

Commission Meeting Minutes
April 10, 2014

Chairman Russo called the meeting to order at 12:12 PM and announced that the Commission meeting is being tape recorded which will be noted in the minutes. He also noted that Commissioner James Machado is participating in this meeting remotely due to his geographical location. Therefore, pursuant to 940 CMR 29.10, all votes taken during this meeting shall be by roll call vote. He then reported that a stenographer is taking notes and asked that everyone state their names prior to speaking.

Commissioners Present: Chairman Domenic J.F. Russo, Vice Chairman Gerald McDonough, Commissioners Philip Brown, John Langan, Donald Marquis and Robert McCarthy. As noted above, Commissioner James Machado participated remotely.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel/Deputy Director John Parsons, Deputy General Counsel/Managing Attorney Judith Corrigan, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Actuary James Lamenzo, Director of Strategic Planning Michael DeVito, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Chief Auditor Harold Chadwick, Fraud Prevention Manager Sandra King, Director of Administrative Services Caroline Carcia, and Senior Executive Assistant Kim Boisvert.

Chairman Russo introduced and welcomed the following guests: Nick Favorito from the State Retirement Board, Sean Neilon from the Massachusetts Teachers' Retirement Board, Tom Gibson from the Belmont and Middlesex County Retirement Boards, Timothy Smyth and Padraic Lydon from the Boston Retirement Board, Frank Valeri from the Mass Retirees Association, Denis Devine from MACRS, and Carol Kusiuitz from Doris Wong Associates.

A roll call was taken to adopt the minutes of the March 13, 2014 meeting as follows: Vice Chairman Gerald McDonough YES, Commissioners Brown YES, Langan YES, Marquis YES, Machado YES, McCarthy YES, and Chairman Russo YES. The motion was adopted.

Actuarial Update

Mr. Lamenzo presented the 2014 State Retirement Board's Draft Actuarial Valuation Report. He stated that the report is mostly complete pending final review. However, he believes that no significant changes will be made.

Mr. Lamenzo touched on several items in the report including the comparison of the 2014 results to the 2013 results, the mortality assumption (modified again this year), the increase of the actuarial liability, the comparison of market value of assets and the actuarial value of assets, the overall unfunded liability, and the funded ratio.

There was further discussion about the funded ratio, the investment return assumption, and when the system would become 100% funded. Mr. Lamenzo reported that the State Retirement

System is scheduled to be fully funded in 2035 under the Commonwealth funding schedule but may be fully funded in 2034 due to the actual investment return in 2013.

Chairman Russo moved to accept and distribute the State Valuation report. Commissioner McCarthy seconded the motion. A roll call vote was taken and the results were as follows: Vice Chairman Gerald McDonough YES, Commissioners Brown YES, Langan YES, Marquis YES, Machado YES, McCarthy YES, and Chairman Russo YES. The motion was adopted.

Legal Update

Deputy General Counsel Corrigan gave a brief explanation of the Larrison case stating that she would make a presentation in regard to this at the May 8, 2014 Commission meeting. The Larrison case involves G.L. c. 32, § 12(1) and a possible benefit being paid out after the death of a member under both Option C and Section 9.

Ms. Corrigan then updated the Commission on Tozza v. PERAC & Chelsea Retirement Board, CR-09-94, regarding interest rates payable when a retirement board commits an error.

Mr. Charles then updated the Commission on Somerville Retirement Board v. Buonomo, as it regarding to the forfeiture of entitlement to a retirement allowance under § 15(4).

Mr. Connarton introduced and welcomed Mr. Ken Hill the new Senior Associate General Counsel who came from Adler, Pollock, and Sheehan and had been there for approximately 10 years.

Legislative Update

Mr. DeVito reported that PERAC Bill H. 14, regarding Unemployment Benefits remains with the Joint Committee on Public Service which filed an extension for consideration of this bill until June 30, 2014 but he expects the bill will go to Study; H. 15, regarding the authorization of PERAC to hold a Hearing under §15(7) was sent to Study and he believes this will not be considered for the rest of this legislative session; and, H. 16, regarding PERAC's performing audits of certain OPEB Trust Funds as required by law was also sent to Study.

Mr. DeVito then reported that the Governor's Unemployment bill, H. 42, was reported favorably by the Joint Committee on Public Service. In addition, an unemployment insurance/retirement reform provision (with the same language as the unemployment insurance/retirement reform provision in the Governor's bill, H. 42) also passed the House as Section 56 of H. 4026.

Mr. DeVito reported that there has been no movement on H. 3560, the bill to expand the PERAC Commission which remains in the State Senate; H. 59, the Governor's OPEB bill remains with the Joint Committee on Public Service which filed an extension for this bill until June 30, 2014; and H. 3377, the Plymouth County Retirement System Pension Obligation Bond bill remains in the Senate Ways and Means Committee. He finally stated that formal legislative sessions end July 31, 2014.

Audit Update

Mr. Chadwick reported that audits are currently occurring at the State, Plymouth, Webster, and Beverly Retirement Boards. The Audit Unit will be going to the Athol Retirement Board next week. Internal reviews are being conducted on Plymouth County, Franklin County, Salem, Everett, Northbridge, Somerville, and Teachers' Retirement Systems. He further noted that we are awaiting responses from Chelsea and Cambridge Retirement Boards. Mr. Chadwick told the Commission that the Greater Lawrence Sanitary District, North Adams (no findings), and Taunton (no findings) Retirement Systems audit reports' have been posted on the PERAC Web Page since the last Commission meeting and explained their respective findings. Finally, he reported that a follow up audit has been completed at the Worcester Regional Retirement Board.

Compliance Update

Mr. O'Donnell stated that the Compliance Unit has received almost 1300 Vendor Disclosure Statements that include compensation paid and received.

Mr. Moitoso explained that the board members are taking advantage of the educational opportunities made available and credits will be provided at the upcoming MACRS Conference. He then reported that the Statement of Financial Interests ("SFI's") must be filed by May 1 with exception of those members that must file with the State Ethics Commission and those are due June 1. He stated that PERAC has received a total of 43% of the SFI's at this time and expects 100% compliance this year.

Executive Director's Report

Mr. Connarton reported on staff activities since the last Commission meeting and brought the Commission's attention to the meeting with the Majority Leader Senator Rosenberg regarding the progress to fund the Pension Systems with the commitment provided by the Legislature.

Mr. Connarton reported that at the request of the Commission, we reached out to Ice Miller, our outside tax counsel, for guidance on OPEB auditing functions. Although the audit work and cost would be de minimis, the initiative could lead to an actual violation of the budget and establishes a regulatory quandary. Although we clearly were directed to do by the legislature so, the objections raised by the State Retirement Board (SRB) and the Massachusetts Teachers' Retirement Board (MTRB) have now caused us to ask the question, "If not us, then who?" Mr. Connarton's recommendation would be to either have the Commission file corrective legislation addressing this issue or to ask both SRB and MTRB to file corrective legislation with which they would be comfortable in order for the Commission to conduct such audits.

Mr. Connarton reported that the Emerging Issues Forum will be held on Thursday, September 18, 2014 at the College of the Holy Cross in Worcester, Massachusetts.

Mr. Connarton reported that PERAC has issued the Annual Policy Review Document which lists assorted annual responsibilities as a state employee. A New Board Member Informational CD

has been finalized and distributed to the retirement boards for their new members in order to assist the members in their fiduciary duties.

Mr. Connarton stated that there are some issues at the Athol Retirement Board and recapped the history and current situation with board members and staff. He continued that we will have an auditor at the Athol Retirement Board for the next few weeks but wants to be sure retirees' monthly retirement checks continue to be issued. Temporarily, a staff person from the Montague Retirement Board has been assisting.

There is a warrant item going to town meeting in June that, if authorized, will cause a bill to be filed with the legislature placing the Athol Retirement System into the Worcester Regional Retirement System. It is uncertain whether this legislation will be completed by the end of this legislative session. The possibility of a Temporary Order, as listed on the Agenda, is an emergency measure, if in fact we have resignations in the ensuing months, to place a monitor at the Athol Retirement Board. The question remains about the day-to-day administration of the board given the absence of the administrator.

Discussion further ensued regarding the legislation to be discussed at town meeting, the absence of the board administrator and her health, catching up on 2013 accounting books, completing the daily accounting services, if the Worcester Regional Retirement Board is aware of the possible legislation, and what the funded ratio is for both systems.

Chairman Russo moved to issue a Temporary Order and place a monitor to assist the Athol Retirement Board upon the Executive Director's recommendation, Commissioner McCarthy seconded the motion. A roll call vote was taken and the results were as follows: Vice Chairman Gerald McDonough YES, Commissioners Brown YES, Langan YES, Marquis YES, Machado YES, McCarthy YES, and Chairman Russo YES. The motion was adopted.

Mr. Connarton reported that a job posting for PERAC's IT Director has been distributed and posted as Mr. Paul Laliberte will be retiring in August 2014.

Commission Travel

Mr. Connarton reported that the 2014 MACRS Annual Conference meeting is being held in Hyannis, MA from June 1 – June 4, 2014 and inquired if any Commissioner is interested in attending.

Chairman Russo made a motion to allow any of the Commissioners and staff to attend the 2014 MACRS Annual Conference meeting in Hyannis, MA. Commissioner McDonough seconded the motion and a roll call was taken as follows: Vice Chairman Gerald McDonough YES, Commissioners Brown YES, Langan YES, Marquis YES, Machado YES, McCarthy YES, and Chairman Russo YES. The motion was adopted.

Other Business

Chairman Russo stated that the next Commission meeting is scheduled for Thursday, May 8, 2014 at noon. However, he will not be in attendance due to a medical procedure.

Commissioner Russo made a motion to adjourn. Commissioner Langan seconded the motion, a roll call vote was taken, and the motion was unanimously adopted. The meeting adjourned at 1:35 PM.

Commission Meeting Documents

Commission Agenda of the meeting for April 10, 2014

Commission Minutes for March 13, 2014

Legal Update

Memo to the Commission regarding G.L. c. 32, § 12(1)

Somerville Retirement Board v. Buonomo

Tozza v. PERAC & Chelsea Retirement Board, CR-09-94 (April 3, 2014)

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audit Findings cover sheet and the respective audit findings

Compliance Update

Assorted charts showing 2014 SFI filing trend, 2013 and 2014 education courses offered including locations

Executive Director's Report

Updated Staff Activities Memo

Memorandum to Commissioners regarding OPEB Audits

Commission Travel

2014 MACRS Annual Conference Agenda

Distributed at the Meeting

Preliminary 2014 State Retirement Board's Actuarial Valuation Report

Tozza v. PERAC & Chelsea Retirement Board, CR-09-94 (April 10, 2014)

Job Description for Director of Information Systems

Approved:



Domenic J.F. Russo, Chairman
Public Employee Retirement
Administration Commission