

HOUSE No. 00015

The Commonwealth of Massachusetts

In the Year Two Thousand Eleven.

November 3, 2010

Mr. Steven T. James, House Clerk

House of Representatives

State House, Room 145

Boston, MA 02133

Dear Mr. James:

Pursuant to the provisions of Section 33 of Chapter 30 of the General Laws, I hereby submit the attached legislative recommendations from the Public Employee Retirement Administration Commission for consideration during the 2011-2012 legislative sessions.

The attachments to this letter contain summaries of six proposed recommendations and the actual legislative drafts incorporating the recommendations. The six proposed bills are:

1. AN ACT RELATIVE TO PENSION GOVERNANCE REFORM;
2. AN ACT RELATIVE TO RETIREMENT BOARD PROCUREMENT;
3. AN ACT RELATIVE TO RETIREMENT BOARD CONTINUING EDUCATION AND STIPENDS;
4. AN ACT RELATIVE TO RETIREMENT BOARD MEMBERSHIP;

5. AN ACT RELATIVE TO CHAPTER 32, SECTION 91A WAIVERS; and,

6. AN ACT RELATIVE TO THE INVESTMENT AND MANAGEMENT OF MUNICIPAL OTHER POST EMPLOYMENT BENEFITS LIABILITY TRUST FUNDS.

Please feel free to contact me should you have any questions about the content of these recommendations or need any additional information. Thank you for your assistance.

Sincerely,

Joseph E. Connarton

Executive Director

Attachments

JEC/keb

Clerk's letter for 2011-2012

LEGISLATIVE RECOMMENDATIONS OF THE
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION

2011-2012 Legislative Session

1. AN ACT RELATIVE TO PENSION GOVERNANCE REFORM

Under the enactment of Chapter 306 of the Acts of 1996, PERAC was established for the oversight, guidance, monitoring and regulation of all public pension systems throughout the Commonwealth. After ten years in operation, the Commission conducted a major re-examination of PERAC's statutory authority to oversee the 105 retirement systems. This bill seeks to update PERAC's ability to effectively and efficiently oversee these systems. It also provides governance enhancements for the boards to help ensure their sound operation and thereby further safeguard the assets of the members.

Among the major areas impacted are:

1. Updating outdated retirement board investment restrictions;
2. Instituting financial disclosure requirements for retirement board members;

3. Mandating a competitive bidding process for services provided to retirement boards including: investment, audit, accounting and legal;

4. Instituting continuing education requirements for all board members;

5. Requiring that any employer entering into a collective bargaining agreement with an employee organization must provide a copy of said agreement to the retirement board of which the employees covered by the agreement are members. All retirement systems must maintain files of all active collective bargaining agreements which cover the systems' members. The retirement board shall review collective bargaining agreements for compliance with the provisions of Chapter 32. Each board shall maintain copies of all collective bargaining agreements which cover the system's members and shall make such agreements available to the commission for review at such time as the commission shall specify.

2. AN ACT RELATIVE TO RETIREMENT BOARD PROCUREMENT

Retirement boards are currently exempt from the procurement requirements of Chapter 30B of the General Laws by Section 1(b)19 of that statute. This bill would institute certain procurement requirements for the following services: legal; accounting; actuarial; and, investment.

3. AN ACT RELATIVE TO RETIREMENT BOARD CONTINUING EDUCATION AND STIPENDS

This bill would require continuing education for Massachusetts retirement board members. There are currently no statutory requirements for continuing education for these individuals. Since retirement boards are fiduciaries of their retirement systems, it is important, as in other professions, that they undertake continuing education to ensure that they are up-to-date on emerging laws, trends and other important developments relative to their duties. PERAC would oversee the education process and PERAC, the Massachusetts Association of Contributory Retirement Systems (MACRS) and other organizations approved by PERAC would provide the educational offerings.

This bill would also increase the current maximum stipend of \$3,000 paid to retirement board members upon local government acceptance to an amount not to exceed \$7,500 per year. Provided, however, that no individual who is eligible to serve and serves on more than one retirement board shall receive stipends of greater value than \$7,500 in the aggregate per year.

4. AN ACT RELATIVE TO RETIREMENT BOARD MEMBERSHIP

This bill would preclude any individual who is receiving remuneration from a Massachusetts retirement board or from a service provider to a Massachusetts retirement

board from serving on a Massachusetts retirement board. The objective of this bill is to eliminate real or perceived advantages to retirement board members who would seek to provide services to other boards. Retirement board employees may serve on boards other than that by which they are employed.

5. AN ACT RELATIVE TO CHAPTER 32, SECTION 91A WAIVERS

Disability recipients must annually file a statement of earned income and certain tax forms with the Commission annually while they are receiving a benefit. This bill would eliminate that filing requirement if a disability recipient has been retired for more than 20 years and has not reported any earned income for the previous 10 years. The individual in question would be required to sign an affidavit under the pains and penalties of perjury indicating that they will contact PERAC upon realizing any earned income and resume Section 91A filings thereafter.

6. AN ACT RELATIVE TO THE INVESTMENT AND MANAGEMENT OF MUNICIPAL OTHER POST EMPLOYMENT BENEFITS LIABILITY TRUST FUNDS

Chapter 479 of the Acts of 2008 created a local option allowing for municipalities and certain other governmental entities communities to establish Other Post Employment Benefit Trust funds. Communities and other entities acceptance of this Act designates the Treasurer (or designee of the board of a municipal light plant) of that municipality as custodian of the fund and empowers the treasurer with sole investment authority under the prudent investor rule of Chapter 203C of the General Laws.

This bill would legislate further regarding these investments as follows:

SECTION 1: Specifically allows for the non state employee governmental OPEB funds to be deposited, invested and disbursed into the State Retiree Benefits Trust Fund. These funds would be those participating shares received by the Commonwealth Health Care Security Trust Board from other governmental entities. Since the Board is not authorized to receive such non state employee governmental OPEB Funds, this change is needed to allow for the deposit of such funds into the State Retiree Benefits Trust Fund.

SECTION 2: Essentially allows the Commonwealth Health Care Security Trust Board to accept participation of most all other governmental entities in the Commonwealth. Current law only allows for the Board to receive funds from Retirement Systems of the Commonwealth.

SECTION 3: Amends the current enabling statute applicable to cities and towns for the establishment of local OPEB trust funds. The enabling law limits the management and investment of these funds to the respective local treasurer. This amendment would allow

for the municipality to choose between such treasurer, the respective retirement board or the Commonwealth Health Care Security Trust Board. Without this change, communities would have to continue to pursue a special act for other investment options.