

**Commission Meeting Minutes**  
**March 18, 2015**

Chairman Brown called the meeting to order at 2:10 PM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, James Machado, and Gerald McDonough. Commissioners John Langan and Robert McCarthy were not in attendance.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes, that a stenographer is taking notes, and asked that everyone state their names prior to speaking.

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

Ms. Boisvert announced the guests in attendance: Sean Neilon from the Massachusetts Teachers' Retirement Board, Katie McCue from the Massachusetts Municipal Association, Frank Valeri representing the Retirees Association, and Carol Kusnitz from Doris O. Wong Associates.

Commissioner McDonough made a motion to adopt the minutes of the February 25, 2015 meeting as presented. Commissioner Fontaine seconded the motion and the minutes were adopted.

**Legislative Sub-Committee**

Commissioner Fitzpatrick, Chairman of the Legislative Sub-Committee, updated the Commission of the meeting held on March 12, 2015. She explained that although the Governor requested that all Agencies hold off filing any regulations until the end of March, the Sub-Committee did review the outstanding matters that were referred to it. A recommendation was made and adopted at the Sub-Committee meeting to send the following to the April Commission meeting:

Election Regulations, Judge Retirement Benefits (Mr. Favorito would assist with any background information and changes needed), State Police Disability, and Concurrent Benefits.

Commissioner Fitzpatrick briefly notified the Commission that Mr. Lamenzo provided his comments regarding the Early Retirement Incentive (ERI).

**Actuarial Update, James Lamenzo, Actuary**

Mr. Lamenzo explained the preliminary estimates of the 2015 State Retirement System Valuation and he hopes to have final results at the next Commission meeting. He reported that

the impact of changing the Investment Return Assumption from 8% to 7.75% increased the actuarial liability by approximately \$800 million. He also discussed adopting a Generational Mortality Assumption which is the final step in recognizing mortality improvement in the manner in which the American Academy of Actuaries recommends. Generational Mortality is gradually becoming the standard of the actuarial profession. PERAC began making assumption changes to recognize mortality improvement in 2011, with subsequent trends in the assumption each year. The increase in actuarial liability may be similar to the increase due to the change in the investment return assumption. However, the employer cost would increase. He stated that according to the data received from the State, the pay for continuing active members increased 6.9% from last year. This generates an actuarial loss which increases the liability by \$300 to \$500 million. The departments with the largest salary increases include the trial court, other justices and court agencies, and the various sheriffs' offices.

### **Joint Audit/Fraud and Disability Sub-Committee Meeting Update**

Commissioner McDonough, Chairman of the Audit/Fraud Sub-Committee, updated the Commission on the joint meeting held on March 12, 2015. He reported that a new Fraud Poster has been accepted and forwarded to the full Commission for its approval prior to dissemination. He stated that Ms. King explained the 91A process and reported that since its inception there has been a total savings between waived allowances, excess earnings, termination, and return to work of over \$42 million. Commissioner McDonough explained that it was reported that 14 retirees have had their pensions modified since that policy went into effect in 2009. Ms. King explained the Modification Policy which requires any disability retiree who has had excess earnings in an amount that results in the repayment of his or her entire allowance for three (3) consecutive years to be modified.

There was a discussion about notifying all disability retirees of the new law change increasing the allowable earnings for disability recipients to \$15,000. It was decided to notify all disability retirees at the end of April 2015 as the additional earnings limit would not have been in place yet, the earnings limit changes are for calendar year 2015, and it would be less confusing.

Chairman McDonough stated that Ms. King reported that there are currently 48 open cases under investigation and that additional statistics would be discussed at a future Sub-Committee meeting. Finally, he stated that Ms. King reported that over 2600 people have been approved under the Waiver Policy and no longer have to file their 91A statements. The Waiver Policy allows the retiree, who has been retired for 20 years with no earned income for 10 years, to no longer file a 91A form.

Chairman McDonough reported that Mr. Chadwick reviewed the Internal Control Questionnaire, PERAC's audit program, and the average life cycle of performing an audit.

As Commissioner McCarthy was not in attendance for this meeting therefore Commissioner McDonough updated the Commission about the Disability issues of the joint Sub-Committee. He stated that Ms. Hogan explained the Disability Unit's process. She provided statistics for medical panels (which are declining) from the past 5 years.

Commissioner McDonough explained that Mr. Charles and Mr. Hill reviewed the proposed changes to 840 CMR 10.00: Standard Rules for Disability Retirement. Basically the changes in

statute would set up a protocol for PERAC should a staff member file for disability, and to offer special protections for those individuals filing for accidental disability based on an emotional disability. A recommendation was made and adopted at the Sub-Committee meeting to send this matter to the April Commission meeting.

On behalf of the full Commission, a motion was made by Commissioner McDonough, to adopt the new Fraud Poster as accepted by the Sub-Committee for its dissemination. Commissioner Fitzpatrick seconded the motion and it was adopted.

