

January 9, 2024
Minutes #615

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, Mathew Ciechon and Sharon Wickens

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

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

Linked Remotely: Sebastian Grzejka from NEPC

Absent: Donald Pinard, Michael Carpenter and Mayor Jay Ruais

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

Trustee Bunker nominated Richard Molan to continue serving as the MECRS 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 Board of Trustees.

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous board meeting minutes of December 12, 2023.

Trustee Wickens moved to approve the minutes of December 12, 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 Ciechon moved to approve the immediate meeting agenda, seconded by Trustee Wickens, and approved by all trustees present.

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Report of the Executive Director

Ms. Murray first reported that she and Sebastian Grzejka, Investment Consultant of NEPC, met with then Mayor-Elect Ruais last month at City Hall. Ms. Murray stated that she provided Mayor Ruais with materials regarding the Retirement System. They discussed the Plan's funding status, employer contribution rates, as well as the Board's recent reviews of possible changes, in an effort to strengthen the financial security of the Plan. She also informed then Mayor-Elect Ruais that she was working on scheduling a meeting with the city unions, to update them on the Retirement System's proposed possible changes to the System.

Ms. Murray indicated that after reaching out to the city unions, with the information Benefits Committee Chairman Ciechon was able to provide, she had received responses from five union representatives, and only one was unavailable. She noted the meeting is scheduled for January 10th at the MECRS office, and she looks forward to a productive discussion.

Ms. Murray informed the trustees that she has a few presentations scheduled in coordination with the City Human Resources Department, aimed at members nearing retirement. Originally, she stated, the meetings were scheduled in February, however they have been postponed and will be rescheduled in March.

Cyber Security: In closing her report, Ms. Murray referred to a previously discussed issue, whereby quite a few pensions, country-wide, were affected by a data breach through their death verification process. At that time, she stated, she began looking into cyber-liability insurance coverage and after an estimate of over \$12,000 and further research she felt confident with the safeguards in place, both here and with the providers.

At the end of December however, she reported that the System received notice from State Street, the System's custodial bank, that one retiree pension check image may have been compromised. The bank advised it would reach out to the affected individual and offer two years of complimentary identity monitoring service. Ms. Murray informed the Board that though this instance was minimal, and the bank took responsibility, her research indicated that the data and thus the ultimate responsibility belongs to MECRS. Therefore, she continues to work with counsel on securing a quote for recommended coverage as well as review of practices.

After brief discussion among the Board and Attorney Rich, Ms. Murray offered to report back to the Board for review once an updated Cyber Security quote is received.

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Report of the Monthly Cash Balance:

Ms. Murray reported a balance of slightly over \$8.3 million at the beginning of December, 2023 and at the end the month, a still healthy balance of just over \$8 million. She noted a number of distributions and a few capital calls occurred at the end of the year. She drew attention to a distribution from PRISA, in the amount of \$557,000, which represented the 5th installment from a 2022 redemption request of \$3 million, leaving a balance to be redeemed of just under \$1 million.

Trustee Ciechon moved to accept and place on file the Cash Balance Report, seconded by Trustee Bunker, and passed unanimously by all those trustees present.

Consent Agenda:

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

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

Informational Items:

NEPC Monthly Performance Report – Referring to the November 2023 Performance Report included in the agenda packets, Mr. Grzejka was pleased to report the portfolio was up about 9.1% year-to-date and the December projection looks to provide a stand-up rally with strong returns to end 2023.

Mr. Grzejka reported that US Equity Composite, both growth and value, were driving factors resulting in positive returns. Small Cap also outperformed in December as well. Mr. Grzejka explained that the expectation is that while Boston Trust Walden may not keep up with the benchmark, they should have benefited from what was experienced over the last two months as well.

The International Equity Composite, Mr. Grzejka reported is yielding absolute results as well. He then provided the board with the positive results from each of the funds, including the Global Equity Managers noting that the two managers, Loomis and Arrowstreet complement one another well.

On the Fixed Income side, Mr. Grzejka reported a rally in November, which is expected to continue in December, contributing to the absolute return at year end.

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Moving on, Mr. Grzejka provided an update on the Private Equity Composite, reporting the first sizable capital call from TA Associates XIII, in the amount of \$750,000, largely focused on industrial projects, focused on areas that are seeing demand. He reminded the Board that results in this class are from June and cash adjusted. He closed his report noting that year-end double-digit returns are expected overall in the composite.

Kayne Anderson Energy Update - Moving on to Kayne Anderson Energy, Trustee Bunker stated that Kayne Anderson has finally come to life over the last couple of years.

Chairman Molan stated that Kayne Anderson Fund VII is on the tail end of its term and that overall, he felt that Kayne Anderson has not performed well. He asked Mr. Grzejka why the manager would still be recommended.

Mr. Grzejka responded that Kayne Anderson is now a draw-down fund. In 2016 when the investment was selected, Mr. Grzejka explained, oil prices plunged and at that time the investment made a lot of sense. Then Covid hit, and there was not a lot of activity within the oil space. Mr. Grzejka reported that the Kayne Anderson does have three investments and a couple of smaller positions left, that they believe will drive the performance of this fund. This fund has about two years of its 10-year term left, and decisions will be made that ultimately should be beneficial to its investors, hoping to exit on a positive note. Trustee Bunker added that recent months have shown energy companies acquired at premium pricing. Chairman Molan added that this should be a cautionary note to avoid investments in natural resources.

Before departing the remote session, Mr. Grzejka stated his recommendation to review the asset allocation perhaps at the Investment Committee level, being mindful of the MECRS allocation from the weighting of Private Equity and Private Real Assets and being diligent about rebalancing.

Chairman Molan thanked Mr. Grzejka for his report, and he ended the remote session.

Referring back to the Board Organization, Chairman Molan asked if there was any opposition to keeping the committee assignments as they currently stand, to which there was none. He added that he felt the committees have been working very well the past two years.

Next Meeting Schedule:

Chairman Molan noted that the February Board of Trustees meeting has been cancelled, due to an anticipated lack of a quorum, and the trustees will resume their regular Board meetings on March 12, 2024.

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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 9:02 a.m., seconded by Trustee Ciechon, and passed unanimously by all those trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director