

Minutes of the meeting held on September 3, 2024

Present: Francis Murphy, 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 – 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. Riley reminded the Board that the single most significant event driving the numbers was 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 resulted in the need for higher annual appropriations and for the funding schedule to be extended one year. The City requested that Segal generate new schedules which would reduce the appropriation and push the date for full funding out further. Riley noted that Chapter 32 limits the amount which a funding schedule can decrease from year to year. Chapter 32 also restricts systems from having any decrease in their funding schedule if the projected date for full funding is after 2030. The City also requested that the FY2025 payment of \$78,816,418, which was already paid on July 1, 2024, be retroactively adjusted downwards. This would allow a credit to be applied to payments in FY2026 and 2027. Riley stated that she consulted with the PERAC actuary, John Boorack. He advised that it would be permissible to adjust the 2025 payment as low as \$62.6 million, resulting in a credit of \$16.2 million for the City.

Riley reviewed various proposed funding schedules. All of her proposed schedules reset the 2025 payment to \$62.6 million. One schedule incorporates a 5% reduction in each year's payment from the prior year. This is the maximum amount of reduction allowed by law.

Another schedule holds the funding amount steady at \$62.8 million each year and a third proposed schedule incorporates a 3% increase in annual payments. Variations of each schedule show the use of the \$16.2 million credit in the first year or spread over two years.

Riley noted that she had a lengthy discussion with Boorack about the schedules. Schedules 1a, 1b and 1c all include the 5% annual reduction in the appropriation payment. These schedules are legally permissible and would be approved by PERAC. However, Boorack stated that it was likely that he would also issue a written caveat to the effect that he felt that the aggressive reductions were unwise. Riley stated that she has worked with Boards before that adopted schedules with a caveat. Some Board have accepted it and gone forward with the schedule while others have reconsidered and made changes in response. Riley stated that, in her professional opinion, that she felt that a level funding schedule would also be more reasonable.

Schedules 2a and 2b include level funding. Under these schedules, the system is fully funded by 2029. Schedule 3 includes a 3% increase in each year's appropriation. This fully funds the system by 2028.

Riley stated that she prepared Schedule 4 for informational purposes only. It is not intended to actually be adopted but rather to show the impact of the unrealized investment losses from 2022 and 2023. With those losses fully recognized, and the City's payments reduced to \$50 million annually, the date for full funding is pushed to 2034. Riley emphasized that this schedule should not be considered as a worst-case scenario. It assumes that the Retirement System meets the 7.1% return assumption each year. Any shortfall would result in a need for higher payments or a longer funding schedule.

The Chair stated that he would be comfortable adopting Schedule 1b. Spinner stated that the City has reviewed the proposals carefully and would prefer a variation on Schedule 2a. The credit would be split out more evenly, using \$8.7 million in 2026 and \$7.4 million in 2027. Spinner stated that, given the unrecognized losses, she felt this would be a more prudent way of funding the system. Riley stated that she felt that it was a safer schedule than the Schedule 1 proposals, and that PERAC would likely approve it without a caveat. Motion by Gardner, seconded by McCann to accept the City's proposed variation on Schedule 2a, and to thank the City for the cooperation in developing the schedule. Voted unanimously. Spinner thanked Riley and Burns for their work on research into different funding alternatives. Riley stated that she would need approximately a week to incorporate the change to the schedule and to finalize the report. McCann stated that he would submit a version to the KPMG auditors as soon as it is prepared, with the assumption that it would be approved, unchanged, by the Board in October.

Agenda Item #2 – Annual Update – Bernstein Litowitz Berger & Grossman

Avi Josefson and Amanda Rekemeier represented Bernstein Litowitz. A written presentation was submitted to the Board. Josefson stated that he did not intend to discuss any privileged matters and that he was comfortable presenting in open session. Rekemeier reviewed the firm's process for evaluating potential cases, noting that only 10-15% of potential cases are found to be meritorious. Josefson reviewed the litigation around Spectrum Securities. Cambridge was a co-lead plaintiff along with the Teachers' Retirement Fund of Chicago. This resulted in a \$32 million settlement for the class. The firm also recently settled a case involving Amneal Pharmaceuticals for \$25 million. Cambridge is also a named plaintiff in an ongoing case against EQT Corporation. This case alleges that EQT made misrepresentations around recovery from certain oil and natural gas fields. Josefson stated that the Supreme Court will hear appeals in cases involving NVIDIA and Facebook. He stated that he was requesting that Cambridge sign on to amicus briefs in each case. The cases involve important issues of interest to institutional investors and their ability to bring claims of securities fraud.

Quirk stated that he has been reviewing briefs and pleadings from BLBG over the last ten years and that he felt that they were clearly the best firm for representing shareholder interests. Josefson stated that he appreciated Francis Murphy's role as Board Chair and that he has been an active advocate for Cambridge and has served as an effective witness in prior litigation. Josefson reviewed the process of making claims once a case is settled. He stated that the claims process in the Spectrum and Amneal cases is still ongoing and the final payout will hinge on how many class members file legitimate claim forms. Gardner requested that he be provided with more information as to how much Cambridge has recovered from cases in the past. Josefson stated that the system may also be entitled to recover expenses for staff time or the Board counsel's time spent reviewing and assisting in cases. Burns stated that he would research how much has been paid to Cambridge and report back.

Agenda Item #3 – Minutes

Monagle noted a typographical error in the regular minutes.

Motion by Monagle, seconded by McCann to accept the regular minutes of the meeting held on August 5, 2024, as amended. 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 August 5, 2024. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #4 - Warrants

Motion by Monagle, seconded by McCann to accept payment of Warrant #16 in the amount of \$10,705,045.07 and Warrant #17 in the amount of \$1,870,612.70. The motion carried on a 4-0 vote with Chamblin-Foster absent.

Agenda Item #5 – Superannuations

Motion by Gardner, seconded by Chamblin-Foster to accept the Superannuation retirement applications submitted by Laura Grainger, Foreperson, Traffic & Parking Dept. with thirty-five years, one month; June Hites, Paraprofessional, School Dept. with fifteen years, eleven months; and Sheila Keady Rawson, Personnel Director, Human Resources Dept. with thirty-five years, eight months. Gardner noted that he considers Keady Rawson to be one of the best hires he made during his career. He noted that she distinguished herself during the City’s changeover to Peoplesoft. Voted unanimously.

Agenda Item #6 - Make-ups/Redeposits/Liability

The Board reviewed make-up worksheets for seven members.

Motion by McCann, seconded by Chamblin-Foster to allow the make-up of deductions for Christine Erwin, one month; Wisford Exilhomme, two years eight months; Renea Fontanez, four years six months; Richard R. Graham, two months; Mark W. Grant, two years seven months; Gregory G. Green, four years ten months; and Alexandra P. Levering, three months. Voted unanimously.

Agenda Item #7 – Refund Applications

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

Motion by Gardner, 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 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	YES
Joseph McCann:	YES
Francis Murphy:	YES

Agenda Item #8 – Accidental Disability Benefit – Joanne Masiello

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 Joanne Masiello’s application for Accidental Disability benefits. Attorney Joseph McKenna appeared, representing Joanne Masiello.

Motion by Gardner, seconded by Chamblin-Foster to accept the findings of the medical panel and to grant Accidental Disability benefits to Joanne Masiello, Kitchen Aide in the School Dept. Voted unanimously.

Agenda Item #9 – Accidental Disability Benefit – Raymond Pina

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 Raymond Pina’s application for Accidental Disability benefits. Attorney Thomas Gibson appeared, representing Raymond Pina.

Motion by Chamblin-Foster, seconded by Monagle to accept the majority findings of the medical panel and grant Accidental Disability benefits to Raymond Pina, a Detective in the Police Dept. Voted unanimously.

Agenda Item #10 – Accidental Disability Benefit – Benjamin Tavares

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 Benjamin Tavares' application for Accidental Disability benefits. Attorney Thomas Gibson appeared, representing Benjamin Tavares.

Motion by McCann, seconded by Monagle to accept the majority findings of the medical panel and grant Accidental Disability benefits to Benjamin Tavares, Lead Pipefitter/Plumber with the School Dept. Voted unanimously.

Agenda Item #11 – PERAC Memos

The Board reviewed PERAC memos #19, 20, 21, 22 and 23. No action was taken.

Burns stated that dependent allowances were updated in the August retiree payroll.

Burns stated that he would take no immediate action regarding anti-spiking exemptions. He stated that he would wait to see the outcome of the pending SJC case around anti-spiking.

The Board reviewed a draft of a letter notifying veterans of changes to the eligibility for buyback of veteran's service. Burns stated that the system would mail a notice of the change to all active members before the end of the month.

Agenda Item #12 - Old Business

Gardner stated that he had done further research on Hazardous Duty pay for Police Officers and found that it was originally awarded as part of a labor arbitration in 1996. It was originally \$110.00 per month, but has grown significantly and now represents approximately 19% of a Police Officer's pay.

Agenda Item #13 – New Business

Not needed.

Agenda Item #14 – Executive Session

Agenda Item #8 – adopted

Agenda Item #9 – adopted

Agenda Item #10 – adopted

Agenda Item #15 - Chairman's Report

Not needed.

Agenda Item #16 – Executive Director's Report

Burns reported that the office took applications for the Member Services Coordinator job listing through August 16. There were 340 applicants. After reviewing the applications, Burns stated that he would invite seven candidates to interview within the next two weeks.

The following documents were also reviewed by the Board:

- Notice of Retiree Deaths
- June Financials: General Ledger, Summary of Accounts, Trial Balance, Adjustments, Cash Disbursements, Cash Receipts, Wire Transfers, Bank Reconciliation.

Monagle moved to adjourn at 1:15 PM.