

## **Commission Meeting Minutes December 13, 2017**

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 2:15 PM. He then stated that the Commission meeting is being tape recorded and this will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kate Fitzpatrick, James Machado, Robert McCarthy, and Jennifer Sullivan. Commissioner Kathleen Fallon 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, Actuary Jim Lamenzo, 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 the Massachusetts Teachers' Retirement System, Stephanie Delsionore and Mike Kelly representing Granicus, and Lawrence Ross representing SHI.

Chairman Brown thanked the representatives from Granicus for its training of the new software to be utilized at Commission meetings going forward.

Commissioner Dooling made a motion to adopt the November 8, 2017 Commission meeting minutes. Commissioner Fitzpatrick seconded the motion and the minutes were adopted.

### **Administrative Sub-Committee Meeting Update**

Chairman Brown reported that the Administrative Sub-Committee met earlier in the day on December 13, 2017 to discuss the Executive Director's Annual Review, a salary adjustment, Policy Number 97-006 "Selection of the Seventh Member", and Policy Number 95-001 "Commission Travel and Education".

The Performance Review as discussed at the Sub-Committee was distributed to the full Commission and each objective was then fully reviewed. Chairman Brown read the final review comments as presented at the Administrative Sub-Committee.

Commissioner McCarthy made a motion to adopt the recommendations of the Administrative Sub-Committee and to approve Mr. Connarton's Annual Evaluation. Commissioner Machado seconded the motion and the motion was adopted.

Commissioner McCarthy made a motion to adopt the recommendations of the Administrative Sub-Committee to increase the Executive Director's annual salary by 3% retroactive to his anniversary date. Commissioner Machado seconded the motion and the motion was adopted.

Chairman Brown thanked Mr. Connarton, on behalf of the Commission, for his talent, knowledge, and character for guiding the day-to-day operations at PERAC. He continued that PERAC has greatly benefitted from Mr. Connarton's leadership skills and hard work.

Mr. Connarton thanked the Commission for its kind words and for the support that he has received since becoming the Executive Director in 1999. He stated that he has given his best and even though there have been many difficult decisions that have been made compromises have been done professionally. He further stated that he believes that PERAC has a great team.

Discussion ensued regarding the new Performance Review form to be utilized in 2018 as discussed at the Administrative Sub-Committee meeting, the redlined Policy Number 97-006 "Selection of the Seventh Member", and Policy Number 95-001 "Commission Travel and Education".

Commissioner McCarthy made a motion to adopt the recommend changes made by the Sub-Committee to Policy Number 97-006 "Selection of the Seventh Member" as of this date. Commissioner Dooling seconded the motion and the motion was adopted.

Commissioner McCarthy made a motion to adopt the recommend changes made by the Sub-Committee to Policy Number 05-001 "Commission Travel and Education" as of this date. Commissioner Dooling seconded the motion and the motion was adopted.

### **Legal Update**

Mr. Moitoso updated the Commission about *Kathleen Deschene v. Salem Retirement Board and PERAC*, CR-14-72 (DALA 2017). Ms. Corrigan recapped the *Daley* case which was argued at Massachusetts Appeals Court on December 6, 2017.

### **Legislative Update**

Mr. DeVito reported that the Legislature suspended their formal sessions on November 15, 2017 and will resume formal sessions again in January 2018. There have been a few non-controversial bills that have been heard during this current informal session.

### **Audit Update**

Ms. Shea updated the Commission that the auditors are currently auditing the Blue Hills, Gardner, Medford, North Adams, Springfield and Webster Retirement Systems. No audit reports were posted on the PERAC Web Page since the last Commission meeting. Ms. Shea reported on the Brockton, Danvers, and Malden Retirement Boards' six-month follow-up reports which were published since the last Commission meeting.

### **Compliance Update**

Mr. O'Donnell reported that 106 investment acknowledgements have been approved this year and all have been submitted through PROSPER. He then reported on the educational graphic showing 1553 courses taken by over 500 board members this year, although 3 people have not earned the number of credits required by the statute.

Mr. O'Donnell recapped G.L. c. 32, §20(7) and the criteria for the educational policy. He then reported on the letters to Thomas Kelly from the Methuen Retirement Board, John Lane from the Beverly Retirement Board and John Reilly from the Hull Retirement Board. Each of these three individuals has fewer educational credits than required by law and must be removed from their respective retirement boards. He then explained the specifics regarding Mr. Kelly, who is disputing the report from PERAC. Mr. Kelly may be appealing to the Commission. Mr. Lane is also disputing the report from PERAC and just stopped taking classes. He may be appealing to the Commission. Mr. Reilly is too busy to take the courses. Mr. O'Donnell believes that Mr. Reilly will be stepping down as a member of the Hull Retirement Board.

Mr. Connarton has notified the above individuals that they must step down. He has urged the Legislature to move H. 19 regarding flexibility for earning credits for the board members.

Discussion ensued regarding a non-compliant board member serving out his or her respective terms even though he or she may not have been compliant in the first year of their term and allowing that individual the opportunity of finishing his or her respective term. The statute states that these individuals must stop serving at the end of their current term which is different from the SFI requirements. PERAC's responsibility is to notify the appointing authority, which has already occurred in each of these 3 cases. There was further discussion about what would happen if the appointing authority does nothing about the notification, the board member's appeal rights to DALA, and PERAC's responsibility to notify the Attorney General. Additionally, there was a discussion whether the board member would be considered a "carry over" until DALA heard the respective case. It was reported that a member could not be a "carry over" given the length of time it would take for a DALA case to go through the whole process. Another thought discussed was what would happen if an innocent retiree has been negatively affected by this matter, due to the participation of the board member in question.

### **Executive Director's Report**

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

Mr. Connarton updated the Commission about the Consensus Revenue hearing held on December 6, 2017. He reported that Treasurer Goldberg stated at the meeting that she would like to see the assumed rate of return reduced so that bonds would not be downgraded. One bond rating agency (Standard & Poors) out of three reduced the ratio of Commonwealth bonds.

Mr. Connarton reported that Mr. Charles and he met with Speaker DeLeo regarding the Pension Forfeiture Commission Report which was filed in May 2017. He continued that within a day, Legal Counsel from the Joint Committee on Public Service provided some draft language for total forfeiture to be discussed. He believes that the Senate would like this bill to move forward. Mr. Connarton also discussed H. 19, regarding flexibility in continuing education credits with the Speaker. Previously, the firefighters' union had testified against H. 19.

Mr. Connarton stated that the proposed schedule of Commission meetings for 2018 was included in the monthly package. The meetings would be held on the second Wednesday of each month at 11:00 AM. If the members approve the schedule, it will be posted on the website.

Commissioner Fitzpatrick made a motion to adopt the Commission meeting schedule as distributed. Commissioner McCarthy seconded the motion and it was adopted.

Mr. Connarton informed the Commission about a letter received from Joseph Siewko, Chairman of the Chelsea Retirement Board, requesting an opportunity to discuss matters with the Commission at the January 2018 meeting.

Ms. Corrigan explained that this request pertains to the Fitzpatrick and McLaughlin matters. She gave a short summary of what has happened in each of those cases.

Mr. Connarton reminded the Commission that PERAC Memo Number 35/2017 has been distributed with a list of those individuals whose pensions have been forfeited, as suggested by the Public Pension Advisory Group (PPAG).

### **Executive Session**

At 3:25 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, Kate Fitzpatrick YES, James Machado YES, Robert McCarthy YES, Jennifer Sullivan 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, to ratify its vote, and then adjourn.

A roll call vote was taken in Executive Session to return to open session and to adjourn the Executive Session at 3:35 PM.

### **Open Session**

Commissioner Machado made a motion to ratify the vote from Executive Session to remove William A. Powers, Sr. 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 it was adopted.

### **Other Business**

Chairman Brown stated that the next Commission meeting will be held on January 10, 2018 at 11:00 AM.

Commissioner Machado made a motion to adjourn the meeting. Commissioner Fitzpatrick seconded the motion and the motion was adopted. The meeting adjourned at 4:05 PM.

**Commission Meeting Documents**

Commission Agenda for the meeting of December 13, 2017  
Commission Minutes from November 8, 2017

**Administrative Sub-Committee Update**

Executive Director's Draft Annual Performance Review  
Redlined Policy Numbers 97-006 and 05-001

**Legal Update**

*Kathleen Deschene v. Salem Retirement Board & PERAC*, CR-14-72 (DALA 2017)

**Legislative Update**

Monthly Legislative Agenda and bullet points outlining legislation

**Audit Update**

Recent PERAC six-month follow-up audits

**Compliance Update**

2017 Course Completion Chart  
PERAC investment acknowledgement report  
Correspondence to Thomas Kelly, John Lane, and John Reilly pertaining to Educational Credits

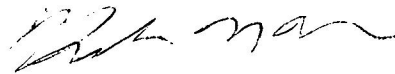
**Executive Director's Report**

Updated Staff Activities Memo  
2018 Draft Commission meeting schedule  
Correspondence from Chelsea Retirement System requesting an opportunity to appear at the January 2018 Commission meeting

**Documents Distributed at Meeting**

Executive Director's Annual Performance Review as adopted at the Administrative Sub-Committee meeting  
Proposed template Performance Review for future usage as discussed at the Administrative Sub-Committee meeting

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission