



MTRS Board Meeting, Friday, September 28, 2018

# Annual System Review and Constituents Forum 2018

## Members of the Board

Jeff Wulfson  
Chairman, Deputy Commissioner  
of Elementary and Secondary  
Education

Deborah B. Goldberg  
State Treasurer  
Nicola Favorito  
Designee, Executive Director of  
State Retirement System

Suzanne M. Bump  
State Auditor  
Michael P. Ruane  
Designee, Chief Legal Counsel

Dennis J. Naughton  
Jacqueline A. Gorrie  
Richard L. Liston  
Anne Wass

## Administration

Erika M. Glaster  
Executive Director  
Sean P. Neilon  
Assistant Executive Director

Jonathan Osimo  
Assistant Executive Director

James C. O'Leary  
General Counsel

Susan Morgan  
Chief Technology Officer

Susan Theil  
Director of Communications

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## Agenda

9:00 – 9:30 a.m. . . . . **MTRS September Board meeting**

- 1 Regular matters of business**  
Open and Executive minutes of the regular meeting held on August 24, 2018  
**Application for Ordinary Disability Retirement\***

- 2 Security Incident Report\***

- 3 Executive Director's Report**

9:15 – 9:30 a.m. . . . . Arrival of constituents

9:40 – 10:30 a.m. . . . . **4 PRIM Update**

Michael G. Trotsky, CFA, Executive Director and  
Chief Investment Officer, PRIM  
Paul Todisco, Senior Client Services Officer, PRIM

10:30 – 10:45 a.m. . . . . Break

10:45 – 11:45 a.m. . . . . **5 PERAC Update and Draft 2018 MTRS Valuation**

Joe Connarton, Executive Director, PERAC  
James R. Lamenza, Actuary, PERAC

11:45 a.m. – 12:15 p.m.. **MTRS Management Updates**

12:15 – 1:30 p.m. . . . . **Lunch and informal discussion**

*Next meeting . . . . . Friday, October 26, 2018, 9 a.m. – 12:00 p.m.*



\*To be considered in Executive Session

**Minutes of the Meeting of September 28, 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, Chief Technology Officer Susan Morgan, and Executive Assistant Helen Petruzzello.

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

The minutes of the previous Board meeting, held on August 24, 2018 were reviewed and approved as submitted on a motion made by Ms. Wass and seconded by Mr. Liston. The motion carried 7-0.

**VOTED: The Open and Executive minutes of the Board meeting held on August 24, 2018 are hereby approved as submitted.**

**II. Executive Session**

A motion was made by Mr. Naughton, and seconded by Ms. Gorrie, to enter executive session to consider applications for disability retirement, and to review information that may require the Board to consider the filing of a criminal complaint. The Chairman stated the Board will then return to open session. On roll call, the vote was as follows:

<b>VOTED:</b> Vice Chair Nicola Favorito	Yes
Jacqueline A. Gorrie	Yes
Richard L. Liston	Yes
Dennis J. Naughton	Yes
Michael Ruane	Yes

Anne Wass	Yes
Chairman Jeff Wulfson	Yes

At approximately 9:01 a.m. the Board went into Executive Session. The Chairman stated that the Board would return to Open Session.

At approximately 9:26 a.m. the Board reconvened in Open Session.

### **III. Open Session**

#### **A. EXECUTIVE DIRECTOR'S REPORT**

1. Ms. Glaster pointed out that included in the board materials were the quarterly PERAC continuing education credit opportunities, including the recent addition of the NCTR webinar on Setting the Discount Rate. Additionally, the latest PRIT reports were at the board members' places.
2. Ms. Glaster reported that PERAC is continuing their audit of the agency for the period from 2013 to 2017 and they have not reported any significant findings. Their target completion date is the end of October with an exit conference planned before the Thanksgiving break.
3. Ms. Glaster noted that in his Legislative update, Mr. Neilon reported the City of Boston had increased their Cost of Living Adjustment base from \$13,000 to \$14,000 for retirees in the Boston Retirement System, including their retired educators. Although the educators are members of the Boston system, the Commonwealth is responsible for the liabilities associated with the Boston teachers' pensions and administrative expenses. This action will add approximately \$14-\$16 million to the Commonwealth's unfunded liability, and about \$230,000 to the normal cost of benefits. Ms. Glaster inquired if the Board would like to put this issue on a future agenda for discussion and possible legislative action for MTRS and state retirees. The Board agreed and thought the issue could be mentioned to the constituents in the next segment of the meeting.
4. Referring to her notice last month regarding the possibility of towing visitors' vehicles without Hood Park-issued parking hangtags, Ms. Glaster announced that Hood Park's management company has agreed to not tow any visitors who park on site one time during the week. This agreement serves those members who would come in for group counseling or a walk-in appointment.

The Board meeting recessed at 9:30 a.m. to allow for the arrival of the meeting participants and reconvened at approximately 9:43 a.m.

## **B. ANNUAL SYSTEM REVIEW AND CONSTITUENTS FORUM**

Chairman Wulfson welcomed all invited speakers and participants and introduced State Auditor Suzanne Bump to the group. Attendees included speakers Michael Trotsky, Executive Director and Chief Investment Officer (CIO), Paul Todisco and Francesco Daniele, Senior Client Services Officers, of the Pension Reserves Investment Management Board, and Joseph Connarton, Executive Director, and James Lamenzo, Actuary, of the Public Employee Retirement Administration Commission. Additionally, representatives of the various constituent groups included Paul Andrews of the Massachusetts Association of School Superintendents, Jim Lucia of Massachusetts Retirees United, William Rehrey of the Retired State, County, and Municipal Employees Association, Ann Clarke, Sean King and Anthony Moreschi of the Massachusetts Teachers Association, Glenn Koocher of the Massachusetts Association of School Committees, William Nolan and Dominique Demar of the Retired Educators Association of Massachusetts, Beth Kontos and Mike Canavan of the MA Chapter of the American Federation of Teachers, Timothy Dooling and Michael Leung-Tat of the State Auditor's Office, and Robert Brousseau, Elected PRIM Board Member representing the members of the Teachers' Retirement System.

Auditor Bump made a brief statement, thanking the MTRS Board and staff for their kind expressions of sympathy on the tragic passing of Joannah Quinn, her previous designee to the MTRS Board. Auditor Bump welcomed Mr. Ruane to his new role as her appointed designee. Auditor Bump recognized the announced retirement of Mr. Connarton and expressed her appreciation to him for his many years of service to the Commonwealth. Reflecting on Ms. Quinn's memory, Chairman Wulfson stated that he was grateful to serve alongside her, as well as the other MTRS Board members for their dedication, and thoughtful consideration, carefully balancing the system as a whole and the individual cases that come before the Board.

Mr. Trotsky distributed copies and provided an explanation of the highlights of the PRIT Fund Performance Review. Noting that this has been an

exceptionally strong year for PRIM, nonetheless he urged caution and noted that PRIM is making plans for the possibility of a significant economic slowdown in the future. Mr. Trotsky stressed the importance of balancing risk, return and cost in managing investments. He gave a review of the past year's accomplishments, including PRIM being ranked #1 out of the 163 US public funds, based on a ten year performance period. In addressing Auditor Bump's question concerning the potential impact that natural disasters could play on Timberland investments, he answered that PRIM conducts studies and explores the water supply and fire hazards in the properties under consideration. When questioned by Ms. Gorrie on tactics he uses to attract and retain valuable staff members, Mr. Trotsky admitted that it is difficult, and that while he cannot offer the same level of pay as private industry peers, the agency tries to be flexible and open to the personal needs of its staff members. He further explained that the investment work at PRIM is interesting, all-encompassing, allows for a long term view on investments, and some staff members make a conscious decision to work at PRIM for the "greater good" of their clients. Chairman Wulfson thanked Mr. Trotsky and his staff for representing the MTRS membership so well, providing them the benefit of professional management of their investments.

Acknowledging that this was the last meeting of this kind for Mr. Connarton due to his announced retirement, Chairman Wulfson presented him with a memento from the Board to express their gratitude for his many years of service. Mr. Connarton thanked the Board and constituents. He summarized PERAC's previous year's activities including legislative initiatives and noted that a subcommittee had been formed to find his replacement.

Auditor Bump left the meeting at 11:37 a.m.

Mr. Lamenzo distributed and reviewed the draft of the January 1, 2018 Teachers' Retirement System Actuarial Report. Mr. Lamenzo reviewed the strategies he used and answered questions on what effect a Cost of Living increase would have on the unfunded liability of the system. A discussion followed on crafting legislation for an effective cost of living increase for members. The Chairman noted the slight increase in the funding ratio but re-emphasized the Board's concern about the funded level of the system. Chairman Wulfson appreciated the aggressive funding schedule but questioned Mr. Lamenzo whether it was realistic to expect that those numbers

will come to fruition, noting the current tax schedule. Mr. Lamenzo stated that the problem lies with the reductions in the appropriation levels. Mr. Connarton stated that the past and current administrations have committed to addressing this issue. Chairman Wulfson thanked Mr. Lamenzo and Mr. Connarton for their presentation.

At 12:00 p.m. the meeting recessed for a luncheon break, at which point Mr. Trotsky, Mr. Todisco and Mr. Daniele left the meeting. The meeting reconvened at approximately 12:30 p.m.

In MTRS Management updates, Mr. Osimo provided the current demographic makeup, as well as the history over the past twenty years, of the membership. He also included recent member contact statistics, including the statistics of the educational seminars offered in 2017 and 2018. Mr. Andrews complimented MTRS on its new website and others agreed, finding it more user-friendly than the current Mass.gov website. Mr. Neilon reported on the progress being made in eliminating the backlog in the enrollment process, announcing that the MTRS has a new unit dedicated to member accounts, and has brought in college interns to help with registrations and enrollments. Additionally, Mr. Neilon updated the group on the status of the RetirementPlus Election corrective legislation and the challenges it faces in the future.

Mr. Favorito left the meeting at 1:00 p.m.

On a motion made by Mr. Naughton and seconded by Mr. Liston, the Board voted unanimously to adjourn the meeting at 1:13 p.m.

Respectfully submitted,

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Erika M. Glaster,  
Executive Director

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Date

**Documents used in MTRS Board meeting of September 28, 2018**

- Agenda for September 28, 2018 MTRS Board meeting
- Cover letter from Executive Director
- Open minutes and executive minutes of August 24, 2018 MTRS Board meeting