

**Commission Meeting Minutes
October 11, 2017**

Chairman Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:05 AM. He then stated that the Commission meeting is being tape recorded and will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, James Machado, and Robert McCarthy. Commissioner James Machado participated remotely per the Attorney General's Open Meeting Law 940 CMR 29.10; therefore all votes in this meeting were taken by a roll call vote. Commissioner Jennifer Sullivan was not in attendance.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel and Deputy Director John Parsons, Deputy General Counsel and Managing Attorney Judith Corrigan, Director of Information Systems Dan Boyle, Director of Strategic Planning Mike DeVito, 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, Fraud Prevention Manager Sandy King, Compliance Analyst Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Sean Neilon representing Massachusetts Teachers' Retirement System and John Brown representing the Massachusetts Association of Contributory Retirement Systems.

Commissioner Fitzpatrick made a motion to adopt the September 13, 2017 Commission meeting minutes. Commissioner Dooling seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Robert McCarthy YES, and the minutes were adopted.

Audit/Fraud Prevention Sub-Committee Meeting Update

Chairman Kathy Fallon presided over the Audit/Fraud Prevention Sub-Committee meeting held the morning of October 11, 2017. She recapped the meeting where the following items were discussed: the new fraud poster, a 91A update, the status of the Modification Policy, waiver affidavits, investigations, and a sampling of what other states are doing for post-retirement earnings.

Chairman Fallon reported that the Sub-Committee voted for Fraud Poster # 2 "the bad apple" and to forward to the full Commission for its approval prior to dissemination.

On behalf of the full Commission, a motion was made by Commissioner Dooling to adopt the new Fraud Poster as accepted by the Sub-Committee for its dissemination. Commissioner Fitzpatrick seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Robert McCarthy YES, and the motion was adopted.

Legal Update

Mr. Parsons reported about PERAC Memo # 28/2017 regarding the Selection of Fifth Member and Board Employees. He explained why the memo was distributed and the specifics about the boards providing an open and competitive process. He stated that the Audit Unit would be reviewing the boards' procedures during the audit process going forward. Mr. Parsons suggested that PERAC review its own policy regarding advertisement for PERAC's chair position during the next Administrative Sub-Committee meeting.

Ms. Corrigan updated the Commission about the *Vernava* case and said that she would be representing PERAC in the matter at the Supreme Judicial Court on November 6, 2017 at 9:00 AM.

There was discussion regarding the background of the case and the Commission requested copies of the case and briefs. Ms. Corrigan stated that she would forward them promptly.

Legislative Update

Mr. DeVito reported that a hearing was held on October 10, 2017 regarding S. 2074A the Pension Forfeiture Report and H. 3281 regarding Fossil Fuel Divesture. He then stated the latest legislative success is the repeal of Section 90(G)3/4, the third legislative success in the last 18 months. He believes that the success of recent legislative accomplishments is due to the fact that the Commission has earned the respect and gained the trust of the general court and the successive administrations. He has compiled a list of past legislative achievements for any Commissioners who would like to review or revisit any of those achievements.

Chairman Brown asked for a copy of those legislative achievements.

Audit Update

Ms. Shea updated the Commission that the auditors are currently auditing the Blue Hills, MassPort, MWRA, North Adams, and Webster Retirement Systems. Weymouth Retirement System's (no findings) audit report was posted on the PERAC Web Page since the last Commission meeting. She then reported that two six-month follow-up audit reports have been performed at the Dedham and Brockton Retirement Systems which will be provided at the next Commission meeting once finalized.

Ms. Shea then reported that the Audit Unit is currently fully staffed and that the audits will be issued in a timely manner in the near future.

Compliance Update

Mr. O'Donnell reported that staff has approved 74 acknowledgements for various asset classes this year and are now being submitted through PROSPER. He continued that the retirement

board members have attended 1,459 educational sessions and this includes those in attendance at MACRS and PROSPER Training sessions.

Executive Director's Report

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

Mr. Connarton updated the Commission that in accordance with Commission Policy Number 99-001 the Commission's final budget and actual spending numbers for fiscal year 2017 have been distributed as required to the Public Service Committee, Ways and Means, and Administration and Finance. He stated that PERAC is now being funded from the General Fund of the Commonwealth Operating Budget as established by the Actuary of the Commonwealth due to the Exclusive Benefit Rule.

Mr. Connarton notified the Commission that Granicus will be the board portal for the Commission meetings and training will be held just prior to the December Commission meeting. It is our intention to go paperless for the January 2018 Commission meeting and a hard copy of the Commission materials will always be available if necessary.

Mr. Connarton then reported that PERAC's 13th Annual Emerging Issues Forum was held on September 14, 2017 at the College of the Holy Cross in Worcester and that 269 individuals attended. He stated that based on some of the comments from the feedback forms the Administrator's Panel and the Actuary of the Commonwealth presentation were very well received.

Mr. Connarton reported that the next "Administrative" road show to be held will be in Hyannis at the DoubleTree Hotel on October 17 and 39 individuals are currently registered. He stated that the administrators who attend will receive a certificate and board members will receive 3 credits. There will be another administrative training session in Danvers on November 14.

Mr. Connarton discussed the letter from the Somerville Retirement Board regarding their RFP for Fossil Fuel Divesture. The Board changed their funding and invested in this other fund without PERAC's acknowledgement.

Mr. O'Donnell explained the procurement process in which retirement boards must provide PERAC with certain information. The Somerville Retirement Board did not follow the protocol. He stated that the Board was successful in reversing the transfer of funds. However, they are still attempting to do this investment and are preparing a new RFP. He continued that our response to this request will be that the Legislature must take action in order to allow this procurement.

Commissioner Fallon believes that it may have been CALPERS which is attempting to revoke any investments from ammunition or firearms. She wonders when the court system will say that divesture from huge sectors (such as Coca Cola, high fructose corn syrup, or opioid drug makers) is not in the best interest of the system. Where would it stop? She stated that currently we are paying down the current unfunded liabilities from past miseries and that possibly the Legislature

needs to think about where the money will come from when the returns decrease if they allow divesture.

Mr. Connarton replied that is exactly the issue and that the board member's fiduciary duty is to maximize the pension portfolio. The Fossil Fuel Divesture bill was heard yesterday, and PRIM has traditionally opposed the bill in the past. He stated that it will be interesting to see what comes of that hearing.

Mr. Martin stated that board members are personally held responsible as part of the fiduciary duty standard. He continued that our position is that if there is a statutory provision created by the Legislature the members will be protected from a personal liability perspective.

Mr. Connarton then updated the Commission about the Pension Forfeiture hearing held on October 10 and that Patrick Charles and he testified. Kathleen Kiely-Becchetti, President of MACRS; Richard McKenna, President of the PFFM; Michael O'Reilly the Legislative Liaison from Local 718; and Frank Valeri and Bill Rehrey, President and Executive Vice President of the Mass Retirees testified in support of the bill. The Massachusetts Teachers Retirement System did not endorse the report but appreciates the language that relates to the forfeiture of pension regarding crimes involving children.

Mr. Connarton assumes that the Committee will review the legislative language in the bill as a framework and then draft new legislation. He also stated that Attorney Nick Poser would like to see additional work on the reduction of pension benefits as he is not sure that the Commission went far enough. Mr. Connarton stated that Attorney Poser apparently provided some recommendations to the Committee however, he has not yet seen it but will forward if/when it is received.

Mr. Parsons stated that Attorney Poser believes that the judges should make the decision regarding the level of pension benefit losses at sentencing and that it should not be left to the retirement boards to decide.

Mr. Connarton updated the Commission about the MACRS conference held in Springfield from October 1-4, 2017. He reported that several staff members made presentations and that it was again a successful conference.

Mr. Connarton introduced Mr. Dan Boyle, the Director of Information Systems, and asked him to provide an update for the Commission as it pertains to PROSPER. Mr. Connarton 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.

