MUNICIPAL EMPLOYEES' RETIREMENT COMMISSION

BENEFITS COMMITTEE

RE: MONTHLY

DATE: OCTOBER 15th, 2026

LOCATION: REMOTE VIA TEAMS

SPEAKERS AT MEETING:

Chairman Brian Vahey

Vice Chairman Jeffrey Tomchik

Trustee Jeffrey Arn

Trustee Michelle Boyles

Ex-Officio Member Deputy Comptroller Tara Downes

Trustee David Glidden

Ex-Officio Member Deputy Treasurer Kerry Kelly

Trustee Troy Raccuia

Ex-Officio Member CIO Ted Wright

Trustee Steve Stephanou

From the Office of the State Comptroller, Retirement Services Division, Division Director John Herrington

Assistant Division Director and General Counsel to the Municipal Employees Retirement Commission, Robert Helfand

Planning Specialist Benjamin Sedrowski

Associate Retirement and Benefits Officer Cari Pennoyer

Planning Specialist Megan Piwonski

From the Office of the State Comptroller, Assistant Comptroller and General Counsel to the Comptroller, Yamuna Menon.

PROCEEDINGS

(Recording begins)

MS. PIWONSKI: Good afternoon, everyone. The recording is now active. This is a meeting of the Benefits Committee of the Municipal Employees Retirement Commission. I am Megan Piwonski from the Retirement Services Division. The time is 11:04, and the meeting has been called to order. Present for the commission today, we have Chairman Brian Vahey; Vice Chairman Jeffrey Tomchik; Trustee Jeffrey Arn; Trustee Michelle Boyles; Ex-officio member, Deputy Comptroller Tara Downes; Trustee David Glidden; Ex-officio member, Deputy Treasurer Kelly -- Kerry Kelly who today was appointed as designee to Eric Russell. Welcome, Kerry. We have Trustee Troy Raccuia; and Ex-officio member CIO Ted Wright. Oh, and Trustee Steve Stephanou. From the Office of the State Comptroller, Retirement Services Division, Division Director John Herrington; Assistant Division Director and General Counsel to the Municipal Employees Retirement Commission, Robert Helfand; Planning Specialist Benjamin Sedrowski, Associate Retirement and Benefits Officer Cari Pennoyer; and myself, Planning Specialist Megan Piwonski. Additionally, present from the Office of the State Comptroller, Assistant Comptroller and General Counsel to the Comptroller, Yamuna Menon. And I believe I have everyone.

CHAIRMAN VAHEY: Thank you, Megan. Appreciate that.

Welcome everyone. I hope everyone's had a chance to kind of look over the meeting materials and the consent agenda, which includes our September minutes, the invoices for Rose Kallor with the legal matters and the financial statements from June 2026, which need approval. Does anybody have any questions on any items on the consent agenda? Any discussion? Seeing none, can I get a -- a motion?

MR. STEPHANOU: Motion to approve the consent calendar.

MR. ARN: Second.

CHAIRMAN VAHEY: Thank you, Steve. Thank you, Jeff. All in favor? Any opposed? Seeing none, so moved. Thank you.

(All in favor; none opposed.)

CHAIRMAN VAHEY: Next up is the retirement approvals September. Can I get a motion on that?

MR. RACCUIA: I'll make a motion to approve them.

CHAIRMAN VAHEY: Thank you, Troy.

MR. RACCUIA: You're welcome.

MR. STEPHANOU: Second.

CHAIRMAN VAHEY: Thanks, Steve. All in favor? Any opposed or abstentions? Hearing none, so moved.

(All in favor; none opposed.)

CHAIRMAN VAHEY: So that brings us to the item that was -- we had on the agenda last month. We moved this month. It's the investment performance report from our CIO, Mr.

Wright. and without further ado, Ted, floor is yours.

MR. WRIGHT: Thank you, Chairman Vahey. Nice to see -- see you all again. You have to excuse me, I'm getting over a poll, so my voice has been in and out, so I do sound a little strange today, but good afternoon, everybody. It gives me great pleasure to report on performance for the fiscal year. This is, again, another very successful year for us. I can remember five years ago when we were really looking at some really tough, tough times. Performances had been really lagging for quite some time, for at least a decade, I'm sure Brian remembers. But the last four years have been fantastic. So without further ado, if we can bring up this slide, please, the presentation.

CHAIRMAN VAHEY: There we go.

MR. WRIGHT: Screen keeps disappearing. [Inaudible 00:04:42] my mistake. I don't know what's going on with my screen. It's like one minute I'm on it and then I disappear. Can you guys see me?

MS. PIWONSKI: We can.

MR. WRIGHT: Maybe it's just --

CHAIRMAN VAHEY: Yeah.

MR. WRIGHT: Maybe it's just a me thing. Okay. So can we go to the second slide, please? In addition to having a call, I guess my call is affecting my technology as well. For the fiscal year, we performed 15.1 percent net. We added about

$11 billion to the assets and management and finished the fiscal year just under 74 billion. We are close to 78, 79 as of now. Go to the next slide, and you've seen this before. The teacher's retirement, as you know, continue to be the largest fund allocation within the CRPTF. Municipal's over $4 billion, so pretty significant. Next slide. We can skip that one. Go to the next one. You'll see the performance of those three major funds. They're right on top of each other as they -- as they would be. The difference, of course, is just more of a noise than anything else. If we move to the next slide, the size of the boxes, if you can remember last year, represents the size of the allocation. So the entire rectangle of course is 100 percent. Our domestic equity bucket is the largest. The numbers inside each of those shapes is the performance for the fiscal year. So you'll see that emerging market equities performed 49 percent last year. If you can remember, a little over a year ago in January of 2025, we went to an overweight emerging market equities. So that has certainly benefited the -- the fund, and we continue to have a marginal -- actually recently, we've moved to an equal weight in emerging market equities, and we've started to continue our increase on our private assets. So private equity has gotten slightly larger and so has infrastructure and natural resources as well as private credit. Next slide, you'll see that in our equities, similar to last year, we maintained a pretty sizable

passive allocation of 45 percent of our public equities. About 30 percent is enhanced passive. So for example, we've had periods where we've overweighted the equal allocation to large cap securities versus having a market weight. And the intent of that is if we are -- if we feel that we've reached the peak of the market being driven by the largest companies, then we would want to have a smaller passive relative, or reduce our passive relative to our enhanced passive. So we did that last year as well. That, again, has benefited us. Next slide. And this is the one that matters the most. So we did 15.1 percent. You'll see the performance numbers highlighted in the blue. You'll see how we did versus our peers. So the lower the number, the better. We performed about the 23rd percentile. I saw some more recent update of that one-year fiscal number as some of the funds hadn't reported their numbers as of the cutoff. And we are ranking somewhere just under -- in the high teens, which is like in the top 20 percent of our peer group. If you remember, years ago -- four or five years ago, we were in the 98th -- 95th to 98th percentile across all of these metrics consistently for multiple years. So we've gone from -- we've literally done 180 where we've gone from consistently being one of the worst performing public pensions in the country to now being one of the best performing. And that's been reflected in -- we've won a number of industry awards so far this year, getting nominated in finalist for a number of

them, including the top investment team in the public pension space. We won that last month. And I know myself and the treasurer also nominated for CIO of the year. That comes out in November. But again, the team has been phenomenal. You know, I see myself as a net beneficiary of just having an exceptional team. They truly make my life so much easier and coming to work is certainly a pleasure. But I would also add, even if performance weren't good, investments is my hobby anyway, so I don't work. Coming to work is not like work for me. It's really more play, so I would enjoy it either way. Moving to the final slide -- final nature slide. These are just the members of the Investment Advisory Council. Again, the Investment Advisory Council sets the investment policy, which explains over 90 percent of our performance. So this group right here is the group that truly drives the performance. And you see that this list is -- is inclusive of some very well regarded names in the industry, including a few former CIOs of major institutions. With that, given my terrible voice that seemed to be coming and going, I would like to pause here and see if there are any questions. But again, we continue to really just operate, I would say, just running on all cylinders and -- and we continue to make refinements as necessary. One notable thing that I did not mention since this fiscal year, we've actually moved up our cash position. So we're running in the four to five percent range. As you know,

historically, we typically run up at one percent cash. So we are see -- we have seen some of the choppiness and so hence we've moved to a larger cash allocation. Of course, cash is actually paying some money now, so that also benefits us. But we see it as, in addition to being able to earn four plus percent on our cash, short-term cash position, it gives us a larger liquidity buffer. In case there are market selloffs, we'll be able to react almost immediately if we see big draw downs. With that, I'd like to open the floor to any questions, but I think that's as far as my regular voice can handle.

CHAIRMAN VAHEY: Thank you -- thank you, Ted. Are there any -- any questions? I -- on the return page with the 10-year -- yeah, that one. Could you just remind the audience what the liability return is set at --

MR. WRIGHT: Like the -- yes, it's 6.9 percent.

CHAIRMAN VAHEY: 6.9. So I think that's helpful.

MR. WRIGHT: So annualizes eight percent -- annualized number for 10 years is 8.9 percent. But again, five years ago, this was a different picture.

CHAIRMAN VAHEY: Yes, it was. And then I had a question on the asset mix page.

MR. WRIGHT: Uh-huh. [Inaudible 00:13:12].

CHAIRMAN VAHEY: Second or third kickoff.

MR. WRIGHT: Yep.

CHAIRMAN VAHEY: That one.

MR. WRIGHT: Just passed it with all the splits.

CHAIRMAN VAHEY: I see risk management RMS on there. Can you --

MR. WRIGHT: One more.

MS. PIWONSKI: Sorry. This one?

CHAIRMAN VAHEY: Yes. Thank you. The RMS, can you --

MR. WRIGHT: Yes, the RMS -- technically in the IPS, that -- that's actually should be called absolute return strategy.

CHAIRMAN VAHEY: Oh.

MR. WRIGHT: RMS is how we are running it. So that -- that bucket should be technically labeled absolute return. We've ran that for a long time, mostly with volatility trend following strategies. Recently, the advisory council has opted for a truly a more absolute return. So that's populated with hedge fund strategies and is morphing into something that has low correlation to equity markets, decent current income, as well as the ability to generate steady but decent returns above our actuarial rate of return. Case in point, if you look at the returns, and again, we can't see it here because this is as of June 30th, but September was a pretty choppy month on the market. This strategy was up. I know equity markets were basically flat, and this was up about one percent. In a -- under its old iteration, it would probably be slightly -- be

flat or slightly negative because we have to pay for insurance. Now, we've morphed it into something where we're actually not paying for insurance. We're trying to capitalize on -- I don't want to get too technical. More and -- and I don't want to use the term risk premium, but more absolute return -- just generating returns regardless of the market conditions is probably more accurate risk of stating it. So that's --

CHAIRMAN VAHEY: Yeah.

MR. WRIGHT: -- what that piece is there. So there are things going on, Brian, in the portfolio and we -- we are certainly not resting on our laurels. We're preparing it for the next market cycle, and I think we're well -- well on our way to doing that as -- as of now.

CHAIRMAN VAHEY: Yeah, you're reading my mind. So is there a current open mandate with one or more distressed hedge fund shops?

MR. WRIGHT: Not as of now. But again, we're -- we're always out there looking for interesting opportunities and strategy is off limits to us.

CHAIRMAN VAHEY: Awesome. Great. Thank you.

MR. WRIGHT: All right. Absolutely.

CHAIRMAN VAHEY: Any other -- any -- Steve?

MR. STEPHANOU: I was just going to -- thanks, Ted. Can you remind how -- what -- what percentage of the portfolio is in fixed income?

MR. WRIGHT: In this -- the fixed income two parts. So the non-core that you see generated 7.7, that's about -- that -- that was running about three percent, and the core was running about 15-ish percent -- 14, 15 percent as of June 30th. They've -- we've gone up a little bit more in core, and non-core is pretty much the same.

MR. STEPHANOU: And -- and what are your expectations with this interest rate environment right now that makes it very difficult for fixed income with, you know, rising -- the in -- the expectations for inflation to keep going up, but yet you're getting attractive yields, and how -- how do you -- how do you balance that?

MR. WRIGHT: So we - we think that the -- the expectation for higher yields, eventually, that's going to slow down the equity markets and -- the public equity market returns, because, as you know, mathematically, higher rates --

MR. STEPHANOU: Yeah.

MR. WRIGHT: -- discount the values to a lower level. So we do expect that at some point, you will see a correction in this market as a result. The hope is that the general economy remains strong enough to withstand that correction. And in -- in the case that the correction does occur, and if history is a -- a reminder, it will occur at some point, we just don't know when. We're trying to prepare ourselves by having a -- a decent size of ready liquidity to be able to buy

when there is a correction, and that's why we've started to increase our cash to the higher carrying level that we've typically run over the last 23 years in anticipation of when that does occur. And this -- the -- the net benefit of having the higher cash level is that unlike five, 15, 20 years ago, cash actually has a decent return. So we're able to have the higher -- a higher -- a higher allocation of cash, ready liquidity, and this fits in with our -- we -- we instituted a rebalance policy two years ago, and as such, we're able to -- if there is a sizable drawdown over whatever period of time, so it's -- it's basically a model looking at -- at drawdowns over varying time periods. Once that's triggered, we can buy equities at the end of the same day. So we have a process with our custodian where as long as we have cash sitting in our liquidity bucket and we notify our custodians earlier in the morning, we can actually buy at the end of the day. So we -- we've done it once so far, that was done liberation day. We bought almost a billion dollars in equities. We actually haven't had to sell it, so that billion has gone up about 50 percent since -- since we bought it, and we haven't had to sell it because it just has -- haven't gotten to that point yet where we need to sell it, but eventually we're going to continue to start to draw down some of that and harvest some of that gains as we fund our private allocation increases. So that's kind of where we are.

MR. STEPHANOU: No, that's -- that's great. You -- you answered my second. I was curious on the process and whether it's formally spelled out in the -- in the plan policy and -- and it is, so great. Thank you.

MR. WRIGHT: You're welcome. The good thing I would say about, you know, when -- when there's good performance, there's hardly any questions. When performance sucks, the -- the line's so long. So I hope -- I hope I never get to that point where I have a long line, but much appreciated, Steve, for the question.

CHAIRMAN VAHEY: Jeff?

MR. ARN: Yeah, I don't know if this is for Ted or for John, but with the news being so great, is there a way we can share this with all our member agencies to help gain confidence and, you know, kind of brag about what a great job Ted's doing?

CHAIRMAN VAHEY: That's not a question for us. Mr. Herrington?

MR. HERRINGTON: Right. What I -- I would say is I would wait for the actuarial valuation, right? So, like, I don't know exactly what the experience would be, but if we had far more expensive retirements than what were assumed, that could kind of blunt the good news. So I -- I think that -- that hopefully they compliment each other, but I would hate to say that we're -- we had all of this great investment

performance, but by the way, your rates are going up more than you expected.

MR. ARN: Thank you.

CHAIRMAN VAHEY: And so the timing on that, John?

MR. HERRINGTON: Right. So the we -- we've provided all of the -- the underlying data to the actuaries, and we would expect to have that in our December meeting.

CHAIRMAN VAHEY: Good. Great. And to Mr. Wright's point, hopefully the markets hang on here and we don't -- we don't -- we don't experience a -- a cycle -- the downward cycle before them, but --

MR. HERRINGTON: That -- that's tough.

CHAIRMAN VAHEY: No, I -- thank you very much. Any other questions? Seeing none, I know that Mr. Wright has another appointment that he's got to get to, so again, thank you, and --

MR. WRIGHT: Thanks for having me.

CHAIRMAN VAHEY: Look forward to seeing you next time. All righty. Now -- now, it's -- it's your floor, John.

MR. HERRINGTON: Okay. Yep, thank you. Good afternoon, everyone. Oh, I -- I guess my camera's not on here. So we had another month where we continue to focus our efforts on the MERS 2.0 implementation with regards to, you know, assessing our options improving our processes, identifying problems that need to be solved, and addressing some of the --

the larger regulatory matters in -- in terms of the -- the final definition of regular and other pay and issues relating to reemployment. We also continue to work through with our drop the administration of our drop plan. We -- we have had a couple of individuals in each of -- of the past couple of months exiting the drop relatively early or -- or prematurely but that is giving us opportunities with a relatively low volume for us to -- to perfect the -- that process of actually exiting the drop. We also have had a number of interactions with -- with towns interested in joining MERS 2.0. We continue to provide information and work with our actuaries to provide estimates of that going forward. I think the -- the most impactful change for -- for this body would be that we have identified a replacement trustee for Mike Freda's position. We've sent that information over to the governor's office and are awaiting official confirmation of that -- that nomination. But we -- we expect that -- that to go forward and hopefully by next month -- next month's meeting, we -- we should have a -- a new trustee on board.

CHAIRMAN VAHEY: Excellent. Steve?

MR. STEPHANOU: Yeah, just quick. John, just curious, the -- the outreach with some of the other potential municipalities, just is that -- is that happening in person? Is that virtual, just sort of introductory general overview?

MR. HERRINGTON: Yeah -- yeah. I -- I Megan could

get to the specifics, but it -- it's all of the above. So some of them, they're -- they might be, you know, simple as a email from an interested union member that wants a better pension plan to something that's official from a -- a union and/or a town. We -- we've had them -- they -- they usually start informally and then, you know, kind of elevate a -- a bit. But we -- we had an in-person meeting with a group from a -- a large municipality, and we followed up with a virtual meeting with a -- a representative of -- of the town. But they run the -- the gamut. They -- they are serious when we actually receive census information from the entity that we sort of send to the actuaries.

MR. STEPHANOU: Great. Thanks.

MR. HERRINGTON: Megan, did you have anything you wanted to supplement?

MS. PIWONSKI: No. So -- oh, a little bit. So when we get the -- the numbers back from the actuaries, I do reach out and want to talk with them, kind of walk them through what the numbers mean, and make sure I answer any questions. The next step, what I've done with a couple is -- is go out and -- and meet with kind of all of the interested parties and -- and get, you know, all the questions possible that they have on how MERS 2.0 works, you know, whether it might make sense for them, you know, compared to what they currently have. And it's a lot of just making sure that they have all of the information they

need in order to make those next steps and feel comfortable. So far, it's actually worked out really well, though, where we have given -- we have kind of a generic letter from the actuary saying that roughly, you know, for police and fire, it's about 11 percent for the normal cost. And when they've been running the numbers, we've been kind of beating that a little bit, I mean, by, like, one point. Or, you know, it's -- it's more like 10 percent in a lot of cases, and -- and that's been really great. So, you know, as people are kind of looking at the numbers, we usually have some good news for them.

CHAIRMAN VAHEY: That's great. Any other questions? So seeing nothing that moves us into new business, which is the legal -- legal and personnel committee. Who -- who's going to take the lead on -- on bringing that to the board?

MS. PIWONSKI: First, I think we need a vote to go into executive session.

CHAIRMAN VAHEY: Oh, well, yeah, but I also still want to know that answer to that question. And it's not a secret, so just --

MR. HELFAND: I believe that's going to take the lead there.

CHAIRMAN VAHEY: Okay. Great.

MR. STEPHANOU: Motion to move into executive session.

CHAIRMAN VAHEY: Thank you, Steve.

MR. ARN: Second.

CHAIRMAN VAHEY: Jeff has seconded. All in favor?

(All in favor; none opposed.)

CHAIRMAN VAHEY: All right. Please put us into executive session, cease the recording, and make sure that we only have the right folks in the room here.

(Recording ends.)

(Executive Session.)

(Recording begins.)

MS. PIWONSKI: And it is 2:04.

CHAIRMAN VAHEY: Thank you. So following executive session, we have a few motions to consider. Somebody like to bring up the --

MR. STEPHANOU: Mr. Chair, would you like me to go?

CHAIRMAN VAHEY: If you're prepared on the Cynthia Schmitz, yes, that'd be great.

MR. STEPHANOU: Sure. All right. Motion authorizing the -- the Retirement Services Division to pursue legislative approval of the proposed regulation for MERS 2.0 that is in our agenda packet.

MR. ARN: I'll second that.

CHAIRMAN VAHEY: Thanks, Jeff. All in favor? Any opposed? Abstentions? Hearing none, so moved.

(All in favor; none opposed.)

CHAIRMAN VAHEY: Now, on the item of Cynthia Schmitz,

we need someone to make a motion that we -- the board agrees to reconsider the original application, I believe. And then a follow-up motion as to the decision of the board. But I can't do that.

MR. ARN: I'll make a motion that we reconsider her application.

CHAIRMAN VAHEY: Thank you, Jeff.

MR. STEPHANOU: Second.

CHAIRMAN VAHEY: Thank you, Steve. All in favor? Any opposed or abstentions?

MR. GLIDDEN: One abstention, Dave Gluten.

CHAIRMAN VAHEY: Yep. Got you, Dave -- David, it's an abstention noted. So moved.

(All in favor; one abstention.)

CHAIRMAN VAHEY: And can I get a motion on decision of the board? It'd be something along the lines of the merits, I believe. I may remember even if not.

MR. HELFAND: It would -- it would be a -- a motion either to approve or deny Ms. Schmitz's application on the merits on reconsideration.

CHAIRMAN VAHEY: That's the language.

MR. HELFAND: But it has to come from a member of the commission.

CHAIRMAN VAHEY: And not -- and a trustee, not me.

MR. ARN: I'll make a motion that we deny based on

the merits for Cynthia Schmitz.

MR. STEPHANOU: Second.

CHAIRMAN VAHEY: All in favor? And I'm guessing we've got the one abstention from David. Any opposed?

MR. GLIDDEN: Yep. Correct. One abstention.

CHAIRMAN VAHEY: Seeing none others, so moved.

(All in favor; one abstention.)

CHAIRMAN VAHEY: Thank you. Great. It's just a little after 2:00. How many, you know, show of hands, how many people are going later this month to NCPERS event, the training? Just me? I go by myself.

MR. HERRINGTON: Kurt -- Kurt and Karen are going as well.

CHAIRMAN VAHEY: Okay. All right. So three of us. And staff?

MR. HERRINGTON: It's -- I'm going, Ben's going, and Megan's going.

CHAIRMAN VAHEY: Great. Okay. We'll see you there.

MR. HERRINGTON: Okay.

CHAIRMAN VAHEY: Any other old business? Hearing none then can I get a -- a motion for us to adjourn?

MR. STEPHANOU: So moved.

MR. RACCUIA: So -- I'll second.

CHAIRMAN VAHEY: Okay. Not quite sure. I know Troy's involved in there. I think Steve might beat him to the

poll. All in favor?

(All in favor; none opposed.)

CHAIRMAN VAHEY: Great. Thank you, everyone.

MR. STEPHANOU: Thanks a lot. Take care.

CHAIRMAN VAHEY: Until next month, take care.

MR. TOMCHIK: Thank you.

(Recording ends.)

TRANSCRIBER'S CERTIFICATE

I, Robert Aubin, the undersigned, do hereby certify that the foregoing is, to the best of my skill and ability, a true and accurate transcript of recording of the meeting for Municipal Employee's Retirement Commission on July 16th, 2026



Robert Aubin,

Transcriber