

Commission Meeting Minutes
June 13, 2018

Chairman Philip Y. 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 this will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners present: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, and James Machado. Commissioner Jennifer Sullivan 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 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 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: Sean Neilon representing the Massachusetts Teachers' Retirement Board, Nick Favorito representing the State Retirement Board, and Lisa Adams representing the Massachusetts Municipal Association.

Commissioner Fallon made a motion to adopt the May 9, 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, Jennifer Sullivan YES, and the minutes were adopted.

Actuarial Update

Mr. Lamenzo discussed the 1/1/18 draft State Retirement Board Actuarial Valuation Report. He expects some minor wording changes in the final report.

Mr. Lamenzo thanked Samantha MacMillan and John Boorack. Over the past 9 years Ms. Kaitlyn Doucette worked on this report and is now the Director for the Methuen Retirement Board. Ms. MacMillan took on the challenge to get this report done. Mr. Boorack recently became an Enrolled Actuary, but he now to meet the continuing education requirements to meet the American Academy of Actuaries qualification standards. He will meet those standards early next year.

Mr. Lamenzo stated that the Commonwealth's FY19 appropriation is \$2.608B and the State Retirement System's share of the appropriation is \$993M. He then compared the normal cost and the actuarial liability with last year's results. The funded ratio is 64.9%. He discussed the gains and losses, the actuarial assumptions, the job groups and contribution rates for the State Police, and costs under Chapter 176. It is important to note that the actuarial liability has grown 5.4 times since 1990 and the assets have grown 7.1 times. He stated that a new section has been added to all

valuation reports, which is a new standard, which discusses the risks that could affect the plan's future financial condition. He believes that the most important item is the contribution risks regarding the potential employer contributions to the plan would not be made or will not be made at the assumed level, which every system has been guilty of in some form or another. More information will be provided about risk in future years.

There was some discussion regarding the administrative expenses increasing by 51.9% over the past year, whether there is a good funded ratio number with an eye of risk in a system, the types of risks to a system. With respect to the State Police contribution rate of 9% (versus 12%) for members hired after July 1, 1996 with prior Group 4 service, it was recently decided that the 12% would be held from all new members regardless of past service.

Mr. Connarton noted that the commitment that this and the prior administration have made to fund the pension system has been key.

Commissioner Machado made a motion to accept the State Retirement System 1/1/18 Valuation report. Commissioner Fallon 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 Jennifer Sullivan YES and the report was adopted.

Mr. Lamenzo then discussed the Springfield Retirement System Valuation report. He and Mr. Connarton met with the Board recently and they have decided on Alternative 2 Funding Schedule. Their funded ratio is 27%, the lowest in the State but they have had significant improvement in the past 2 years. The past mistake of the System was that they took advantage of every benefit that was available. A significant issue has been their negative cash flow; however, they are expected to be positive in 2 years due in large part to the funding schedule adopted two years ago that increased to 14% a year in FY 18 and FY 19. Mr. Lamenzo noted that although there are still significant concerns, the Board's position is markedly better than 5 years ago. The plan should be fully funded by 2033 if they stay on schedule and all assumptions are realized.

Legal Update

Mr. Parsons reported that the Legal Unit is reviewing all our forms due to recent law changes and expect that the new forms should be rolled out in the fall.

Mr. Parsons then updated the Commission about the Chelsea Retirement Board as it pertains to the Mr. McLaughlin matter and the Section 15 (7) and 15 (4) hearings. The Board has all the information needed to determine his calculation and should meet within the next month or so. He stated that the hearings have not been scheduled at this time but he will keep the Commission updated.

Ms. Corrigan reported the case of *Andrade v. State Board of Retirement*, Docket No. CR-13-104 and Mr. Charles presented *Fletcher v. State Board of Retirement*, Docket No. CR-14-246.

Legislative Update

Mr. DeVito reported that PERAC's bill, H. 19 regarding continuing education credits flexibility has been ordered to a third reading in the House. This bill has been strongly opposed by the Firefighters unions.

Mr. DeVito made note of House and Senate FY'19 Budgets, each of which includes an increase in the number of hours Massachusetts public employee retirees can work annually in Massachusetts public agencies from the existing 960. The House Budget increases the hours to 1500 and the Senate Budget increases the hours to 1200. He stated that this issue will be subject to negotiation in the FY'19 Budget Conference Committee.

Audit Update

Ms. Shea updated the Commission that the auditors are currently auditing the Cambridge, Franklin Regional, Gardner, and Plymouth County Retirement Systems. The Clinton (no findings) and Westfield Retirement System's audit reports and the Norwood Retirement System's six-month follow-up reports were posted on the PERAC Web Page since the last Commission meeting and reported on the respective findings. Ms. Shea then explained to the Commission that the auditors will begin reviewing the 2017 Annual Statements as remitted by the boards.

Compliance Update

Mr. O'Donnell reported that the educational numbers are not readily available to include the credits earned at the MACRS Conference. He then reported that 45 active board members and 25 inactive board members have not filed their SFIs which were due May 1. He continued that the Compliance Unit will be reaching out to those non-filers. He then reported that procurements are going very well.

