

January 11, 2022  
Minutes #592

**Minutes of the Board of Trustees' Meeting -1-**

**Call to Order:** Chairman Molan called the meeting to order at 8:32 a.m.

**Present:** Trustees: Richard Molan, Sharon Wickens, Richard Bunker and Tom Bozoian and Donald Pinard

MECRS Staff: Melanie Murray, Kim Barrett and Suzanne Wilson

**Absent:** Matthew Ciechon and Mayor Craig

**In Attendance:** Attorney John Rich from McLane Middleton, Professional Association

**Board Organization** – Chairman Molan began by opening nominations for the MECRS Board Chairman, pursuant to Article II, 2.01 of the MECRS By-Laws.

Trustee Bunker nominated Richard Molan to continue serving as MECRS's Board Chairman, seconded by Trustee Wickens. Chairman Molan asked if there were any other nominations. As there were no other nominations, Chairman Molan closed nominations and the trustees then voted unanimously for Chairman Molan to continue in his role as MECRS Board Chairman.

Chairman Molan thanked the trustees and stated that he was pleased to continue to serve as Chairman of the MECRS's Board of Trustees.

The next item of board organization, Chairman Molan continued, pursuant to Article V, 5.01 of the MECRS By-Laws, is the appointment of sub-committee chairs for the three committees, Investment Committee, Administration & Accounting Committee as well as Benefits Committee.

Chairman Molan stated that presently, there is a vacant seat for Chairman on the Investment Committee, Trustee Bunker is chairing the Administrative & Accounting Committee and Trustee Bozoian is chairing the Benefits Committee.

He then asked Trustee Bunker if he would like to fill the vacant seat of Chairman to the Investment Committee, which Trustee Bunker accepted.

Moving on to the Administrative & Accounting Committee Chairmanship, he asked newly elected Trustee Pinard if he would like fill the vacancy of Chairman, which Trustee Pinard accepted.

Chairman Molan then asked Committee Chairman Bozoian if he would like to continue as Chairman of the Benefits Committee, to which he agreed.

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Referring to the By-Laws V, 5.02 Standing Committee Membership, Chairman Molan noted a vacant seat to be filled on each of the committees and he asked the committee Chairman's to fill those vacancies.

Investment Committee Chairman Bunker asked Trustee Pinard to fill his committee vacancy, which he accepted.

Benefits Committee Chairman Bozoian asked Trustee Pinard to fill his committee vacancy, which he also accepted.

Administrative & Accounting Committee Chairman Pinard confirmed that Trustee Bunker and Bozoian wished to remain on the committee, then appointed Trustee Ciechon to fill his committee vacancy.

Chairman Molan then informed the Board that the MECRS Board of Trustees meeting scheduled for February 8, 2022, will not be held as the quorum requirements will not be met. Therefore, Chairman Molan stated, the next MECRS Board meeting will be held on March 8, 2022 at 8:30 a.m.

**Approval of the Minutes of the Previous Board Meeting:**

Chairman Molan entertained a motion to approve the previous board meeting minutes of December 14, 2021.

Trustee Bunker moved to approve the minutes of December 14, 2021, seconded by Trustee Wickens. Motion carried unanimously.

**Approval of the Immediate Meeting Agenda:**

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

Trustee Bunker moved to approve the immediate meeting agenda, seconded by Trustee Wickens and passed unanimously by all those trustees present.

**Report of the Executive Director:**

**Death Benefit Overview:** Ms. Murray referred to the board meeting of December, 2021, whereby the trustees requested that she provide an overview of the Death Benefit Provisions. Referring to the Death Benefit Process Flow Chart, included in the board packets, Ms. Murray explained in detail, several death benefit scenarios and how those funds are distributed. She stated that the flow chart, provides a quick demonstration of the differences in beneficiary payments.

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Ms. Murray reported that she also reviewed the annual MECRS's Member Benefit Statement and how the member's current beneficiary designations are listed, inclusive of the message to the members, to review their statements for accuracy. In discussing this issue internally, Ms. Murray stated, she became aware of the influx of beneficiary changes, subsequent to the distribution of Benefit Statements, leading her to believe that the process is effective.

Trustee Bozoian stated that although the current process is effective, employees within the DPW may need to be reminded on the importance of keeping their beneficiary designation current.

After board discussion regarding the issue, Trustee Pinard asked Ms. Murray if she would be able to set up an educational session at the DPW, whereby the employees will have the ability to change their designated beneficiary information if so desired.

Ms. Murray agreed that scheduling a session at the DPW would be helpful and convenient for members to make their beneficiary changes and that she would be happy to work on scheduling an informative session with DPW employees.

Coming Attractions: Moving on, Ms. Murray mentioned with the change of the calendar year, the Retirement System begins a busy season of significant events. The System will be closing the books for 2021 and gathering information for the Annual Actuarial Valuation, followed by the Annual Audit and production of the Comprehensive Annual Financial Report.

Quorum for February Meeting: In closing her report, Ms. Murray reminded the trustees that the Board will not have sufficient availability for in person attendance for the regularly scheduled meeting date in February. Therefore, she stated, the next Board of Trustees meeting will be held on March 8, 2022 at 8:30 a.m.

Report of the Monthly Cash Balance:

Ms. Murray reported a healthy cash balance for the period ending December, 2021, in the amount of \$9,012,502.49, which more than significantly covers what is required for pending payments.

**Consent Agenda:**

Chairman Molan entertained a motion to accept the Consent Agenda.

Trustee Pinard moved to accept the Consent agenda, seconded by Trustee Bunker, and passed by all those trustees present.

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**New Business:**

MECRS's Portfolio Update/Overview – NEPC Representative Mr. Kevin Leonard was in attendance to provide the board with a portfolio update, while Mr. Sebastian Grzejka, also from NEPC, was linked to the meeting remotely.

Mr. Leonard began by distributing the Preliminary Monthly Performance Flash Report, stating that the alternative market values were not available, noting a 60-90 day lag on Alternative Investments reporting.

Turning the trustees' attention to the handout, Weekly Market Update, through the close of business on January 7, 2022, Mr. Leonard listed the market returns for Equity Indices, Fixed Income, Real Assets, Alternatives and Currencies. He pointed out that the calendar year for 2021 was a very strong year across most risk asset classes, however toward the latter half of the year and into the fourth quarter, there was more concern about inflation and what that could mean for the global economy and the impact on the MECRS portfolio.

He then suggested that the Investment Committee Chairman schedule an Investment Meeting, for NEPC's presentation of the 2022 Market Outlook, in addition to a review of underperforming Investment Managers, within the MECRS's portfolio.

One of the things NEPC is urging clients to consider and a topic of discussion at the next Investment Committee Meeting, Mr. Leonard stated, is putting a strategic overweight to more value-oriented companies, than that of growth.

Referring back to the Preliminary Flash Report, Total Fund Performance Detail, Mr. Leonard reported a market value of \$306,465,018, with a one-year return, on a preliminary basis, of 10%, well exceeding the assumed rate of return.

Working through the Flash Report, Mr. Leonard detailed the performance of the Domestic Equity Composite, International Equity Composite, Global Equity Composite and Fixed Income.

Mr. Leonard asked colleague Mr. Sebastian Grzejka to elaborate on managers who underperformed.

Mr. Grzejka explained that the switch from growth to value in the fourth quarter, as well as the increase in rates and the negative relationship with rates and securities, had a negative impact on portfolio performance with Sands Large Cap Growth, and international managers Hardman Johnston and Kabouter.

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Trustee Pinard asked how much of an impact did the underperformance of the 3 managers have on MECRS total return.

Mr. Leonard responded that Sands Capital, Hardman Johnston International and Kabouter International Opportunities, had a magnitude of 1% to 1.5% negative impact on the portfolio.

Referring to the next Investment Committee meeting Mr. Leonard stated that NEPC will review the concept of value versus growth with the possibility of moving into a value-oriented market. In addition, he stated that the Fixed Income Composite is down to about 18.1% of the portfolio versus a target of 20%. At the next Investment Committee meeting the trustees will discuss how much weight do they want to take in fixed income if they continue to take risk in equities.

Moving on to the alternative portfolio on page 4, Mr. Leonard noted the positive preliminary returns with TA Realty, and overall the real asset portfolio is doing very well.

The trustees thanked Mr. Leonard and Mr. Grzejka for their presentation and they departed the meeting.

**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 9:28 a.m., seconded by Trustee Bunker, and passed by all those trustees present.

Respectfully Submitted,

Melanie Murray  
Executive Director