



**PUBLIC PENSION  
INFORMATION & ANALYSIS  
FOR DECISION MAKERS**  
**[www.mass.gov/perac](http://www.mass.gov/perac)**

Commonwealth of Massachusetts  
Public Employee Retirement Administration Commission

If you're a local elected  
official, municipal clerk,  
accountant, auditor,  
treasurer, or collector,

you'll find **valuable**  
information and analysis about  
the Massachusetts  
public pension systems  
on our Web site.



# Expertise in Pension Administration

The mission of the Public Employee Retirement Administration Commission (PERAC) is to guide, monitor, and regulate Massachusetts' 106 public pension systems. PERAC and the contributory retirement boards work together to administer the systems in a professional, prudent, and efficient manner, for the mutual benefit of the public employees and employers, and the citizens of Massachusetts.

The members of the Commission are:

- The Honorable Domenic J. F. Russo  
*Chairman*
- The Honorable A. Joseph DeNucci,  
Auditor of the Commonwealth  
*Vice Chairman*
- The Honorable Deval Patrick  
Governor of the Commonwealth
- The Honorable Paul V. Doane  
Investment Professional
- James M. Machado  
Sergeant, Fall River Police Department
- Donald R. Marquis  
Former Town Manager, Arlington
- Robert B. McCarthy  
President of the Professional Firefighters of Massachusetts

This booklet outlines our mission, describes the contributions of our departments, and highlights publications, reports, and other information you can find on our Web site.

If you have any questions, please do not hesitate to contact PERAC via phone, fax, or e-mail.

Sincerely,



Joseph E. Connarton, *Executive Director*

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

You'll find information organized by PERAC unit including actuarial, audit, disability, fraud, investment, and legal.

### Retirement Board Profiles

For each retirement board, you can access:

- contact information
- annual report data (1997-present)
- investment vendor list
- most recent audit and valuation reports
- local options
- experience studies
- supplemental regulations
- travel regulations

To view these profiles, click "Board Profiles" in the menu and select the "Board Profiles" option again from the pop-up sub-menu.

Ensuring the **integrity**  
of retirement systems'  
long-term pension funding



# Actuarial Analysis

Ensuring the integrity of retirement systems' long-term pension funding is the responsibility of PERAC's Actuarial Unit.

Under the law, the Actuarial Unit determines each retirement system's annual appropriation. As part of the appropriation process, the unit performs or reviews an actuarial valuation of each system every few years. Based on the valuation's results, each retirement board establishes a funding schedule (or expected series of payments).

An actuarial valuation of a retirement plan is an estimate of a plan's financial position at a specific point in time. During a valuation, an actuary takes a snapshot of the membership as of a given date to determine the plan's liabilities and funded status. Periodic valuations enable a retirement board to guard against an unexpected and sizable increase in a system's funding schedule and appropriation amount. A retirement system's financial condition has a significant impact on municipal finances, including the cost of borrowing. Rating agencies cite retirement issues as a determining factor in establishing bond ratings.

Funding schedules are revised at least every three years to take into account updated asset and liability amounts. PERAC reviews and approves funding schedules and assesses the progress of each retirement system.

The Actuarial Unit also certifies retirement boards' benefit calculations and performs studies as requested by the Legislature and other parties.

## CONTACT

James Lamenzo

Actuary

**Phone:** 617 666 4446 ext. 921

**E-mail:** JLamenzo@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

### Valuation Reports

The most recent valuation studies (completed by PERAC and those provided by private actuaries) for the majority of Massachusetts' 106 public employee retirement systems are posted on PERAC's site.

To view valuation reports, click on "PERAC Units" in the Web site menu. From the pop-up sub-menu, select "Actuarial", then select "Valuations" and "Retirement Board". Valuation reports are also posted in the "Board Profile" section of PERAC's Web site.

### Education

To view information about valuation studies in general, including an annotated sample valuation with notes to aid further understanding, access *Actuarial Valuation Basics* by clicking on "Publications" in the menu. Select "Training Materials" from the pop-up sub-menu and scroll down.

### General Information

To access answers to frequently asked questions, a glossary, retirement boards' funded ratios, and actuarial reports, click on "PERAC Units" in the Web site menu and select "Actuarial Unit" from the pop-up sub-menu.

