

May 13, 2025
Minutes #630

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: Richard Molan, Richard Bunker, Sharon Wickens, Peter Capano, and Mathew Ciechon

MECRS Staff: Melanie Murray, Kimberly Barrett, and Suzanne Wilson

Excused: Michael Carpenter

Absent: Mayor Jay Ruais

Also in Attendance: John Rich, Jr. – MECRS Legal Counsel

Linked Remotely: Sebastian Grzejka from NEPC

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous board meeting minutes of April 8, 2025.

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

Report of the Executive Director:

Benefit Fairs: Ms. Murray reported that she and Executive Assistant Kimberly Barrett attended the latest sessions of Benefit Fairs held by the City to give employees opportunities to interact with the various vendors for their benefits. She stated that they were able to answer questions, mostly on additional contributions. Also, she noted that they encouraged registration for the MECRS website and even facilitated some beneficiary changes.

April 2025 Rebalance: Ms. Murray then provided an update on the rebalance voted by the Board at the April meeting, noting all of the transactions had been processed. She explained that the balances in the recommendation from NEPC were as of January 2025, by the time the Board was able to vote to implement, the Sands Capital balance had decreased by \$4.7 million.

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Approximately \$21 million was transferred to the Fidelity Index Fund, with the balance coming from the allocation to cash.

2024 Year End: Ms. Murray informed the trustees that she received the GASB reports from the actuary, which she incorporated into the Annual Report before providing an updated draft to the auditors.

Trustee Capano asked Ms. Murray to explain the GASB (Government Accounting Standards Board) reports, for which she gave a brief overview of the reporting requirements.

HealthTrust: Moving on, Ms. Murray stated that there was a public hearing on Senate Bill 297 on April 23rd, at which a HealthTrust representative provided testimony. She informed the board that they did have a subcommittee work session scheduled on May 7th, with another scheduled on May 20th.

Heitman: In closing her report, Ms. Murray mentioned that she had a brief visit with a representative from Heitman, the most recent investment in the MECRS portfolio. The representative simply wanted to give a brief update and meet in person, as he was in the area for another meeting. He shared that the fund is trending higher than expectations, performing well in choppy markets. She reported that MECRS had already received a distribution in May, and the Heitman representative assured monthly distributions would continue going forward.

Report of the Monthly Cash Balance:

Ms. Murray reported that the month of April began with a healthy balance of just under \$9.5 million. She identified a number of redemptions from the latest rebalancing as well as a few sizable distributions and a few capital calls. She stated that the cash balance ended the month with a healthy balance of just under \$9 million.

Trustee Ciechon moved to receive and place on file the Cash Balance Report, seconded by Trustee Wickens, and passed by all those trustees 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 Capano, and passed by all those trustees present.

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Informational Items:

NEPC: Representative Sebastian Grzejka was linked in remotely, and he reviewed the Monthly Performance Report Ending March 31, 2025, preliminary April 30, 2025, as well as the NEPC Market Outlook.

Mr. Grzejka first advised that the April reporting is preliminary, referencing Ms. Murray's earlier report of the rebalancing in April during the choppy part of the month, with the details regarding the activity and termination of Sands Capital still pending. He stated that a flat return for the month of April but the environment is positive overall. Since the end of April the market has been very positive.

Mr. Grzejka provided a quick update on the market outlook. He referenced concerns about tariff impacts, adding that the uncertainty can translate to volatility in the market. He explained that things have settled down over the past few days.

Looking at April as a whole, Mr. Grzejka stated that the S&P 500 has been down almost 10% but finished the month down less than 1%. He continued explaining that for May so far, the S&P is up 5%. Interestingly enough, he commented, the timing of the portfolio rebalancing and movement in April should be beneficial to the Plan.

The other dynamic, which is unique to this year, is that the American economy was quite stable and supported by the consumer. There has been a reversal in emerging markets and a reversal in the dollar, which has weakened, with the impact of increasing the value of Non-U.S. Securities.

Referring to chart on page 7 of his presentation, Mr. Grzejka stated that where the portfolio was in mid-April of 2025 was roughly where the Plan was last summer, and a lot has transpired since then. Basically, the Fund is coming back into positive territory from the market sell-off that the fund experienced just last month. He explained that this is a quite variable, quite volatile, time and this is actually where the Fund should maintain discipline in terms of approaching asset allocation and further rebalancing.

Mr. Grzejka referred to the performance, referencing the flat returns year to date with positive 1-year returns, reminding the Board that returns for alternatives lag for a quarter. He did note that core real estate markets are starting to stabilize, with expectations of flat to positive returns overall. He mentioned NEPC is monitoring the impact of the tariffs and inflation trends. He said that he expected there to be opportunities in private market debt.

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Chairman Molan referred to the domestic equity performance, noting that the results are below the benchmark in every line. Mr. Grzejka responded that the reporting for April is preliminary, but added that the investment in Sands Large Cap Growth had a significant impact on performance, both good and bad.

Chairman Molan thanked Mr. Grzejka for his presentation.

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 8:57 a.m., seconded by Trustee Ciechon, and passed by all those trustees present.

Respectfully Submitted,

Melanie Murray
Executive Director