

Minutes of the meeting held on November 6, 2023

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

The meeting was called to order at 11:06 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 – Cambridge Bancorp Presentation

Jim Fitzgerald, Bob Rivers and Denis Sheahan appeared before the Board to discuss the pending merger between Cambridge Bancorp and Eastern Bank. A written presentation was submitted to the Board. Sheahan discussed Cambridge Bancorp's performance over the last year. He noted that had been a difficult year in the banking industry. Interest rates continued to rise in 2023. The runup in rates has now been the fastest and steepest increase in forty years. This means that the cost of deposits has also risen. While loan rates have increased, loan demand has fallen off as most people with low-interest rate mortgages are highly motivated to keep them. There was also some local impact from the failure of Silicon Valley Bank, which had a local subsidiary, Boston Private. He stated that concerns around the stability of smaller banks again made it necessary to raise interest rates on deposits. Some customers also opted to shift their accounts to larger banks. Bank stocks have generally performed quite poorly, even as the S&P 500 has been up over the last 12 months. Cambridge Bancorp stock declined 33.72% since the start of the year. Over the same period, the regional bank index has declined 28.49%. In 2023, Cambridge Bancorp had operating income of \$31.4 million. That is a reduction of 24% from 2022. Asset quality remains very high, with no charge-offs in 2023. Monagle asked Rivers to discuss the acquisition of Century Bank. Rivers stated that deposits were flat following the merger, as people came and left for different reasons. Some people preferred to find another family-owned bank for their business. Others preferred a larger and more stable bank like Eastern. He also noted that one of the main reasons for the merger was that the owner's children had opted not to be involved in the family business. Rivers stated that he had every intention of keeping Eastern as a regional bank. He noted that all their employees are local, with their customer call center located in Lynn. Rivers discussed the motivation for the merger with Cambridge Bancorp. The merger will make Eastern the fourth largest bank in the Boston area, behind Bank of America, Citizens Bank and Santander. He noted that Eastern will never be as large as those national banks and has no desire to be. The merger now positions them as the largest and most stable regional bank in the area. Rivers stated that he anticipates that the merged company will close only three of the Cambridge Bancorp locations. Chamblin-Foster asked how the combined bank would be branded. Sheahan stated that he and Rivers shared a desire for Massachusetts to have a strong, locally owned bank. He noted that both had been involved in local charity work, including the development of the Just-A-Start property on Rindge Avenue. Chamblin-Foster stated that she was aware of Rivers' work in the community and appreciated Eastern's charitable activities. Rivers noted that both banks have a history of supporting affordable housing development. On the question of branding, Eastern plans to maintain Cambridge branding for the wealth management business. Eastern does not have a significant wealth management clientele and will benefit from keeping the Cambridge brand. All bank branches will have Eastern branding. The Cambridge/wealth management brand will still have prominent placement in each Eastern branch. Rivers stated that while Eastern is significantly larger than Cambridge, he still views the transaction as a merger of equals. He noted that when Eastern merged with Century, none of the top executives at Century wanted to stay on. In this merger, Sheahan will be CEO of the merged firm, and many other executives are staying in their jobs. The Chairman asked what type of dividends that the Retirement System could expect from the merged bank. Sheahan stated that initially, the annual dividends will fall. However, Eastern did

increase their dividend in the last quarter, and hoped for further increases. Fitzgerald reported that the banks are going through a regulatory compliance process, and that the merger should close in the first quarter of 2024. Eastern has now completed the sale of their insurance business. Rivers said that, like Cambridge Bancorp, they maintain very high lending standards. Their losses have been minimal, although Rivers stated that he anticipates that there will be more poor performing loans as interest rates remain high. The Chairman asked about providing services to cannabis dispensaries, which are not allowed to work with Federally chartered banks. Rivers noted that it was a highly specialized business. Although Century provided banking services to the cannabis industry, Rivers stated that after the merger, he felt that Eastern was not equipped to continue the relationships. That business has now been transferred to Needham Bank. Gardner asked what performance metrics, other than stock price, that the Board could use to evaluate the success of the merger a year from now. Fitzgerald stated that he anticipates 20% growth in earnings per share over the next year. He also stated that the Board should check the bank's balance sheet, liquidity and strength of the loan portfolio. Sheahan stated that he targeted the net interest margin to go from 2.8% to 3.05%. The Chairman asked who would run the wealth management division going forward. He stated that the current director would be leaving but that the staffs would be merged under a new manager.

Agenda Item #2 – Minutes

Motion by Monagle, seconded by Chamblin-Foster to accept the regular minutes of the meeting held on October 10, 2023. Voted unanimously.

Motion by Chamblin-Foster, seconded by Monagle to accept the executive session minutes of the meeting held on October 10, 2023. Voted unanimously.

Agenda Item #3 - Warrants

Motion by Monagle, seconded by McCann to accept payment of Warrant #20 in the amount of \$9,727,367.66 and Warrant #21 in the amount of \$480,295.25. The Director confirmed that all attendees must pay the full fee. Voted unanimously.

Agenda Item #4 – Superannuations

Motion by Gardner, seconded by Monagle to accept the Superannuation retirement applications submitted by Gladys Barrientos-Lopez, Health Counselor, Cambridge Health Alliance with twenty-nine years, one month; Susan C. Cohen, General Counsel, Cambridge Housing Authority with ten years; Clay Halajian, Carpenter, Dept. of Public Works with twenty-three years, two months; Stephen LaRosa, Permit Coordinator, Traffic & Parking Dept. with thirty-one years, six months; Kenneth Pitts, Public Safety Assistant Director, Emergency Communications Dept. with twenty-eight years, six months; Carol Sidabras, Staff Librarian, thirty-five years, five months; and Lawrence Silva, Communications Supervisor, Emergency Communications Dept. with thirty-six years, eleven months. The motion was voted unanimously.

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

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

The Director stated that Tricia Gomes was requesting that the Board waive interest on her make-up. She explained that Gomes held a position at Cambridge Health Alliance between 1997 and 2000. She left that job and took a position at Cambridge School Dept. in 2001. She was working less than half time, but due to her prior membership under the Health Alliance, she should have had retirement deductions taken immediately. The Director noted that since she was a non-benefitted member, she never had to complete an enrollment form, and was never asked if she had ever been a retirement system member.

Motion by Monagle, seconded by Gardner to allow the make-up of deductions for DawnMarie Adolphe, 1 year, 1 month; Tricia L. Gomes, 10 years, 7 months, with interest waived on the make-up amount; Christiana Malgwi, 1 month; Kevin E. G. Mascoll, 1 year, 8 months; Robert J.

Medeiros, 4 months; Anne Moore, 2 years, 1 month; Yvonne E. Rivera, 2 years, 6 months; Pamela A. Santos, 5 years, 7 months; Stephanie L. Sender, 10 years, 1 month; and Anna W. Van Dreser, 2 years, 5 months. Voted unanimously.

Agenda Item #6 – Refund Applications

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

Motion by Chamblin-Foster, seconded by McCann 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 the conclusion of the executive session. On a roll call, the vote was as follows:

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

Agenda Item #7 – 91A Overearning – James Desrosiers

The Board reviewed correspondence from PERAC describing James Desrosiers' overearnings in 2021 and 2022.

Attorney Gerry McDonough appeared with James Desrosiers. McDonough stated that he will not contest PERAC's calculation of the overearnings. He stated that Desrosiers and his wife own a constable business, serving legal notices for civil court cases. They work throughout Massachusetts. Their son is also part of the business, and Desrosiers and his wife have made the decision to sell the business to him. The transaction should close in 2024. Desrosiers would be completely divested from the business by the start of 2025. PERAC has found that Desrosiers exceeded earnings limits by \$51,280.17 in 2021 and \$97,558.44 in 2022. McDonough proposed that Desrosiers would repay \$75,000 immediately and then repay the balance on a monthly basis until the entire amount is recouped. McDonough noted that Desrosiers would certainly have additional overearnings once 2023 is complete. Finally, McDonough proposed that Desrosiers would waive his pension for calendar year 2024, taking only enough to cover his health insurance premiums.

Monagle stated that he would not be comfortable accepting the \$75,000 payment until a written agreement is executed. He asked Desrosiers how his business was structured. Desrosiers stated that it is an LLC. He added that it would likely remain an LLC once his son takes it over.

Monagle asked if Desrosiers would benefit from the company once his son takes it over.

Desrosiers responded that he did not intend to. Gardner asked if any proceeds from the sale of the business would be considered income for PERAC's purposes and also subject to an earnings limit. McDonough noted that the transaction could be somewhat complicated. He stated that there will be a written purchase and sale agreement. If Desrosiers does any work for the business as a consultant, it would be reported as earned income. Quirk stated that PERAC has not been entirely clear as to whether the sale of a business constitutes earned income or passive income, which would not be subject to the earnings limit. Monagle asked if the Board would charge interest on the repayment of the overearnings. Quirk stated that none of the cases he has worked on in the past included an interest component. McDonough noted that the statute does not describe any process for the Board to charge interest. McDonough also noted that, since Desrosiers will waive his benefit in 2024, he will not have to report his income to PERAC for that year. McDonough stated that he was not seeking to have the waived pension in 2024 credited against the amount owed back to the Board. Quirk stated that PERAC currently has a

policy in place to impute income to a retiree in cases where the retiree and their spouse jointly own a business. There is no such policy in place to impute business where a retiree's child owns a business, but PERAC would be free to alter that policy at any time.

Gardner stated that he was comfortable with the idea that the member would not have to report income in 2024 since, by waiving his pension, he has essentially already agreed to the maximum amount of repayment that might be owed. McCann asked if Desrosiers could estimate how much he is likely to overearn for 2023. McDonough responded that, as in 2022, his overearning would likely be enough to require the repayment of his entire pension for the year. Burns asked if the Board could continue to pay enough to cover his health insurance premium without triggering a requirement that the member report to PERAC. Quirk stated that PERAC has allowed local Boards to continue to cover health insurance premiums while still considering the pension to be fully waived for 91A purposes. The member would still need to be issued a 1099 for his earnings that year.

Gardner moved to authorize Attorney Quirk to negotiate a repayment plan with the member, along the terms discussed at the meeting today. He asked that Attorney Quirk present a written agreement to the Board for approval before it is executed. Chamblin-Foster seconded the motion. The motion carried on a 3-2 vote, with McCann and Monagle voting in the negative. Monagle stated that he would have preferred to table the matter to allow him time to better understand the issue at hand. Quirk stated that he hoped to have the agreement drafted in time for review at the December meeting.

Agenda Item #8 – 2024 Board Meeting Schedule

The Board reviewed a proposed list of Board meeting dates.

Motion by Monagle, seconded by Chamblin-Foster to accept the proposed schedule, noting that all meetings will start at 11:00 AM. Voted unanimously.

Agenda Item #9 – PERAC Memos

The Board reviewed PERAC memos 21 and 22. No action was taken.

Agenda Item #10 - Old Business

Quirk reported that the Lyons case is moving forward. This is a case involving a question of membership of an employee with service in Cambridge, Middlesex and Mass. Teachers.

Agenda Item #11 – New Business

Monagle asked if James Desrosiers would still be eligible for health coverage at the usual retiree cost if he waives his pension benefit, or if he would have to pay the COBRA rate. The Director stated that it was the past practice of the City that retirees who waive their pension are still entitled to health coverage, at the same rate as other retirees. Gardner noted that he felt that decision would be made by the City Human Resources office, and not by the Retirement Board. The Director added that the Retirement Office would report Desrosiers precise status to the City, describing him as a retiree who had waived his pension, and is receiving only the allowance necessary to cover the cost of his health insurance premium. McCann asked what would happen if Desrosiers were to die prior to the repayment being made in full. Quirk responded that the debt would be cleared at that point.

Quirk recommended that Board members review his brief on the Parkaa case, which describes the latest litigation around how PERAC makes determinations of overearnings in the case of a business jointly owned by a married couple.

Agenda Item #12 – Executive Session

Not needed.

Agenda Item #13 - Chairman's Report

None offered.

Agenda Item #14 – Executive Director’s Report

PERAC is continuing their audit of the system, but they have now completed all their work in the office. They will work from their own offices as they complete the audit.

The following documents were also reviewed by the Board:

- Notice of Retiree Deaths
- Bank reconciliation – July 2023, August 2023
- 2022 PERAC Annual Report
- Correspondence from Attorney Quirk re: Barnstable County Retirement Board and Daniel Parkaa

Monagle moved to adjourn at 1:10 PM.