

**Massachusetts Teachers' Retirement Board
Meeting of February 23, 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 February Board meeting

Regular Matters of Business Tab 1
 Open and Executive Minutes of the Regular Meeting held on January 26, 2018

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

Section 15 Possible Forfeiture..... Tab 2

Termination Retirement Application..... Tab 3

2018 Actuarial Assumptions Tab 4
 Jim Lamenzo, State Actuary

PRIT Fund Update
 Dennis Naughton

Benefit Recipient Death Reporting
 Michael Williams, Director of Retiree Services

Executive Director's Report

**To be considered in Executive Session*

Next meeting scheduled for
March 23, 2018
9:00 a.m. – 12:00 p.m.

Minutes of the Meeting of February 23, 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, Dennis J. Naughton, Joannah M. Quinn, Anne Wass, Executive Director Erika Glaster, Assistant Executive Director Sean Neilon, Assistant Executive Director Jon Osimo, General Counsel James Salvie, Associate General Counsel/Disability Case Manager Salvatore Coco, and Executive Assistant Helen Petruzziello. Richard Liston was absent due to personal reasons.

The meeting was called to order at 9:00 a.m.

The minutes of the previous Board meeting, held on January 26, 2018, were reviewed and approved as submitted on a motion made by Ms. Wass and seconded by Ms. Gorrie. The motion carried 4-0-2, with Mr. Wulfson and Ms. Quinn abstaining due to their absence from the January meeting.

VOTED: The Open and Executive minutes of the Board meeting held on January 26, 2018 are hereby approved as submitted.

II. Executive Session

A motion was made by Ms. Wass, and seconded by Mr. Naughton, to enter into executive session in order to review applications for disability retirement. On roll call, the vote was as follows:

VOTED: Vice Chair Nicola Favorito	Yes
Jacqueline A. Gorrie	Yes
Dennis J. Naughton	Yes
Joannah M. Quinn	Yes
Anne Wass	Yes
Chairman Jeff Wulfson	Yes

At approximately 9:02 a.m. the Board went into Executive Session. The Chairman stated that the Board would return to Open Session.

At approximately 9:03 a.m. the Board reconvened in Open Session.

III. Open Session

A. SECTION 15 POSSIBLE FORFEITURE

The Board considered the Hearing Officer's report regarding the forfeiture under G.L. c. 32 § 15(4) of Joseph Zuniga. On a motion made by Ms. Wass and seconded by Mr. Naughton, the Board voted 6-0 to adopt the Hearing Officer's recommendation to forfeit the \$3.18 in interest on Mr. Zuniga's contributions and forfeit his right to receive a future retirement allowance from the MTRS or any other Massachusetts contributory retirement system.

IV. Executive Session

A motion was made by Ms. Wass, and seconded by Mr. Naughton, to reconvene into executive session. On roll call, the vote was as follows:

VOTED: Vice Chair Nicola Favorito	Yes
Jacqueline A. Gorrie	Yes
Dennis J. Naughton	Yes
Joannah M. Quinn	Yes
Anne Wass	Yes
Chairman Jeff Wulfson	Yes

At approximately 9:07 a.m. the Board reconvened into Executive Session. The Chairman stated that the Board would return to Open Session.

At approximately 10:30 a.m. the Board reconvened in Open Session.

V. Open Session

B. TERMINATION RETIREMENT APPLICATION

Mr. Osimo presented the termination retirement application of Julia Ravinsky, who was in attendance. The Board reviewed the materials and after a brief discussion, determined that Ms. Ravinsky was terminated involuntarily, was not offered a similar position and there was no moral turpitude surrounding her termination. On a motion to approve the termination application made by Mr. Favorito, and seconded by Ms. Wass, the Board voted 6-0.

C. PRIT FUND UPDATE

Mr. Naughton, referring to the Pension Reserves Investment Trust ("PRIT") quarterly activity report, noted the excellent returns in 2017 and provided some background information on the considerations behind selecting investments and Pension Reserves Investment Management's ("PRIM's") strategy to maximize returns while mitigating risk of another market downturn.

D. 2018 ACTUARIAL ASSUMPTIONS

Accepting the invitation from the Board, State Actuary James Lamenzo of the Public Employee Retirement Administration Commission ("PERAC") joined the meeting to discuss his plans for establishing the actuarial assumptions for the MTRS January 1, 2018 valuation. Mr. Lamenzo presented his process for developing the assumed rate of return and the mortality assumptions, and addressed the Board's concerns and questions. Mr. Lamenzo indicated that he does not plan to change the mortality assumption this year, but does plan to recommend to PERAC a reduction, from 7.5% to either 7.35% or 7.4%, in the assumed rate of return based on his analysis. Recognizing that said reduction will increase the system's unfunded liabilities and reduce the funded ratio, the Board raised their concerns about the potential for an extension of the funding schedule and inquired about PERAC's role in advocating for system funding. Mr. Lamenzo discussed the funding practices of prior administrations, which did not consistently make the annual required contributions and deviated from schedules proposed by PERAC. However,

Mr. Lamenzo stated that funding improvements have been made in recent years with the Commonwealth's commitment to 10% annual increases in the pension appropriation from 2014 to 2017 and the 8.94% increases in the most recent triennial pension funding schedule. In addition to potential schedule extensions, the Board expressed their concerns with the ability of the Commonwealth to annually increase the pension appropriation by 8.94% under the current funding schedule. The Board thanked Mr. Lamenzo for his presentation.

At approximately 12:05 p.m. the Board recessed for a luncheon break and reconvened at approximately 12:25 p.m.

E. BENEFIT RECIPIENT DEATH REPORTING

Michael Williams, Director of Retiree Services, joined the meeting and presented the Board with the background and process behind the reporting of benefit recipient deaths and the subsequent actions taken by the retiree services unit to minimize and collect overpayments. He further described the efficiency improvements obtained by recently contracting with Pension Benefits Information (PBI) research services, which provides weekly death notice reports. Additionally, he provided the statistics of total reported deaths for each of the last four years, including the payable, receivable and uncollected amounts, and answered questions from the Board.

F. EXECUTIVE DIRECTOR'S REPORT

1. At the Board member's seats, Ms. Glaster had distributed the PRIM Board Quarterly Update for the Fourth Quarter of 2017 including the Markets Overview and PRIT Fund Performance Summary, and noted the favorable returns of the fund.
2. In addition, Ms. Glaster distributed copies of PERAC's Pension Memorandum #12/2018 concerning the Supreme Judicial Court's recent affirmation of the Contributory Retirement Appeal Board's determination that sick leave and vacation leave taken in conjunction with Workers' Compensation payments shall not be considered regular compensation. PERAC had sent out notice instructing all boards to tell employers to stop withholding retirement contributions on the supplemental pay and the MTRS will be sending that message out to all

employers later that day, with instructions on how to change the codes in the MyTRS application. Ms. Glaster told the Board that MTRS will follow up with PERAC with a list of implementation questions.

3. Ms. Glaster updated the Board that benefits have now been reinstated, along with retroactive payments, for the disability retiree whose benefits were suspended due to her non-compliance with financial reporting requirements pursuant to G.L. c. 32, § 91A, as she has now come into compliance and has been cleared by PERAC.
4. Ms. Glaster informed the Board that the 1099-R documents were mailed out to all benefit recipients at the end of January. Additionally, she noted that due to the implementation of the new tax tables, nearly all retirees who have their taxes withheld based on the withholding tables (as opposed to a flat rate) saw a decrease in their tax withholding and a corresponding increase in their net benefit payments. Ms. Glaster reported that many tax experts are advising taxpayers to review their tax withholding as soon as the IRS publishes the 2018 W-4P Form and withholding calculator in order to avoid potential underpayments. Staff will send out the information to benefit recipients once the IRS makes it available.
5. Ms. Glaster reported that, after the significant pushback from employees and retirees, the Group Insurance Commission reversed their previous decision to eliminate, and have now reinstated, the Fallon, Harvard Pilgrim and Tufts health care plans, except for the Fallon Medicare supplement.
6. Acknowledging the reference in Mr. Neilon's report, Ms. Glaster reiterated that the Retirement Plus legislation has been favorably reported out of the Public Service Committee and is headed to the Senate Ways and Means Committee. She assured the Board that the agency will continue to coordinate with the Massachusetts Teachers' Association and the American Federation of Teachers-MA, and will keep all notified on its status.
7. Ms. Glaster announced a silent launch of the new Member Self Service functionality was activated on February 17th. This rollout includes the retirement estimator, survivor benefits estimator, request for a refund buyback and updated service purchase invoice, and the ability to view service purchase payments and retiree beneficiaries. She further explained that over the course of the next month, after bi-weekly group counseling sessions, staff will be asking the members in attendance to

pilot the functions and provide any feedback. Additionally, the agency has implemented a hunt line to supplement the Call Center, where Member Services staff log in on a rotating basis in order to field the calls on the MSS functions. She further reported that the creditable service estimator is in the final stages of development, and is expected to be rolled out this fall.

8. Ms. Glaster informed the Board that work on the new website is nearing completion, and commended the Communications unit who is working with the vendor, Aciron, in its development. Plans are to launch the new site by the end of March, and a demonstration will be provided at the next board meeting.
9. In response to the RFR for Fiduciary Counsel to the Board, Ms. Glaster reported that four bids were received. Jim O'Leary will complete the evaluation of the bids and award the contract before the next Board meeting.
10. Ms. Glaster notified the Board that KPMG is planning to include a Management Letter Comment in the state single audit concerning the need for the state and teachers' retirement boards to have a role in developing and approving the actuarial assumptions. Ms. Glaster, Mr. Neilon, Mr. O'Leary and Mr. Favorito participated in a conference call with KPMG in which they agreed that the boards, as fiduciaries of the plans, should have a role in that process, and advised KPMG that it would require a statutory change.
Additionally, Ms. Glaster reported that, for the first time in over five years, KPMG will not be including a Management Letter Comment in this year's audit regarding MTRS data anomalies. Ms. Glaster commended the Employer Services unit for their work with employers to improve the quality of the data.
11. Ms. Glaster reported that she, Mr. Neilon, and Mr. Favorito will be attending the joint National Council on Teacher Retirement ("NCTR")/National Association of State Retirement Administrators ("NASRA") Legislative Conference, and the Coalition to Preserve Retirement Security ("CPRS") Annual Meeting from February 25th to February 27th. They also have plans to meet with representatives of Congressman Richard Neal's office to discuss Social Security and other relevant state retirement issues.
12. Ms. Glaster told the Board that she was asked to serve as Chair of the NCTR Administrator Education Committee, and participated in a

conference call with committee members to plan the agenda for the NCTR Directors Meeting and the Annual Conference.

13. Ms. Glaster announced that the MTRS Management Team is preparing and serving breakfast on Staff Appreciation Day, Friday, March 2nd to demonstrate the agency's appreciation of the efforts of all staff members. Board members asked Ms. Glaster to convey their appreciation to staff as well.
14. Finally, Ms. Glaster noted that this was the last board meeting for Mr. Salvie, who will leave the MTRS next week. Ms. Glaster reported that, honoring Mr. Salvie's preference for a "low-key" send-off, the executive staff members took Mr. Salvie out for lunch last week and presented him with a commemorative clock, thanking him for his leadership, integrity, and sage advice throughout his 21 years with the MTRS. The Chairman and the Board members individually expressed their gratitude to Mr. Salvie and wished him continued success, health and happiness in his future endeavors. Mr. Salvie thanked everyone for the kind words.

On a motion made by Ms. Wass and seconded by Mr. Naughton, the Board voted unanimously to adjourn the meeting at approximately 1:00 p.m.

Respectfully submitted,

Erika M. Glaster,
Executive Director

Date

Documents used in MTRS Board meeting of February 23, 2018

- Agenda for February 23, 2018 MTRS Board meeting
- Cover letter from Executive Director
- Open minutes and executive minutes of January 26, 2018 MTRS Board meeting
- Memorandum and supporting documents pertaining to Section 15 Possible Forfeiture
- Memorandum and supporting documents pertaining to Termination Retirement Application
- Memorandum and supporting documents pertaining to 2018 Actuarial Assumptions