

Minutes of the meeting held on November 6, 2017

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

Absent: Nadia Chamblin-Foster

Arrived Late: Michael Gardner (Not present for agenda items 1, 2, 3, 4 and 5)

The meeting was called to order at 5:05 PM. The meeting was digitally recorded.

Agenda Item #1– Minutes

Motion by Monagle, seconded by Shinkwin to accept the regular minutes of the meeting held on October 10, 2017. The motion carried on a 3-0 vote, with Gardner absent.

Motion by Shinkwin, seconded by Monagle to accept the executive session minutes of the meeting held on October 10, 2017. The motion carried on a 3-0 vote, with Gardner absent.

Agenda Item #2 - Warrant

Motion by Monagle, seconded by Shinkwin to accept payment of warrant #20 in the amount of \$6,833,718.13 and to accept payment of warrant #21 in the amount of \$523,106.96. The motion carried on a 3-0 vote, with Gardner absent.

Agenda Item #3 – Superannuations

Motion by Shinkwin, seconded by Monagle to accept the Superannuation retirement applications submitted by Kathleen Norton, Mammographer, Cambridge Health Alliance with twenty-four years two months; Richard Price, Mechanic, Cambridge Housing Authority with thirty-two years one month; and Bonnie Wilkins, School Nurse, Cambridge Health Alliance with twenty-four years nine months. The motion carried on a 3-0 vote, with Gardner absent.

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

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

Motion by Shinkwin, seconded by Monagle to allow the make-up of contributions requested by John S. Gargano, seven months; Kaitlynn M. Innes, two months; Alicia Johnson, ten months (pro-rated); Alejandra Recalde, one month (requesting acceptance of liability); Stephen Sennott, one month (pro-rated); Tamine L. Son, nine months (pro-rated); Beth Sullivan, one year five months (pro-rated); Patricia Tuccinardi, four months (pro-rated), to allow the redeposit of refunds requested by Emily E. Canniff for one year eleven months and Sandra P. Vieira for seven years eleven months. The motion carried on a 3-0 vote, with Gardner absent.

Agenda Item #5 – Refund Applications

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

Motion by Monagle, seconded by Shinkwin to accept ten 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
John Shinkwin:	YES
James Monagle:	YES
Francis Murphy:	YES

Agenda Item #6 – Accidental Disability Application – Robert Bilikas

The Board reviewed the member's application, treating physician's statement and employer's statement filed in connection with Robert Bilikas' Accidental Disability Application. Gardner moved to accept the application, pending clarification of the applicant's employment history. Monagle seconded the motion and it was voted unanimously.

Agenda Item #7 – COLA Base

The Board reviewed correspondence from Kathy Riley, the system's actuary, the current funding schedule, and a spreadsheet showing the base currently used by all retirement systems.

The Director stated that she has discussed the matter with David Kale. An increase in the COLA base would impact most retirees. There are 416 retirees who currently make less than \$16,000 annually. The change would add about \$315,000 to the funding schedule in the first year, and the amount would increase each year until the system was fully funded. Alternatively, Riley calculated that the City could make a one-time payment of about \$9 million. The Director stated that Kale had no objections and that the matter could be considered by the City Council within the next few weeks.

Motion by Monagle, seconded by Shinkwin to increase the COLA base from \$14,000 to \$16,000, effective on July 1, 2018. Voted unanimously.

Agenda Item #8 – Contract Extension – Segal Consulting

The Board reviewed a proposed contract extension with Segal Consulting.

The Director stated that Segal is scheduled to perform an actuarial valuation in 2018. The system is now in the fifth year of the current contract, and Segal has proposed extending the contract for two more years. The extension would cover the 2018 valuation, as well as GASB reports for 2016 and 2017. The system would have to issue an RFP before retaining Segal past seven years. Monagle stated that he has worked closely with Segal on the GASB reports and that he was very happy with their responsiveness to questions. Philbin stated that the proposed pricing had not changed since the last valuation. Motion by Gardner, seconded by Shinkwin to accept the proposed contract extension. Voted unanimously.

Agenda Item #9 – 2018 Meeting Schedule

The Board reviewed a proposed schedule for monthly meetings in 2018.

Motion by Gardner, seconded by Monagle to accept the schedule without amendment. Voted unanimously.

Agenda Item #10 – Conference Update – Michael Gardner

The Board reviewed presentation materials from the Segal Marco client conference.

Gardner reported that he attended two conferences in October. He attended the Segal Marco client conference in Orlando, and the International Foundation conference in Las Vegas. Segal described the impact of the merger with Marco. The merger gives the firm more of a national presence. The firm has also moved more strongly into managing assets directly, rather than consulting on the hiring of other managers. Gardner stated that he had a conversation with Tim Barron, Chief Investment Officer. Barron stated that he would be willing to disclose which managers Segal uses to manage discretionary assets, when the same managers might be applying to manage funds for consulting clients. Barron also stated that he would be consider disclosing Segal's process for evaluating their existing managers. Gardner stated he would be interested in discussing that further with Rafik Ghazarian.

Gardner stated that he felt the system may want to review their proxy voting policy. He stated that taking a more active role in proxy voting might be helpful in responding to pressure to divest from certain assets. Segal gave a presentation on a service to manage proxy voting on behalf of their clients, in accordance with the stated values and positions of each individual client. He

recommended that the Board schedule a time to allow Segal to make a presentation to the Board on this service.

The conference also included a number of discussions on current economic conditions. Equity values remain high despite a number of looming threats. There was also discussion about private equity managers having difficulty finding attractive investments. Segal discussed their consultants' track record of picking managers who will outperform their benchmarks. Gardner noted that he had tended to be skeptical of this claim. Segal has shown that over the long term, their picks do tend to outperform, although Gardner noted that after fees, the excess returns may be modest.

At the International Foundation conference, Gardner noted his participation in the Trustees Masters program. The program involves reviewing case studies from other funds. Gardner noted how quickly a plan can become underfunded due to a change in plan assumptions or a few years of poor returns. He stated that he would like to discuss this further as part of the 2018 actuarial valuation.

Agenda Item #11 - PERAC Memos

The Board reviewed PERAC Memos numbered 31 to 33. No action was taken.

Agenda Item #12 - Old Business

Quirk stated that a hearing was held at DALA regarding the Robert Lukas case. Monagle stated that he was frustrated with the length of time required to move cases through the appeals process. The Director stated that the deadline for applications for the Fifth Member position has passed. Four people submitted applications. Gardner stated that he and Monagle would meet following the meeting to review resumes.

The Director stated that PERAC reviewed the employment contract for Dr. Margaret Coleman and confirmed that her incentive payments should be non-pensionable. Burns stated that he would issue refunds to her and to the other affected doctors at the end of the month.

Agenda Item #13 - New Business

The Director stated that the building owners expressed interest in moving the Retirement Office to a different location at 125 CambridgePark Drive, in order to use the current space as a fitness center for tenants. The Director stated that she felt this might be a good opportunity to extend the current lease at a reasonable rate. The current lease expires in 2022. However, the building and surrounding neighborhood have undergone significant improvements since the lease was signed. If the system waits until 2022 to negotiate, there would probably be a significant price increase. She also stated that there would be more convenient visitor parking at 125. Quirk stated that it would not be necessary to issue an RFP before considering the landlord's offer. Monagle stated that the system may want to consider trying to store some records offsite in order to cut down on the amount of space required.

Quirk discussed changes to the Open Meeting Law.

Agenda Item #14 - Executive Session

Agenda Item #6 – adopted

Agenda Item #15 - Chairman's Report

The Chairman reported that he appeared before the City Council to discuss divestment from fossil fuels. He stated that the Council appeared to understand that the recent direction from PERAC would seem to prevent any immediate move to divest.

Agenda Item #16 – Executive Director's Report

The Board agreed to hold a holiday party at the December Board meeting.

The Chairman stated that representatives from Cambridge Bancorp will present at the December meeting. Gardner stated that he would like to ask the representatives for their opinion about executing a controlled sale of the stock.

The following documents were also reviewed by the Board:

- List of Retiree Deaths
- Correspondence from Attorney James Quirk re: Francis Judd
- Correspondence from Attorney James Quirk re: Open Meeting Law Regulations
- Investment Manager Review Agenda – December 11, 2017
- PERAC – Schedule 7 Fee Report
- Lazard Asset Management Portfolio Review - September 2017
- RBC Quarterly Report – September 30, 2017

Monagle moved to adjourn at 7:30 PM.