

November 14, 2023  
Minutes #613

**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, Mathew Ciechon, and Sharon Wickens

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

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

**Absent:** Michael Carpenter and Mayor Joyce Craig

**Linked in Remotely:** Sebastian Grzejka from NEPC

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

Chairman Molan entertained a motion to approve the previous board meeting minutes of October 10, 2023.

Trustee Bunker moved to approve the minutes of October 10, 2023, seconded by Trustee Wickens. The motion was approved by all trustees 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 trustees present.

**Report of the Executive Director**

**Trustee Election** – Ms. Murray first reported that the term of the trustee position currently held by Mathew Ciechon, is due to end in January 2024. She informed the board that the sign-up period for the elected City Employee trustee position was at the end of October, and the only candidate to express interest was the incumbent. She noted that the City Employee trustee election will be held on Thursday, December 14<sup>th</sup>.

**MECRS Receives PPCC Recognition Award for Funding Standards** – Ms. Murray then stated that MECRS applied for and has been awarded the Public Pension Coordinating Council's Recognition Award for Funding Standards. She was pleased to report that this year marks the 21st consecutive year that MECRS qualified for the award.

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2024 Budget – In closing her report, Ms. Murray informed the Trustees that she has prepared the draft 2024 Administrative Budget recommendation. She stated that an Administrative & Accounting Committee meeting is scheduled, immediately following the adjournment of the Board meeting. The A&A committee recommendation for 2024 which will subsequently be voted on by the full Board at the December meeting.

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

Ms. Murray reported a cash balance amount at the beginning of October with \$8.6 million and ending the month with slightly over \$8.1 million. She stated that there was not a lot of activity during the month, noting a few distributions and one sizable capital call.

Chairman Molan inquired as to the status of a potential cash distribution from Searchlight Limited Partners III.

Mr. Grzejka referred to NEPC's recommendation to take the distribution, however NEPC has yet to receive a final distribution amount, which he noted is usually based on the most recent valuation. Mr. Grzejka stated that he will check with his team and report back to Ms. Murray on the specifics of the distribution.

Mr. Grzejka explained that Searchlight had given MECRS an option to roll the distribution into a continuation fund, which would have potential for further gain, however NEPC felt that it would be a positive strategy to take the distribution.

Report from the Investment Committee – Committee Chairman Bunker reported that the trustees had voted to accept the recommendation to invest in Searchlight Limited Partners IV. Subsequently, he stated, after legal counsel's review of the Searchlight IV documents, there were a few questions regarding the language within the documents, and he asked Attorney Rich as to the status of those concerns.

Attorney Rich stated that in comparing the Searchlight IV limited partnership agreement to the prior partnership agreement for Fund III, his team noted that the Fund IV agreement contained more specific authorization for the use of hedging transactions and the ability to borrow funds to hedge. Attorney Rich explained that he had reached out to NEPC during the review for clarification on that strategy.

Mr. Grzejka explained that Searchlight has some non-U.S. investments, and the goal is to reduce currency risk. It was not speculative. The intent is for investment performance to not be impacted by fluctuations in local currency. In Searchlight Fund III there was some hedging, and in Fund IV they simply memorialized it in their documents. Mr. Grzejka stated that hedging is simply a risk mitigation tool that was more fully documented in Fund IV.

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Ms. Murray noted that with that issued resolved, after the meeting Trustee Molan will execute the Fund IV documents so the System can participate in the closing scheduled for the next day.

Report of the Benefits Committee – Committee Chairman Ciechon reported that the Benefits Committee met as scheduled on Tuesday, October 10, 2023 at 8:43 a.m. to discuss possible plan amendments, designed to ensure the continuity of the plan.

Committee Members Ciechon, Molan, Pinard, and Carpenter, as well as Trustees Wickens and Bunker reviewed the presentation and report from GRS Consulting, outlining the impacts of possible plan modifications. After some discussion, Committee Member Pinard offered a motion to recommend that the Board explore the process of proposing legislation making the changes to the System to include changes for new hires, including increasing the retirement age to 62, vesting after 10 years, early retirement reduction of 7/12 of 1%, and moving to 5-year Final Average Earnings, with an option of increasing the total employee contribution to 5.5% (4.25% pension) for all employees or 6.0% (4.75% pension) for new hires. The motion was seconded by Committee Chair Ciechon, and all present were in favor. The Committee agreed that, should the Board approve the recommendation to move forward, the Executive Director and Committee Chairman Ciechon will prepare to meet with the affected unions for further discussion.

Chairman Molan entertained a motion to accept the recommendation of the Benefits Committee as stated by Committee Chairman Ciechon.

Committee Chairman Ciechon moved to accept the recommendation of the Benefits Committee to explore the process of proposing legislation to make the changes to the System as stated in the Benefits Committee Report, seconded by Trustee Bunker and passed by all those trustees present.

After lengthy discussion on various issues relating to proceeding with the proposed legislative changes, Committee Chairman Ciechon and Ms. Murray agreed to collaborate on meeting with the unions.

**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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#### **Other Business:**

Chairman Molan informed the Board that he will not be in attendance during the February Board of Trustees meeting but is able to be linked remotely. Trustee Pinard also mentioned that he will be traveling and will not be in attendance for the months of January, February, and March. Trustee Bunker then announced that he also will not be available to attend the scheduled February meeting in person.

After brief discussion regarding the anticipated lack of a quorum for the February Board of Trustees meeting, the Board agreed to reschedule or defer the February meeting, due to lack of a quorum.

#### **Informational items:**

Chairman Molan then asked Mr. Grzejka from NEPC to review the Monthly Performance Report of the month of September 2023.

Mr. Grzejka first reported a total composite of \$277,318,363 which is down -2.7 % for the month, citing an interest rate increase about 100 basis points and a volatile market for the last couple of months as the primary reasons for the decline.

He was pleased to report a complete reversal for the first two weeks of November with the markets rallying significantly. He reported the S&P up nearly 6%.

Looking at performance, Mr. Grzejka pointed out NEPC's recommendation of re-balancing, taking off the table from both Aristotle and Sands. He continued to provide performance detail for the International Composite, Fixed Income, Real Asset Composite as well as Private Markets Composite.

Regarding the Fixed Income Composite, he indicated the negative returns are due to the rising rates, higher rates having an inverse relationship with price, with bonds decreasing in value. The benefit, however, is that as rates rise, fixed income is earning a more attractive yield. He noted the attractive yield for cash.

In closing his report Mr. Grzejka reported that the Private Markets and Real Estate are holding up well, and overall performance has been in line for what was expected for the year.

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**Motion to Adjourn:**

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

Trustee Bunker moved to adjourn the meeting at 9:03 a.m., seconded by Trustee Wickens and passed unanimously by all those trustees present.

Respectfully Submitted,

Melanie Murray  
Executive Director