

Commission Meeting Minutes
May 9, 2018

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:10 AM. 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, Kathleen Fallon, and Kate Fitzpatrick. 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 arrived at 11:30 AM and Commissioner Robert McCarthy 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 James Lamenzo, Director of Administrative Services Caroline Carcia, Chief Financial Officer Virginia Barrows, 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, Chief Auditor Caryn Shea, Project Manager Anthony Tse, Senior Systems Engineer Robert Perez, Compliance Analyst Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement Board, Nick Favorito representing the State Retirement Board, Lisa Adams representing the Massachusetts Municipal Association, Thomas Gibson representing the Belmont and Middlesex Retirement Systems, and Paul Quirk from LLM.

Commissioner Machado made a motion to adopt the April 11, 2018 Commission meeting minutes. Commissioner Fitzpatrick seconded the motion and a roll call vote was taken:

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

Administrative Sub-Committee Meeting Update

Chairman Brown reported that the Administrative Sub-Committee met earlier in the day on May 9, 2018 to discuss the proposed Fiscal Year 2019 PERAC Budget, and several Commission Procedural Policies.

Chairman Brown reported that the Administrative Sub-Committee approved the proposed FY'19 budget in the amount of \$10,424,500 and forwarded to the full Commission for its approval. Included in the proposed budget was an overall increase of 3.36% from last fiscal year. The increase is due to IT expenditures, fixed costs, the fringe benefit rate, personnel increases, and rent.

Mr. Connarton was happy to report that a new 5 year lease has been executed and the rent will be increased to \$28 per square foot and at the end of the lease in 2023 the rent would be \$32 per square foot.

Commissioner Fitzpatrick made a motion to accept the Administrative Sub-Committee's recommendation regarding the proposed Fiscal Year 2019 budget and to forward according to Policy Number 99-001. Commissioner Dooling seconded the motion and a roll call vote was taken:

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

Chairman Brown reported that the Administrative Sub-Committee distributed the amended Commission's Procedural Policies. He stated that all were updated with exception of Policy Number 09-001, the Modification Policy, which needs further consideration and has been forwarded to a joint Disability / Legislative Sub-Committee.

Actuarial Update

Mr. Lamenzo reviewed the Investment Return Assumptions used by Massachusetts public plans from 2003 to present using several pie charts. He stated that in 2003 more than half of the systems in Massachusetts used an assumption greater than 8%. As of May 2018 there are only 4 systems at 8% and the remaining systems use an assumption less than 8%. The 4 systems with an 8% investment return assumption rate have the same actuary. Mr. Lamenzo will generally be using a 7.35% assumption in 2018 valuations of PRIT systems.

Mr. Lamenzo then updated the Commission about the preliminary status of the State Retirement System's Actuarial Valuation. He hopes to provide firm numbers at the June Commission meeting. He noted that the State Retirement Board has a new computer system and their data should be more accurate now than in the past. The prior system incorrectly identified 2000 people as active members in the 2017 valuation.

The data provided shows about a 7.0% increase in salary for continuing active members from 1/1/17 to 1/1/18. This is greater than assumed. Some of the increase is due to the new system providing the most recent annual rate of pay as opposed to the actual pay for the year provided by the prior system. In addition, the pay for part-time members reflects a full-time rate. Finally, a significant number of agencies including UMass, District Attorneys, Sherriff's, and hospitals show an average pay increase of greater than 10% primarily due to promotions and contract settlements.

Legal Update

Ms. Corrigan reported the case of *Carr v. Taunton Retirement Board & PERAC*, CR-13-537 and Mr. Hill presented *Hartnett v. Boston Retirement System and PERAC*, CR-17-218.

Administrative note: At this point in the meeting, Chairman Brown stated that Commissioner McCarthy is not in attendance due to health reasons and Commissioner Sullivan arrived at this meeting at 11:30 AM.

Legislative Update

Mr. DeVito reported that PERAC's bill, H. 19 regarding continuing education credits flexibility is on the House Calendar. This bill has been opposed by the Boston Firefighters Union and the Professional Firefighters of Massachusetts.

Mr. DeVito then reported that S. 2074, the pension forfeiture bill recommended by the Forfeiture Commission, and has received an extension to May 31, 2018 in the Public Service Committee.

Mr. DeVito made note of House FY'19 Budget Amendment #1124. An Amended version of this Amendment was adopted and it would raise the number of hours Massachusetts public employee retirees can work annually in Massachusetts public agencies from 960 to 1500 hours. It is included in the final House budget as an Outside Section. He expects that a similar Amendment will also be offered to the Senate Budget. He stated that the Senate FY'19 Budget is scheduled to be released on May 10, 2018 and debate will begin on Tuesday, May 22, 2018.

