

February 22, 2023  
Minutes #604

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

**Call to Order:** Chairman Molan called the meeting to order at 8:34 a.m.

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

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

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

**Not Participating:** Mathew Ciechon, Michael Carpenter, and 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 January 10, 2023.

Trustee Pinard moved to approve the minutes of January 10, 2023, seconded by Trustee Bunker. 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 Pinard moved to approve the immediate meeting agenda, seconded by Trustee Wickens, and approved by all present.

**Report of the Executive Director:**

**NH DES Audit:** Ms. Murray first referred to the meeting on January 12<sup>th</sup>, whereby a representative of the NH Employment Security, visited the Retirement office for a random Unemployment Compensation Tax Audit. The auditor's focus, she stated, was the 2021 MECRS staff payroll, for which there was not a lot of activity despite the staffing changes, since the population is so small. The goal was to ensure that what had been reported to them and to the IRS is an accurate representation. Ms. Murray further reported that she was able to answer all of the inquiries and that the Field Agent had no adjustments to report.

**PTG Software/Member Data:** Moving on Ms. Murray followed up on a comment she made during last month's Board meeting regarding the System's member data. She reported that she has since been able to connect with the System's provider and they have made available a mechanism whereby she is able to run backups of the data for further redundancy, in the event of any issues with the host.

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2022 Year-end Processes: Next, Ms. Murray informed the board that the books on 2022 in the general ledger have been closed and that the valuation data has been sent to the System's actuary, Gabriel, Roeder, Smith & Co. She stated that Executive Assistant Kim Barrett, does most of the heavy lifting of this process, and that she did shadow Ms. Barrett for parts of it, as they work together toward building both of their knowledge bases. She noted that it is expected that Gabriel, Roeder, Smith & Co. will attend the March meeting to present the annual actuarial report.

She then referred to a Request for Motion later in the meeting, which is a customary annual event of the Administrative Budget, authorizing the reallocation of surplus areas to areas where the expenditures exceeded the estimates.

In addition, she stated that the annual member statements were distributed in January, which has prompted many calls by the membership, for updates to their retirement account information.

Death Audits: Ms. Murray provided a background of the "Pop-Up" benefit within the Retirement System, which means that if the member selects a reduced benefit, to guarantee a legacy benefit to their beneficiary, the retiree's pension will "pop-up" to the Straight Life option in the event of the passing of their named beneficiary. She explained that the System's pension payroll provider performs a semi-annual audit, which captures any pensioners that have passed away. Historically the System has also conducted a separate death audit on the beneficiaries, to ensure we've captured any applicable pop-ups. She informed the Board that the vendor has ceased offering this basic service, which traditionally cost under two hundred dollars and that the vendor now offers a more robust mechanism that runs in the range of a few thousand dollars. Ms. Murray indicated that she will continue to explore alternative options for a more reasonable price.

**Report of the Monthly Cash Balance:**

Ms. Murray reported that the cash balance started the month off with a healthy \$7.7 million, with an ending balance still slightly over \$7 million, with capital calls and expenses exceeding the distributions received for the month.

**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.

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

#### **New Business:**

NEPC Performance Review: NEPC Representative, Sebastian Grzejka turned the trustees' attention to the Monthly Performance Booklet, period ending January 2023. He was pleased to inform the Board of a good reversal from the previous year. Referring to page 2, Trailing Annual Index Performance, he reported positive returns across the board. With regard to the 2022 performance, he noted the uniqueness of both stocks and bonds selling off, a typical uncorrelated relationship, which was due to the Federal Reserve raising rates. Heading into 2023, he stated, the view is that the Fed will take their foot off the gas pedal in terms of raising rates. The economic news has been better, with investors taking on more risks on trade.

With a total fund performance of 5.1%, Mr. Grzejka stated that growth significantly outperformed value during January, citing Sands Large Cap Growth over 15%. He then stated that last year's performance is still impacting trailing results, which has been experienced before, however it was clawed back over time. Mr. Grzejka noted a similar story on the Fixed Income side with positive returns across the board.

Mr. Grzejka stated that following the adjournment of the BOT meeting, the Investment Committee will be asked to review the investment with Rothschild, a Smid-cap core manager. Due to organizational changes within Rothschild, the Investment Committee will be asked to look at replacement options for the allocation to Smid-cap.

Mr. Grzejka reported both Hardman Johnston International Equity Group Trust and City of London Emerging Markets were outperforming the indices. The Real Estate composite as well as the Private Markets composite are both on a quarter lag for performance results.

Mr. Grzejka informed the Board that at some point during 2023, it is recommended to revisit the pacing plan for both Real Estate and Private Equity. He reported, both are currently a bit overweight relative to the target, so it is scheduled to be a mid-year to second half of the year review.

Trustee Pinard referred to the S&P 500 Index Fund performance versus the Investment Manager performance, and he asked Mr. Grzejka to explain why we use individual managers. Mr. Grzejka explained that volatility and risk tolerance are major factors and that Trustee Pinard's observation is correct based on recent returns due to the Federal Reserve's support of the market since 2008 but going forward NEPC believes active management has value and should be a worthwhile addition to the portfolio going forward. Should the passive piece simply be the larger piece of the portfolio? Mr. Grzejka added that more discussion on the Index Funds would be had during the following Investment Committee meeting. Trustee Bunker added, "past performance is not indicative of future results".

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Chairman Molan asked Mr. Grzejka to elaborate on returns for Newstone Capital Partners II, as they haven't seemed to deliver as promised. Mr. Grzejka explained that while Newstone and Crescent Direct Lending have both delivered positive returns overall, they admittedly have not met the expectations. He cautioned that each of them is on the tail end of the investment, so the recent returns are not indicative of their performance. He advised that he would follow up with additional metrics on this investment.

Mr. Grzejka asked Ms. Murray about the current cash situation. She explained that it is lower, with more capital calls in February. Overall funds are above the target, but she will be monitoring.

Request for Transfer: Ms. Murray explained the overall transfer request of \$9,934.00 among budgeted accounts, to close out the 2022 Administrative Budget, without any individual lines exceeding the appropriation. She explained the largest items were the audit expense for the employer reporting, and the pension payroll expense. She stated that this was an annual customary event to close out the Administrative Budget.

Trustee Pinard moved to approve the 2022 budget transfer request, in the amount of \$9,934.00, seconded by Trustee Bunker and passed by all those trustees present.

**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 9:03 a.m., seconded by Trustee Bunker, and passed unanimously by all those trustees present.

Respectfully Submitted,

Melanie Murray  
Executive Director