

November 12, 2024
Minutes #624

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, Mathew Ciechon, Donald Pinard and Michael Carpenter arrived at 8:43 a.m.

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

In Attendance: Attorney John Rich from McLane Middleton and Sebastian Grzejka from NEPC

Excused: Sharon Wickens

Absent: Mayor Jay Ruais

Approval of the Minutes of the Previous Board Meeting:

Trustee Ciechon moved to approve the minutes of October 8, 2024, seconded by Trustee Bunker, 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 Bunker moved to approve the immediate meeting agenda, seconded by Trustee Ciechon, and passed by all the trustees present.

Chairperson's Comments

On behalf of the MECRS' Board, Chairman Molan offered condolences to Trustee Ciechon, Trustee Pinard, and Executive Assistant Kim Barrett, for their recent loss of family members.

Report of the Executive Director:

MECRS Receives PPCC Recognition Award for Funding Standards: Ms. Murray stated that she was pleased to report that MECRS has applied for and been awarded the Public Pension Coordinating Council's Recognition Award for Funding for the 22nd year in a row that the System has qualified for the important recognition.

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Citizen Representative Election: Ms. Murray then reminded the Trustees that the Citizen Representative election is scheduled for Thursday, December 12, 2024 and that this position is currently held by Trustee Pinard. She informed the Board that one candidate will be on the ballot, Peter Capano, a retiree from the Parks Department.

2025 Budget: Ms. Murray reported that she has completed the Draft Budget for 2025. She stated that the Administrative & Accounting Committee will convene their meeting immediately following the adjournment of today's meeting. The committee will review the Draft Budget and provide their recommendation at the next Board meeting in December.

Board Agendas: Ms. Murray mentioned her observations about the Board Agendas for the Trustees' consideration. Currently, she stated, Board Meeting Notices are sent via US Mail in advance of monthly Board Meetings. All other committee meeting notices and materials are communicated via email. She asked the trustees if they would be opposed to their regular monthly meeting notices also being sent via email.

After brief discussion, it was agreed that there was no objection, provided legal counsel saw no legal requirement.

In addition, Ms. Murray mentioned that the monthly agenda packets include printed materials which realistically must be reviewed prior to attendance of the meeting, namely the previous meeting minutes and the Consent Agenda Items. These items are dealt with in summary form at the meeting, with expectation that they have been reviewed before the meeting. Ms. Murray proposed that those items continue to be included in the emailed agenda packets and be itemized on the agenda, but not be provided in printed form at the meeting unless there is a concern. She noted that other items for discussion would still be included in printed form, such as the Report of the Executive Director, the Report on Monthly Cash Balance, and any other business or informational items.

Following brief discussion, the trustees had no objection to Ms. Murray's proposal to only print agenda meeting materials for which there is anticipated review or discussion.

Report of the Monthly Cash Balance:

Ms. Murray reported that the beginning of November cash balance was \$6.7 million. Due to sizable distributions and a few capital calls, the end of month balance remains healthy at just under \$7.4 million. Trustee Bunker moved to accept the Cash Balance Report, seconded by Trustee Pinard, and passed by all those present.

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Report of the Investment Committee

Committee Chairman Bunker reported that the Investment Committee met as scheduled on Tuesday, October 15, 2024 at 9:00 a.m. to discuss the Private Markets Pacing Plan, as recommended by MECRS's consultant at NEPC.

He stated that NEPC reviewed five managers, explaining the differences in approach, and the merits of each. After some discussion, Trustee Molan made a motion to invite Heitman Real Estate Management and HarbourVest Partners to present to the Committee. The motion was seconded by Trustee Carpenter, and all present were in favor.

He continued his report, stating that the Committee next met on Monday, November 4th at 9:00 a.m. to hear presentations from the selected managers in non-public session. The Committee discussed the different strategies of each investment before returning to public session, after which, Trustee Molan made a motion to commit \$5 million to Heitman Real Estate Debt Partners III and \$3 million to HarbourVest Infrastructure Opportunities Fund III, each subject to satisfactory review by counsel. The motion was seconded by Trustee Carpenter, and all present were in favor.

Trustee Bunker then moved to accept the committee's recommendation to commit \$5 million to Heitman Real Estate Debt Partners III and \$3 million to HarbourVest Infrastructure Opportunities Fund III, each subject to satisfactory review of the investment documents by counsel. The motion was seconded by Trustee Pinard and passed by all those present.

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 by all the trustees present.

New Business:

Request for Work-Related Disability: Ms. Murray reported that the member Sean Markey applied for a Work-Related Disability, pursuant to the provision of Chapter 218:15 Laws of 1973, as amended by Administrative rule Section 2.4.

Upon reviewing the records submitted and the results of the two Independent Medical Evaluations performed, Ms. Murray stated that the application file contains all necessary documentation and sufficient evidence which would allow an objective reviewer to conclude that the applicant has a total and permanent incapacity to safely and effectively perform the essential

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functions of their job description and that such disability was sustained during the performance of duties pertaining to the applicant's employment by the City. As a result, she recommended approval of the request.

Chairman Molan entertained a motion for approval of the Work-Related Disability.

Trustee Pinard moved to approve the Work-Related Disability for Sean Markey, seconded by Trustee Bunker, and passed unanimously by all those trustees present.

NEPC, LLC and Hightower Advisors, LLC Consent Form: Sebastian Grzejka from NEPC discussed the recent announcement that Hightower Advisors, LLC will acquire 80% of NEPC, with the NEPC partners retaining 20%.

Mr. Grzejka explained that NEPC is excited for the opportunity to continue to grow and ensure that they remain an 'employer of choice' which allows them to attract and retain investment talent. He indicated that from the Board's perspective, nothing will change. MECRS will work with the same consulting team, will receive the same high-quality client service, and the fees will remain the same. NEPC is requesting that MECRS consent to the assignment of their investment management agreement to Hightower by completing the consent form.

After brief discussion, Trustee Ciechon moved to direct the Executive Director to endorse the Consent Agreement Form as detailed by Mr. Grzejka, seconded by Trustee Bunker, and passed by all those present.

Informational Items:

NEPC Monthly Performance Review Ending September, 2024 - Sebastian Grzejka reported good news on the composite level for the period ending September 2024 with the portfolio up 10% year-to-date. Also, he reported on domestic equity, international equity, as well as global equity, all up double digits. Fixed Income performance, he stated, was also up high single digits. Mr. Grzejka was pleased to report the positive results overall.

Mr. Grzejka noted that Hardman Johnston had a little bit of a pull-back last year but has performed phenomenally this year, up nearly 18%, ahead of their benchmark by about 5%, a very good rebound.

On the following page of the performance detail, Mr. Grzejka stated that global equity, which is Arrowstreet and Loomis Sayles, both managers up nearly 20% year-to-date.

Mr. Grzejka continued by stating that October did see some volatility both on equities and fixed income, ahead of the election due to the uncertainty of the election. During the first 11 days of the month, markets have turned right around and have been an absolute risk-on-trade, meaning the equity markets are roaring.

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Chairman Molan inquired if the funding for the Heitman and HarbourVest investments are coming from cash or withdrawals from other funds. Mr. Grzejka explained that they will be funded through a series of capital calls that will come from cash or the natural re-balancing of the portfolio.

Chairman Molan asked the trustees if they had any questions, which there were none. He thanked Mr. Grzejka for his report and asked Attorney Rich to speak to the update on the proposed plan changes.

Attorney Rich stated that at the last Board meeting it was requested that he explore two things: 1.) Expanding the use of the medical subsidy for dental insurance and 2.) Giving the Board the authority to modify the employee contribution rate for the health subsidy. As a reminder, Attorney Rich stated that the health subsidy contribution rate is 1.25%.

Attorney Rich stated that he explored moving some of the discretion out of the statute into the Administrative Rules and also whether it would be appropriate to provide for the Trustees to increase the statutory contribution rate above 1.25%. He suggested language that would allow reduction of the contribution rate below 1.25 percent when the 401(h) sub-trust is determined by the System's actuary to have achieved 100% funding of the Unfunded Actuarial Accrued Liability. Attorney Rich added that the rate would still be required to follow all applicable Treasury regulations governing the operation of the 401(h) sub-trust.

After lengthy discussion and consideration regarding the laws governing the 401(h) sub-trust and options presented, Trustee Bunker moved to direct Attorney Rich to modify paragraph VIII providing the Board with more power in expanding the coverage for which the subsidy provides and to adjust the contribution rate as presented to the meeting, seconded by Trustee Ciechon, and passed by all those present.

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 9:06 a.m., seconded by Trustee Ceichon and passed by all the trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director