Audit Update

Ms. Shea updated the Commission that the auditors are currently auditing the Cambridge, Franklin Regional, Gardner, Haverhill, and Taunton Retirement Systems. The Needham and Winthrop Retirement System's audit reports and the Amesbury and Braintree Retirement System's six-month follow-up reports were posted on the PERAC Web Page since the last Commission meeting. Ms. Shea then reported on the respective findings.

Compliance Update

Mr. O'Donnell reported that the Annual Disclosure Forms, due March 1, are coming in from over 12,000 vendors reporting their respective compensation received or paid with an eye towards transparency. He stated that over 75% of the vendors have responded and believes this number is low due to new personnel at the boards. He continued that the Unit will be reaching out to the non-reporting vendors. Mr. O'Donnell reported that 72% of the board members have filed their SFIs which were due May 1. He then reported that 72 vendor acknowledgements have been approved from several different asset classes in 2018 to date. He finally reported that there have been over 10,000 courses taken by over 500 board members since 2012. Mr. O'Donnell thanked those individuals who have provided training for the board members since the passage of Chapter 176. He also thanked the IT unit for the quick responses they have provided for any matters that have come up under the PROSPER transition which he believes is working just wonderfully.

Mr. Connarton stated that people are becoming more critically aware and compliant with the educational component of Chapter 176, especially after the Commission had to remove several board members for not having met the educational requirements. He stated that he and Mr. O'Donnell would be going to the Attleboro Retirement Board to help them understand the educational component and other pension reform issues.

Executive Director's Report

Mr. Connarton stated how nice it is to see the former executive director of the PRIM, Mr. Paul Quirk.

Mr. Connarton notified the Commission that the Legal and Actuarial Units have approved the Section 100 benefit for the surviving spouse of Sean Gannon, from Harwich, and have notified the Barnstable County Retirement Board through PROSPER.

Mr. Connarton reported that Mr. Charles and he will be meeting with Senate Chair of Public Service on May 15 to discuss the Pension Forfeiture Report.

Mr. Connarton reported that a new 5 year lease has been executed and the rent will be increased to \$28 per square foot and at the end of the lease in 2023 the rent will be \$32 per square foot. He thanked Ms. Carcia for her diligence and hard work throughout the process of acquiring the lease. He then explained the angst of dealing with DCAM, the recent sale of the property, and processing the numerous documents over the past 2 years. He also explained some of the upgrades and construction that will be occurring in and around the building.

Mr. Connarton then reported that the Emerging Issues Forum will be held on Thursday, September 13, 2018 at the College of the Holy Cross in Worcester.

Mr. Connarton then updated the Commission about changes at the Methuen Retirement Board. The Commission removed a board member recently and Mr. Moitoso attended the most recent Board meeting.

Mr. Moitoso stated that the meeting was very uneventful. Ms. Moss is the replacement for Mr. Kelly who had been recently removed. His final conclusion is that the system is running very well.

Mr. Connarton reported that the former Executive Director has left the Board with health issues and Ms. Kaitlin Doucette has been named the Executive Director. Ms. Doucette formerly worked for Mr. Lamenzo in the Actuarial Unit.

Commissioner Dooling sadly reported that the State Auditor's Chief Legal Counsel, Joannah Quinn passed away on May 8. She had a long battle with cancer. Ms. Quinn served from time-to-time on this board and was the Auditor's designee on the Massachusetts Teachers' Retirement Board for quite a long time. He continued that Ms. Quinn was very talented and this is a very big loss for many of us. He said that no arrangements have yet been made.

Other Business

Chairman Brown stated that the next Commission meeting will be held on June 13, 2018 at 11:00 AM.

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

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, Jennifer Sullivan YES and the motion was adopted. The meeting adjourned at 11:57 AM.

Commission Meeting Documents

Commission Agenda for the meeting of May 9, 2018
Commission Minutes from April 11, 2018

Administrative Sub-Committee meeting Update

The proposed Fiscal Year 2019 Budget

Commission Procedural Policies as adopted

97-001 "Standing Committees"

97-002 "Travel and Education"

97-003 "Executive Sessions"

97-004 "Commission Regulations"

97-005 "Emergency Regulations"

97-007 "Designation of Persons with Access to Records Obtained by the PERAC Pension Fraud Prevention Unit"

99-001 "Distribution of Commission Budget"

04-001 "Ensuring Impartiality of the Commission"

07-001 "Procurement Policy"

12-001 "Remote Participation"

Memo regarding Policy Number 09-001 with the Policy and statute

Legal Update

Legal cases:

Carr v. Taunton Retirement Board & PERAC, CR-13-537

Hartnett v. Boston Retirement System and PERAC, CR-17-218

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

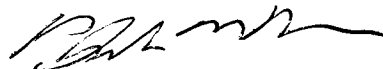
Audit Update

Recent PERAC audits and six-month follow-up audits

Executive Director's Report

Updated Staff Activities Memo

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission