

Commission Meeting Minutes
June 12, 2019

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 for all or part of the meeting: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, James Machado, and Jennifer Sullivan. Commissioner Robert McCarthy was not in attendance.

PERAC Staff present: Executive Director John Parsons, Deputy Executive Director of Policy Joseph Martin, Deputy Director of Administration Caroline Carcia, Compliance Counsel Derek Moitoso, Actuary John Boorack, Compliance Officer Tom O'Donnell, Chief Auditor Caryn Shea, Senior Associate General Counsel Ken Hill, Senior Associate General Counsel Patrick Charles, Senior Systems Engineer Robert Perez, Compliance/Investment Data Coordinator Cheryl Johnson, Senior Investment Analyst Sarita Yee, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance: Nick Favorito representing the State Retirement Board, Sean Neilon representing the Massachusetts Teachers' Retirement Board, Timothy Smyth and Padriac Lydon representing the Boston Retirement Board, and Thomas Gibson representing the Middlesex and Belmont Retirement Boards.

Commissioner Fitzpatrick made a motion to adopt the May 8, 2019 Commission meeting minutes. Commissioner Machado seconded the motion and the minutes were unanimously adopted.

Legal Update

Mr. Moitoso notified the Commission that he would be leaving PERAC to start his own law firm. He then thanked the Commission for all the knowledge that he has gained while employed by PERAC and the support that he has received from the Commission. Mr. Moitoso then reported on the matter of *Rome v. Middlesex & PERAC*, CR-13-286 and 16-192 as well as *West Springfield v. PERAC & Dineen*, CR-11-584.

Mr. Hill reported on *Gutwill v. Framingham & PERAC*, CR-18-400 and *Wright v. State & PERAC*, CR-16-68.

Mr. Charles reported on the matter of *Stoneham v. PERAC*, CR-12-548.

Legislative Update

Mr. Charles updated the Commission about the May 29, 2019 public service hearing meeting regarding H. 22, the Veteran's Service buyback matter. Commissioner Machado and Mr. Charles offered public and written testimony at that hearing. He continued that other Veteran's bills have been filed but this is the only Veterans bill that was heard that day and he believes that there seems to be support for this bill.

Audit Update

Ms. Shea distributed her audit plan showing the schedule for the next 3 years.

Mr. Martin explained the plan and reported that the goal is to finalize 4 to 6 audits per month. He explained the current audit process, how that process has caused a backlog, and how the new strategy of utilizing the expertise of the other PERAC Units should alleviate that backlog. He also reported that private audits will be posted on the PERAC website.

The Commission asked some questions and stated their concerns. The Commission suggested that a timely notification be provided to the retirement boards of the new process through the Pension News or a memo to encourage the boards to be prepared and to respond when necessary. The Commission requested a report sorted by years of the current audits (oldest to newest), prior audit date, risk assessments, and with a time line regarding the amount of time it takes for each step involved. It was further stated that it would be helpful to include visual references that show the flow of the audit process and the timing of the process at a glance.

Chairman Brown inquired if PERAC has the resources for the Audit Unit to get back on track with the outstanding audits. Mr. Martin stated that he would like to see the Audit Unit's progress in the Fall in order to accurately respond.

Mr. Parsons stated that Mr. Martin and Ms. Shea are working together to avoid duplication, shorten the field work time and audit more of the high risk areas while utilizing other PERAC units. He also stated that within the next few months, the exit interviews will be performed remotely due to the distance of some of the boards.

Commissioner Machado is concerned with the peril of quality v. quantity; he does not want the quality of the reports to decline.

Ms. Shea said that she would provide the additional requested information at the next Commission meeting.

Ms. Shea then reported that the auditors are currently auditing the Quincy, Somerville, Belmont, and Hampden County Retirement Systems. She then reported that the audit reports for Fitchburg, Franklin Regional, Hull (no findings), and North Adams (no findings) Retirement Systems and the follow-up audit for the Milton Retirement Board were completed and posted on the PERAC Web Page since the last Commission meeting. Ms. Shea then reported on the respective findings.

Compliance Update

Mr. O'Donnell explained the Chapter 23B process including the RFP process. He then reported that 123 acknowledgements have been approved to date in various asset classes. Mr. O'Donnell congratulated Mr. Moitoso and stated that he will miss him as he has perfected the review of the Placement Agent Statements and expects this will be challenging going forward.

