

April 19, 2023  
Minutes #606

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

**Call to Order:** Acting Chairperson Sharon Wickens called the meeting to order at 8:30 a.m.

**Present:** Trustees: Sharon Wickens, Richard Bunker, Mathew Ciechon, and Donald Pinard

MECRS Staff: Melanie Murray, Kimberly Barrett, and Suzanne Wilson

**In Attendance:** Attorney John Rich from McLane Middleton, Professional Association, Sebastian Grzejka of NEPC, Retirees Gerard Fleury and Harry Ntapalis

**Absent:** Chairperson Richard Molan, Trustee Michael Carpenter and Mayor Joyce Craig

Due to the excused absence of Chairperson Molan and pursuant to Bylaws Article II, 2.04 the City Finance Officer, Trustee Wickens, presided as Acting Chairperson.

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

Acting Chairperson Wickens entertained a motion to approve the previous board meeting minutes of March 21, 2023.

Trustee Bunker moved to approve the minutes of March 21, 2023, seconded by Trustee Pinard. The motion was approved by all trustees present.

**Approval of the Immediate Meeting Agenda:**

Acting Chairperson Wickens entertained a motion to approve the immediate meeting agenda.

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

**Citizen's Comments:**

Acting Chairperson Wickens invited the citizens in attendance to comment.

First, Retiree Harry Ntapalis referred to the Board's upcoming COLA consideration for retirees and mentioned that he and fellow retirees are in support a 1% COLA. Inflation has been difficult for all, Mr. Ntapalis stated, especially for those retirees that receive a lesser pension amount, and any COLA amount would be greatly appreciated. He continued, thanking the Board for their consideration.

April 19, 2023  
Minutes #606

**Minutes of the Board of Trustees' Meeting -2-**

Acting Chairperson Wickens thanked Mr. Ntapalis and Mr. Fleury for attending the meeting and also mentioned the many emails received from retirees, which were shared with board members, in support of a COLA.

Next, Retiree Gerard Fleury referred to his email sent to the Board, expressing his understanding that even though a 1% COLA doesn't cover the rise in inflation over the last year, he too is appreciative of any COLA award. He stated that a 1% COLA doesn't affect the City's contribution rate because it is already factored into the valuation.

Also, Mr. Fleury stated, while the investment consultant from NEPC was in attendance he wanted to take the opportunity to reiterate his comment in his email sent to the System regarding the System's current earnings assumption. In reviewing Fixed Income investment returns within the MECRS portfolio, Mr. Fleury stated that the System's fixed income has yet to achieve the earnings assumption. Mr. Fleury expressed his opinion and stated "That is the definition of insanity, doing the same thing again and again and, expecting a different result." Mr. Fleury further stated that the NEPC's response to his comment would be, that it is called diversification, and that when Equities takes a dive it doesn't make Fixed Income look quite as bad, which is tantamount to saying, "My house burned down, but the leach field is still in good shape." Mr. Fleury thanked the Board for their time and consideration.

**Report of the Executive Director:**

**School and City Software Upgrades:** Ms. Murray began by stating that the Retirement System was notified at the end of March that the City will be upgrading their payroll software in July to MUNIS, and the School District, who already uses MUNIS, will be upgrading to a newer version of the software in June. She stated that she is working on a solution for the data transfer to MECRS, but it likely will include some programming of the System's software. She explained that the current specifications appear to have been developed in 2011, based on each entity's software at the time. As both the City and School District are transitioning, the System will try to take advantage of the opportunity to streamline the export files to the necessary data. She also indicated that she has shared the required field specifications with the School District in the hopes they can get us a sample for testing in the coming weeks.

Acting Chairperson Wickens mentioned that if the City's IT Department would be helpful to Ms. Murray in transitioning the software as well and that she would be happy to facilitate that request.