### **Legal Update**

Ms. Corrigan updated the Commission about the *Chelsea Retirement System v. PERAC*, Lowell District Court, Docket No. 1411-CV-001165, and *McLaughlin v. PERAC*, also at Lowell District Court, Docket No. 1411-CV-001093. Ms. Corrigan also stated that there is an error in the Memorandum of Decision in the both cases and the Attorney General has filed a motion to get the errors corrected as soon as possible.

Commissioner McDonough believes that it is ridiculous that the Chelsea Retirement Board has yet to hold the hearing as directed by PERAC over a year ago.

Ms. Corrigan then reported that Mr. McLaughlin is in jail and has not yet received any money from the System.

Mr. Moitoso then reported about the *Richard Bretschneider v. PERAC*, CR-10-721 (DALA 2015), and *Paul Conway v. PERAC*, CR-11-195 (DALA 2015) cases, both of which were decided in PERAC's favor and both of which have been appealed.

Mr. Connarton then noted that Kathy Curran, reporter from Channel 5 (formerly of Channel 4), has once again inquired about the *Conway* case and expects that something will be breaking in the news in the near future.

### **Legislative Update**

Mr. DeVito reported that the legislature is in session and that Senate President Stanley Rosenberg has appointed Senator James Timilty the Senate Chair of the Joint Committee on Public Service and Speaker Robert DeLeo has appointed Representative James Murphy the House Chair of the Joint Committee on Public Service. He then reported that Chairman Murphy has reached out to PERAC to meet regarding H. 61 the ERI legislation filed by the Governor. Finally, he reported that PERAC's bill number H. 17 has been assigned to Public Service.

### **Audit Update**

Mr. Chadwick reported that audits are currently occurring at the Boston and Shrewsbury Retirement Boards. Internal reviews are being conducted on the audit reports for the New Bedford, West Springfield, Lynn, and Woburn Retirement Boards. He stated that he is waiting for responses from the Blue Hills and Pittsfield Retirement Boards for their respective audits. Mr. Chadwick reported that Athol (2011-2012), Mass Housing (no findings), Stoneham (no findings), and Wakefield (no findings) Retirement Boards audit reports have been posted on the

PERAC Web Page since the last Commission meeting and explained the Athol findings. Finally, Mr. Chadwick reported about the findings during the follow up audit performed at the Greater Lawrence Sanitary District Retirement Board.

### **Compliance Update**

Mr. O'Donnell reported that all board members have achieved their credits for the year and that all are in good standing in accordance with the guidelines of C. 176. He stated that notification has been sent to selectmen regarding a board member from Hull who can no longer serve due to lack of educational credits. He also stated that there are over 1215 investment relationships and that the Compliance Unit is currently collecting vendor disclosures. Finally, he reported that the Statement of Financial Interests are due at PERAC on May 1, 2015. PERAC is currently receiving these forms on a daily basis.

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

Mr. Connarton reported on staff activities since the last Commission meeting which is outlined in a memorandum in the packets. He reminded all in attendance that the new Commission meeting schedule will begin with the April 8, 2015 meeting at 10:30 AM.

Commissioner McDonough asked about the meeting which was held with the SEC.

Mr. Connarton explained that the person from the SEC Enforcement Unit Director was a former speaker at the Emerging Issues Forum and has continued dialogue with the Compliance Unit.

Mr. O'Donnell then explained a few matters of interest that were discussed at that meeting.

### **Other Business**

Commissioner McDonough made a motion to adjourn the meeting. Commissioner Fontaine seconded the motion and was adopted. The meeting adjourned at 3:20 PM.

### **Commission Meeting Documents**

Commission Agenda for the meeting for March 18, 2015

Commission Minutes for February 25, 2015

### **Legal Update**

*Chelsea Retirement System v. PERAC*, Lowell District Court, Docket No. 1411-CV-001165

*McLaughlin v. PERAC*, Lowell District Court, Docket No. 1411-CV-001093

*Richard Bretschneider v. PERAC*, CR-10-721 (DALA 2015)

*Paul Conway v. PERAC*, CR-11-195 (DALA2015)

**Legislative Update**

Monthly Legislative Agenda and bullet points outlining legislation

**Audit Update**

Recent PERAC Audit Findings cover sheet and the respective audit findings

**Executive Director's Report**

Updated Staff Activities Memo

Final Commission meeting schedule for 2015

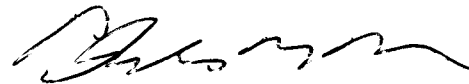
**Other Documents**

March 2015 publication of *The Voice* written by the Mass Retirees

**Distributed at Meeting**

The 2015 Fraud Poster and referral form

Approved:



Philip Y. Brown, Chairman  
Public Employee Retirement  
Administration Commission