

Minutes of the Meeting held on June 9, 2014

Present: Francis Murphy – Chair, James Monagle, Michael Gardner, Nadia Chamblin-Foster, Ellen Philbin, Attorney James Quirk, Chris Burns and Attorney Thomas Gibson.

Agenda Item #1 – Minutes

Motion by Monagle, seconded by Chamblin-Foster to accept the regular minutes of the meeting held on May 5, 2014. Voted unanimously.

Motion by Chamblin-Foster, seconded by Monagle to accept the executive session minutes of the meeting held on May 5, 2014. Voted unanimously.

Motion by Monagle, seconded by Gardner to accept the minutes of the asset allocation meeting held on May 7, 2014. Voted unanimously.

Agenda #2 - Warrant

Motion by Chamblin-Foster, seconded by Gardner to accept payment of warrant #10 in the amount of \$5,272,449.87 and Warrant #11 in the amount of \$300,622.55. Voted unanimously.

Agenda Item #3 – Superannuations

Motion by Chamblin-Foster, seconded by Monagle to accept the Superannuation retirement applications submitted by Luis J. Baigorria, Technical Writer, Cambridge Housing Authority with twelve years six months, Steven Brogan, Captain, Cambridge Fire Department with thirty-three years six months, Judith A. Casarella, Nurse Practitioner, Cambridge Health Alliance with eleven years, nine months, Christine A. Foti, Geriatric Nurse Practitioner, Cambridge Health Alliance with thirteen years five months, Ellen Gunn, RN, Cambridge Health Alliance with eighteen years eleven months, Maureen E. Hassett, Staff Nurse RN, Cambridge Health Alliance with seventeen years four months, Karen Jagodynski, Respiratory Therapist, Cambridge Health Alliance with thirty-four years four months, Debra C. Mikos, Clerk, Cambridge Public Schools with thirty-one years six months, Harold Quinn, Registered Nurse, Cambridge Health Alliance with twenty-four years, eight months, Martha Sennott, Sr. Clerk, Cambridge School Department with thirty-nine years six months, Beverly Shelton, Data Collector/Property Lister, Assessing Dept. with twenty-nine years, Susan Wright Thomas, Registered Nurse, Cambridge Health Alliance with twenty-three years, six months. Voted unanimously.

Agenda Item #4 – Redeposits / Make up / Liability

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

Motion by Chamblin-Foster, seconded by Gardner to allow the redeposit of a refund requested by Paul Alexander, eight months with the State Board, to allow the make-up of contributions requested by Kenisha A. Cooper, three years (pro-rated), Lynette M. O'Brien, eight months (pro-rated), Catherine L. Serrano, one year four months (pro-rated) and Ayesha M. Wilson-Forrester, three years, three months (pro-rated). 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 eleven 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
James Monagle: YES
Francis Murphy: YES

Agenda Item #6 - Accidental Disability Benefit – Gerard Hickey

The Board reviewed the certificates and narratives reports of Mr. Hickey’s medical panel, the member’s application, treating physician’s statement and employer statement pertaining to his Accidental Disability application.

Motion by Gardner, seconded by Chamblin-Foster to accept the responses of the medical panel and grant Accidental Disability benefits to Gerard Hickey, a Special Motor Equipment Operator in the Water Department. The motion carried on a 3-0 vote. The Chairman abstained from voting because the applicant is his cousin.

Agenda Item #7 – Investment Issues

Gardner stated that he was very impressed by the presentation from Michael Trotsky at MACRS, and that he felt the Board may wish to consider shifting additional funds into PRIT. He also stated that he felt the proposed fee increase from Segal was not justified and that it may not be legal to alter the contract in the proposed manner. Quirk advised that the Board could not agree to a material change to the current contract without issuing a new RFP for an investment consultant.

Gardner distributed a chart comparing Segal’s favored asset allocation, Cambridge’s current allocation, and the current allocation in PRIT. He noted that PRIT has targeted holdings of US equities to below 20% of the portfolio.

Monagle stated that he was concerned that Segal may have a conflict, which would prevent them from recommending that the system shift funds into PRIT. He suggested that the Board may wish to bring in a third party to evaluate Segal’s recommendations, and the favorability of moving more funds into PRIT. Quirk advised that engaging this type of consultant would also require an RFP.

Gardner stated that, in evaluating Segal, he remains concerned that they allowed the allocations to timber and private equity to fall significantly below their targets. He stated that he does not accept Segal’s explanation of the difficulty of predicting asset flows.

Gardner stated that he would be prepared to vote on a new asset allocation model at the meeting on June 11, but that he had concerns about how quickly the new model could be funded. He also stated that he felt that the new private equity/alternatives investments should be made through PRIT.

Chamblin-Foster stated that she would be unable to attend the June 11 meeting. The Chairman stated that he would like to get more information before considering which of PRIT’s investment sleeves could be of benefit to the Board. Chamblin-Foster stated that she would also like more information before voting on the new asset model. The Chairman requested that the Director invite Michael Trotsky and Paul Todisco to present to the Board at the July meeting.

Gibson stated that PERAC is currently considering allowing Boards to streamline the RFP process for strong-performing managers.

Agenda Item #8 – PERAC Memo

The Board reviewed PERAC memos numbered from 17 through 19.

Agenda Item #9 – Old Business

The Director distributed calculations of various scenarios regarding Elizabeth Cadigan’s retirement. She stated that it appears unlikely that her pension benefit will ever exceed the IRS limit, even if her entire salary were used in the calculation.

The Chairman distributed a chart showing the number of systems that have adjusted their stipends. There are currently 15 systems that now pay Board Members a stipend of \$4,500 annually. The Chairman stated that, given the additional work that would be required of Board members in reviewing a large number of proposals from investment managers, he felt it was appropriate to increase the stipend. Motion by Chamblin-Foster, seconded by Gardner to request that the City Council approve an increase in Board Members' stipends to \$4,500 annually. Voted unanimously. The Chairman requested that the Director forward the matter to the City Council office, with supporting materials showing which systems have approved increases, and their assets under management.

Burns reported that the system found two additional Accidental Disability retirees who were eligible for the additional veterans' payment. Both retirees received a retroactive payment on the May payroll.

The Chairman stated that he remains concerned that the Executive Director received no step increases for several years because the Board allowed her contract to lapse. He noted that the increase that the Board approved effective January 2014 may now place the Director in violation of the anti-spiking statute. He stated that he feels the Board should approve a retroactive increase in order to bridge the gap between her 2013 salary and the 2014 salary. The Chairman requested that Quirk draft a new contract for the Director, and review the salary history to determine what would be necessary in order to avoid any violation of the anti-spiking regulation.

Agenda Item #10 - New Business

Gardner noted that in a recent settlement discussion involving a City employee on Worker's Compensation, Attorney Quirk had requested an allocation to the retirement system of between 20 and 25% of the settlement amount. Gardner stated that his recollection was that, in the past, the retirement system had generally taken 10% of the settlements. He stated that he felt a large allocation to the retirement system would make it more difficult to settle cases, and hurt both the City's interests and those of the employees. Quirk stated that PERAC has issued a memo, advising that Boards may not set a strict policy to take a particular percentage in every settlement, and that each case should be evaluated on its own merits. Quirk stated that he has a number of criteria he uses in reviewing a proposed settlement. Gibson noted that he would advise that the Board adopt a policy on Worker's Compensation settlements, and that he has assisted several Boards in drafting such policies. Gardner requested that Quirk and Gibson submit copies of their guidelines for evaluating settlements.

Dan Percoco announced that he plans to retire in September. He stated that he has enjoyed his time working in the retirement office. The Director stated that she will post the job opening immediately.

The Director stated that, while reviewing hours and payroll reports for a number of Cambridge Hospital employees, it was found that there were errors in the withholding for employees where their regular shift falls on a holiday. Employees in this position are paid time-and-a-half for holiday coverage. There should be a pension deduction from the straight pay, but not for the premium. The Hospital has not withheld retirement deductions from any of the payment. The error appears to affect a significant number of employees, and goes back to 1998. The Director stated she is still discussing the matter with management at Cambridge Hospital to identify how many people are affected, and how they should be notified. She stated that she would prefer to focus on the members who plan to retire in the next two months, before considering members who have already retired. Gardner moved to allow affected employees to make-up contributions for holiday coverage that was not deducted after July 1, 2011. Chamblin-Foster seconded the motion and it was voted unanimously.

Agenda Item #11 - Executive Session

Agenda Item #6 – adopted

Agenda Item #12 - Chairman's Report

None offered.

Agenda Item #13 - Executive Director's Report

Segal will present a draft of the actuarial report at the July meeting.

The Director conducted retirement seminars at the Housing Authority and to a group a new hires at the Fire Department.

The following documents were also provided to the Board:

- Notice of Retiree Death.
- Correspondence from Attorney James H. Quirk re: Retirement Board of Somerville vs. John Buonomo & Others Supreme Judicial Court 11413.
- Correspondence from Attorney James H. Quirk re: CRB vs. PERAC and Elizabeth Cadigan.
- Correspondence from Attorney James H. Quirk re: Catherine I. Rowe vs. CRB.
- Correspondence from Attorney James H. Quirk re: Decision of the 9th Circuit Tina R. Haro, Plaintiff vs. City of Los Angeles.
- Correspondence from Attorney James H. Quirk re: Pension Reserves Investment Board Investment Committee Meeting May 20, 2014.
- Correspondence from Attorney James H. Quirk re: Article from the Boston Globe May 14, 2014.
- Thank You Card from Brad + Susan Tenney.
- Segal Rogerscasey re: Investment Manager Review Agenda Schedule
- March Financials – Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, General Ledger.
- Rockwood Update re: Samm Miller.
- Rockwood Update re: Ed Kavounas
- MacKay Shields Update re: Matt Philo
- Telegram & Gazette (Massachusetts): re: COLAs drive pension costs deeper into the red; Public retirement boards weigh the costs to municipalities.
- Boston Business Journal: re: Boston Teachers and Mayor Walsh have a Pension Problem of Windy City Proportions.
- Cambridge Chronicle Article – Hospital Defends ER Merger
- Hamilton Lane re: First Quarter 2014 Alternative Investment Report and Unaudited Financial Statement.
- IRM – Income Research + Management re: Portfolio Management Report April 2014.
Lazard Asset Management re: Portfolio Review April 2014.

Monagle moved to adjourn at 7:40 PM.