

## **Minutes of the meeting held on June 13, 2016**

Present: Francis Murphy – Chair, James Monagle, Nadia Chamblin-Foster, John Shinkwin, Ellen Philbin, Attorney James Quirk and Chris Burns.

Arrived Late: Michael Gardner (Not present for agenda item 1)

The meeting was called to order at 5:00 PM. The meeting was digitally recorded.

### **Agenda Item #1 – Minutes**

Motion by Monagle, seconded by Chamblin-Foster to accept the regular minutes of the meeting held on May 2, 2016, to accept the executive session minutes of the meeting held on May 2, 2016 and to accept the minutes of the investment review meeting held on June 1, 2016. The motion carried on a 4-0 vote, with Gardner absent.

### **Agenda #2 - Warrant**

Motion by Shinkwin, seconded by Chamblin-Foster to allow payment of warrant #10 in the amount of \$6,073,801.53 and Warrant #11 in the amount of \$481,627.73. Voted unanimously.

### **Agenda Item #3 – Superannuations**

Motion by Gardner, seconded by Monagle to accept the Superannuation retirement applications submitted by Stephen P. Burke, Paraprofessional, Cambridge School Department with thirteen years four months, Elizabeth Carman, Technology Specialist, Cambridge School Department with twenty-three years four months, Brendan P. Carroll, Sr. Director, Cambridge Health Alliance with twenty-seven years two months, Stacey Dottin, Head of Kitchen, Cambridge School Department with twelve years six months, Marilyn A. Gagalis, Program Coordinator, Cambridge Public Library, with thirty-four years, Shauna Gullbrand, Admin. Coordinator, Cambridge Health Alliance with twenty-five years five months, Kathleen M. Hoey, Social Work, Manager, Cambridge Health Alliance with seventeen year seven months, Mary M. Hogan-Donaldson, RN, Cambridge Health Alliance with twelve years five months, Judith Howe, Director of Child & Adolescent Psychiatry, Cambridge Health Alliance with twenty-four years two months, Darlene Jones, Administrative Coordinator II, Cambridge Health Alliance with thirty-seven years three months, Stephen P. Kelly, Police Officer, Cambridge Police Department with thirty years one month, Caron A. King, RN/IBCLC Cambridge Health Alliance with twenty-two years eight months, Joyce Lefevre, Manager – Healthy Smiles Program, Cambridge Health Alliance with twenty years, three months, Barbara Meade, School Nurse Manager, Cambridge Health Alliance with thirty-six years eleven months, Deborah Mosley, Senior Lab Technician, Cambridge Health Alliance with forty-one years two months, Valentina Oliveira, Patient Relations, Cambridge Health Alliance with seventeen years, five months, James Patterson, Desktop Engineer, Cambridge Health Alliance with fifteen years eight months, Ugebai Poweigha, Analyst/Audit, Cambridge Audit Department with sixteen years seven months, Joanna Santaskas, Registered Respiratory Therapist, Cambridge Health Alliance with twenty-seven years six months, William Singer, Associate Chief of Pediatrics, Cambridge Health Alliance with twelve years six months, Gary Singleton, Painter, Department. Of Public Works with thirty-two years and Maryann Sprague, Paraprofessional, Cambridge School Department with twenty years ten months. Voted unanimously.

### **Agenda Item #4 – Make-ups /Redeposits / Liability**

The Board reviewed make-up and redeposit worksheets for seven members.

Motion by Shinkwin, seconded by Chamblin-Foster to allow the make-up of contributions requested by Mark S. Daley, one year four months (pro-rated), accepting liability from the State Retirement Board, Kaitlyn A. Feeley, two months (pro-rated), James G. Hall, eight months, Alexander E.

Lizarbe, one year seven months, Sanaa M. Mohamed, one year ten months (pro-rated), Patricia A. Nuzzola, seven months and to allow the redeposit of a refund requested by Julian G. Rossello-Cornier, one year. Voted unanimously.

**Agenda Item #5 – Refund Applications**

The Board reviewed a list of refund applications submitted in May  
Motion by Monagle, seconded by Chamblin-Foster to accept four refund applications. Voted unanimously.

The Chairman requested to adjourn the open meeting and go into executive session for the purpose of discussing disability retirement applications. The Chairman stated that the meeting would reconvene in open session at the conclusion of the executive session.

On a roll call, the vote was as follows:

Michael Gardner:	YES
Nadia Chamblin-Foster:	YES
John Shinkwin:	YES
James Monagle:	YES
Francis Murphy:	YES

**Agenda Item #6 - Accidental Disability Application – Kyle Hood**

The Board reviewed the member’s application, treating physician’s statement and employer’s statement pertaining to Kyle Hood’s Accidental Disability application.  
Motion by Monagle, seconded by Shinkwin to accept the Accidental Disability application filed by Kyle Hood, a Firefighter and to request that PERAC convene a medical panel. Voted unanimously.

**Agenda Item #7 – Accidental Disability Application – John Kotowski**

The Board reviewed the member’s application, treating physician’s statement and employer’s statement pertaining to John Kotowski’s Accidental Disability application.  
Motion by Shinkwin, seconded by Monagle to accept the Accidental Disability application filed by John Kotowski, a Fire Lieutenant and to request that PERAC convene a medical panel.

**Agenda Item #8 – Accidental Disability Application – Joseph Russell**

The Board reviewed the member’s application, treating physician’s statement and employer’s statement pertaining to Joseph Russell’s Accidental Disability application.  
Motion by Monagle, seconded by Gardner to accept the Accidental Disability application filed by Joseph Russell, Working Supervisor in the Department of Public Works, and to request that PERAC convene a medical panel. Voted unanimously.

**Agenda Item #9–Accidental Disability Application – George Thomas**

The Board reviewed the member’s application, treating physician’s statement and employer’s statement pertaining to George Thomas’ Accidental Disability application.  
Motion by Gardner, seconded by Monagle to accept the Accidental Disability application filed by George Thomas, Building Operations Supervisor with the Department of Public Works, and to request that PERAC convene a medical panel. Voted unanimously.

**Agenda Item #10 – Draft of 1.1 2016 Actuarial Valuation**

The Board reviewed a draft actuarial valuation prepared by Kathleen Riley from Segal Consulting. Riley discussed the differences between the static mortality table currently used by the Board and a generational mortality table. The generational table considers both current age and year of birth when calculating life expectancy, and appears to provide a more accurate projection. The

generational table assumes longer life expectancy than the static table, and so adoption of the generational table would result in higher cost for the system.

In preparing her draft, Riley maintained a target date for full funding in 2026 and for the annual payment increase to remain at 5.85%. The City had requested that both of these factors be held steady. Over the last two years, the system saw a decrease of 4% in the number of active participants, primarily from the Hospital. Total payroll increased by 1.3%, which was lower than expected.

Riley reviewed the asset smoothing process, noting that all investment gains and losses are recognized over a five year period. Although the system's investment returns were short of the return target over the last two years, the system still saw an actuarial gain due to unrecognized gains from the three prior years. However, due to the underperformance in 2014 and 2015, the system now has unrecognized losses totaling \$31.8 million. Riley stated that the Board may wish to consider recognizing these losses immediately. She noted that the Board had taken a similar action in 2010 to recognize the 2008-2009 losses immediately.

Riley described plan and assumption changes since 2014. The new valuation reflects an increase in the Section 101 allowance to \$12,000. It lowers the investment return assumption to 7.75%. She stated that she compared this number against Segal's return assumption for various asset classes. She said that she feels the assumption is reasonable, but the Board may wish to keep in mind that a further reduction may be needed in the future.

Riley stated that she would strongly recommend that the Board adopt the generational mortality table immediately. She felt it was likely that the system would receive significant pushback from auditors if it maintained the static table. Further, she advised that the Board adopt the 2009 table for healthy participants and from 2015 for disabled participants. She noted that this was the same action that the State Board and Boston Retirement Board had taken, based on an experience study conducted by the State. She stated that Boston's auditors had taken issue with not adopting the most recent year, but eventually signed off based on the results of the experience study.

The report lowers the salary increase assumption from 4.75% to 4.5%. It also increases the assumption for administrative expenses by \$50,000.

Riley reviewed the changes to the system's accrued liability. The system saw gains due to investment returns, transfers out of the system, and lower than expected salary growth. The system experienced a loss due to lower than expected mortality. The system would also experience an additional expense should the proposed mortality table be adopted.

Riley reviewed three proposed funding schedules. As previously requested, all schedules assume a reduction in the return assumption to 7.75%, contain a 5.85% annual increase in the appropriation, plus an additional payment of \$300,000 annually. One chart maintains a static mortality table, resulting in full funding in 2023. The next assumes the adoption of the generational table, resulting in full funding in 2025. The last chart adopts the generational table and fully recognizes all investment losses from the last two years, resulting in full funding in 2026. She noted that the employer normal cost is projected to grow by 3.5% annually, but this may be too high. Given the shrinking payroll from Cambridge Hospital, this number could be adjusted.

Monagle noted that Louis DePasquale was unable to attend tonight's meeting due to other commitments. Gardner stated that he had reviewed the draft report with DePasquale earlier in the afternoon. He stated that he would be comfortable taking a provisional vote immediately, and that he would favor adopting "Chart 4" which includes the generational table and full recognition of investment losses. The Chairman stated that he also felt that Chart 4 seemed to reflect all of the City's concerns, and that he felt it would be appropriate to not delay the vote.

Gardner moved to adopt changes to the actuarial assumptions to reflect those outlined in Chart 4. Chamblin-Foster seconded the motion and it was voted unanimously.

#### **Agenda Item #11 – Ascent Venture Partners**

The Board reviewed documentation provided by Ascent Venture Partners regarding the sale of SBA's limited partner interest.

Quirk reviewed the proposed transaction. The Small Business Administration will sell their interest in Fund IV to Fort Washington Capital Partners. Quirk stated that he has reviewed the transaction and that it appears to be the best deal that Ascent could have negotiated. Motion by Gardner, seconded by Shinkwin to approve the transaction. Voted unanimously.

#### **Agenda Item #12 - Board Election**

The Board reviewed a timetable for a Board Election.

The Chairman stated that his term would expire on September 30. He also stated that he did intend to run for an additional term. Motion by Gardner, seconded by Chamblin-Foster to accept the proposed schedule and to appoint Chris Burns as Election Officer. The motion carried on a 4-0 vote, with Murphy abstaining.

#### **Agenda Item #13 - PERAC Memos**

The Board reviewed PERAC Memos #16 and #17. No action was taken.

#### **Agenda Item #14 - Old Business**

The Chairman stated that he intended to bring up the City Council's policy order regarding nuclear weapons at the July meeting.

#### **Agenda Item #15 - New Business**

Monagle stated that he would like to see the Board commit to a plan to reduce investment management fees, and he requested the opportunity to discuss it further at the July meeting, and to get input from Segal.

#### **Agenda Item #16 - Executive Session**

Agenda Item #6 – adopted

Agenda Item #7 – adopted

Agenda Item #8 – adopted

Agenda Item #9 – adopted

#### **Agenda Item #17 - Chairman's Report**

The Chairman stated that he has been informed of a potential securities litigation issue involving a stock in the Wedge portfolio.

#### **Agenda Item #18 - Executive Director's Report**

The staff will work overtime in July in order to run calculations for the Hospital retirees.

KPMG will be working in the retirement office starting on July 5, conducting an audit.

The following documents were also reviewed by the Board:

- Notice of Retiree Death
- Correspondence from Attorney James H. Quirk re: Definition of Regular Compensation.
- Correspondence from Attorney James H. Quirk re: Supreme Judicial Court Decision Salvatore F. Dimasi vs. State Board of Retirement & Other.
- Correspondence from Attorney James H. Quirk re: Francis Judd vs. CRB.
- Correspondence from Attorney James H. Quirk re: Dale Young vs. State Board Retirement.
- PERAC - 2015 Investment Report.
- PERAC Pension Newsflash – Governor Baker Signs PERAC Bill.
- Portfolio Watch – Investor Protection and Asset Recovery Services.

Monagle moved to adjourn at 8:20 PM.