Providing adequate and reasonable system  
**safeguards**



# Audit

PERAC's Audit Unit performs a triannual audit of each retirement system to ensure that all financial and managerial functions are being performed in accordance with statute and regulation. PERAC's eight field auditors also provide technical assistance as needed and educate retirement system staff about proper internal controls and the financial operations of the retirement systems.

A primary goal of PERAC's audits is to identify areas where retirement boards can improve operations, and then communicate these findings along with recommendations in an audit report to the board. In most cases, audit findings are meant to be instructive and not punitive, and if implemented, can and have been critical to the success of some boards. The objective, shared by PERAC and the retirement boards, is to provide adequate and reasonable system safeguards.

Through educational seminars, agency-sponsored educational institutes, and technical assistance, PERAC's audit staff encourages the public pension community to draw on the unit's substantial experience and diverse technical abilities. The Audit Unit writes letters, issues reports, drafts manuals, and constantly updates its policies and procedures to promote consistency and uniformity among retirement systems. The unit is dedicated to maintaining a high level of awareness among public pension administrators of the numerous complex laws, regulations, reporting requirements, and fiduciary obligations related to the management of Massachusetts' retirement funds.

## CONTACT

Harry Chadwick,  
*Chief Auditor*

**Phone:** 617 666 4446 ext. 924

**E-mail:** HTChadwick@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

### Audit Reports

The most recent audit reports for the Massachusetts public employee retirement systems are posted on PERAC's Web site. To view these reports, choose "PERAC's Units" from the menu and, from the pop-up sub-menu, select "Audit", then "Audit Reports". Audit reports are also posted in the Web site's "Board Profile" section.

### General Information

You can access answers to frequently asked questions and PERAC memos related to audit issues by choosing "PERAC Units" from the menu and then selecting "Audit Unit" from the pop-up sub-menu.

# Managing

**disability retirement applications,  
comprehensive medical evaluations,  
rehabilitation, and restoration  
to service**





# Disability

PERAC's Disability Unit manages the extensive and thorough processes that compose the framework of public employee disability retirement. The four key components are applications, comprehensive medical evaluations, rehabilitation, and restoration to service.

Responding to retirement board requests, the Disability Unit appoints independent regional medical panels, which examine the disability retirement applicants. The unit closely tracks every step through the process, and, following disability retirement, periodically reviews each retiree's medical records. For some disability retirees, the unit may schedule a comprehensive medical evaluation (CME) with a physician. The unit may also review proposed rehabilitation plans. Should the CMEs or completed rehabilitation plans indicate that retirees are able to perform the essential duties of their former jobs or similar positions, the Disability Unit compiles their medical records and schedules restoration to service medical examinations. The Disability Unit maintains a pool of qualified physician specialists to provide medical services. The unit's Quality Assurance (QA) program ensures that medical evaluations are conducted in a professional and expert manner.

In 2007, the Disability Unit set up 776 disability medical panels, conducted 1,584 medical record reviews, and scheduled 84 CMEs.

PERAC's Disability Unit regularly makes presentations to retirement boards, physicians, employers, and other interested parties about the disability process.

## CONTACT

Barbara Lagorio, R.N.

*Director of Disability*

**Phone:** 617 666 4446 ext. 952

**E-mail:** BLagorio@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

### Guides and Forms

You can access procedural guides, disability forms, regulations, answers to frequently asked questions, and information about essential duties and medical standards for public safety personnel. Click on "PERAC Units" in the site menu and then select "Disability Unit" from the pop-up sub-menu.

# Regulating

**the investment portfolios of the  
Massachusetts public retirement systems**



# Investment

PERAC's Investment Unit regulates the investment portfolios of the Massachusetts public retirement systems, which, as of December 31, 2007, had a combined market value of \$68.6 billion. The unit's mission is to assist the 106 retirement boards in ensuring that their managers, consultants, and other investment vendors provide objective, comprehensive, and professional assessment of investment performance, consequently reducing the likelihood that systems' investment decisions will be based on inaccurate or subjective information. Requiring each retirement board to certify that it has selected its investment vendors by a fair and open competitive process minimizes the risk that the board has failed to properly exercise its fiduciary duty. Ascertaining—through consideration of such items as principals' biographies, assets under management, and performance record—that the manager, consultant, or other investment vendor has basic qualifications, minimizes the risk that a board has selected a vendor that is not in the best interests of the system. The Investment Unit also reviews investment waiver applications and supplementary regulation requests.

