

## Minutes of the meeting held on June 8, 2020

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

The meeting was called to order at 1:05 PM. The meeting was digitally recorded. The entire meeting was conducted by Webex videoconference.

### Agenda Item #1 – Actuarial Valuation

Kathy Riley and Madison Ossmus represented The Segal Company. A draft actuarial valuation was reviewed by the Board. Ossmus reviewed the system's demographic information, noting a small increase in the number of active employees. Average payroll for employees increased less quickly than expected. The investment returns were -3.64% for 2018 and 15.96% for 2019. Measured against the expected gain of 7.5% annually, this resulted in a small actuarial loss.

Ossmus reminded the Board that at the last valuation, the system switched to measuring assets based on market value. As of 2020, the market value of assets is slightly lower than the actuarial value. Ossmus recommended that the system continue to measure based on market value, as it results in a more conservative assumption, and then move back to actuarial value in 2022.

Gardner stated that he did not object to staying with the market value, but felt that the system should avoid making frequent changes based on short-term considerations. The investment loss and the gain due to lower-than-expected salary growth were the two most notable variations from the expectation. The system also experienced a small loss due to lower-than-expected mortality among retirees and beneficiaries. Riley stated that Segal does not examine the reasoning why salaries grew less than expected, but noted that the COLA increases given by the City are in-line with other government employers in Massachusetts.

Riley reviewed the current mortality assumption. She stated that life expectancies continue to improve and that setting reasonable assumptions around mortality is one of the most important decisions around the valuation, second only to the investment return assumption. She noted that the system was currently using the RP-2014 mortality table, although the actual data in this table is based on surveys dating from 2006. The system has received some pushback from auditors in the past for using an older table. The system's actual experience with the table has shown that it tends to accurately reflect mortality over the long term. Riley recommended that the system move to a more updated set of tables. Two tables could be adopted, with one for Groups 1 and 2 and one for Group 4. The new tables were designated as the Pub-2010 General Employee table and the Pub-2010 Safety Employee table. Riley noted that the naming convention has changed, and that the Pub-2010 tables are more recent than the RP-2014 table. Riley stated that adoption of this table should address the concerns raised by auditors in prior years.

Riley reviewed the investment return assumption. Based on forecasts provided by Segal Marco, the system can expect a rate of return of 6.77% over the next ten years, and 7.33% over the next twenty years. Riley recommended that the system lower the investment return assumption from 7.5% to 7.25%. Riley stated that Segal Marco's assumption on returns was based on their analysis of the system's portfolio and likely performance of each asset class. The calculations were run at the beginning of 2020, and did not reflect the impact of the COVID-19 pandemic. Riley stated that she would favor lowering the salary growth assumption from 4.5% annually to 4%. She said this was based on the current inflation environment and future expectations of hiring and promotion. She also made a small increase in the administrative expense assumption, due to the likely costs of moving to a new office later in 2020. There were no changes to assumptions around the number of retirements or disabilities. The funded ratio remains strong, with the system now 85% funded.

Riley reviewed proposed funding schedules. In 2018, the system adopted a schedule which would have achieved full funding in 2026. Taking into account the experience loss, if the system maintained the 7.5% investment return, and limited appropriation increases to 5.85% annually,

the system would not be fully funded until 2027. In order to maintain the 2026 funding date, appropriations would have to increase by 8.35% annually. If the Board were to reduce the return assumption to 7.25%, as Segal is recommending, it would have a significant impact on the funding schedule. The system could still be funded by 2027, but with annual increases of 6.95% to the annual appropriation. To reach full funding by 2026 would require annual increases of 12.1%.

The Chairman stated that he would favor taking a vote to adopt the assumption changes recommended by Segal, and then to request that the City review the funding schedules, with an eye toward adopting a new schedule in July. Gardner stated that he would favor doing an interim valuation at the end of 2020, to see if it might be prudent to make changes once the impact of 2020 market losses are factored in. Chamblin-Foster asked if any effort could be made to determine if there was a likelihood of higher mortality or higher rates of disability due to the impact of the COVID-19 pandemic. She also noted that it might be helpful to re-establish the investment subcommittee to provide more robust reporting to the Board on financial matters. Gardner moved to adopt the recommended changes to the investment return assumption, mortality tables, salary growth assumption and administrative expenses. Monagle seconded the motion and it was voted unanimously.

#### Agenda Item #2 – Minutes

Motion by Gardner, seconded by Shinkwin to accept the minutes of the meeting held on May 4, 2020. On a roll call, the motion carried unanimously.

Motion by Shinkwin, seconded by Chamblin-Foster to accept the executive session minutes of the meeting held on May 4, 2020. On a roll call, the motion carried unanimously.

#### Agenda Item #3 - Warrants

Motion by Shinkwin, seconded by Chamblin-Foster to accept payment of warrant #10 in the amount of \$7,529,488.24 and to accept payment of warrant #11 in the amount of \$328,844.04. On a roll call, the motion carried unanimously.

#### Agenda Item #4 – Superannuations

Motion by Monagle, seconded by Shinkwin to accept the Superannuation retirement applications submitted by Paul Alexander, Registered Nurse, Cambridge Health Alliance with twelve years, ten months; Susan Breen, Associate Chief of Public Health Nursing, Cambridge Health Alliance with twenty-six years, nine months; Anne Burgess, Manager of Infection Prevention, Cambridge Health Alliance with forty-five years; Julie Carvello, Administrative Coordinator II, Cambridge Health Alliance with forty years, five months; Helen Chaisson, Senior Clerk, School Dept. with thirty years, eleven months; Margaret Gist, Confidential Secretary, School Dept. with thirty-five years, eleven months; Jean Mazzola, Registered Nurse, Cambridge Health Alliance with nineteen years, one month; Constance McGrath, Senior Clerk, School Dept. with thirty-six years, three months; John McGrath, Sanitation Supervisor, Dept. of Public Works, with forty-five years, ten months; Ellen Monahan, Registered Nurse, Cambridge Health Alliance with thirty-seven years, eleven months; Donna Mondeau, Registered Nurse, Cambridge Health Alliance with thirty-seven years, eleven months; Sandra Sullivan, Registered Nurse, Cambridge Health Alliance with eleven years; Eileen Welch, Senior Director of Care Management, Cambridge Health Alliance with ten years, eight months. On a roll call, the motion carried unanimously.

#### Agenda Item #5 - Make-ups/Redeposits/Liability

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

Motion by Monagle, seconded by Gardner to allow the make-up of creditable service for Angela M. Bianco, 1 month; Isaiah Bradshaw III, 3 years, 9 months; Isaiah Bradshaw III, 2 years, 1 month; Trevis Brooks, 6 years; Kenneth A. Correia for no service (earnings only); Darryl A. Crayton, 1 year, 6 months; Lena L. Frappier, 1 month; Brenda L. Moschella, 5 months; Brenda

L. Moshhella, 1 month; Brayton M. Wright, 1 year, 1 month and to allow the redeposit of a refund requested by Trevis J. Brooks, 9 years, 3 months. On a roll call, the motion carried unanimously.

#### Agenda Item #6 – Refund Applications

The Board reviewed a list of refund applications submitted in May.

Motion by Gardner, seconded by Chamblin-Foster to accept three refund applications. On a roll call, the motion carried 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 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 #7 – Accidental Disability Application – Marie Ambroise

The Board reviewed the member's application, treating physician's statement and employer's statement filed in connection with Marie Ambroise' Accidental Disability application.

Motion by Gardner, seconded by Chamblin-Foster to accept the Accidental Disability application filed by Marie Ambroise and to request that PERAC convene a medical panel. On a roll call, it was voted unanimously.

#### Agenda Item #8 – Accidental Disability Benefit – Brandon Woolkalis

The Board reviewed the certificate and narrative reports of three separate medical exams, the member's application, treating physician's statement and employer's statement filed in connection with Brandon Woolkalis' Accidental Disability application. Thomas Gibson appeared, representing the member.

Motion by Shinkwin, seconded by Gardner to accept the majority findings of the medical panel and to grant Accidental Disability benefits to Brandon Woolkalis, a Sergeant in the Police Dept. On a roll call, it was voted unanimously.

#### Agenda Item #9 – Accidental Death Benefit – James Headd

The Board reviewed James Headd's death certificate, correspondence from his physician and the report of his 2015 medical panel.

Motion by Gardner, seconded by Shinkwin to grant Accidental Death benefits to Judy Headd, surviving spouse of James Headd. On a roll call, the motion carried unanimously.

#### Agenda Item #10 – Policy on Signatures

The Board reviewed a presentation slides from PERAC related to signatures.

Burns reported that PERAC had discussed the need for physical signatures during a recent webinar. PERAC suggested that Boards should adopt a policy whereby the Board would authorize the Executive Director to sign documents, such as warrants and meeting minutes, on their behalf. At the conclusion of each meeting, each Board member should email the Executive Director to confirm which items they voted to approve. This will create a written record of each Board member's authorization.

Motion by Monagle, seconded by Shinkwin to authorize the Executive Director to sign warrants and meeting minutes on behalf of each Board member, including matters approved at the April,

May and June meetings, as well as matters approved at the last physical meetings in March but not signed. On a roll call, it was voted unanimously.

#### Agenda Item #11 - PERAC Memos

There were no PERAC memos issued in May and no action was taken.

#### Agenda Item #12 - Old Business

The Chairman reported that he and Attorney Quirk attended a mediation meeting with BLB&G related to the case involving Spectrum Holdings. He stated that he was optimistic that the litigation would result in a settlement favorable to the Retirement System. Gardner stated that he would like to consider if the significant time investment that is associated with being one of the lead plaintiffs in securities cases is worthwhile.

#### Agenda Item #13 - New Business

Not needed.

#### Agenda Item #14 - Executive Session

Agenda Item #7 – adopted

Agenda Item #8 – adopted

Agenda Item #9 – adopted

#### Agenda Item #15 - Chairman's Report

The Chairman stated that he would like to discuss the pending Board election at the July meeting to determine if holding an election could be done safely, and if there might be other ways for candidates to gather signatures.

The Chairman noted that it appears that seventeen retirees died in May, which is substantially more than a typical month.

#### Agenda Item #16 – Executive Director's Report

The Director stated that the office has signed a lease for new office space at 125 CambridgePark Drive. The office is targeting a move-in date for mid-November.

The Retirement Office remains open on Monday through Thursday, staffed by two people each day. The building at 100 CambridgePark Drive is once again open to the general public. Prior to June, only persons with a keycard could enter the building. At present, the staff is not conducting in-person meetings with members. None of the offices are large enough to allow staff to meet with a member while maintaining six feet of separation. The Director stated that it might be possible to hold one-on-one meetings in the conference room if members request it. The Director stated that the cost of living adjustment for retirees would be included on the July payments.

The Director stated that she did intend to keep track of the number of retirees where COVID-19 is listed as the cause of death, but there has been a delay in getting copies of death certificates for many of the retirees who have died over the last three months.

The following documents were also reviewed by the Board:

- Notice of Retiree Deaths
- Correspondence from Attorney James Quirk re: PERAC Memo #22
- Segal Marco Advisors Update - May 22, 2020
- BLB&G First Quarter 2020 Report
- January Financials: General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers
- February Financials: General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers

- Manager/Vendor Disclosure Statements: Aberdeen Emerging Markets Equity Fund, Ascent Venture Partners III, Ascent Venture Partners IV, Ascent Venture Partners V, BlackRock Vesey Street Fund II, BlackRock Vesey Street Fund V, Campbell Global Timber Fund, Fidelity Emerging Market Debt, Fidelity Broad Market Duration Pool, Hamilton Lane Private Equity Fund VI, Hamilton Lane Private Equity Fund VIII, IFM Global Infrastructure Fund, Intercontinental US Real Estate Investment Fund, Income Research & Management, Labaton Sucharow LLP, Landmark Equity Partners XV, Landmark Real Estate Partners VI, Lazard Emerging Markets Equity Portfolio, Lexington Capital Partners VIII, Loomis Sayles US High Yield Fund, People's United Bank, PineBridge US Senior Secured Load Strategy, RBC International Fund, RhumbLine MSCI EAFE Pooled Index Fund, RhumbLine Russell 1000 Growth Pooled Index Fund, RhumbLine Russell 1000 Value Pooled Index Fund, RhumbLine Russell 1000 Pooled Index Fund, Segal Marco Advisors, State Street MSCI EAFE Index Fund, State Street Russell 2500 Growth Index Strategy, State Street S&P 500 Fund, Thornton Law Firm LLP, WEDGE Capital Management LLP, Wellington Emerging Markets Local Debt Fund.

Monagle moved to adjourn at 3:30 PM.