

February 11, 2025  
Minutes #627

**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: Richard Bunker, Mathew Ciechon, Michael Carpenter and Peter Capano

MECRS Staff: Melanie Murray, Kimberly Barrett and Suzanne Wilson

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

**Linked Remotely:** Chairman Richard Molan

**Excused:** Sharon Wickens

**Absent:** Mayor Jay Ruais

Chairman Molan noted that since he was participating remotely all votes needed to be conducted by roll call vote and he was required to confirm that he was alone.

**Approval of the Minutes of the Previous Board Meeting:**

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

Trustee Bunker moved to approve the minutes of January 14, 2025, seconded by Trustee Ciechon.

Executive Director Murray conducted a roll call vote.

Ayes: Chairman Molan, Trustee Bunker, Trustee Ciechon, and Trustee Carpenter

Abstaining: Trustee Capano

Nays: None

Motion Carried

**Approval of the Immediate Meeting Agenda:**

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

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Trustee Ciechon moved to approve the immediate meeting agenda, seconded by Trustee Carpenter.

Executive Director Murray conducted a roll call vote.

Ayes: Chairman Molan, Trustee Bunker, Trustee Ciechon, Trustee Capano and Trustee Carpenter

Nays: None

Motion Carried

**Chairman's Comments:**

Chairman Molan welcomed newly elected Trustee Peter Capano and asked Ms. Murray to which Committees Trustee Capano had been appointed. Ms. Murray identified the Administrative & Accounting Committee as well as the Benefits Committee.

**Report of the Executive Director:**

**Heitman Investment:** Ms. Murray first updated the Board that the legal review of the documents with Heitman Investment was completed, and the subscription agreement was submitted for their January closing.

**2024 Year End:** Next Ms. Murray reported that the year-end process has begun with the member data submitted to the actuarial firm, Gabriel, Roeder, Smith & Co. GRS expects to have preliminary results for the March meeting.

Ms. Murray stated that the Retirement System is currently in the process of reconciling to close the year out in the general ledger, beginning the compilation of the financial statements and schedules for the Annual Comprehensive Financial Report, and preparation for the annual audit.

**Pension Software Vendor:** In closing her report, Ms. Murray updated the Trustees that work continues with the pension software provider in an effort to get our outstanding software changes completed prior to the end of the support from the current provider in March 2025.

Ms. Murray added that she had reached out to other Pension Systems in the same circumstances. She indicated that she has only been able to connect with a few, one of which is still in the implementation process.

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Trustee Capano asked Ms. Murray if the situation with the vendor was sudden or if she was expecting the change with the vendor. Ms. Murray responded that she was notified in December, the vendor giving 90 days' notice, pursuant to the agreement.

**Report of the Monthly Cash Balance:**

Ms. Murray reported a cash balance in the amount of \$9.2 million at the end of December. She noted a number of distributions and only a few capital calls in January, ending the month with a very healthy cash balance of \$9 million.

Trustee Bunker moved to accept the Cash Balance Report and place it on file, seconded by Trustee Ciechon.

Executive Director Murray conducted a roll call vote.

Ayes: Chairman Molan, Trustee Bunker, Trustee Ciechon, Trustee Capano and Trustee Carpenter

Nays: None

Motion Carried

**Consent Agenda:**

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

Trustee Ciechon moved to accept the Consent Agenda, seconded by Trustee Carpenter.

Executive Director Murray conducted a roll call vote.

Ayes: Chairman Molan, Trustee Bunker, Trustee Ciechon, Trustee Capano and Trustee Carpenter

Nays: None

Motion Carried

**Other Business:**

Chairman Molan informed the Board of a recent requested one-year extension from Blue Vista Real Estate Partners IV, L.P., offering a quarter point reduction in the management fee.

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Attorney Rich stated that he and Mr. Grzejka from NEPC have reviewed the extension request, adding that this is the second one-year extension. The partnership agreement, Attorney Rich informed the Board, provides for two one-year extensions. He explained that this requested extension had to be approved by the Fund's Advisory Committee.

Mr. Grzejka elaborated that Blue Vista is past its investment period, past its harvest period and that most managers have some type of extension clause within their agreements to maximize the return at the tail end of the investment.

Chairman Molan entertained a motion to accept the one-year extension.

Trustee Bunker moved to acknowledge and accept the request from Blue Vista Real Estate Partners and grant a second one-year extension. The motion was seconded by Trustee Ciechon.

Executive Director Murray conducted a roll call vote.

Ayes: Chairman Molan, Trustee Bunker, Trustee Ciechon, Trustee Capano and Trustee Carpenter

Nays: None

Motion Carried

**New Business:**

Review of 2024 year-end performance - Mr. Grzejka of NEPC referred to the Monthly Performance Report ending December 2024, describing the overall performance of 10% as a very good year. He elaborated that most asset classes contributed, though real estate had some softening. He noted that real estate could be hitting the bottom.

Focusing on the one-year column of the report, Mr. Grzejka explained that there were good absolute results from the managers, noting the strategy of increasing exposure to the S&P 500 Fund in 2024 has been a great benefit for the Plan. He reported outperformance from non-U.S. Equity Managers.

Mr. Grzejka reviewed the make-up of the U.S. Equity allocation, with two active large cap managers, Aristotle and Sands, the S&P 500 Index Fund as well as a small cap manager, Boston Trust Walden. Given the overlap between Sands and the S&P 500 Fund, he suggested some savings might be achieved by reducing the active management.

On the Fixed Income side, Mr. Grzejka reported that Loomis continues to drive performance, up 6% in the last year, and Arena Capital also up 6% since inception in August, with the remaining

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fixed income providing the liquidity. On the Real Estate side there has been softness, and with the recent commitments, he noted that NEPC will not be recommending new allocations to Real Estate in 2025, instead focusing on the Private Equity side of the portfolio, as a number of the current investments have wound down.

Before moving on to the next segment of his presentation, Mr. Grzejka asked if the Board had any questions.

Trustee Capano asked Mr. Grzejka to clarify his statement regarding commitments in the Real Estate sector.

Mr. Grzejka explained that investing in equities, as an example, is straight forward, similar to what a lot of people do with a 401k, by selecting stocks or funds. Whereas for investments on the private side, managers looking at investing in opportunities prospectively. Commitments are made for a set amount and time frame, during which time the manager will call on those funds as the opportunities progress.

To further demonstrate the point, Ms. Murray called attention to the Cash Report in the agenda packet, which lists the current commitments with outstanding balances. She pointed out investments with Heitman and HarbourVest, the newest commitments which have recently been added to the list.

After some comments and discussion about the overall performance, Chairman Molan expressed concern over the returns, noting managers are not producing. He suggested the Investment Committee convene to drill down and evaluate the worth, if any, of having active managers versus index funds.

Mr. Grzejka turned the Trustees' attention to the Asset Allocation Review and Portfolio Update booklet. On an annual basis, he stated, NEPC conducts a strategic asset allocation, looking at an appropriate diversified approach and where the allocation should be over the next 10 to 30 years, with the 6.75% rate of return as the target.

Working through his presentation, Mr. Grzejka touched on the current market outlook at a high level, referencing impactful elements such as rate expectations, tariff headlines, lingering inflation, and volatile markets, demonstrating the necessity of being diversified.

Trustee Capano referred to page 8, asking about the low GDP growth estimates in the 2% range for 2025. Mr. Grzejka clarified that NEPC utilizes the estimates published by the US Bureau of Economic Analysis.

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Mr. Grzejka discussed the key portfolio considerations for 2025 set forth on page 17 including diversification, alpha and real assets. Mr. Grzejka then moved to page 18, Asset Allocation Overview. He stated that the portfolio has been structured to help meet the long-term needs of the Plan. The recommendation is to adjust the current approach only slightly, balancing risk and returns while better aligning exposures to current opportunities and geography.

To implement, Mr. Grzejka stated NEPC recommends increasing exposure to the US, specifically large cap, and adjusting the weights of Small Cap and Emerging Markets, providing greater balance, while increasing passive exposure. In addition, they recommend a slight increase in private equity, reflecting the long-term opportunities. Lastly, they recommend decreasing multi-sector credit, rebalancing across other parts of the portfolio.

After brief discussion, the Board agreed that the Investment Committee should meet for further review of the recommendations, the timing of changes, as well as the amount of the changes.

Attorney Rich asked Mr. Grzejka to explain the chart Scenario Analysis on page 19, as the current policy seems to perform better than the proposal.

Mr. Grzejka responded that the difference between the current policy and the proposed allocation is negligible and the impact can mostly be attributed to rounding. He explained that the proposal avoids taking on additional risk, essentially taking on the same upside and the same downside from both mixes, mostly shifting to US markets. He added that most of the change is attributed to the reduction in the Emerging Markets.

Lastly Mr. Grzejka turned to page 27, Commitments & Allocation Projections, a snapshot of NEPC's modeling for 2025, inclusive of the commitment amounts. He explained the Private Market Exposure, the investment strategy, the commitment, as well as the unfunded commitment and total exposure, with an overall recommendation of a \$12 million commitment for the upcoming year.

After brief discussion on the recommendations, Investment Committee members reviewed their availability, ultimately and scheduling a meeting on Wednesday, March 19, 2025 at 9:00 a.m.

**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 9:25 a.m., seconded by Trustee Carpenter.

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Executive Director Murray conducted a roll call vote.

Ayes: Chairman Molan, Trustee Bunker, Trustee Ciechon, Trustee Capano and Trustee Carpenter

Nays: None

Motion Carried

Respectfully Submitted,

Melanie Murray  
Executive Director