Executive Director's Report

Mr. Connarton reported staff activities since the last Commission meeting. Mr. Connarton specifically discussed the meeting Mr. Charles and he had with Senator Feeney, Chair of the Joint Committee on Public Service, to discuss additional language that was added to the Pension Forfeiture Report regarding full forfeiture and he will keep the Commission updated on this bill.

Mr. Connarton stated that according to Policy Number 99-001 PERAC's Fiscal Year 2019 budget has been distributed to A&F, Comptroller's Office, House and Senate Ways and Means, as well as the House and Senate Committees on Public Service.

Mr. Connarton reported that several Administrator Trainings were held last year which were very well received and attended. He continued that an additional 3 training sessions will be held again and will schedule an additional class if necessary.

Mr. Connarton gave an update as it pertains to the MACRS Spring Conference. He stated that Chairman Brown, Commissioners Dooling, and Machado were in attendance. He continued that the conference was very substantive with 6 PERAC staff members who gave presentations. Mr. Connarton stated that he continues to be discouraged by the distain demonstrated by one attorney

regarding the *Vernava* case which Ms. Corrigan presented on at MACRS. He noted that PERAC worked in conjunction with the Attorney General's Office.

Ms. Corrigan explained the *Vernava* case and that Mr. Sacco represents the prevailing party in this case. She believes that Mr. Sacco is in disagreement with the position of the non-prevailing party and its implementation of this decision. The decision is not a model of clarity. Mr. Sacco has been directing his boards not to follow our directive. She continued that PERAC is following the law, and that in conjunction with the Attorney General's Office; PERAC has issued Memo Number 18/2018. Ms. Corrigan fully explained the *Vernava* decision in her presentation at MACRS with no pushback from those members in attendance. She further explained that it is our responsibility to provide guidance under the Statute and the 104 boards cannot be doing things differently.

Mr. Connarton stated that the conference was very well attended and Kathleen Kiely-Becchetti did an excellent job of getting this conference together. He stated that there were excellent presentations and much effort and preparation goes into these presentations. Mr. Connarton thanked all those individuals involved for their professionalism and effort.

Commissioner Dooling thanked the staff for their great presentations and echoed Mr. Connarton's remarks. He then inquired if we would like to have overtures with Mr. Sacco for an opportunity to air grievances and inquired about which public documents have been released.

Mr. Connarton stated that the late Chairman Judge Russo did attempt to schedule something with Mr. Sacco, and he declined to meet. Mr. Sacco has issued a memorandum to his clients advising them to disregard our direction.

Mr. Connarton then notified the Commission that a couple of Sub-Committee meetings will be scheduled. A meeting of the joint Legislative / Disability Sub-Committee to discuss Policy Number 09-001, the Modification Policy which is inconsistent with the statute, and any other agency legislation to be filed. Also, a meeting of the Administrative Sub-Committee to discuss a structure and procedure to develop a search process for the appointment of a new Executive Director as he will be retiring at the end of this calendar year.

The Chairman thanked Mr. Connarton for his outstanding service at PERAC. He believes that it may be difficult to find someone as competent and professional as Mr. Connarton.

Mr. Connarton stated that it has been a privilege and wonderful opportunity to serve as the Executive Director of PERAC. He did the best he could even though many times professionalism teaches us that we may have to agree to disagree. He believes that as a group working together we have implemented that statute as fairly as we could have. He does get disappointed regarding the criticism that staff sometime receives. Mr. Connarton stated that we work hard to fill the mission of this agency. He then thanked the Commission for all its support for him and the staff over the years.

Discussion ensued regarding scheduling the Sub-Committee meetings, a succession plan, and a request for an existing job description. Ms. Boisvert will reach out to the Commissioners for future scheduling dates.

Mr. Connarton discussed an Administrative issue with the building regarding parking. The new owners have requested registration of vehicles as changes are forthcoming in the parking lots.

Other Business

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

Commissioner Dooling made a motion to adjourn the meeting. 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, Jennifer Sullivan YES and the motion was adopted. The meeting adjourned at 12:27 PM.

Commission Meeting Documents

Commission Agenda for the meeting of June 13, 2018
Commission Minutes from May 9, 2018

Actuarial Update

1/1/18 Draft State Retirement Actuarial Valuation Report
Correspondence to the Springfield Retirement Board regarding their 1/1/18 Actuarial Valuation

Legal Update

Legal cases:

Andrade v. State Board of Retirement, Docket No. CR-13-104
Fletcher v. State Board of Retirement, Docket No. CR-14-246

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC audits and six-month follow-up audits

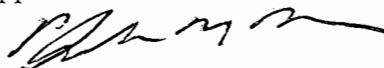
Executive Director's Report

Updated Staff Activities Memo
Correspondence regarding distribution of Policy 99-001
Suspension letter to the Woburn Retirement Board

Materials Distributed at the Meeting

PERAC Memo # 18/2018

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission