

Minutes of the meeting held on June 12, 2024

Present: Francis Murphy, Michael Gardner, Joseph McCann, James Monagle, Chris Burns, James Quirk, and Christopher McLaughlin.

Arrived Late: Nadia Chamblin-Foster (Not present for agenda items 1, 2, 3, 7 and 8.)

The meeting was called to order at 11:01 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 – Actuarial Valuation

Kathleen Riley from Segal Company appeared to review the actuarial valuation. Claire Spinner and Michele Kincaid also appeared and participated in the discussion. The Board reviewed a preliminary report on the valuation. There were a number of meaningful developments over the last two years since the prior valuation. The average projected compensation for active employees increased from \$81,682 to \$92,839. This represents an increase of 13.7%, which was substantially more than projected. She said that she had reviewed these numbers very closely and was certain that there was no reporting issue. There were also no significant fluctuations due to unsettled collective bargaining agreements. There were increases across both Group 1 and Group 4 employees. She stated that she researched a number of employees with large pay increases and found that most had received promotions. The average retiree payment increased from \$3,493 per month to \$3,770 per month. Riley stated that this large increase is in part due to the Board's decision to grant a 5% COLA in 2022. The actuarial loss due to higher salaries totaled \$33.9 million.

The system also saw an actuarial loss due to poor investment returns. The fund returned - 10.48% in 2022 and 9.91% in 2023. This is well below the assumed return of 7.1% annually. This resulted in a recognized loss of \$34 million. Due to the asset smoothing process, there is also an unrecognized loss of \$83.8 million, which will be recognized over the next four years. These losses were slightly offset by a gain of \$6 million due to higher than expected mortality among retirees and fewer members retiring for disability. Riley stated that she is not recommending any change to the system's mortality table. Riley stated that she is also not recommending any change to the investment return assumption, and that 7.1% remains a reasonable assumption over the foreseeable future. She stated that her projections are largely based on current interest rates and that if interest rates were to drop, the system might wish to adopt a lower return assumption. Riley stated that she would recommend increasing the assumption for administrative expenses from \$1,450,000 to \$1,600,000.

Riley reviewed various proposed funding schedules. Under the schedule adopted in 2022, the system would have paid off the entire unfunded liability by June 30, 2026. In order to make up the losses in the last two years, it will be necessary to push out the date for full funding until at least 2027. Riley reviewed two schedules which use 2027 as the funding date, but with some differences in the amounts allocated in each year. Riley also reviewed a schedule which shows the impact of fully recognizing the remaining \$83.8 million in investment losses. This pushes the date for full funding to 2028. Riley stated that she was not recommending that the Board actually adopt this schedule but she prepared it to show the Board the impact that the unrecognized losses will have if they are not offset by gains in future years.

Riley reviewed a number of strategies that the system may wish to consider as they approach full funding. She noted that the schedule will become more volatile as even small fluctuations can result in large appropriation changes when there is very little time to pay off the loss. She also stated that the system may wish to consider starting to conduct valuations on an annual basis, or to consider funding to 105% of liabilities. She also described the concept of layered

amortization where some segment of the liability, such as the cost of an assumption change, are amortized separately over a period of 10-15 years.

Riley advised that there was no need to select a funding schedule immediately. There was sufficient time to consider the options and schedule a vote at a future meeting. She did request that the Board vote to approve the recommended assumption changes, which would allow her to complete the GASB reports in a timely fashion.

Monagle asked about Riley's experience with other systems that reached full funding. Riley noted that Wellesley provided an instructive example in that upon reaching full funding, they did not require the town to make normal cost payments, which caused them to sink below full funding again in 2008.

Gardner moved to adopt the recommended change to the administrative expense assumption and to consult with the City on the options for adopting a new funding schedule. Spinner stated that she had no objection to the Board taking a vote on the assumption change. Monagle seconded the motion and it carried on a 4-0 vote with Chamblin-Foster absent.

Spinner stated that she had consulted with the City Manager and that they would consider the impact of the different funding schedules on the budgeting process for the next five years as well as hold a consultation with a bond rating advisor. Riley stated that PERAC would not send out a revised appropriation letter until December, which would then be effective for FY 2026 forward. Riley recommended that the Board be prepared to make a final decision no later than the October meeting. McCann asked when Segal would be able to complete the GASB 67/68 reports and Riley said it should be done within two weeks.

The Chair stated that he would be in favor of conducting annual valuations going forward to be able to better track the progress toward full funding and make adjustments when necessary. Riley noted that the cost of a full valuation, including analyzing member data would be approximately \$40,000. To use existing data and update to reflect investment returns in odd-numbered years would cost approximately \$10,000. Gardner moved to engage Segal to run valuation updates including investment returns in odd-numbered years and to run full valuations, including demographic analysis in even-numbered years. McCann seconded the motion and it was approved on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #2 – Minutes

Motion by McCann, seconded by Monagle to accept the regular minutes of the meeting held on May 6, 2024. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Motion by McCann, seconded by Monagle to accept the executive session minutes of the meeting held on May 6, 2024. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #3 - Warrants

Motion by Monagle, seconded by McCann to accept payment of Warrant #10 in the amount of \$9,770,632.86 and Warrant #11 in the amount of \$1,819,120.92. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #4 – Superannuations

Motion by McCann, seconded by Monagle to accept the Superannuation retirement applications submitted by Donald Copeland, Working Supervisor, Dept. of Public Works with thirty-seven years, four months; Debra Copeland-Montout, Senior Accounting Clerk, Community Development Dept. with forty-four years, eleven months; Christine Doucet, Family Support Specialist, Dept. of Human Services with nineteen years, two months; Robert Golden, Lieutenant, Fire Dept. with thirty-three years, nine months; Kevin Lucey, Librarian II, Cambridge Public Library with thirty-five years, three months; Krystyna McNally, Water Quality Supervisor, Water Dept. with twenty-seven years; Josephine Reddin, Administrative Coordinator, Cambridge Health Alliance with twenty-nine years, six months; Patricia Rosser, Pre-School Teacher, Dept. of Human Services with twenty-two years, eleven months; Cara

Seiderman, Transportation Program Manager, Community Development Dept. with thirty-four years, six months; and Jean Sullivan, Purchasing & Accounts Payable Manager, School Dept. with thirty-one years, four months. Voted unanimously.

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

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

Motion by McCann, seconded by Chamblin-Foster to allow the make-up of deductions for Brian D. Albert for one month; Theodore J. Deroches III for four months; Robert F. Sanford IV for three years, ten months; Taylor M. Walsh for six months. Voted unanimously.

Motion by McCann, seconded by Monagle to allow the redeposit of refunds for Omar A. Meija for one year, five months; Eric V. Rollins for seventeen years, eight months; and Miguelina D. Santana for five years, eight months. Voted unanimously.

Agenda Item #6 – Refund Applications

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

Burns stated that the system had sent our annual statements in April, which seems to have triggered a large number of former employees to apply for refunds. Motion by Monagle, seconded by McCann to accept twenty 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:

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

Agenda Item #7 – Accidental Disability Application – Benjamin Tavares

The Board reviewed the member's application, treating physician's statement and employer's statement filed in connection with Benjamin Tavares' application for Accidental Disability benefits. Attorney Thomas Gibson appeared, representing Benjamin Tavares.

Motion by Monagle, seconded by McCann to accept the Accidental Disability application filed by Benjamin Tavares, Pipefitter/Plumber in the School Dept. and to request that PERAC convene a medical panel. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #8 – Accidental Disability Benefit – Paul W. Gallagher

The Board reviewed the certificate and narrative reports of three separate medical panels, the member's application, treating physician's statement and employer's statement pertaining to Paul W. Gallagher's Accidental Disability application. Mr. Gallagher was not represented by an attorney.

Motion by McCann, seconded by Monagle to accept the findings of the medical panel and grant Accidental Disability benefits to Paul W. Gallagher, a Firefighter. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #9 – PERAC Audit

The Board reviewed a draft of the PERAC audit findings as well as draft responses from the Board.

Ellen Philbin reviewed the findings. There was one finding that the hazardous duty pay received by Police Officers cannot be considered regular compensation. Philbin said she has spoken to

Directors in other systems who confirmed that their Police Officers receive hazardous duty pay and that it is considered regular compensation as it is regular and recurring. In Cambridge, hazardous duty is paid on a weekly basis. The Board's response is that it should be considered regular compensation for the reasons outlined. Quirk stated that he believes that the pay as now structured fits within the definition of regular compensation. PERAC also found that Cambridge Health Alliance has withheld retirement deductions from hours worked in excess of 40 per week. This was found to be an issue with the Hospital's payroll system and they have hired a programmer to assist in making changes to correct this error. Burns and McLaughlin have been in contact with the Health Alliance to make sure the changes are made correctly. PERAC also found that 911 dispatchers are having retirement deductions withheld from premium pay for working on a holiday. The Board took a vote in 2018 to specifically authorize this withholding. The Board's response is that such withholding is allowed for dispatchers as they function as "fire alarm signal operators". Philbin noted that Cambridge still has not received any reply from PERAC to their finding that the dispatchers are properly classified in Group 2. Reviewing questions around membership, PERAC objected to Cambridge's method for pro-rating service when members request to make-up service. PERAC's finding states that some members should be excluded as they earned less than \$5,000 in a calendar year. The Board's response is that the method of pro-ration is allowed and the process was specifically discussed by Judith Corrigan at the recent MACRS conference. PERAC also found that two retirees who had their salary adjusted due to an antispiking violation did not have excess contributions returned to them. The Board's response is that they will wait for a final decision from the SJC on the applicability of the antispiking regulation before returning any funds to members. Quirk stated that oral arguments were made to the SJC in May, and that he believes that the court will determine that the antispiking regulations are not applicable to employees hired prior to 2012. PERAC also found one Accidental Disability retiree whose benefit was calculated as too low. The Board's response is that the benefit was recalculated and the retiree was made whole. Quirk stated that after the Board sends their responses, PERAC will follow up in six months. At that time, if there are still outstanding disputes about any of the findings, the Board would have the opportunity to appeal.

Motion by Gardner, seconded by Chamblin-Foster to accept the draft responses without amendment and to forward the response to PERAC. Voted unanimously.

Agenda Item #10 – PERAC Memos

The Board reviewed PERAC memos #14. No action was taken.

Agenda Item #11 - Old Business

Not needed.

Agenda Item #12 – New Business

Not needed.

Agenda Item #13 – Executive Session

Agenda Item #7 – adopted

Agenda Item #8 – adopted

Agenda Item #14 - Chairman's Report

The Chair reviewed a brief prepared by Attorney Quirk which discusses the case of Dixon v. Lynn Retirement Board. The case may have a significant impact on the earnings limit for retirees working in the public sector. The majority of the CRAB panel found that retirees are subject to a limit based on the earnings of the person now holding their former position, even if that person earns less than the retiree did while they were working. The Chair stated that he did not feel that this decision reflects the intent of the legislature.

Agenda Item #15 – Executive Director’s Report

Burns reported that he had instructed Loomis Sayles to liquidate Cambridge’s account. The funds should be available by June 18.

Burns stated that he had been informed that a sexual assault was reported on May 17 on CambridgePark Drive. Few details have been released, but the assault took place in one of the buildings managed by Lincoln Properties. The police are actively investigating and the landlord is cooperating. No arrests have been made. Lincoln has hired additional security and offered to escort people walking to the parking garage. Chamblin-Foster asked if the Police Dept. would be willing to offer self-defense training for employees.

The Chair asked about reports of a cybercrime in Arlington and Burns reviewed current security measures.

The following documents were also reviewed by the Board:

- Notice of Retiree Deaths
- Correspondence from PERAC re: Cybertheft in Arlington
- Correspondence from Middlesex Retirement System re: Ellen Philbin
- Correspondence from Attorney Quirk re: Gary Dixon v. Lynn Retirement Board
- Aberdeen Launches CEO Succession Plan
- Campbell Global Timer Fund Organizational Update
- Marathon Asset Management Announces Expansion of Leadership Teams
- Manager/Vendor Disclosures: JP Morgan
- March Financials: General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers, Bank Reconciliation.
- Administrative Budget Update

Monagle moved to adjourn at 1:30 PM.