Ms. Johnson reported that the 2018 Investment Report has been emailed to the Commission, distributed at the MACRS Conference and emailed to all of the retirement board members. She

explained that the data needed to prepare this report includes the Pooled Fund Statements, Management Reports, the Market Value of Assets, cash books, and cash flow.

Commissioner Fallon inquired if PERAC has done this report showing the fees.

Ms. Johnson stated that PERAC did report the fees in 2015 and will be publishing the Fee Report again this year.

Chairman Brown inquired if the numbers posted are gross or net of fees.

Ms. Johnson responded that most of the figures are gross of fees; however some of the numbers could be blended. She stated that this would be indicated in the future for the Commission.

Ms. Sullivan stated that the real story is the net of fees.

Mr. Martin explained the purpose of this report is Chapter 68 of the Acts of 2007, which determines the need to require the transfer of board funds into PRIM if the specific criteria are not met. Some systems have voluntarily moved their funds into PRIM but no systems will be required to transfer in this year.

The Commission thanked the Compliance Unit for this Report and recognized how helpful it is.

Executive Director's Report

Mr. Parsons, on behalf of the staff, thanked Mr. Moitoso for his years of service and offered him good wishes as he begins a new endeavor of starting his own law firm. He then briefly reported on the staff activities, board visits, and PERAC's legislation.

Mr. Parsons stated that according to Policy Number 99-001 PERAC's Fiscal Year 2020 budget has been distributed to A&F, the Comptroller's Office, the House and Senate Ways and Means, as well as the House and Senate Committees on Public Service. He then reported that a FY 2020 Budget format change is included in the package, as the Commission requested.

Mr. Parsons updated the Commission regarding the 2019 NCPERS Annual Conference that was held in Austin, Texas to which Commissioner Machado and he both attended. He reported that there were several sessions which pertained to transparency and focusing on where the money is spent, on contracts and fees, and how this was helpful in trying to craft the new Audit Unit strategy. He believes that all retirement boards should compare and negotiate their respective fees with each other and this information will be included in the Fee Report. Mr. Parsons heard plenty of talk regarding Environmental and Social Government Investment ("ESG") pertaining to investments such as Fossil Fuels. He reported that essentially PERAC has turned this matter over to the Legislature. Mr. Parsons then stated that this Conference is very educational and interesting.

Mr. Parsons then updated the Commission about the 2019 Spring MACRS Conference in Hyannis, MA. He noted that this MACRS Conference was also the year for the TEDS program which occurred over the weekend. He reported that Commissioners Dooling, Machado and McCarthy were in attendance as well as several staff members. Mr. Parsons stated that he believes this was

the best conference to date and believes that Ms. Kiely-Becchetti has raised the bar regarding the information and tools provided at this Conference.

Commissioner Dooling reported that PERAC was well represented at the MACRS Conference and that Mr. Parsons gave an excellent and inspiring speech. Commissioner Dooling then wished Mr. Moitoso well in his future endeavor.

Other Business

Discussion ensued regarding combining the July and August meeting. It was decided to cancel the July Commission meeting and meet on August 14, 2019 at 11:00 AM.

Commissioner Sullivan made a motion to adjourn the meeting. Commissioner Machado seconded and the motion was unanimously adopted. The meeting adjourned at 12:23 PM.

Commission Meeting Documents

Commission Agenda for the meeting of June 12, 2019
Commission Minutes from May 8, 2019

Legal Update

Cases of Interest:

Rome v. Middlesex & PERAC, CR-13-286 and 16-192
West Springfield v. PERAC & Dineen, CR-11-584
Gutwill v. Framingham & PERAC, CR-18-400
Wright v. State & PERAC, CR-16-68
Stoneham v. PERAC, CR-12-548

Audit Update

Recent PERAC audit(s) and six-month follow-up report(s)

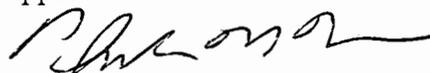
Executive Director's Report

Staff Activities
Correspondence regarding distribution of Policy 99-001
Updated FY 2020 Budget Format

Distributed at the meeting

Audit Tracking Report

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission