

Minutes of the meeting held on Monday, September 12, 2016

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

The meeting was called to order at 5:00 PM. The meeting was digitally recorded.

Agenda Item #1 – Minutes

Motion by Shinkwin, seconded by Gardner to accept the regular minutes of the meeting held on August 1, 2016. Voted unanimously.

Motion by Chamblin-Foster, seconded by Gardner to accept the executive session minutes of the meeting held on August 1, 2016. Voted unanimously.

Agenda Item #2 - Warrant

Motion by Chamblin-Foster, seconded by Shinkwin to accept payment of warrant #16 in the amount of \$6,095,928.21 and Warrant #17 in the amount of \$847,155.53. Voted unanimously.

Agenda Item #3 – Superannuations

Motion by Gardner, seconded by Chamblin-Foster to accept the Superannuation retirement applications submitted by William R. Arthur Jr., Patrol Officer, Cambridge Police Department with thirty-three years three months, Thomas A. Casey Firefighter, Cambridge Fire Department with thirty-three years two months, Cesar J. Gilbert, Licensed Practical Nurse, Cambridge Health Alliance with ten years three months, Kathleen Leip, Ultra sonographer, Cambridge Health Alliance with fourteen years nine months, Migdalia Perez, Account Coordinator, City of Cambridge Personnel with thirty-nine years and eleven months, Judy L. Rivera, RN, Cambridge Health Alliance with eleven years one month, Richard C. Rossi, City Manager, City of Cambridge with forty-five years four months, Mary Ann Sullivan, Staff Nurse, Cambridge Health Alliance with thirty-two years two months and Liza Zano, Laboratory Technician, Cambridge Health Alliance with fifteen years eight months. Voted unanimously.

Agenda Item #4 - Superannuation Application – Mary Hogan-Donaldson

The Chairman stated that the member has requested that this matter be tabled, as she is considering hiring an attorney.

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

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

Motion by Chamblin-Foster, seconded by Shinkwin to allow the make-up of contributions requested by Jean M. Burbidge, One year five months (pro-rated), William F. Courier, three years one month (pro-rated), Benjamin S. Godfrey, one year six months (pro-rated), Moriah I. Hoefgen-Harvey, eleven months (pro-rated), Constance M. McGrath, two years five months, Robert Patacchiola, five months (pro-rated), Robert Patacchiola, one year (pro-rated), Kim T. Tran, one year eleven months (pro-rated), Teddy Valcourt, one year (pro-rated), to allow the redeposit of refunds requested by Jean M. Burbidge, six years eight months and Kevin A. Donofrio, one year. Voted unanimously.

Agenda Item #6 – Refund Applications

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

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

Agenda Item #7 – Ordinary Disability Application – Amenah Salejwala

The Board reviewed the member’s application, treating physician’s statement and employer’s statement filed in connection with Amenah Salejwala’s Ordinary Disability application.

Motion by Gardner, seconded by Chamblin-Foster to accept the Ordinary Disability Application filed by Amenah Salejwala, Practice Medical Receptionist at Cambridge Health Alliance and to request that PERAC convene a medical panel. Voted unanimously.

Agenda Item #8 - Accidental Disability Application – Thomas Kelley

The Board reviewed the member’s application, treating physician’s statement and employer’s statement filed in connection with Thomas Kelley’s Accidental Disability application.

Motion by Shinkwin, seconded by Gardner to accept the Accidental Disability Application filed by Thomas Kelley, a Police Officer and to request that PERAC convene a medical panel. Voted unanimously.

Agenda Item #9 - Accidental Disability Application – Joseph DeSimone

The Board reviewed the member’s application, treating physician’s statement and employer’s statement filed in connection with Joseph DeSimone’s Accidental Disability application.

Attorney Gerald McDonough appeared, representing the member. Motion by Shinkwin, seconded by Monagle to accept the Accidental Disability application filed by Joseph DeSimone, Working Supervisor/Plumber in the Dept. of Public Works and to request that PERAC convene a medical panel. Voted unanimously.

Agenda Item #10 - Accidental Disability Application – Sergio Lemos

The Board reviewed the member’s application, treating physician’s statement and employer’s statement filed in connection with Sergio Lemos’ Accidental Disability application.

Attorney Gerald McDonough appeared, representing the member. Motion by Chamblin-Foster, seconded by Shinkwin to accept the Accidental Disability application filed by Sergio Lemos, Highway Maintenance Craftworker with the Dept. of Public Works, and to request that PERAC convene a medical panel. Voted unanimously.

Agenda Item #11 - Future of Life Institute

Professor Max Tegmark and Lucas Perry represented the Future of Life Institute. Tegmark reminded the Board that the Cambridge City Council had voted to encourage the Board to divest from firms involved in producing or upgrading nuclear weapons. He stated that he hoped to assist the Board in moving toward divestment, noting that his office at MIT has access to various financial analysis and machine learning tools. He stated that he would be happy to assist the Board with any analysis free of charge. The Chairman reviewed the process the system uses in hiring and evaluating managers, noting that the Board was bound by a fiduciary duty to maximize returns for the benefit of employees, retirees and beneficiaries. He stated that the Board could not provide specific instructions to a manager as to which stocks to buy, or not buy.

Tegmark stated that he has run an analysis of the system's portfolio, and found that only about 2% of the holdings might be considered problematic, with the largest single issue being the holding of Lockheed Martin. He stated that he felt that divesting from those firms would have little impact on the system's returns. Tegmark described the current nuclear weapons upgrade program, and said that the major focus was on making the weapons more accurate. He also described the dangers of nuclear proliferation and accidental launch. The Chairman noted that Tegmark's report shows that the Neuberger socially responsible fund has direct holdings of nuclear weapons companies. Tegmark responded that some firms market themselves as socially responsible but may still include problematic firms. He stated that he would be happy to run his own analysis on various managers in order to provide a second opinion. Monagle stated that he was concerned with the various types of screens that could be applied by groups who might find many different types of holdings problematic, and added that he felt it was helpful when the legislature passed an unambiguous ban on certain investments, as they have done with tobacco. Tegmark stated that one of the major benefits of divestment is to attach a stigma to the firms who work on nuclear weapons, and he described how American firms have largely exited the business of land mines and cluster bombs due to social pressure. He stated that he had no objection to the Board taking a gradual approach to divestment, and to start with the firms with the most direct involvement in nuclear weapons. The Chairman recommended that Tegmark may wish to speak to the City about their deferred compensation offerings, since it seems unclear if the socially responsible investment options in that plan may have problematic holdings. Quirk advised that the system has non-disclosure agreements with many managers, and may wish to review those before releasing portfolio information for analysis by a third party. Tegmark stated that he would be interested in facilitating contact with various socially responsible funds who might respond to a future RFP.

Agenda Item #12 - GASB No. 67 & 68

The Board reviewed a draft of GASB Statements No. 67 and 68 as of December 31, 2015, completed by Segal Consulting.

The Director stated that KPMG has reviewed the statements and all of their questions were addressed. Gardner noted that the report lists expected rates of return for various asset classes, and that the expected returns for hedge funds are quite low. Gardner requested that Rafik Ghazarian confirm if the expected rate of return is accurate. Motion by Monagle, seconded by Shinkwin to accept the statements without amendment. Voted unanimously.

Agenda Item #13- PERAC Memos

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

Agenda Item #14- Old Business

Burns reported that Peter Calnan requested a re-examination through PERAC. A medical panel found that he was no longer disabled, and cleared him to return to work. Burns stated that he had informed the Police Department. Calnan will have to undergo a retraining process prior to his reinstatement.

Quirk stated that he filed a pre-hearing memorandum in the Francis Judd case.

Agenda Item #15 - New Business

Not needed.

Agenda Item #16 - Executive Session

Agenda Item #7 – adopted

Agenda Item #8 – adopted

Agenda Item #9 – adopted

Agenda Item #10 – adopted

Agenda Item #17 - Chairman's Report

None offered.

Agenda Item #18 – Executive Director's Report

The Director stated that MACRS has released the agenda for their fall meeting. She requested that Board members notify her if they plan to attend.

Without objection, the Board agreed to move the October meeting to Friday, October 7 at 10 AM. The Board also agreed to hold the next investment review meeting on Monday, November 28 at 10 AM.

The following documents were also provided to the Board:

- Notice of Retiree Death
- Letter from Invesco to CRB.
- May Financials - General Ledger, Summary of Accts, Trial Balance, Adjustments Reports, Cash Disbursements, Cash Receipts, Wire Transfers.
- Administrative Budget Update
- Labaton Sucharow – Securities Litigation Report
- Lazard Asset Management – Portfolio Review.
- PERAC – Acknowledges the Receipt Intercontinental Real Estate Corporation for Investment.
- PERAC – Acknowledges the Board Selection of J.P. Morgan Investment Management.
- Public Pensions Facing Worst Returns – Article.
- PERAC Pension News

Monagle moved to adjourn at 7:05 PM.