

**Massachusetts Teachers' Retirement Board
Meeting of April 27, 2018
9:00 a.m. to 2:00 p.m.
being held at:**

Massachusetts Teachers' Retirement System
500 Rutherford Avenue, Suite 210, Charlestown, MA

Agenda for April Board meeting

Regular Matters of BusinessTab 1
Open and Executive Minutes of the Regular Meeting held on March 23, 2018

Open Meeting Law Update - *Boelter vs. Selectmen of Wayland*.Tab 2

S. 2407: An Act requiring divestment from ammunition and firearmsTab 3

Applications for Ordinary and Accidental Disability Retirement* *Disability Folder*

Potential Suspension of Disability Benefit due to Section 91A Failure to File*Tab 4

Termination Retirement Application*Tab 5

Request for Waiver for OverpaymentTab 6

Executive Director's Report.....Tab 7
Distribution of Proposed FY19 Budget

**To be considered in Executive Session*

Next meeting scheduled for
May 25, 2018
9:00 a.m. – 12:00 p.m.

Minutes of the Meeting of April 27, 2018

of the

MASSACHUSETTS TEACHERS' RETIREMENT BOARD

I. Regular Matters of Business

In attendance at this regular meeting of the Massachusetts Teachers' Retirement Board ("the Board") were Chairman Jeff Wulfson, Vice Chair Nicola Favorito, Jacqueline A. Gorrie, Richard L. Liston, Dennis J. Naughton, Michael Ruane, Anne Wass, Executive Director Erika Glaster, Assistant Executive Director Sean Neilon, Assistant Executive Director Jon Osimo, General Counsel James O'Leary, Associate General Counsel/Disability Case Manager Salvatore Coco, and Executive Assistant Helen Petruzzello.

The meeting was called to order at 9:00 a.m. Chairman Wulfson welcomed Michael Ruane to the meeting, who was appointed by State Auditor Bump to serve as her designee on the MTRS Board as of March 1, 2018. Mr. Ruane is replacing Joannah Quinn, who had stepped down from her position on the Board after six years of distinguished service.

The minutes of the previous Board meeting, held on March 23, 2018, were reviewed and approved as submitted on a motion made by Mr. Liston and seconded by Ms. Wass. The motion carried 6-0-1, with Mr. Ruane abstaining from voting.

VOTED: The Open and Executive minutes of the Board meeting held on March 23, 2018 are hereby approved as submitted.

II. Open Session

A. OPEN MEETING LAW – *Boelter vs. Selectmen of Wayland*

Mr. O'Leary notified the Board of a recent Massachusetts Supreme Judicial Court ("SJC") decision in the case of *Boelter vs. Selectmen of Wayland* regarding the Open Meeting Law as it relates to emailed communications between the selectmen pertaining to the evaluation of the town administrator, and its strict interpretation of the definition of "deliberation." While Mr. O'Leary

confirmed that the Board's current policy for the performance review of the MTRS Executive Director complies with the *Boelter* interpretation of the Open Meeting Law, he recommended some procedural changes for the Board's consideration. The Board asked questions, held a brief discussion, and came to an agreement to make minor adjustments to the process for future performance evaluations of the Executive Director.

B. S. 2407/H. 4402: AN ACT REQUIRING DIVESTMENT FROM AMMUNITION AND FIREARMS

This item was included on the agenda at the request of the Board at the March board meeting in the wake of the horrific school shooting in Parkland, Florida. Ms. Glaster inquired if, and in what manner, the Board would like to express their opinion on the gun divestment bill filed by Senator Cynthia Creem (S. 2407) and Representative Lori Ehrlich (H. 4402), in partnership with Treasurer Deborah Goldberg. The legislation would require the Pension Reserves Investment Management (PRIM) Board to divest from companies that derive more than 15% of revenues from the sale or manufacture of ammunition, firearms or firearm accessories for civilian purposes; and, recognizing PRIM's fiduciary duty, allows PRIM to cease or reverse divestment if the pension reserves investment trust (PRIT) fund would decrease in value by more than 0.5%. Ms. Glaster summarized the Board materials on gun divestment, including actions taken by other public pension plans and institutional investors over the past twenty years, and discussed the monetary impact of the proposed divestment, which represents approximately \$5M or 0.007% of the total \$70B PRIT fund assets. The Board held a discussion, agreeing that in light of the measured approach taken in the legislation, which is consistent with their fiduciary duties, they would submit written testimony in favor of the legislation to demonstrate their support for the children, educators and communities that have been victims of horrific school shootings. Ms. Gorrie made a motion, which was seconded by Ms. Wass, authorizing staff to draft testimony in support of S. 2407/H.4402, and directing the MTRS Chairman to approve and send the testimony to the Joint Committee on Public Service. The motion carried 5-0-2, with Mr. Ruane abstaining, as well as Mr. Naughton abstaining, citing his position as the MTRB representative on the PRIM Board.