Under the provisions of Chapter 32, boards rely on the advice of consultants, delegate direct investment of assets to money managers, and depend on custodians to account for financial activity. PERAC publishes guides for fiduciaries on how to make such selections prudently. For copies of *The Competitive Bid Process* and *Selecting an Investment Manager/The Basics of Securities Lending & Commission Recapture*, please contact PERAC's Communications Unit at 617 666 4446.

## CONTACT

Robert Dennis, C.F.A.

*Investment Director*

**Phone:** 617 666 4446 ext. 922

**E-mail:** RADennis@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

The Investment Unit publishes periodic financial market reviews and commentaries, develops investment portfolio information for PERAC's annual reports, and provides investment education for the retirement boards.

### ***Fundamentals of Asset Allocation***

Research shows that about 90% of the variance in a portfolio's investment returns over time is explained by asset allocation, the process of determining the percentage of portfolio assets allocated to specific asset classes such as stocks, bonds, real estate, and venture capital. To view a guide on the topic, click on "Publications" in the Web site menu. From the pop-up sub-menu, select "Training Materials" and scroll down to *The Fundamentals of Asset Allocation*.

### ***Quarterly Financial Bulletins***

PERAC publishes a quarterly financial bulletin that features analysis and observations on stock market performance. To access PERAC's *Quarterly Financial Bulletins*, click on "Publications" in the menu, then select "Financial Bulletins" from the pop-up sub-menu.

### **General Information**

You can access answers to frequently asked questions, investment regulations, and key guidelines by clicking on "PERAC Units" in the menu, then selecting "Investment Unit" from the pop-up sub-menu.

Providing **advice**  
about new developments, decisions, and  
amendments to Chapter 32 of the  
Massachusetts General Laws



# Legal

PERAC's Legal Unit provides day-to-day advice to Commission members and staff with regard to all aspects of operation. Retirement boards are informed about new legal developments, decisions, and amendments to Chapter 32 via Legal Unit memoranda. In response to written inquiries from retirement boards, members of retirement systems, and other interested persons and entities, the Unit drafts legal opinion letters. Applications for disability retirement and accidental death benefits are reviewed by PERAC's Legal Unit to ensure that all required documentation has been submitted and the application comports with legal requirements. In 2007, the Unit processed and approved 676 disability retirements and 109 accidental death cases. The supplementary rules of retirement boards that are consistent with the provisions of G.L. c. 32 are reviewed and approved by the Legal Unit. When affected persons challenge the Commission's actions, the Legal Unit represents the Commission in hearings before administrative agencies. The Unit also defends the Commission in the Superior Court or assists the Office of the Attorney General in providing representation. In furtherance of the Commission's mission to provide assistance to the retirement boards and their staffs, the Legal Unit prepares educational materials and presentations for retirement boards.

## CONTACT

Barbara Phillips

*General Counsel*

**Phone:** 617 666 4446 ext. 902

**E-mail:** BPhillips@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

View answers to frequently asked questions, as well as a form for e-mailing a legal question directly to the Legal Unit, by clicking on "PERAC Units" in the menu, and selecting "Legal Unit" from the pop-up sub-menu.

Keeping retirement boards

**informed**

of the complex issues that effect  
pension administration



# Publishing

PERAC publishes a variety of materials to keep retirement boards informed of the complex issues that effect pension administration. A brief list of highlights follows.

*The PERAC Annual Report* summarizes the financial condition, management, and investment activity of the 106 Massachusetts public pension systems and the Pension Reserves Investment Management Board. Each annual report contains a board profile for every system as well as a composite profile.

*Retirement for Public Employees in the Commonwealth* provides an overview of retirement board composition, membership eligibility, contributions, and rules governing retirement allowances.

To inform public employees and retirees about retirement benefits, rights, and responsibilities, PERAC publishes: *Massachusetts Public Employee Retirement Guide*, *Guide to Disability Retirement for Public Employees*, *Guide to Survivor Benefits for Public Employees*, and *Retirees' Rights and Responsibilities*. Upon request, PERAC will provide a sample copy of each guide. They can also be ordered for a fee from Central Reprographics. Contact Kelly Young at 617 720 3340 for details. Electronic versions of the guides are available for free on the PERAC Web site.

Working with Robert Ritchie, Director (retired) of the Municipal Law Division of the Office of the Massachusetts Attorney General, PERAC developed the guide *Massachusetts Public Records Law*, which discusses the rules governing public records, their custody, and disclosure. *Records Disposal for Retirement Boards* contains the current schedule to which retirement boards must adhere. For a copy of these publications, please contact PERAC.

