

December 13, 2022
Minutes #602

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:30 a.m.

Present: Trustees: Richard Molan, Richard Bunker, Donald Pinard, Thomas Bozoian, Sharon Wickens, and Mathew Ciechon

MECRS Staff: Melanie Murray, and Kimberly Barrett

In Attendance: Attorney John Rich from McLane Middleton, Professional Association, Sebastian Grzejka from NEPC

Not Participating: Mayor Joyce Craig

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous board meeting minutes of November 8, 2022.

Trustee Bunker moved to approve the minutes of November 8, 2022, seconded by Trustee Wickens. The motion was approved by all present.

Approval of the Immediate Meeting Agenda:

Chairman Molan entertained a motion to approve the immediate meeting agenda.

Trustee Wickens moved to approve the immediate meeting agenda, seconded by Trustee Pinard, and approved by all present.

Report of the Executive Director:

Pension Payment Issue Update: First, Ms. Murray referenced an issue she brought to the Board during the prior month's meeting regarding a retiree who was having difficulty cashing his pension checks. That retiree has since passed, leaving the uncashed checks to be reissued to the estate once established.

Portfolio Updates: Moving on, Ms. Murray reported that the commitments to TA Realty Fund XIII and Top Tier Fund X were completed in time for closings on November 29th and November 18th respectively.

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Ms. Murray informed the Board that the Kabouter liquidation in the amount of approximately \$5.7 million was received and transferred into the Vanguard International fund, in accordance with the Board's direction. She advised the remaining holdback of approximately \$300,000 is expected once Kabouter's audit is complete in 2023.

1099 MISC/NEC Forms: Ms. Murray apprised the Board that after the 2021-year end process, she became aware that the System has not been producing 1099 MISC/NEC forms for vendors used in the course of business. She advised that she researched the matter further, including verifying with legal counsel, and found no exception for MECRS. She has obtained W-9 information for applicable vendors, and will ensure that forms are issued for 2022 and going forward. On a somewhat related note, New Hampshire Employment Security has just scheduled an audit in January 2023, which includes review of these forms.

Employee Trustee Election: Ms. Murray reported that the Election was held on December 8th, with one participant on the ballot, Michael Carpenter, who received the majority of the votes. Thus, he was elected to the position of Employee Representative for the period of 3 years, commencing January 2, 2023. She advised that she mailed Mr. Carpenter a letter asking him to reach out to discuss his new role.

Trustee Wickens commented that for over 2,000 participants, only 51 votes were cast in the uncontested election. She suggested that perhaps the process could be modified to encourage more participation by mail or even transition to an appointed position rather than elected, especially given the cost per ballot. Trustee Pinard asked about the breakdown of votes between retirees and active employees. Trustee Bozoian added that active employees are afforded the opportunity to vote during work hours, so he suggested more publicity to department heads. After some discussion, Chairman Molan referred the matter to the A&A Committee.

Report of the Monthly Cash Balance:

Ms. Murray reported that the cash balance started off the month \$8.3 million, with an ending balance of \$7.7 million and remains quite healthy. She reported there were a few capital calls and the flow through of the Kabouter proceeds to Vanguard, but no significant impact.

Administrative & Accounting Committee:

Committee Chairman Pinard reported that the committee met on December 5, 2022 to review the DRAFT 2023 budget. After an overview by Ms. Murray and several questions from committee members, Trustee Bunker moved the budget as submitted, the motion was seconded by Trustee Molan and all were in favor. Committee Chairman Pinard made a motion that the full MECRS

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Board approve the administrative operating budget for 2023 in the amount of \$1,032,853 as recommended by the A&A Committee. His motion was seconded by Trustee Bunker, and the motion was approved unanimously.

Committee Chairman Pinard advised that during the budget review, there was discussion among the Committee about awarding a 3% COLA to MECRS staff, in addition to the 2.5% step increases in the salary schedules. The approximate cost for the upcoming year, as provided by the Executive Director, would amount to approximately \$10,930 including taxes and benefits. Trustee Wickens noted that the City is providing 3%, 4%, and 4% in the upcoming years, in addition to 3% step increases. Trustee Wickens offered the motion to add the 3% COLA to the wage schedules for the MECRS staff, effective January 1, 2023. The motion was seconded by Trustee Bozoian, and it was unanimously supported by all trustees. Trustee Pinard added that no change will be made to the 2023 budget at this time, as the overall funding should be sufficient.

Consent Agenda:

Chairman Molan entertained a motion to accept the Consent Agenda items.

Trustee Pinard moved to accept the Consent Agenda, seconded by Trustee Wickens, and passed unanimously by all those trustees present.

New Business:

Monthly Performance Report Ending October, 2022 - Chairman Molan referred to Sebastian Grzejka from NEPC for review of investment performance. Mr. Grzejka prefaced by explaining that while October shows an increase of 2.6%, November performance is not yet available, but an overall negative return is expected for the year. He advised that this year's performance has not been typical. He highlighted that real estate is having a really good year, with a lot of shifting toward industrial and multi-family, which are in high demand. He pointed out that Private equity reporting has generally a 3-month lag, and he anticipates September numbers will show improvement.

Mr. Grzejka offered a few priorities for 2023 such as a review of the index and fixed income pricing and exposures. He noted that SMID Cap manager Rothschild had recently announced a merger which would warrant a review of the investment. Trustee Pinard asked about the Kayne Anderson Energy fund performance, noting significant recent returns, but negative overall. Mr.

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Grzejka explained that this fund had some earlier hurdles, followed by recent substantial success with the energy market in the past year. As the fund is wrapping up in the near term, it could end up a positive investment overall.

Chairman Molan asked about the recent 3 rating on the Vanguard Index Fund. Mr. Grzejka offered that a rating of 3 is neutral, but they will be reviewing the index exposures and considering less expensive alternatives.

Chairperson Comments:

Chairman Molan took the opportunity to present and read a Certificate of Appreciation for departing Trustee Bozoian, thanking him for his previous two years of participation on the MECRS Board of Trustees.

Chairman Molan added that the recent investments, despite having the managers agree to the private markets disclosures in advance, have required significant legal intervention to come to agreement on required side letter terms relating to public disclosure requirements. He directed the Investment Committee to review this topic in the coming months.

Motion to Adjourn:

With no other business to come before the Board, Chairman Molan entertained a motion to adjourn the meeting.

Trustee Pinard moved to adjourn the meeting at 9:10 a.m., seconded by Trustee Bozoian, and passed unanimously by all those trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director