The Board recessed at 9:27 a.m. and reconvened at 9:30 a.m.

III. Executive Session

A motion was made by Mr. Liston, and seconded by Mr. Naughton, to enter into executive session in order to review applications for disability retirement, potential suspension of disability benefits due to Section 91A Failure to File, and a termination retirement application. On roll call, the vote was as follows:

VOTED: Vice Chair Nicola Favorito	Yes
Jacqueline A. Gorrie	Yes
Richard L. Liston	Yes
Dennis J. Naughton	Yes
Michael Ruane	Abstain
Anne Wass	Yes
Chairman Jeff Wulfson	Yes

At 9:30 a.m. the Board went into Executive Session. The Chairman stated that the Board would return to Open Session.

At 12:46 p.m. the Board reconvened in Open Session, Mr. Favorito now chairing after Mr. Wulfson left the meeting at noon. After a brief recess, during which Mr. Liston left, the Board reconvened at 12:49 p.m.

C. REQUEST FOR WAIVER FOR OVERPAYMENT

Mr. Osimo presented the request for waiver of overpayment from David Wheeler, a retired member whose retirement benefit was incorrectly calculated under the Retirement Plus enhanced benefit. Mr. Wheeler was present, along with his spouse and his legal counsel, Matthew Peloquin. The Board discussed whether the error was the result of erroneous information provided by the member, and whether the member knew or had reason to know that the benefit amount was in error. On a motion made by Mr. Naughton, and seconded by Ms. Gorrie, the Board voted 4-0-1, with Mr. Ruane abstaining, to deny the request for the waiver.

Noting this case highlighted an ambiguity in the policy concerning repayment of overpayments when refunds are due to the member, Ms. Glaster

asked the Board if they wanted staff to propose an amendment to the policy to address this issue for discussion at a future meeting. The Board agreed.

D. EXECUTIVE DIRECTOR'S REPORT

1. Ms. Glaster noted that the MACRS spring conference preliminary agenda was included in the board materials.
2. At the Board members' seats, Ms. Glaster had distributed the latest memorandum from the Public Employee Retirement Administration Commission ("PERAC") offering continuing educational opportunities and reminded board members that their individual Statement of Financial Interest filings are due May 1st.
3. Ms. Glaster distributed a listing of the "*Your MTRS Benefits*" seminars that are being offered in various locations throughout the state and invited board members to feel free to attend any session. Ms. Glaster noted that the registration numbers for this year's programs were higher than those of the past few years.
4. Additionally, Ms. Glaster provided a copy of the notice from PERAC to Administration and Finance ("ANF") Secretary Michael Heffernan on the FY19 pension appropriation. Due to the 2017 legislative amendments to address the exclusive benefit rule ("EBR") issues, this notice includes a breakdown of expected payments for the PERAC operating budget, the Commonwealth's contribution to the higher education Optional Retirement Program ("ORP"), and the Commonwealth's obligation for certain local cost-of-living adjustments. Ms. Glaster noted that there was no new information on ANF's filing of the application for the closing agreement with the Internal Revenue Service concerning the EBR issues.
5. Ms. Glaster notified the Board of new guidance from PERAC regarding the implementation of the Supreme Judicial Court's *Vernava* decision, first discussed at the February board meeting. This decision impacts members who receive workers' compensation benefits, and supplemental sick or vacation pay. PERAC had issued a memorandum to all retirement boards in February, instructing them to notify their employer units to immediately stop taking retirement contributions from these supplemental payments. However, on April 9th, PERAC issued new guidance reversing their previous instructions. PERAC's new guidance interprets the *Vernava* decision very narrowly, stating that it only applies to those members who receive workers' compensation and supplemental