## CONTACT

Sarah Kelly

*Communication & Education Director*

**Phone:** 617 666 4446 ext. 970

**E-mail:** SKelly@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

### **Annual Reports**

To view PERAC Annual Reports for the years 1997 through the present, click on "Publications" in the menu. From the pop-up sub-menu, select "Reports" and then "Annual Reports".

### ***Retirement for Public Employees in the Commonwealth***

To access *Retirement for Public Employees in the Commonwealth*, click on "Publications" in the menu. From the pop-up sub-menu, select "Training Materials", then scroll down to *Retirement for Public Employees in the Commonwealth*.

### **Retirement Guides for Members, Retirees, and Survivors**

These retirement guides are available for free download via the Publications section of PERAC's Web site. To access them, click on "Publications" in the menu. Then select "Guides" and "Retirement Guides" from the pop-up sub-menus.



# Investigating

**fraudulent disability pension claims  
and payments**





# Monitoring

PERAC's Fraud Prevention Unit has the powers and duties necessary for the prevention and investigation of fraudulent disability pension claims and payments. The unit collects data relating to all disability retirees, including earnings statements, registry, criminal offender records, retirement board records, and other relevant information. The unit maintains a hotline (800 445 3266) for reporting suspected cases of pension fraud.

The Fraud Prevention Unit insures that disability retirees comply with the requirements of Chapter 32, § 91A to file their *Annual Statements of Earned Income* in a truthful and timely manner. This labor-intensive undertaking assures the integrity of the disability retirement system by monitoring the 15,000+ disability retirees' compliance with the earning limits dictated by the law. The unit reviews the *Statements* and supporting documents to determine whether or not retirees are earning within legal limits, and whether or not further investigation of an individual retiree is necessary. These reviews generate investigations that may involve civil as well as criminal violations. These investigations further the Commission's effort to achieve compliance with pension laws as charged by the Legislature.

The Fraud Unit also works closely with the individual retirement boards to educate them about the importance of adherence to earning requirements and reporting actual earnings in a complete and accurate fashion.

## CONTACT

Sandra King

*Fraud Prevention Manager*

**Phone:** 617 666 4446 ext. 946

**E-mail:** SEKing@per.state.ma.us

## Find It Online

[www.mass.gov/perac](http://www.mass.gov/perac)

### General Information

You can access information about the various types of pension fraud as well as a *Referral Report of Potential Fraud* by choosing "PERAC Units" from the menu, then selecting "Prevention Fraud Unit" from the pop-up sub-menu.



**Sharing**  
**expertise and  
analysis with  
all interested parties**

# Seminars

PERAC staff members regularly make presentations and conduct workshops on pension-related topics. Also, PERAC periodically hosts educational seminars at a variety of Massachusetts locations. Retirement board members and administrators, medical practitioners, investment professionals, pension software developers, legislators and their staff members, and public pension attorneys are among those who attend these presentations.

PERAC has conducted seminars on such topics as:

- Conflict of Interest for Public Employees and Vendors
- Disability Retirement
- Early Retirement Incentive Programs and Pension Holiday Legislation
- EEOC Settlement on Age Discrimination
- Accounting Fundamentals
- The Monthly Accounting Cycle for Pension Funds
- Benefit Calculations
- Massachusetts Public Records Law
- Audit Reports
- Valuation Basics
- Asset Allocation Fundamentals
- Selecting an Investment Manager
- Open Meetings
- The Competitive Bid Process
- Technology, Confidentiality and Public Records
- Local Experience Study Analysis
- Fiduciary Liability Insurance
- The Legislative Process

These presentations are an integral part of PERAC's outreach efforts. PERAC personnel are focused on sharing their expertise and analysis with all interested parties.

**Find It Online** 

[www.mass.gov/perac](http://www.mass.gov/perac)

## **Training Seminars**

You can access educational materials by choosing "Publications" from the menu, then selecting "Educational Materials." Announcements about classes are posted under "Memos."



**Public Employee Retirement Administration Commission**

Five Middlesex Avenue, Suite 304, Somerville, MA 02145

*ph* 617 666 4446 *fax* 617 628 4002 *tty* 617 591 8917 *web* [www.mass.gov/perac](http://www.mass.gov/perac)

Revised by PERAC: January 2009.