Mr. Boyle stated that the Compliance module has been live since April and there have been some challenges which will be worked on after the remaining modules have been rolled out. The Disability module has been active since mid-June and includes 239 Medical Panel requests and 140 completed, 117 Disability Transmittals have been received and 95 have been processed through PROSPER. CME, Invoicing, and Mailings went live recently and we are currently working through those data issues. He expects that the final migration will go live in November and will include the Lawyer and Fraud applications. He stated that the retirement boards are already requesting enhancements such as doing clarifications and the ability to file their SFI on

line. Mr. Boyle reported that new training will be provided to the board members and staff regarding the new modules that have been released.

Mr. Connarton thanked Mr. Boyle for his diligence in working with the consultants from day one to make PROSPER successful, as well as Mr. Motioso and Ms. Hogan for their time in training the administrators and members in this endeavor.

Mr. Connarton reported that PERAC has a new look on our website. The Commonwealth has embarked on a homogeneous platform for all state agencies under Mass.gov. He continued that the new Mass.gov is not designed in a manner that best serves our audience, which are the 104 retirement systems. He stated that the Teacher's Retirement Board is releasing a RFP for website construction and hosting services as ITD will no longer support the websites that choose not to join the new Mass.gov design. In this RFP, PERAC has been named as a possible eligible entity should we decide to have a vendor design and host our own website design. He continued that there is an issue with the drop down menus which may restrict us somewhat, and although this is a new and challenging project, we will attempt to make it work.

Commissioner Dooling stated that many agencies are voicing their concerns, but he urges PERAC to work with it while they are working out the kinks. He stated that the State Auditor's office too has had some concerns and there may be more changes.

Commissioner McCarthy reported the he attended the NCPERS Public Safety Conference from September 30 to October 4, 2017 in San Antonio, Texas which he believes is very professional and one of the best conferences he attends. He also reported that all of the conference materials are posted on-line if there is an interest for the Commission to review. He was particularly interested in Attorney Robert Klausner's many comments about pension forfeiture at both the state and federal levels. Attorney Klausner suggested that due to all of the appeals and such that a Pension Forfeiture Board be created instead of the Retirement Boards making these determinations.

Commissioner McCarthy stated that based upon his physician's recommendation he has resigned from the NCPERS Executive Board. He stated that Thomas Ross, Vice Chairman from the Somerville Retirement Board has been voted in as an Executive Board member, so Massachusetts still has a seat on the Board.

Commissioner Fitzpatrick requested expenditures for travel from the Commission including how much travel has occurred for the Administrative Sub-Committee meeting being held in November.

Commissioner Machado further suggested a break down between registrations versus expenses for the past couple of years.

Mr. Connarton stated that the requested information would be provided.

Executive Session

At 12:05 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 were notified in writing of this meeting and have not asked that it be held in open session. A roll call vote was taken to go into Executive Session as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Robert McCarthy YES, and the motion was adopted.

Chairman Brown announced that the Commission will reconvene in open session in about 10 minutes after the completion of the Executive Session and will ratify its vote, and then adjourn.

A roll call vote was taken in Executive Session to return to the regular order of business and to adjourn the Executive Session at 12:08 PM.

Open Session

Commissioner Machado made a motion to ratify the vote from Executive Session to remove Rory Casey from the debarment list in order that he may continue to have the opportunity to serve as a member on a retirement board governed by M.G.L. c. 32 in the future. Commissioner McCarthy seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Robert McCarthy YES, and the motion was adopted.

Other Business

Chairman Brown stated that the next Commission meeting will be on Wednesday, November 8, 2017.

Commissioner Fitzpatrick made a motion to adjourn the meeting. Commissioner Machado seconded the motion and a roll call vote was taken as follows:

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Robert McCarthy YES, and the meeting adjourned at 12:10 PM.

Commission Meeting Documents

Commission Agenda for the meeting of October 11, 2017
Commission Minutes from September 13, 2017

Legal Update

PERAC Memo # 28/2017 – Selection of Fifth Member and Board Employees

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audits

Executive Director's Report

Updated Staff Activities Memo

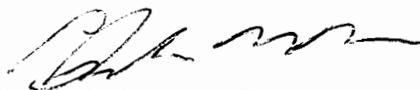
Correspondence regarding Policy # 99-001

Letter from the Somerville Retirement Board dated September 26, 2017 regarding an RFP

Documents Distributed at Meeting

Charts regarding investment acknowledgements and educational sessions attended

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission