

December 9, 2025
Minutes #636

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:33 a.m.

Present: Trustees: Sharon Wickens, Peter Capano, Richard Bunker
MECRS Staff: Melanie Murray, Kimberly Barrett, Karianne MacIntosh

Absent: Mayor Jay Ruais and Michael Carpenter

Excused: Mathew Ciechon

Also in Attendance: Attorney John Rich, Jr. – McLane Middleton,
Kevin Noelke – GRS (linked remotely)
Sebastian Grzejka – NEPC

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous Board meeting minutes of October 14, 2025.

Trustee Bunker moved to approve the minutes of October 14, 2025, seconded by Trustee Wickens, and passed by all those 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 Capano, and passed by all those Trustees present.

Presentations to the Board:

Chairman Molan invited Kevin Noelke from GRS, who was linked in remotely, to present the 5-Year Experience Study.

Mr. Noelke explained that GRS analyzed the assumptions used in the annual valuation. A review of the past five years showed consistent liability losses, primarily due to salary increases that were higher than current assumptions.

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On page 1 of the presentation, Mr. Noelke referenced a summary of recommendations to be implemented beginning with the December 31, 2025 valuation. He recommended increasing the price inflation assumption from 2.0% to 2.5% noting that any change in this assumption also affects all other economic assumptions. He also recommended increasing the general payroll growth from 2.5% to 3.0% and increasing service-based salary to better reflect experience. He confirmed that the System's current investment return assumption of 6.75% remains reasonable, but that 7.00% would also be considered reasonable, but would be at the upper end, as it would allow for less margin.

Mr. Noelke recommended updating the mortality tables to the newer standard of generational tables, which had not been recommended during the prior study. He recommended increasing the age-based turnover rates, as well as service-based turnover rates for males, while maintaining the service-based rates for females. He also recommended maintaining the rates of disability, but changing the ratio of non-duty to duty, while COLA and health subsidy assumptions remain unchanged.

Mr. Noelke noted a recommended decrease in health utilization assumption for deferred members, while maintaining the assumption for active members. He also recommended an increase in the Final Average Earnings load from 13 to 14 percent, and an increase to the administrative expenses load from 1.25 to 1.30 percent. He explained that overall, the recommended changes realign the valuation with recent experience and would not change the long-term cost of the plan, only the timing of the contributions.

On page 2, Mr. Noelke referenced the impact of the recommended changes, outlining 3 options with the baseline for comparison. The first option would be to update only the demographic assumptions, increasing the estimated contributions by \$1 million. The second option would be to update the demographics as well as the wage inflation, which would increase the estimated contributions by another \$500,000. The final option would be to update the demographics and wage inflation, but to also increase the investment return, which would actually decrease the estimated contributions by \$100,000. He further explained that as actuaries, they evaluate the investment assumption in terms of probability. He referenced the table on page 15, indicating that on the short-term investment horizon, there would be a 49.64% chance of exceeding 7.00%.

Sebastian Grzejka from NEPC was present for this meeting. Mr. Grzejka reported that his team reviewed the national survey data showing average return assumptions around 6.75%-7.00%, with recent trends moving downward. Models indicate a 6% expected return over 10 years and 7.6% over 30 years, placing the proposed assumption within reasonable range. Mr. Grzejka noted that achieving 7% over the next decade would require a heavier allocation to higher risk assets, particularly private markets. An updated asset allocation review could be presented at future meeting to demonstrate the impact.

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After a brief discussion, with no further questions, Mr. Noelke signed out of the meeting at 9:02 a.m. Chairman Molan suggested the Board take some additional time to review and consider the study before revisiting at the January meeting. With discussion concluding, a motion was made by Trustee Wickens to accept and place the report on file. The motion was seconded by Trustee Bunker, and all present were in favor.

Chairman's Comments:

Chairman Molan informed the Board that Trustee Bunker has declined to seek reappointment for another term. Chairman Molan expressed his gratitude towards Trustee Bunker's outstanding work over the past six years, noting that his background, knowledge, and wisdom have greatly contributed to numerous decisions made. He also acknowledged that the way that the fund has progressed to where it is today is a result of Mr. Bunker's efforts. His dedication speaks volumes, given the service he has provided MECRS, the City of Manchester, and the community. Mr. Molan commended Mr. Bunker and thanked him for his service.

Report of the Executive Director:

Ms. Murray thanked everyone who joined in celebrating Suzanne's retirement and noted that the transition to Karianne is going well. She noted that MECRS was once again recognized by the Public Pension Coordinating Council with its Funding Standards Award, marking the 23rd consecutive year of receiving this honor. Ms. Murray reminded the Board that the upcoming Employee Representative election for Trustee Carpenter's seat will be held on December 11th, with John Baron as the sole candidate.

In October, Ms. Murray presented at two well-attended City retirement workshops with a presentation covering eligibility, service credits, contributions, survivorship options, health insurance subsidies, and tax withholding. A copy of the presentation was provided to the Board. She updated the Board that legal counsel finalized review of subscription agreements for two Private Credit managers, with a \$5 million commitment to Arbour Lane and a \$7 million commitment to Willow Tree.

Ms. Murray reported that the A&A Committee met on November 13, 2025 to review the 2026 Administrative Budget proposal, totaling \$1,174,650 and included in the Board packets, during which they discussed establishing a reserve for capital purposes. Ms. Murray confirmed with System auditor Berry Dunn that there was no issue with creating the reserve, and Ms. Murray recommended transferring \$22,000 of unused programming funds from this year to seed the account.

Following discussion, Trustee Wickens moved to approved the proposed budget, seconded by Trustee Capano, and passed by all those Trustees present. A subsequent motion to create a capital reserve fund with a target of \$100,000 to be funded for 2026 by the transfer of the \$22,000 of unused proگرامing funds was made by Trustee Bunker, seconded by Trustee Wickens, and passed by all Trustees present.

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Ms. Murray also reported cash balances showing October ending at over \$10 million and November at just over \$8 million, reflecting a \$2.2 million capital call to Arbour Lane, while maintaining a healthy balance, with \$600,000 reserved for December capital calls.

Trustee Bunker moved to accept the report of cash balance, which drew a second from Trustee Wickens, with all present in favor.

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 those Trustees present.

Mr. Grzejka referenced the October performance, reporting continued positive results. He touched on some pivots to lower quality names, impacting returns for Boston Trust and Aristotle, which saw some normalizing in the November performance. He explained that the portfolio adjustments made in 2025 seem to be performing as expected. Mr. Grzejka continued with an update on the markets, referencing the anticipated Fed rate cut, and the impacts of US data collection and publication. He reviewed the performance of certain private market investments and concluded by stating that overall, 2025 should finish as a strong year.

Motion to Adjourn:

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

Trustee Capano moved to adjourn the meeting at 9:33 a.m., seconded by Trustee Wickens, and passed by all those Trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director