

## Minutes of the meeting held on January 22, 2026

Present: Francis Murphy – Chair, Joseph McCann, Michael Gardner, James Monagle, Claire Spinner and Chris Burns.

Absent: Nadia Chamblin-Foster

The meeting was called to order at 10:00 AM. This was a hybrid meeting, held in-person in the Sheila Tobin Conference Room at 125 CambridgePark Drive, with some participants joining via Zoom videoconference. Burns announced that the Retirement Board audio and video records the meeting, which in conjunction with the minutes, constitutes the official record of the meeting. The minutes are made available to the public. In addition, third parties may also audio and/or video record the meeting.

### Agenda Item #1 – Meketa Investment Group

Daniel Dynan, Stephen MacLellan and Alli Wallace Stone represented Meketa. The Board reviewed Meketa's response to the system's RFP and a written presentation deck. MacLellan introduced his team, noting that all three of them live locally and work out of an office in Westwood, MA. MacLellan stated that he and Stone would typically attend investment review meetings, with Dynan as a backup when needed. Meketa currently works with the retirement systems in Hingham, Lexington, Marlborough, MHFA, Norwood, Plymouth County, Quincy and Worcester. Marlborough is the oldest Chapter 32 client, with Meketa since 1998. The Chair asked which is the best performing fund. Dynan noted that tracks the performance of all their public funds nationwide. Those funds have outperformed the median return for public funds with very low risk. Measured on a risk-adjusted basis, Meketa's funds rank in the top decile. MacLellan noted that among Chapter 32 systems, the Boards have very divergent strategies. He noted that the Lexington retirement system generates very high returns due to a large equity allocation. Conversely, the Worcester Retirement System takes a different approach, focused on matching the return from PRIM. Quincy and MHFA take a very conservative approach, focused on preventing losses. Gardner asked how Meketa is able to minimize risk while generating strong returns. Dynan stated that they encourage clients to increase exposure to assets that will protect against inflation, such as TIPS and Infrastructure funds. Meketa has also found that traditional bonds do not often offset the risk of equity funds. Dynan offered to share the firm's white paper which provides more detail on risk-mitigating strategies.

Dynan described his work with the Plymouth County Retirement System, which hired Meketa in 2017. At the time, half of their managers were performing below median and they had very small allocations to private equity and infrastructure. After making significant changes, Plymouth was recognized by the Wall Street Journal for their turnaround. The changes allowed for significant downside protection during the market slump in 2022. That year, Plymouth returned -6.7%, which outperformed the median return of -13.8%. This placed Plymouth in the 3<sup>rd</sup> percentile for defined benefit plans.

MacLellan stated that he had reviewed Cambridge's current asset allocation and noted areas that might be improved or streamlined. He noted that the fund appears to be well positioned to generate risk-adjusted returns. He prepared proposals to allow the system to maintain the current level of returns with less risk, and another to allow the system to target slightly lower returns while cutting more risk. Gardner noted that the most significant change that Meketa is proposing is the addition of "risk mitigating assets" and he asked for further information about what that would include. He also noted that the Meketa proposal would increase the Sharpe ratio from 0.42 to 0.43 or 0.45 and he asked if that constituted a meaningful difference. Dynan stated that the Sharpe ratios as shown are a conservative estimate and that the actual level of risk may be lower. He added that the difference as shown on their projection was significant but added that

the Sharpe ratio may not be the best measure of risk. The most critical measure would be to see how the portfolio performs in a down market. Dynan stated that risk mitigating assets might include TIPS, long duration US treasuries, investment grade bonds, gold and natural resource equity.

Monagle stated that he reviewed the returns for Plymouth as shown in PERAC's annual report. He stated that he didn't see a dramatic improvement in their performance since 2017. Dynan responded that the returns may not appear spectacular because so much of the performance was driven by minimizing losses, and the returns in good years may slightly lag a more aggressive portfolio. Monagle noted that Plymouth has an assumed rate of return of 7.88% and questioned if Meketa had advised them to lower it. Dynan stated that setting an assumed rate of return is done by the Board in consultation with their actuary. He stated that the role of the consultant would be to determine a strategy for achieving the rate as decided by the Board, and to describe the amount of risk in the proposed portfolio.

The Chair asked if there had been any feedback from clients regarding the 2025 returns. Dynan reported that many systems saw returns on 11-12%. He noted that Meketa's clients may underperform in strong up markets led by US Equities. The portfolio is more structured around downside protection. Meketa always reports returns on a net-of-fees basis.

Gardner stated that Cambridge now does an asset allocation study approximately every two years. He asked how often Meketa would perform such a study and what their methods are. MacLellan stated that Meketa would likely hold a discussion around asset allocation at least every year, with a full study every two years. The schedule might be accelerated in times of significant volatility. He noted that there are a number of proprietary tools that Meketa uses in order to construct portfolios and evaluate risk and liquidity. Meketa receives no compensation from investment managers and all revenue comes from clients who pay for consulting services. Gardner asked how Meketa evaluates investment managers in the portfolio. Stone responded that Meketa has a large research team to evaluate individual managers. Meketa compares the portfolio as a whole and each fund manager to a benchmark. Dynan noted that their portfolio tools allow Meketa to identify inefficiencies in a portfolio. In looking at the Cambridge portfolio, Dynan identified that the fixed income portfolio could be better constructed. At present, there are three managers who each hold one third of the assets in that sleeve. This could be streamlined to two managers depending on the Board's objective to either drive returns or minimize risk. Gardner asked if Meketa offers a fully-managed option. Dynan stated that they do offer an "outsourced CIO" to certain clients, including one Massachusetts OPEB fund. MacLellan noted that this modal is most popular with funds that lack the staffing to manage and monitor their own managers.

The Chair asked if Meketa had other observations, other than simplifying the fixed income portfolio, that they would share. Stone stated that they would also recommend either eliminating the allocation to emerging markets debt, or cutting it down to one manager. They would also recommend eliminating one of the emerging markets equity managers. Finally, they would recommend adding an allocation to global equities, which would allow a manager the flexibility to shift investments between US and non-US equities. Stone stated that the portfolio's use of index managers is sound, and that Meketa tends to recommend indexing large cap US equities. Small cap US equities and International equities may benefit from moving some funds to active managers. The Chair asked how Meketa views the real estate market. Dynan responded that real estate appears to be at a low point and that funds are likely to benefit by buying. Meketa has recommended newer funds that are not saddled with expensive legacy properties. The Chair asked how Meketa typically structures contracts with newly hired managers. Dynan stated that Meketa treats all managers as being on watch at all times. While he recommends locking in good managers for a seven year contract, Meketa will recommend early termination if the manager's performance is poor. Dynan noted that with over \$2 trillion in client assets, Meketa is in a strong position to negotiate fees with managers.

Monagle asked how Meketa accounts for geopolitical instability in their models of future performance. Dynan stated that individual events like that cannot be incorporated into a long-term model. They can look at a specific scenario, such as the Greenland crisis, and evaluate how various asset classes may be affected in the near term. Meketa will also go back to check their analysis of past markets and note where their model were wrong and how they could be improved.

Dynan summarized his argument for why it would make sense to switch to Meketa. He pointed to the firm's deep research team and stated that he believed an innovative manager would be needed to navigate a volatile world.

#### Agenda Item #2 – Segal Marco Advisors

Erik Brown, Rafik Ghazarian, Caroli Loi and Peter Sullivan represented Segal Marco. The Board reviewed Segal Marco's response to the system's RFP and a written presentation deck. Ghazarian introduced his staff. Loi noted that she has been involved in working on the Cambridge portfolio since 2004. She manages data, prepares reports, coordinates meetings, assists in managing cash flow and handles paperwork for RFPs and new manager hires. In the next few months, she will be shifting to a role evaluating private markets. Brown will begin handling more work on the Cambridge account. Loi reviewed new software upgrades at Segal which will streamline work. Brown stated that he has been working on other Chapter 32 clients in New Bedford and Danvers for the past two years. Sullivan stated that he has worked as an investment consultant since 2008 and supported Ghazarian on the Chapter 32 accounts. He also has experience working with various corporate, union and municipal clients. Ghazarian stated that Sullivan would be his backup should he be unable to attend a meeting. Ghazarian also stated that he intends to continue to work at Segal Marco for at least the next 3-5 years.

Ghazarian thanked the Board for the long working relationship between Segal Marco and the Board. He noted that Segal now has \$145 billion in client assets in the consulting portfolio. He discussed the firm's research staff and their ability to evaluate manager performance across all asset classes. Over the trailing 15 years, the fund has returned 8.9% annually. He credited the strong returns to various decisions. That includes the decision to move a portion of the fixed income sleeve into bank loans, to invest in infrastructure and to reduce the allocation to real estate. He stated that the fund has also benefited by indexing certain asset classes, although looking ahead, Segal may consider if there are benefits from moving to active management. Gardner noted that the fund has slightly outperformed the policy index over the last 15 years. He also stated that the fund has underperformed the policy index since inception. Gardner recalled that Cambridge hired and fired numerous managers in the early 2000s which might account for the lower return in the long term. Ghazarian stated that the policy index is a good tool for evaluating if specific manager hires are contributing or detracting from performance.

Ghazarian reviewed a proposed asset allocation strategy. He stressed the importance of a diversified strategy which includes performance drivers like private equity and US equities, but also defensive holdings like fixed income. He stated that he would propose making a new investment to private credit/opportunistic fixed income which could be a new performance driver. In considering real estate, Ghazarian stated that the outlook for value-add real estate funds over the next twenty years appears strong. He also noted that the Board had already seen a very good return from their investment in the Landmark real estate secondaries fund. Segal will recommend, when possible, reducing the allocation to core real estate.

Gardner asked about how Segal evaluates risk and if it would be appropriate for the system to increase or decrease the amount of risk in the portfolio. He also asked if the Sharpe ratio remains the preferred measure of risk. Ghazarian stated that his proposed asset allocation strategies include the addition of a private credit investment. This would tend to increase risk, although it is mitigated by trimming the allocations to core real estate and public equities. The goal is to lower the overall level of risk while maintaining or increasing the fund returns. He stated that the Sharpe ratio is his preferred way of describing the balance between risk and

return. Ghazarian noted that his other priority is to ensure that the fund has sufficient liquidity to provide the cash flow needed to pay benefits. He noted that the City has cut the fund's annual appropriation, which makes the question of cash flow even more important. He stated that he took no position if the Board should or should not increase risk and was prepared to present both options to the Board for consideration. He described the process of liquidating assets on a monthly basis to cover payroll and drawing down from overallocated funds. In this way, the portfolio is rebalanced automatically. At present, the fund has adequate liquidity and should maintain good liquidity under and of the proposed allocation strategies.

Ghazarian noted that he also works with the Danvers Retirement System, which generated a 16.8% return in 2024, third best in the State. Danvers is 68% funded and requires a more aggressive strategy to reach full funding. Ghazarian stated that he would not recommend a similar strategy for Cambridge, which is much closer to full funding. The changes that he is recommending to the Cambridge portfolio are more marginal and focused on reducing risk. All of the proposals are calculated to have better than a 50% likelihood of meeting the system's assumed rate of return. Monagle asked if the strong returns in Danvers were due to Segal's strategy or to the rebound from the down market in 2022. Ghazarian acknowledged that the rebound played a role, but also stated that he had made moves to reduce Danvers' real estate investment and shift more money to equities. He stated that he does not have the final 2025 returns for Danvers, but expected them to be above 14%.

The Chair asked if there was a role for precious metals in the portfolio. Ghazarian stated that while they could be a useful hedge in certain circumstances, that they did not offer the same downside protection as other asset classes. He gave the example of a PIMCO fund that invests in commodities, fixed income and defensive stocks.

Gardner asked if Ghazarian could identify some of his best and worst recommendations over his time working with Cambridge. Ghazarian stated that he was most pleased with the move to passive investments. He also stated that he felt that Segal had identified a very strong asset allocation strategy over the last twenty years. He stated that he regretted the underallocation to private equity in the 2010s. He also noted that he regretted the losses in the real estate sleeve, although it was likely impossible to have predicted. He also stated that some of his clients have real estate redemption requests that have been pending for more than five years.

The Chair asked Burns to give his impressions of the working relationship with Segal. Burns stated that he and Tran work with Loi every month on executing withdrawals to fund payroll. He stated that he found her to be easy to work with and that her recommendations were always made on a timely basis. Ghazarian thanked Loi for her work on the portfolio over the last 20 years and stated that he was pleased to see her moving on to a bigger role at Segal.

Gardner noted that Meketa has more assets under management and a larger research team. He asked if Segal would be able to match that level of service. Ghazarian noted that many of the multi-employer and Taft Hartley plans that Segal works with do not require the same level of analysis and that their research team is able to focus on the needs of the government plans. Segal is expanding their staff and making new investments in software and AI.

### Agenda Item #3 – Board Discussion

The Chair stated that he was pleased to hear that Ghazarian intends to remain with Segal Marco over the next few years. Monagle stated that in reviewing the PERAC annual statements, it appears that both Segal and Meketa are delivering good returns for their clients, and that he did not see any reason to change from Segal. He said that he has always gotten quick responses from Ghazarian to any question he's asked. He stated that he believes that the Board should be more direct in asking for additional work from Segal. He proposed that the Board may wish to renew for a five year period, rather than seven.

McCann stated that he also saw no reason to change consultants. He said he would favor renewing with Segal for five years but reconsidering if Segal proves to be unwilling to respond when the Board asks for additional services. Burns stated that he has requested that Segal

rearrange the review schedule to require managers in the same asset class to present on the same day. Segal responded quickly to that request.

Spinner stated that while she was not advocating that Segal be replaced, she was impressed by Meketa's deeper bench and that they made a sophisticated analysis of the Board's current portfolio. She found Meketa's materials to be easier to read. She also stated that, in a volatile market, she questioned if Segal was prepared to make significant changes to the portfolio.

Gardner stated that he believes that Segal does have a solid back office and has always been impressed with their analysis and ranking of manager candidates and asset allocation. He stated that he does believe that Ghazarian sometimes offers unclear responses to questions, but that Gardner ultimately trusts his judgement. He stated that he did not appreciate Meketa's risk analysis and that they appeared to prejudice a need for Cambridge to derisk the portfolio. He stated that he would prefer to stay with Segal Marco and that he would favor a five year renewal. He noted that there would be little upside to changing but that it could incur a significant administrative cost.

The Chair stated that he would favor a five year renewal, primarily because he did not want to bind a future Board with a longer commitment. He stated that he would like to have Sullivan attending more meetings in the future so that the Board can judge his suitability if he eventually takes over as the primary consultant. Gardner stated that he felt that a five-year contract and requesting Sullivan's involvement were both excellent suggestions.

Monagle moved to renew the relationship with Segal Marco Advisors for a five-year term.

McCann seconded the motion and it was voted unanimously.

Monagle moved to adjourn at 1:20 PM