

September 12, 2023
Minutes #611

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, Michael Carpenter, Donald Pinard and Mathew Ciechon

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

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

Absent: Sharon Wickens 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 August 8, 2023.

Trustee Pinard moved to approve the minutes of August 8, 2023, seconded by Trustee Bunker. 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 Bunker moved to approve the immediate meeting agenda, seconded by Trustee Pinard and approved by all trustees present.

Report of the Executive Director:

School and City software upgrades: Ms. Murray reported that the system's pension software Pension Technology Group (PTG) has been updated to accommodate the School's new reporting format, and all seems to be working as expected. She noted that she has been in contact with the City's counterpart to the School District to update them that they can start planning on using the new format once they complete their software conversion.

2022 Audit/Annual Report: Ms. Murray informed the board that the MECRS Annual Reports have been distributed. The process seemed to go very well, she reported, having the printer also address and mail the reports for the first time. She stated that extra copies are available if needed.

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City Employee Event: Ms. Murray stated that the City is holding an event for employees on September 20th, and the City's Benefits Manager reached out and asked if the Retirement System would host a table, similar to the Employee Benefit Fairs they held this past summer. Ms. Murray indicated that she and Executive Assistant Kim Barrett will be attending the event to provide information and answer questions.

2023 Employee Trustee Election: In closing her report, Ms. Murray reminded the Board that the term is ending for City Employee Trustee position held by Trustee Mathew Ciechon at the end of 2023. She noted that the filing period this year is October 23rd through the 27th, and the election will be held on December 14, 2023.

Monthly Cash Balance: Ms. Murray reported a cash balance beginning the month, in the amount of \$4.8 million. She stated that there were only a few distributions and no capital calls, ending the month with a healthy amount of nearly \$5.5 million.

Consent Agenda:

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

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

Other Business:

Chairman Molan entertained a motion to approve the MECRS 2022 Annual Report.

Trustee Pinard moved to approve the 2022 Annual Report in its final form, seconded by Trustee Ciechon and passed by all those trustees present.

Informational Items:

NEPC Monthly Performance Report Ending July 31, 2023 – Mr. Grzejka from NEPC began by reviewing the Total Fund Performance as of the end of July, with a total composite of \$291,216,446, up 10.2% year-to-date. He cautioned that August performance was not yet available, but it did experience a bit of a pull back.

He noted the positive return from Sands Large Cap Growth at 41.7% year-to-date, benefiting from the significant gains from a narrow market of stocks such as Amazon, Apple, Tesla. He explained that Boston Trust Walden is still in early stages, but performing well so far, up 8.4% since inception. He noted that the non-U.S. markets were performing well. On the Global Equity side, Loomis has been able to capture a lot of the growth upside of nearly 34% this year.

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On the Fixed Income side, Mr. Grzejka reported that yields are 4% to 5%. From an opportunity perspective, Mr. Grzejka explained, that we have seen equities run up this year, we have also experienced more attractive yields in credit. There is a tradeoff to take a little of equity risk from the table and put funds into now higher yielding fixed income.

Mr. Grzejka did point out that on the Real Estate and Private Equity side, there isn't much of an update, as the numbers are from March. While the office side has been hurt, core managers have pivoted to multifamily and industrial. In Private Equity, there was some concern on the valuation adjustments, we have seen a lot of resiliency, and the portfolio results have been positive. Overall, Mr. Grzejka reported, very good news and the Plan is doing well in 2023.

Chairman Molan expressed his concern with Kayne Anderson Fund, to which Mr. Grzejka explained the history of the fund, adding that it still holds a few investments. The remaining investments should boost the end result, but the overall return will be less than expectations.

Mr. Grzejka then stated that NEPC recommends opportunity to take some of the gains that MECRS has experienced with some of the managers and reallocate those funds. The rebalancing recommendation is a pull-back from Aristotle Large Value and Sands Large Growth and reallocation to other parts of the portfolio including Cash. Part of the reallocation is to bring some of the newer allocations up to target. He stated that the International Equity allocation is a bit underweight. The last piece is the trade-off from equity to credit, which was discussed earlier in the meeting.

After brief discussion regarding NEPC's recommendation to pull \$7 million from Large Cap Managers, Trustee Bunker suggested \$3 million from Sands was too much, considering the target weight. Mr. Grzejka stated that the \$7 million overall recommendation was appropriate and could be split in accordance with the Board's comfort level.

Trustee Bunker then made a motion to move forward with NEPC's recommendation to rebalance the \$7 million, taking \$5.5 million from Aristotle Capital and \$1.5 million from Sands Capital, and adding \$1 million to Boston Trust Walden, \$1 million to Fidelity Total International Index, \$2 million to Loomis Sayles Fixed Income, with the remaining \$3 million to cash to accommodate the anticipated uptick in capital calls. The motion was seconded by Trustee Pinard and passed by all those trustees present.

Turning the trustees' attention to the Private Markets Pacing Plan Report, Mr. Grzejka stated that each year NEPC provides a review of MECRS private markets allocations to determine the commitment budget for the upcoming year. Mr. Grzejka explained that the strategy is to maintain an active commitment pace in each vintage year going forward, being mindful of the liquidity needs.

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Based on NEPC's review, Mr. Grzejka stated that MECRS should commit up to \$6 million in Private Equity and \$4 million in Real Estate.

After brief discussion including a preview of possible Private Equity managers by Mr. Grzejka, the trustees agreed to schedule the next Investment Committee meeting on Tuesday, October 3rd at 9:00 a.m.

Motion to Adjourn:

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

Trustee Ciechon moved to adjourn the meeting at 8:54 a.m., seconded by Trustee Pinard and passed unanimously by all those trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director