pay, AND ultimately receive an accidental disability retirement benefit. PERAC is now instructing retirement boards to tell their employer units to resume collecting retirement contributions on the supplemental pay and to arrange for make-up payments of any amounts omitted as a result of their original instructions. Ms. Glaster indicated that Mr. O'Leary had spoken with other Massachusetts pension attorneys who have raised questions about PERAC's latest interpretation. The agency is in the process of implementing the *Vernava* decision as it pertains to current accidental disability applications, but will temporarily delay sending PERAC's latest instructions to school district employers until PERAC's final position is confirmed.

6. Ms. Glaster noted a number of pension related items in the proposed FY19 House budget including a 3% COLA on the first \$13,000 for benefit recipients and funding the \$2.6B pension appropriation in the current triennial funding schedule. Mr. Neilon added that in the final version of the House budget, a number of proposed amendments pertaining to pensions were not approved, with the exception of an amendment increasing the time limitation from 960 to 1500 hours that a Massachusetts public retiree can work after retirement for a Massachusetts public entity. Board members inquired about the status of the Retirement Plus legislation. Mr. Neilon responded that the legislation was still with the Senate Committee on Ways and Means, and added that a special bill allowing for an MTRS employee sick leave bank had been approved by the House and was awaiting final action in the Senate.
7. Ms. Glaster reported on the recent introductory meeting between representatives of Duane Morris, the newly selected fiduciary counsel firm, and MTRS executive and legal staff members. She expects a draft opinion from the firm by the end of May, with a presentation to the Board planned for the June Board meeting.
8. Ms. Glaster announced that due to the expected retirements of two long-serving MTRS managers in June – Rochelle Mosley, Director of Records Administration, and Michael Williams, Director of Retiree Services – she, along with executive staff members, took the opportunity to look at the internal structure of the organization. After gathering and analyzing feedback obtained from individual meetings with over thirty staff members from all departments and levels of the organization, Ms. Glaster shared her plans for reorganization. She stated the major goals of the restructuring will be: 1) the achievement of on-time monthly

deduction reporting, which is the foundation for a majority of the agency's high volume functions, 2) the elimination of any remaining backlogs in member enrollments and related processes, 3) the regionalization of member services and employer services, in order to improve efficiency and consistency throughout members' careers, and 4) the establishment of the proper resources and support for the FY19 rollout of expanded Member Self Service functionality, including the creditable service estimator. In order to achieve the staffing changes associated with the restructuring, Ms. Glaster indicated that the proposed FY 19 budget reflects utilization of savings achieved from the aforementioned managers' retirements, as well as shifting funds from the allotment for *Part-time and Temporary Help and Staff Overtime*. The Board inquired if there was any effect on staff morale and Mr. Osimo and Mr. Neilon responded that the staff response was positive overall, and that Ms. Glaster spoke with everyone in the units affected, listened to the feedback and, when applicable, adjusted plans as needed.

9. Ms. Glaster distributed copies of the proposed FY 19 operational budget so that board members would have ample time to review it and ask questions, and noted that it will be reviewed in detail and voted upon at the May board meeting.

At approximately 1:50 p.m., on a motion made by Ms. Gorrie and seconded by Mr. Naughton, the Board voted unanimously to adjourn the meeting.

Respectfully submitted,

Erika M. Glaster,
Executive Director

Date

Documents used in MTRS Board meeting of April 27, 2018

- Agenda for April 27, 2018 MTRS Board meeting
- Cover letter from Executive Director
- Open minutes and executive minutes of March 23, 2018 MTRS Board meeting
- Memorandum pertaining to Open Meeting Law Case – *Boelter v. Selectmen of Wayland*
- Memorandum and supporting documents pertaining to S. 2407: *An Act requiring divestment from ammunition and firearms*
- Memorandum and supporting documents pertaining to Request for Waiver for Overpayment