

October 8, 2024
Minutes #623

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:32 a.m.

Present: Trustees: Chairman Molan, Richard Bunker, Sharon Wickens and Mathew Ciechon

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

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

Excused: Donald Pinard

Absent: Mayor Jay Ruais and Michael Carpenter

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the minutes of September 17, 2024 for both the Public Hearing and the regular Board of Trustees Meeting.

Trustee Bunker moved to approve the minutes of September 17, 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 Ciechon moved to approve the immediate meeting agenda, seconded by Trustee Wickens, and passed by all the trustees present.

Report of the Executive Director:

Employee Appreciation Barbecue: Ms. Murray informed the Board that the City's annual Employee Appreciation Barbecue was well attended despite the heat. Many employees left after eating, without stopping at the vendor tables. However, she noted she was still able to connect with over 60 employees, answering question and providing informational handouts. She added that subsequent to the event, she received multiple registration requests for the website.

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Annual Report/Audit Update: Ms. Murray advised that the annual reports, including the final audit letter, were mailed on September 16th, adding that she had additional copies available. Trustee Wickens moved to accept and place on file the final audit and annual report for 2023. The motion was seconded by Trustee Bunker and approved by those present.

Disposals of Surplus: A detailed list of items recommended for surplus was reviewed by Ms. Murray, including obsolete computer equipment and software. She reported that she had reviewed with the IT vendor and confirmed they were of no use to MECRS and that all items would be scrapped.

Trustee Wickens moved to approve the removal and disposal of the listed surplus items from the MECRS inventory. The motion was seconded by Trustee Ciechon and approved by those present.

Manager Fees: Ms. Murray shared that NEPC was able to negotiate a lower fee structure for their clients with investments in Hardman Johnston of 10 basis points, which she estimated to amount to approximately \$15,000 in savings annually. Additionally, she reported that Income Research & Management will also be reducing their fees, resulting in roughly \$27,000 in savings.

Citizen Representative Election: Moving on, Ms. Murray reminded the trustees of the upcoming Trustee Election for the Citizen Representative. She noted that it will be held on Thursday, December 12th, and that nominations are due to the Retirement System office by October 16th, 2024. Also noting the importance, that nominees must file an Assent to Candidacy form at the City Clerk's Office during the filing period of October 28 – November 1, 2024. She reported that one former trustee had expressed interest, but his part-time employment with the City prevents him from doing so. She added that a former employee of the City had requested a nomination form, but that it has not yet been submitted.

Plan Changes: As an update, Ms. Murray informed the Board that she had spoken with Alderman Ed Sapienza, the Chair of the Human Resources and Insurance Committee to advise him of the proposed changes to the System for which the Board of Trustees would be looking for the support of the Board of Alderman. In response to Alderman Sapienza's questions about the reason for the changes, Ms. Murray explained that there were no issues, but that the Board is looking to the future sustainability of the Plan with continued support of the citizens. She added that they are tentatively scheduled to discuss at the Committee Meeting on November 19th.

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2025 Budget: In closing her report, Ms. Murray provided an update on her efforts on the 2025 Budget. She reported an estimate of \$44,000 for software updates based on the current proposed plan changes. Also, she added that she attended the HealthTrust Rate Setting Public Hearing on September 26th. She related that 2025 insurance rates were not yet available, but that HealthTrust stated that estimated increases will range from 3% to 18.5%. Ms. Murray indicated that she expects that the MECRS increase will be on the higher end, as a result of MECRS being pooled with other small employer groups

New Business:

Sebastian Grzejka, advisor from NEPC, was linked remotely to the meeting to give an overview of the liquidity options for interests in KEPE Continuation Fund. He explained that the investment in Kayne Anderson Energy Fund VII was made in 2016, and at this point the fund is winding down with 3 remaining assets. The fund is offering the option of a continuation fund for one asset, or a cash out option. He explained that Kayne Anderson views this asset as having considerable upside. The cash out option would not only mean a discount of 10% off the top, leaving a net of approximately \$500,000, but it would be paid out over the next 6 quarters. The continuation fund would mean an extension of terms for another 5 years, with a projected IRR of 20%. Mr. Grzejka stated that NEPC did not have a recommended course of action and was comfortable with MECRS cashing out or electing the Continuation Fund.

Attorney Rich referred to the original agreement's inclusion of a 2-year extension option and asked if that would apply to the new fund, to which Mr. Grzejka replied that would be likely, but that their goal is to have it completed before the 5-year estimate.

After some discussion among the Board, Trustee Bunker moved that the MECRS elect to keep the interest in Kraken through the KEPE Continuation Fund. The motion was seconded by Trustee Wickens, and it passed unanimously by all those present.

Report of the Monthly Cash Balance:

Ms. Murray noted a substantial cash balance of \$10.5 million at the beginning of September. She reported that the rebalancing efforts were completed within the month, drawing \$1 million from Loomis Global and adding \$4 million to the Fidelity 500 Index. She stated the end of month balance was \$7.5 million, with approximately \$350,000 in capital calls so far for October, leaving a healthy balance overall. Trustee Ciechon moved to accept the report, with a second from Trustee Wickens, and unanimous approval from all those present.

Previous Business:

As part of continued discussion regarding the proposed plan changes, Ms. Murray reminded the Board of the discussion regarding possible changes to the subsidy once fully funded status is

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achieved. She noted that the Trustees had discussed the possibility of expanding the subsidy to include dental premium coverage or giving the Board authority to modify the Employee rate. She reported that she did speak with the actuary who indicated, without a study, that the rates would likely return to the previous level if the subsidy were expanded. She reported that she did speak with the City's Human Resources Department who indicated that allowing additional retirees to return to the City's dental plan would likely be a detriment to the City claims experience and result in increased contribution rates.

Ms. Murray added that counsel had confirmed that dental was an acceptable use, if the language were modified. Ms. Murray then asked for Board direction on proceeding.

After some discussion, Trustee Wickens made a motion to modify the language to give the Board authority to expand the subsidy as well as the authority to modify the employee subsidy rate. The motion was seconded by Trustee Ciechon, and it was approved by all 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 by all the trustees present.

Chairman Molan added that he had spoken with Pat Long regarding the legislation and they agreed to follow up after the election.

Motion to Adjourn:

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

Trustee Wickens moved to adjourn the meeting at 9:06 a.m., seconded by Trustee Bunker and passed by all the trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director