**Portfolio Updates:** Moving on, Ms. Murray informed the Board that she has submitted the liquidation request to Rothschild, and proceeds of \$15,985,263.58 were received. Also, she reported that she has completed the account documents for Boston Trust Walden, and review by counsel has been completed. Lastly, Ms. Murray stated that the liquidation of Vanguard Index Funds and transfer to Fidelity Index Funds were completed in two tranches, as recommended by NEPC, and all of the trades settled before the end of March. In addition, she

April 19, 2023  
Minutes #606

### **Minutes of the Board of Trustees' Meeting -3-**

reported that the MECRS portfolio received another \$400,000 from the PRISA redemption request of \$3 million, leaving approximately \$2.5 million outstanding.

2022 Year-end Processes: Next, Ms. Murray reported all available information requested by the auditors has been submitted and their review has begun in advance of the target date. Also, she reported that the 2022 Annual Report has been compiled, inclusive of the Governmental Accounting Standards Board (GASB) details, which have been incorporated and shared with the auditors as well.

Office Lease Renewal: Ms. Murray stated that the lease for the MECRS' office space will expire in May. As the original contract included two renewal periods of five years each, she reported that she requested an updated contract for the next five years, with no changes in terms, which is ready for the MECRS Board Chairperson's signature.

Benefit Fairs: Lastly, she reported that she is working with the City's Human Resources Department again to participate in their open enrollment. She explained that this year they are trying a new format and have planned Benefit Fairs over the first two weeks of May. The events will be held at the DPW, Airport, and Health Department. All are hopeful that this will be well attended by employees. She indicated that she will be manning a table for MECRS to distribute general information, supply common forms, answer questions, etc.

### **Report of the Cash Balance:**

Ms. Murray reported that the cash balance starting the month of March was a little over \$6 million. Ms. Murray noted that there have been a few capital calls but more distributions, ending the month with \$7.2 million.

### **Report of the Administrative & Accounting Committee**

Committee Chairperson Pinard reported that on March 31, 2023, the Administration & Accounting Committee met to review the annual COLA determination materials and to craft a recommendation for a COLA award in 2023. The committee reviewed information from the U.S. Labor Department which determines the Consumer Price Index, excerpts from the actuarial valuation, and investment return result for the period ending December 31, 2022.

After deliberating on the matter, Committee Chairperson Pinard reported, the committee voted to recommend to the Board that it grant a COLA of 1%, effective July of 2023, to all retirees who have been retired for at least one year.

As Chairperson of the A&A Committee, Trustee Pinard moved to approve the A&A Committee's recommendation to grant a COLA of 1% to those retirees who have been retired for at least one year, effective July 1, 2023, seconded by Trustee Ciechon. Acting Chairperson

April 19, 2023  
Minutes #606

**Minutes of the Board of Trustees' Meeting -4-**

Wickens stated that the 1% COLA is factored in the actuarial valuation and she supports the A&A's recommendation.

Committee Chairperson Pinard noted that he would have liked the recommendation to be more, however the COLA guidelines to allow for more than 1% were not been met.

Discussion ensued among the trustees concerning the importance of improving the Plan funding level and the proposed changes to the benefit structure that had been introduced in 2018 that were not enacted by the Legislature. Trustee Ciechon noted the importance of reviewing and reconsidering the proposed Plan changes.

After brief discussion, Acting Chairperson Wickens concurred with Trustee Ciechon's comments.

With no further discussion, the motion to grant the 1% COLA passed unanimously by all those trustees present.

**Previous Business:**

2022 Final Actuarial Valuation Results - Ms. Murray referred to the Annual Actuarial Valuation Report that was distributed to the trustees, which was presented preliminarily in March by Mr. Kevin Noelke of Gabriel, Roeder, Smith and Co. She indicated that the board simply needs to accept the final document, which contained no changes from the preliminary presentation.

Acting Chairperson Wickens entertained a motion to accept the final 2022 Actuarial Valuation Report.

Trustee Pinard moved to accept and place on file the final 2022 Actuarial Valuation, seconded by Trustee Bunker and passed unanimously by all those trustees present.

Proposed Study of Assumption Changes to the Optional Forms of Payment – Ms. Murray explained that the proposed study was presented last month by Kevin Noelke of GRS. She referred to the Engagement Letter for the proposed study in the board packets, and summarized last month's board discussion. The Board may wish to revise the actuarial basis for the optional forms of payment to correspond to the mortality and investment return assumptions adopted for valuation purposes.

Trustee Pinard asked for clarification regarding the scope of services of the proposed study.

Ms. Murray responded that the purpose of the review is to evaluate the effect of updating these assumptions. The review will include two or three different sets of assumptions for the Board's consideration. The cost will be in the range of \$3,000 to \$6,000 and would not impact the employer contribution rate, only the option factors presented to the member at retirement.

April 19, 2023  
Minutes #606

**Minutes of the Board of Trustees' Meeting -5-**

Acting Chairperson Wickens stated that she felt that the Board should approve the proposed study. It would be resourceful information, and the Board was not obligated to make any changes.

Attorney Rich stated that it would be best practice to determine whether or not the current way in which benefits are calculated is being done with up-to-date information.

Citizen Gerard Fleury explained that the reduction factors currently in place have not changed since the Plan was founded. As a direct result of the change to the reduction factors, the benefits payable to the annuitant would change either up or down, and depending on the result, could impact a retiree's selection of retirement date.

After brief discussion on the updating the mortality tables, Acting Chairperson Wickens entertained a motion to move forward with the proposed study by GRS.

Trustee Bunker moved to have GRS conduct the proposed study of Assumption Changes to the Optional Forms of Payment, seconded by trustee Pinard, and passed unanimously by all those trustees present.

**Consent Agenda:**

Acting Chairperson Wickens entertained a motion to accept the Consent Agenda items.

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

**New Business:**

Portfolio Performance Review – Mr. Sebastian Grzejka from NEPC referred to the handout Preliminary Monthly Performance Report for period ending March 31, 2023. He reported that MECRS's portfolio is doing well and NEPC does not have a re-balancing recommendation at this time. One of the things that is reviewed is if there is a dip in the market and an opportunity to buy back in, however the market fluctuations are keeping everything in balance, he stated.

Regarding the total fund performance detail, Mr. Grzejka reported that the Plan is up 4.5%, very good results for the first three month of 2023. Some of the managers have rebounded in the first quarter after losses experienced in 2022.

Mr. Grzejka stated that non-US Equities have performed well, with all managers in line or close to their benchmarks in terms of performance. Global Equity Composite is up 11% year-to-date and Fixed Income is up about 3.5%. On the Real Estate and Private Equity side, Mr. Grzejka reported that the numbers reflected in the report are lagged, therefore not much of an update but should be available at the next meeting. He also noted that cash was earning a rate of return

April 19, 2023  
Minutes #606

**Minutes of the Board of Trustees' Meeting -6-**

which was good to see. On the whole, Mr. Grzejka was pleased to report very good results to begin the year and the volatility experienced is likely to persist going forward. There remains uncertainty regarding inflation, he noted.

Discussion of Benefits Changes Proposal – Ms. Murray referred to comments made earlier in the meeting under the A&A Report regarding changes to the benefit structure that were proposed in 2018, whereby the Board agreed to revisit at a later date. She referenced the report enclosed in the Board packet which included a summary of those changes and their estimated impact to the Plan. She noted that, though the data would need to be updated, it was provided as a starting point for discussion. Ms. Murray went on to say that during the A&A Committee it was suggested that the Benefits Committee meet and revisit the benefit changes.

After brief discussion, Acting Chairperson Wickens and Trustee Ciechon agreed to workshop the summary in advance of calling a meeting of the Benefits Committee.

Trustee Pinard asked Ms. Murray if she knew the average retirement age within the last 5 years, to which she responded that she would research that information and get back to Trustee Pinard. The trustees continued to discuss the age at which a member makes the decision to retire surmising that employees are waiting longer to retire, mostly because of the health insurance costs.

**Motion to Adjourn:**

With no other business to come before the Board, Acting Chairperson Wickens entertained a motion to adjourn the meeting.

Trustee Pinard moved to adjourn the meeting at 9:11 a.m., seconded by Trustee Ciechon, and passed unanimously by all those trustees present.

Respectfully Submitted,

Melanie Murray  
Executive Director