a change in the mortality assumption. The funded ratio as of January 1, 2017 has 56.7% which was coincidentally the same as that on January 1, 2016.

Commissioner Fitzpatrick made a motion to adopt the draft January 1, 2017 Commonwealth Actuarial Valuation Report and to distribute accordingly. Commissioner Machado seconded the motion and the motion was adopted.

Mr. Lamenzo distributed the draft January 1, 2017 Actuarial Valuation Executive Summary for the Massachusetts Teachers' Retirement System and briefly discussed some of the valuation results which are included in the Commonwealth Valuation Report.

Legal Update

Mr. Connarton stated that Mr. Parsons was not in attendance today and that Ms. Corrigan will be reporting on the legal update.

Mr. Hill reported on *Morales v. Lawrence RB and PERAC*, CR-13-79 (July 7, 2017), Mr. Charles reported on *Watertown Retirement Board v. Justices of the Framingham District Court & Deignan*, Middlesex Superior Court, Civil No. 15-5260. Ms. Corrigan then briefed the Commission about the *Fitzpatrick* and *McLaughlin* cases of the Chelsea Retirement Board.

Ms. Corrigan discussed a letter received from the Chelsea Retirement System pertaining to James Fitzpatrick. She explained our disagreements with the reasoning in their letter. The Commission suggested that PERAC send a letter to the Chelsea Retirement System with its concerns. The Commission also suggested sending a follow-up PERAC Memo to All Retirement Systems explaining the forfeiture procedure(s) in the post-*Bettencourt* era.

Legislative Update

Mr. Connarton stated that Mr. DeVito was not in attendance today and he updated the Commission on H. 19: An Act Providing for Continuing Education Credits Flexibility and H. 20: An Act Relative to Chapter 32, Section 15(7) Determinations – both bills remain in the Joint Committee on Public Service. He continued that he and several others had recently met with Senator Cindy Friedman, Chair of the Joint Committee on Public Service, and discussed the Pension Forfeiture Report. He believes that the Report will be a framework for some uniformity and not the final legislation that will ultimately be filed. A hearing has been scheduled for Tuesday, October 10, 2017 at 1:00 PM in room A-2 for those interested in attending.

Audit Update

Ms. Shea updated the Commission that the auditors are currently auditing Adams, Blue Hills, MWRA, Northbridge, and Winthrop Retirement Systems. Fairhaven and Natick Retirement Systems audit reports were posted on the PERAC Web Page since the last Commission meeting and she briefly reported on the findings. She then reported that six-month follow-up audit reports performed at Everett and Saugus Retirement Systems.

Ms. Shea then reported that PERAC has hired additional auditors and the Audit Unit is currently fully staffed.

Executive Director's Report

Mr. Connarton made note of staff activities that have occurred since the last Commission meeting.

Mr. Connarton reminded the Commission about the State Police contribution rate matter. He reported that the State Retirement Board has notified Colonel Richard McKeon that commencing with the new training troops (effective August 14, 2017) all new uniformed employees of the Department of State Police will be required to contribute at the rate of 12% regardless of any prior membership.

Mr. Connarton then reminded the Commission that PERAC will be hosting the 13th Annual Emerging Issues Forum on September 14, 2017, at the College of the Holy Cross in Worcester and that 320 individuals have registered.

Mr. Connarton reported that the "Administrative" road show held in Northampton was very successful. The administrators that attended received a certificate and board members received credits. There will be two more training sessions in Hyannis on October 17 and in Danvers on November 14.

Mr. Connarton reported we have received a proposal from the property owners for our 14,500 square foot office space at 5 Middlesex Avenue, Somerville. He stated that the current lease term ends on June 30, 2018, the current rate is \$25.50 per square foot. Should DCAM sign off on its financial analysis review for a 5 year lease extension the owner proposes \$32.00 per square foot at the end of the 5 years, which is an excellent rate for this location. The owner would replace some carpets, tiles, paint and such but reserves the right to relocate some of our parking spaces if and when new development happens. The proposal has been forwarded to DCAM and we await their response. He thanked Ms. Carcia who has been diligently working on this project.

