

June 11, 2024
Minutes #619

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: Chairman Molan, Richard Bunker, Michael Carpenter, Donald Pinard, Sharon Wickens and Mathew Ciechon arrived at 8:33 a.m.

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

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

Absent: Mayor Jay Ruais

Linked Remotely: Mr. Sebastian Grzejka of NEPC

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan referred to the May BOT minutes and stated that Trustee Pinard did contact the System that he was unable to attend the meeting, therefore his attendance should have been recorded as excused.

Chairman Molan entertained a motion to approve, as amended, the previous board meeting minutes of May 14, 2024.

Trustee Bunker moved to approve the amended minutes of May 14, 2024, seconded by Trustee Ciechon, and passed by all the trustees present.

Approval of the Immediate Meeting Agenda:

Chairman Molan entertained a motion to approve the immediate meeting agenda.

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

Report of the Executive Director:

Benefit Fairs - Ms. Murray reported that the recent City Benefit Fairs were well received. She stated that she was able to connect with over 125 employees, many of them requesting information on the Additional Contributions Program, retirement estimates, as well as new registrations on the Retirement Systems website. She noted that there were quite a few folks who were recent hires for which she provided an overview of the plan benefits, as most of them admitted to not really reading the Summary Plan Description that is mailed to each new enrollee.

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COLA for Retirees – Ms. Murray informed the trustees that she received a call from a retiree who wanted to voice her displeasure at the 1% Cost of Living Adjustment recently awarded. The retiree argued that inflation far exceeds the COLA, and she thought retirees were usually granted a 3% COLA. Ms. Murray indicated that there hasn't been a COLA that high since 2005, which was well before the caller retired. Ms. Murray also noted that she explained the limitations of the award, such as investment performance and plan funding. The retiree requested that her concerns be relayed to the Board and she also suggested that the Board consider other options such as larger COLAs for smaller pensions, as she felt her pension was smaller than most.

Nonpublic Meeting Update - In closing, Ms. Murray reported that NH RSA 91-A:3 IV was updated in October 2023, regarding sealing of meeting minutes from nonpublic sessions. Essentially, she noted, the seal will now be limited to 10 years at a time, meaning the Board will need to review sealed minutes periodically to determine if circumstances still justify the minutes remaining sealed. Currently, Ms. Murray stated, she is working with counsel on identifying affected sessions and developing a recommended policy for review.

Chairman Molan suggested that the Administration & Accounting Committee further review the issue and Ms. Murray mentioned that she and A&A Committee Chairman Pinard will schedule an A&A Committee meeting once counsel has had opportunity to review.

Report of the Monthly Cash Balance:

Ms. Murray reported that the cash balance at the beginning of May was just under \$7 million, and at the end of the month the balance was just over \$6 million. She explained that during the month there were substantial capital calls, which have continued into June. She also noted that the cash balance still remains healthy for now as we head into the summer months.

Report of the Investment Committee:

Committee Chairman Bunker reported that the Investment Committee met as scheduled on Monday, June 3, 2024 at 9:00 a.m. to conduct manager interviews with Polen Capital, Artisan Partners, and Arena Capital, as recommended by the System's Investment Consultant at NEPC.

Each manager provided a brief overview of their firm and investment style. After the completion of the presentations and discussion, Trustee Ciechon made a motion to recommend to the full board a commitment of \$12 million to Arena, subject to satisfactory review by legal counsel. The motion was seconded by Trustee Pinard. The motion carried with Bunker, Ciechon, Pinard, and Wickens in favor, and Molan opposed.

Trustee Bunker moved to accept the recommendation of the Investment Committee for a \$12 million investment in Arena Capital, seconded by Trustee Pinard.

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Chairman Molan then asked Mr. Grzejka of NEPC if he wished to add any comment to the committee's recommendation.

Mr. Grzejka replied that the interviews allowed the committee to review three very different options, whereby Arena Capital provided a very unique approach and that NEPC is supportive of the committee recommendation.

The trustees were in favor, and the motion carried.

Consent Agenda:

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

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

New Business:

NEPC Rebalancing Recommendation – Mr. Sebastian Grzejka of NEPC was linked remotely for a review of the rebalancing recommendation. He stated this will accommodate the recommendation to add the high yield asset class to the portfolio.

Sharing his screen with the trustees, Mr. Grzejka explained the recommendation to fund the high-yield manager is a combination of rebalancing from Equities: Aristotle Large Value and Arrowstreet Global Equity, from Fixed Income: Loomis Sayles and Fidelity TIPS, with the remainder from Cash.

Attorney Rich asked Mr. Grzejka if all of the funds involved in the rebalancing are monthly or daily settlements, to which Mr. Grzejka responded that they should all be daily transactions.

After brief discussion, Trustee Bunker moved to accept the rebalancing recommendation by NEPC, seconded by Trustee Wickens, and passed unanimously by all those trustees present.

Informational Item:

NEPC Monthly Performance Report – April 30, 2024 – Moving on, Mr. Grzejka reported that April experienced a bit of a lull, tied to the expectations around rates and the reality of what the data actually reflected. He noted a lot of volatility in the marketplace, rates creeping up and equities falling down, resulting in a negative month. He reported the Plan's portfolio falling 2.5%, still positive year-to-date, up 1.7%.

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Mr. Grzejka then reported strong results for the month of May, recapturing some of the loss in April. He reported a pullback from Sands Large Cap Growth. On the non-U.S. side emerging markets performed well due to positive results from China, providing downside protection. Regarding the Global Equity Composite, Mr. Grzejka reported a similar story, performance down but protected relative to the benchmark.

Referring to the performance of Newstone Capital Partners, Chairman Molan inquired as to their status in the portfolio and questioned the flash report returns. Mr. Grzejka responded that this is the end of Newstone's investment period as it is a 2010 fund and may have one final investment to liquidate. He stated that the System has earned a nice IRR out of Newstone, which will be illustrated in the quarterly report, a high single digit return. He noted that IRR is a better method to value private equity. All of the value that Newstone has created has been paid out, Mr. Grzejka noted. Mr. Grzejka added that the performance report reflects the cost to wind down the fund and that the returns from both Newstone and the Crescent investment were in line with expectations.

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

Trustee Pinard asked Ms. Murray for an update on the proposed legislation. Ms. Murray responded that she has sent the list of the updated legislative draft as well as the timeline to the System Attorney, John Rich, for review. The trustees briefly discussed the option of a referendum vote for the proposed legislation.

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 8:59 a.m., seconded by Trustee Bunker, and passed by all the trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director