

**Massachusetts Teachers' Retirement Board  
Meeting of March 29, 2019  
9:00 a.m. to 12:00 p.m.  
being held at:**

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

**Agenda for March Board meeting**

**Regular Matters of Business ..... Tab 1**  
    Open and Executive Minutes of the Regular Meeting held on February 22, 2019

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

**Potential Suspension of Disability Benefit due to Section 91A Failure to File\* ..... Tab 2**

**Proposed amendments to Board Governance Policy: Travel ..... Tab 3**

**Proposed amendments to Board Governance Policy: Forfeiture ..... Tab 4**

**Retiree Death Overpayment Recovery ..... Tab 5**

**Update on Network Disaster Recovery Infrastructure**

**Discussion of MyTRS Upgrade ..... Tab 6**  
    Technical Advisory Services Approval

**Executive Director's Report**

**MTRS 2019 Valuation and the next funding schedule ..... Tab 7**  
    John Parsons, Executive Director, PERAC  
    James Lamenzo, Actuary, PERAC  
    John Boorack, Actuary, PERAC

*\*To be considered in Executive Session*

Next meeting scheduled for  
April 26, 2019  
9:00 a.m. – 2:00 p.m.

# Minutes of the Meeting of March 29, 2019

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, Senior Legal Counsel Salvatore Coco, Associate General Counsel Ashley Freeman, 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 February 22, 2019 were reviewed and approved as submitted on a motion made by Ms. Gorrie and seconded by Mr. Favorito. The motion carried 4-0-3, with Ms. Wass, Mr. Liston and Mr. Naughton abstaining due to their absence from the February meeting.

**VOTED: The Open and Executive minutes of the Board meeting held on February 22, 2019 are hereby approved as submitted.**

### II. Executive Session

A motion was made by Mr. Liston, and seconded by Ms. Gorrie, to enter executive session to consider applications for disability retirement and potential suspension of disability benefit due to Section 91A Failure to File. 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 9:01 a.m. the Board went into Executive Session. The Chairman stated that the Board would return to Open Session.

At 10:07 a.m. the Board reconvened into Open Session.

### **III. Open Session**

#### **A. PROPOSED AMENDMENTS TO BOARD GOVERNANCE POLICY: TRAVEL**

Ms. Glaster presented proposed amendments to the MTRS Board Governance Policy: Travel. The proposed amendments incorporated the Board's feedback provided at the January 2019 meeting to use the federal per diem reimbursement rates for meals and incidental expenses established by the U.S. General Services Administration. The Board asked some additional questions to clarify incidental limits. On a motion made by Mr. Liston, and seconded by Ms. Gorrie, the Board voted unanimously to approve the amendments to the Board Governance Policy: Travel.

#### **B. PROPOSED AMENDMENTS TO BOARD GOVERNANCE POLICY: FORFEITURE**

Mr. O'Leary presented the proposed amendments to the MTRS Board Governance Policy: Forfeiture. Chairman Wulfson stated his reluctance to proceed without first giving constituent organizations the opportunity to review the proposed amendments and provide comment. The Board held a discussion and agreed. On a motion made by Mr. Naughton, and seconded by Mr. Liston, the Board voted unanimously to postpone the approval of the proposed amendments in order to allow constituent organizations the opportunity to review and provide comment at the next month's board meeting.

### **C. RETIREE DEATH OVERPAYMENT RECOVERY**

Mr. O'Leary provided the details of a recent retiree death overpayment that went unreported for over a year and a half, and was ultimately discovered by the death match reporting vendor, PBI. This resulted in a total overpayment of \$38,810.29. Pursuant to the Board's Retiree Death Overpayment Recovery Policy, following staff's mailing of four dunning notices to the retiree's surviving son, who had received the payments, the case was referred to a collection agency. The son made a settlement offer of \$21,000 and provided a financial statement. After the collection agency's fees, the remaining balance was \$14,735.19. Mr. O'Leary explained his reasoning for his recommendation to the Executive Director that she accept the settlement offer and write-off the remaining balance as authorized under the Board's policy. Noting the proximity of the amount of the write-off to the \$15,000 maximum in the policy for such write-offs by the Executive Director, Mr. O'Leary explained that he and Ms. Glaster felt the Board should be aware of the case before the write-off was approved, but that no Board action was required.

The Board recessed at 10:35 a.m. and reconvened at 10:42 a.m.

### **D. UPDATE ON NETWORK DISASTER RECOVERY INFRASTRUCTURE**

Susan Morgan, Chief Technology Officer, David Wright, Director of Network Services, and Surendra Puttagunta, Director of Application and Data Services, joined the meeting to provide an update on the status of the Network Disaster Recovery (DR) Infrastructure project. Mr. Wright recalled for the Board that the project originally started in October 2018 with the expectation to be implemented in February 2019. However, he explained that the project had been delayed due to ongoing scheduling challenges with the Executive Office of Technology Services and Security ("EOTSS"). Mr. Wright stated that it took seven months to coordinate meetings and establish the necessary connectivity for the DR infrastructure with Amazon Web Services (AWS). Ms. Morgan added that Smartronix has had three different project managers in five months. Mr. Wright reported that in the meantime, a test of our interim disaster recovery process was successfully performed at the Springfield office location. Mr. Wright indicated that the new DR infrastructure at AWS will be completed in May of 2019. Mr. Wright and Ms. Morgan commended MTRS's

Senior Network/Systems Administrator Nate Bowen on his excellent work on the DR project.

## E. DISCUSSION OF MYTRS UPGRADE

Ms. Morgan distributed a handout to help illustrate the need to plan for an upgrade of the *MyTRS* application from V8.1 to V10, three years in advance. Ms. Morgan provided a history for those board members who were not serving on the Board in 2008 when *MyTRS* and the current hosting colocation arrangement were first implemented. Ms. Morgan summarized the reasons why staff is seriously considering the upgrade at this time. Among the key issues are the facts that the upgrade project takes 24-30 months, the current colocation hosting infrastructure will need to be replaced within that timeframe and, at the inception of the upgrade to V10, the agency must establish the hosting infrastructure and determine whether the development, testing and production infrastructure environments will be hosted as a colocation, the cloud/infrastructure as a service (IaaS) or as a hybrid hosting option.

In order to make an informed recommendation to the Board, the agency has been conducting research and due diligence. MTRS held conference calls with two statewide public pension systems that have undergone the upgrade to V10. Vitech provided an on-site product demonstration for 20 members of the staff, which was followed up by a discussion on proposed project plans and cost estimates. On March 11, 2019 the MTRS posted an RFQ for technical advisory services to assist the agency with the risk assessment and cost-benefit analysis of current hosting options available for the V3/V10 upgrade which include colocation, the cloud/IaaS and Vitech's hosting option called V3locity. Unfortunately, no bids were received, so the RFQ was re-posted with Ms. Glaster and Ms. Morgan reaching out to industry contacts on the approved state vendor list. Ms. Glaster stated her hope to have a Statement of Work with the technical advisor in place by April 22<sup>nd</sup> and requested that the Board authorize her to enter into a contract, on a "not to exceed" basis, with the successful bidder once the evaluation process is completed. Ms. Glaster noted there are sufficient funds in the current FY19 budget to cover the expense. The Chairman stated his reluctance for the Board to give approval without a dollar amount and a specific vendor identified. The Board

requested that the approval of the technical advisory services be included on the April Board meeting agenda.

## F. EXECUTIVE DIRECTOR'S REPORT

1. Ms. Glaster noted that at the board members' places, she had distributed a summary of the Board's proposed R+ transfer-in legislation. Ms. Glaster reported that on March 27<sup>th</sup> she and Mr. Neilon met with legislative staff of the Massachusetts Teachers Association ("MTA") to review the summary and then collectively met with Representative Tackey Chan who had filed the bill on the MTA's behalf. Ms. Glaster described the meetings as "encouraging" and noted Representative Chan's knowledge on the subject of Retirement Plus, having served on State Senator Michael Morrissey's staff when the original legislation was passed in 2000. Ms. Glaster stated that she and Mr. Neilon have a tentative upcoming meeting scheduled with Representative Jerald Parisella, House Chair of the Joint Committee on Public Service, who previously supported the bill.
2. Ms. Glaster provided an update on the status of the Public Employee Retirement Administration Commission ("PERAC") audit for years 2013-2017. PERAC's auditor completed his onsite work in December, and after several weeks without contact, the agency recently received a series of follow-up questions on a sampling of approximately 25 members concerning enrollments, transfers, service purchases and contribution rates. MTRS answered the questions and inquired when an exit interview was expected. The auditor indicated he would be sending additional questions and expects the exit interview would be held toward the end of May. Noting there were no significant findings, he cited the delay was due to multiple simultaneous audits and the training of a new auditor.
3. Ms. Glaster recalled for the Board that at the last Annual System Review and Constituents Meeting held in September 2018, the issue of potential cost of living adjustment ("COLA") reform was brought up when James Lamenzo, PERAC Actuary, was asked to estimate the cost of increasing the COLA base by \$1,000 for MTRS and MSERS retirees, a long-standing lobbying effort of the Mass. Retirees Association. Mr. Lamenzo estimated that it would increase the Commonwealth's liability by about 0.5%, or about \$480 million. The question was then raised as to whether there was a more meaningful way to use those funds to help the neediest retirees who, despite having worked a full career in public service, are suffering from the

effects of inflation. Ms. Glaster reported that in the prior week, she, along with Mr. Neilon, Mr. Osimo, and Mr. Favorito, met with leadership from the Mass. Retirees Association for an informal discussion on the subject. The agencies agreed to prepare and analyze data, and ultimately bring a series of questions to the PERAC actuary to determine the cost of various options. Ms. Glaster stated she would share information with the Board and seek their input as more details become available.

4. Ms. Glaster reported the compensation study being conducted by Segal Waters Consulting, is delayed about one week due to a couple of late responses from peer agencies. In an effort to clarify job classifications, representatives from Segal held interviews in the Charlestown office with eight selected staff members representing the agency's largest units. Ms. Glaster hopes to have the results of the study very soon to share with the Board.
5. In providing a status update on the current Benefit Verification Process, Ms. Glaster reported that of the approximately 68,000 forms sent out in January, 81% of them have been returned. Ms. Glaster expects that number to increase to approximately 88% when the second mailing is released in mid-April. She reminded the Board that there is no interruption of benefits to non-responding members until after the third mailing.
6. Ms. Glaster regretfully announced the planned retirement of MTRS Director of Communications, Sue Theil, who will be leaving the agency in the first week of August. Ms. Glaster expressed her gratitude to Ms. Theil, whose knowledge and talents will be very hard to replace, for not only her many years of exemplary service but for providing the agency ample time to find her successor.

## **G. MTRS 2019 VALUATION AND THE NEXT FUNDING SCHEDULE**

Upon the agency's invitation, John Parsons, Executive Director, James Lamenzo, Actuary, and John Boorack, Actuary from the Public Employees Retirement Administration Commission ("PERAC") joined the meeting, for a discussion of the MTRS actuarial valuation, new practices for stress testing and scenarios for the next triennial funding schedule. The Board welcomed Mr. Parsons, a former designee of the State Auditor on the MTRS Board, in his new role as PERAC's Executive Director and congratulated Mr. Lamenzo on his announced retirement. Mr. Lamenzo introduced John Boorack who will succeed him.

In presenting a preview of the actuarial valuation report of the system, Mr. Lamenzo addressed two main issues: the mortality tables and the investment return assumption. Mr. Lamenzo announced his plan to recommend the lowering of the investment return assumption to 7.25%, citing the PRIM Board's asset study and the national average of public plan discount rates in making that determination. Mr. Lamenzo also plans to review the results of the implementation of the RP-2014 White Collar Mortality table for the Teachers' valuation for two more years in order to determine whether to stay with that model. In addition, Mr. Lamenzo shared his plans for compliance with the new Actuarial Standards of Practice # 51 regarding stress testing, and for providing various funding schedule scenarios in advance of the new triennial schedule to be established in January 2020. Mr. Favorito left the meeting at 12:05 p.m. There was a discussion surrounding the impact of COLA reform. Mr. Parsons and Mr. Boorack provided an update on PERAC's initiatives for reviewing their current auditing practices and educational opportunities for the upcoming year.

On a motion made by Mr. Liston and seconded by Mr. Naughton, the Board voted unanimously to adjourn the meeting at approximately 12:25 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 March 29, 2019**

- Agenda for March 29, 2019 MTRS Board meeting
- Cover letter from Executive Director
- Open minutes and executive minutes of February 22, 2019 MTRS Board meeting
- Memorandum and supporting documents pertaining to Proposed amendments to Board Governance Policy: Travel
- Memorandum and supporting documents pertaining to Proposed amendments to Board Governance Policy: Forfeiture
- Memorandum and supporting documents pertaining to Retiree Death Overpayment Recovery
- Memorandum pertaining to Discussion of MyTRS Upgrade
- Memorandum and supporting documents pertaining to MTRS 2019 Valuation and the next funding schedule