Mr. Connarton stated that Judge Paul Menton, first Chairman of PERAC, appointed by Governor William Weld, passed away recently and he asked if the Commissioners could sign a Resolution for his family. He then summarized the resolution.

Commissioner Fallon inquired about the roll out of the IT Project.

Mr. Connarton stated that Mr. Boyle will update the Commission next month. He continued that although there have been a few glitches we are working with those boards involved. For the majority of the roll out, we have had much success.

Commission Travel

Mr. Connarton notified the Commission about the upcoming 2017 Fall MACRS Conference being held on October 1-4, 2017 in Springfield, MA should there be any interest in attending.

Commissioner Machado made a motion to grant permission for any interested Commissioner and staff to attend the above conference. Commissioner Fallon seconded the motion and the motion was adopted.

Commissioner Fitzpatrick stated that Commission Travel would be discussed at the next Administrative Sub-Committee meeting.

Compliance Update

Mr. O'Donnell deferred his report until after the Executive Session is held.

Executive Session

At 12:15 PM Chairman Brown stated that the Commission would go into Executive Session to discuss and deal with matters the disclosure of which would result in an unwarranted invasion of an individual's privacy. The subject(s) of the issue at hand have been notified in writing of this meeting and have not asked that it be held in open session. The Commission will reconvene in open session for the purpose of ratifying its decision and adjourn. A roll call vote was taken to go into Executive Session as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathleen Fallon YES; Kate Fitzpatrick YES, and James Machado YES.

Chairman announced that the Commission will reconvene in open session in about 10 to 15 minutes after the completion of the Executive Session.

A roll call vote was taken in Executive Session to return to the regular order of business and to adjourn the Executive Session at 12:30 PM.

Open Session

Commissioner Dooling made a motion to ratify the vote from Executive Session to bar the following former retirement board members from serving as members on a retirement board governed by M.G.L. c. 32 for their failure to file their 2016 SFIs pursuant to Section 20C effective September 13, 2017:

Rory Casey	Holyoke Retirement Board
Louis deBrigard Jr.	Reading Retirement Board
David Given	Natick Retirement Board
Robert Massie	Somerville Retirement Board
William Powers	Hingham Retirement Board

Commissioner Machado seconded the motion and it was adopted.

Other Business

Chairman Brown stated that the next Commission meeting will be on Wednesday, October 11, 2017.

Commissioner Fitzpatrick made a motion to adjourn the meeting. Commissioner Fallon seconded the motion and the meeting adjourned at 12:32 PM.

Commission Meeting Documents

Commission Agenda for the meeting of September 13, 2017
Commission Minutes from July 12, 2017

Actuarial Update

Draft Executive Summary for the 1/1/17 Commonwealth Actuarial Valuation Report

Legal Update

Morales v. Lawrence RB and PERAC, CR-13-79 (July 7, 2017), *Watertown Retirement Board v. Justices of the Framingham District Court & Deignan*, Middlesex Superior Court, Civil No. 15-5260, and correspondence regarding the *Fitzpatrick* and *McLaughlin* cases

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audits

Executive Director's Report

Updated Staff Activities Memo
Correspondence regarding the Contribution Rate for State Police
Emerging Issues Forum Agenda
Resolution for the Honorable Paul Menton

Commission Travel

MACRS Registration Form

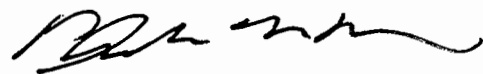
Other Documents

Pension & Investments articles entitled *Funding for largest public pension plans inches up in quarter* and *San Francisco board split on staff-opposed measure to divest fossil-fuel companies*
NCPERS white paper entitled *Public Pensions are a Good Deal for Taxpayers*

Documents Distributed at Meeting

Draft 1/1/17 Commonwealth Actuarial Valuation Report
Draft Executive Summary for the 1/1/17 Massachusetts Teachers Retirement System Actuarial Valuation Report

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission