

Minutes of the meeting held on November 4, 2024

Present: Francis Murphy – Chair, Michael Gardner, Nadia Chamblin-Foster, Joseph McCann, James Monagle, Chris Burns, James Quirk, and Christopher McLaughlin.

The meeting was called to order at 11:00 AM. The meeting was digitally recorded. This was a hybrid meeting, held in-person in the Sheila Tobin Conference Room at 125 CambridgePark Drive, with some participants joining via Zoom videoconference.

Agenda Item #1 –Minutes

Motion by Chamblin-Foster, seconded by Monagle to accept the regular minutes of the meeting held on October 7, 2024. Voted unanimously.

Motion by McCann, seconded by Monagle to accept the executive session minutes of the meeting held on October 7, 2024. Voted unanimously.

Agenda Item #2 - Warrants

Motion by McCann, seconded by Monagle to accept payment of Warrant #20 in the amount of \$9,648,884.52 and Warrant #21 in the amount of \$363,917.00. Voted unanimously.

Agenda Item #3 – Superannuations

Motion by Monagle, seconded by Chamblin-Foster to accept the Superannuation retirement applications submitted by Ellen Deraney, Library Assistant, School Dept. with eleven years, five months; Robin Heafey, Senior Clinical Pharmacist Specialist, Cambridge Health Alliance with twenty years, ten months; Michael Padua, Patrol Officer, Police Dept. with twenty-nine years, six months; and Marilyn Rottersman, Building Substitute, School Dept. with ten years, one month. Voted unanimously.

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

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

Motion by Chamblin-Foster, seconded by Monagle to allow the make-up of deductions for Karen M. Thomas for three years, six months. Voted unanimously.

Motion by Chamblin Foster, seconded by Monagle to allow the redeposit of a refund for Jennifer A. Amigone for one year, eight months and Regina J. Walker for five years. Voted unanimously.

Agenda Item #5 – Refund Applications

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

Motion by Gardner, seconded by McCann to accept nine 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:

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| James Monagle: | YES |
| Michael Gardner: | YES |
| Nadia Chamblin-Foster | YES |
| Joseph McCann: | YES |
| Francis Murphy: | YES |

Agenda Item #6 – Accidental Disability Benefit – Elizabeth Vendetti

The Board reviewed the certificates and narrative reports of three separate medical exams, the member's application, treating physician's statement and employer's statement filed in connection with Elizabeth Vendetti's application for Accidental Disability benefits. Attorney Steven Bergel appeared, with Elizabeth Vendetti and Ruth Gamble. Ms. Vendetti was assisted by an ASL interpreter during the hearing.

Motion By Gardner, seconded by Monagle to accept the findings of the medical panel and grant Accidental Disability benefits to Elizabeth Vendetti, Parking Control Officer in the Traffic Dept. Voted unanimously. The Chair stated that he was very happy to bring the matter to a just conclusion. Vendetti thanked the Board and staff for their support.

Agenda Item #7 – Accidental Disability Application – Arshad Mehmood

The Board reviewed the member's application, treating physician's statement and employer's statement filed in connection with Arshad Mehmood's application for Accidental Disability benefits. Attorney Patrick Tracy appeared, representing Arshad Mehmood.

Motion by Chamblin-Foster, seconded by Gardner to accept the Accidental Disability application filed by Arshad Mehmood, Laborer in the Dept. of Public Works, and to request that PERAC convene a medical panel. Voted unanimously.

Agenda Item #8 – Eastern Bank Annual Presentation

The Board reviewed a written presentation from Eastern Bank. Denis Sheahan and David Rosato appeared, representing Eastern Bank.

Sheahan reported that the merger between Cambridge Bancorp and Eastern Bank has now closed. Eastern is now the largest independent bank in Boston. The bank has 109 branches in Massachusetts and New Hampshire. The wealth management business remains branded as Cambridge Trust, with five locations and \$8.4 billion in assets under management. Sheahan stated that he sees an opportunity to grow this business within Eastern's larger footprint. Sheahan reported that the merger went smoothly and that costs for employee layoffs and lease buyouts for unneeded space were lower than expected. Loan values carried over at a lower-than-expected value, although this was mainly due to falling interest rates.

The costs associated with the merger were all taken within the third quarter of 2024, resulting in a \$6.2 million loss. Sheahan emphasized that the bank remains healthy, with operating net income of \$49.7 million. Investment advisory fees remains the largest portion of noninterest income. The wealth management division charges an average of 75 basis points for their services. Sheahan noted that there was a certain downward pressure on fees, although the bank provides more services than an index fund would. The bank is able to assist with financial planning and trust/estate administration.

The bank's balance sheet remains strong, with growing deposits and loan values. The bank has essentially no debt of its own. If the bank were to borrow money, they would do so with either the Federal Home Loan Bank or the Federal Reserve. The cost of deposits has increased over the last year, up until the recent cut in interest rates. Rosato described how adjustable rate loans have their rates reset within thirty days of a change in the prime interest rate. The bank can move to adjust their deposit rate within days, after considering the rates paid by competitors and their own loan balance sheet.

Sheahan reviewed the bank's securities portfolio, which consists mainly of RMBS and CMBS. The portfolio yielded 1.81% in the third quarter. The portfolio consists mainly of securities purchased during the lower interest rate environment in the past. The bank has not yet decided if to sell off the low-rate bonds and buy into higher yielding bonds. The bank has authorized a stock buyback of up to \$200 million. Eastern's liquidity is strong, on average trading 1.2 million shares daily.

The bank has increased their allowance for loan losses, primarily due to concerns about commercial real estate. Reviewing the loan portfolio acquired from Cambridge, Eastern

considers 9% to be deteriorated. This does not indicate a likely default but does mean that the borrower's circumstances have gotten worse. Eastern is meeting with commercial borrowers on a quarterly basis to evaluate their ability to make payments. Commercial real estate makes up 6% of the total Eastern loan portfolio.

The Chair asked if Cambridge Bancorp owned the buildings where their branches were located. Sheahan stated that in some cases, they did. However, most of the spaces were leased. Eastern still owns the bank building in Harvard Square, and none of the Cambridge locations were closed following the merger.

Sheahan stated that the bank does not have aggressive expansion plans, but may infill new locations within their current footprint. The bank also does not have further merger plans, but would consider opportunities that came up. He noted that the New England banking market was already largely consolidated.

The Chair asked that Eastern provide a quarterly report on the number of shares held and the amount of the dividend paid. Gardner noted that Segal has expressed concern in the past about holding such a large position in a single stock. He asked if Sheahan felt that the holding was prudent. Sheahan noted that the holding was approximately 1% of the Cambridge portfolio, and could be seen as part of a reasonably diversified portfolio. Rosato also described how the merged Eastern Bank was a more stable, better capitalized bank than Cambridge Bancorp. Monagle stated that he remains concerned about the outlook for commercial real estate. He suggested that the Board discuss cutting the real estate allocation at the next investment review meeting. Gardner stated that the Board had reviewed the real estate portfolio at a recent meeting, and come to a consensus that firing a manager, and forcing them to sell into a depressed market, would not be prudent. He suggested requesting Segal's latest research on the real estate market, and to have Segal report the kind of guidance they provide to fully-managed clients.

Agenda Item #9 – PERAC Audit Finding on Hazardous Duty Pay

The Board reviewed draft correspondence prepared by Attorney Quirk.

Burns noted that the Board had discussed inviting PERAC to an in-person meeting to discuss their concerns, but Quirk did not include that request in his letter. The Chair stated that he would favor sending all documentation to PERAC, giving them time to review everything, and then requesting a meeting. Gardner stated that he was concerned that the letter does not place enough emphasis on the labor arbitrator's intention to make an award which would be regular wages but called by a different name, and which now constitutes 19% of base pay for police officers. Gardner also asked if the Board should bring attention to the fact that the City makes other forms of payment, currently considered pensionable, which are not substantially different from Hazardous Duty Pay. He noted that Police Officers also receive weapons training pay and that firefighters receive hazardous duty pay. Gardner suggested that it may also strengthen the argument to point out that many other cities and towns in Massachusetts have similar payment schemes. He also stated that he felt the letter should point out that the payment has been made, and considered pensionable, for nearly thirty years without raising any concerns. Gardner stated that he had been in contact with Jamie Matthews, the City's Director of Labor Relations. She reported that senior management at the City were supportive of the Board challenging the audit finding. The City Solicitor passed on a suggestion to review the language of the CMR and relevant legislation to be sure that PERAC was interpreting them correctly.

The Chair requested that Gardner and Quirk work together to make revisions to the letter, adding one or two additional paragraphs to address Gardner's concerns. Quirk stated that he attempted to focus his letter on recent DALA cases which define regular compensation, which he felt was the strongest part of the system's argument. He stated that he would be happy to work with Gardner on revisions.

Chamblin-Foster asked if it would be possible to survey other cities to determine how widespread this type of payment is. Gardner stated that he felt that talking to the City's labor

counsel, who also represents a number of other communities. Without objection, the Board agreed to table the matter and review a new draft in December.

Agenda Item #10 – 2025 Meeting Schedule

The Board reviewed a list of proposed meeting dates for 2025.

The Board agreed to hold the next regular meeting on Monday, December 16.

Motion by Monagle, seconded by McCann to accept the 2025 meeting schedule, as amended.

Voted unanimously.

Agenda Item #11 – PERAC Memos

The Board reviewed PERAC Memos #27 and 28.

Burns stated that he had attended a PERAC webinar which reviewed a new law which authorizes higher payments for first responders who are disabled as the result of a violent assault. The circumstances under which the enhanced benefit could be granted are quite narrow.

Agenda Item #12 – Old Business

Chamblin-Foster asked if there had been any further changes to security at the Retirement office. Burns reported that the landlord continues to take security quite seriously and has maintained a visible presence of security guards in the building and walking routes on CambridgePark Drive.

Agenda Item #13 – New Business

Not needed.

Agenda Item #14 – Executive Session

Agenda Item #6 – adopted

Agenda Item #7 – adopted

Agenda Item #15 - Chairman's Report

The Chair reported that he and Gardner attended the IRM “Bondtoberfest” event at their Boston office. He stated that he was disappointed with the presenters who focused more on political issues rather than financial ones.

The Chair stated that he intends to run for re-election in 2025.

Agenda Item #16 – Executive Director's Report

Burns reported that he hired a cybersecurity insurance provider, AtBay.

The Teamsters union settled a new contract with the City, resulting in retroactive payments to their members. Fourteen retirees also received payments, and their benefits were recalculated in time for the October payroll.

Burns reported that a private company sent out emails to a large number of city employees with an invitation to set up an appointment for a retirement consultation. Several employees called the retirement office, assuming that the invitation came from the office. Burns stated that he posted a notice on the system's website to make clear that the emails were not sent by the Retirement Office. Chamblin-Foster asked if it would be possible for the City to offer security training to retirees.

Burns reported that Tom Starinskas started work on October 21.

The following documents were also reviewed by the Board:

- Notice of Retiree Deaths
- Jacques Desrosiers withdrawal of Accidental Disability application
- Segal Marco Analysis of Investment Performance – September 30, 2024
- Correspondence from IFM re: Infrastructure Climate Change Report 2023

- Correspondence from Intercontinental re: Hurricane Milton
- Correspondence from UBS re: Hurricane Milton
- Correspondence from UBS re: Hurricane Helene
- August Financials: General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers, Bank Reconciliation.

Monagle moved to adjourn at 1:45 PM.