

April 14, 2026
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Call to Order: Chairman Molan called the meeting to order at 8:31 a.m.

Present: Trustees: Richard Molan, Mathew Ciechon, John Baron and John Clayton

MECRS Staff: Melanie Murray, Kimberly Barrett and Karianne MacIntosh

In Attendance: Attorney John Rich – McLane Middleton
Sebastian Grzejka – NEPC
Harry Ntapolis and Gerard Fleury – Retirees

Excused: Trustee Sharon Wickens and Trustee Peter Capano

Absent: Mayor Jay Ruais

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous Board meeting minutes of March 10, 2026.

Trustee Mat Ciechon moved to approve the minutes of March 10, 2026, seconded by Trustee John Baron, and approved by all those Trustees present.

Approval of the Immediate Meeting Agenda:

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

Trustee Mat Ciechon moved to approve the immediate meeting agenda, seconded by Trustee John Baron, and approved by all those Trustees present.

Chairman's Comments:

Chairman Molan welcomed John Clayton, the Mayor's appointee, noting that he will serve the remainder of the three-year term through January 1, 2029.

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Report of the Executive Director:

Ms. Murray discussed upcoming educational and networking opportunities, beginning with the Public Funds Summit East, which will be held in Newport, Rhode Island, from July 27 through July 29. She then noted that the NEPC Conference is scheduled for May 12-13 in Boston. She described them both as beneficial opportunities for networking and expanding investment knowledge, and she encouraged the Trustees to attend. Due to the scheduling conflict with the Board's regularly scheduled May 12 meeting, the Board confirmed availability and agreed to hold the May meeting on Thursday, May 14 at 8:30 a.m.

As an update to the office conditions, Ms. Murray noted that the property manager conveyed that the elevator remains out of service due to a manufacturer backorder for a required part. It is anticipated that the elevator will be operational by the May meeting.

Ms. Murray provided an update on legislative matters.

House Bill 1585 would have prohibited state and local public retirement systems from considering environmental, social or governance (ESG) factors in investment decisions and required fiduciary duties to be based solely on the financial interests of participants and beneficiaries, which is already the practice at MECRS. The bill was referred to study, and no further action is expected.

In addition, there are two bills under consideration which could impact HealthTrust, the health insurance provider for MECRS staff. Senate Bill 661 would prohibit non-assessable models of risk pools and has been forwarded to the House. House Bill 1491 establishes regulatory oversight of non-assessable risk pools and has been forwarded to the Senate, where a hearing was held on April 7.

Ms. Murray stated she continues discussions with the City's HR Department regarding the potential for MECRS staff to participate in the City's health insurance plan. This matter is expected to be brought before the HR Insurance Committee (HRIC) at the end of the summer, following completing of the budget process.

Lastly, Ms. Murray reported that efforts are underway to establish a newsletter mailing list. Research has been conducted with the system's website and IT partners, as well as with other retirement systems, to obtain vendor recommendations for email distribution services.

Ms. Murray stated that the plan is to develop separate mailing lists for active members, retiree members, and members who may wish to opt out of receiving the annual report by mail and

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instead view it online, with the goal of reducing production and mailing costs. Furthermore, Ms. Murray reported that work is being done with the website partner to add a sign-up button to the website.

Report of Monthly Cash Balance:

Ms. Murray reported the cash balance started the month of March with just over \$9.2 million. She added that a fair number of distributions were received, along with a few capital calls that were satisfied, resulting in an end-of-month balance of just over \$9.2 million. She noted that April already has a few capital calls and distributions, leaving a still healthy balance.

Chairman Molan entertained a motion to accept the Cash Balance Report.

Trustee John Baron moved to accept the Cash Balance Report, seconded by Trustee Mat Ciechon, and approved by all those Trustees present.

Report of the Administrative & Accounting Committee:

Executive Director Murray presented the report of the Administrative & Accounting Committee meeting held on March 24, 2026, in the absence of the Committee Chair Peter Capano.

At the March 24, 2026 meeting, the Committee met to review the annual Cost-of-Living Adjustment determination materials and to develop a recommendation for a 2026 COLA award. The Committee reviewed information from the U.S. Department of Labor regarding the Consumer Price Index, excerpts from the actuarial valuation, and investment return results for the period ending December 31, 2025. The Committee also reviewed letters submitted by retirees in support of a COLA award. Ms. Murray stated that after deliberation, the Committee voted unanimously to recommend that the Board grant a 1% COLA effective July 2026 to all retirees who have been retired for at least one year.

The motion for the recommendation was made by Trustee John Clayton, seconded by Trustee Mat Ciechon, and the 1% COLA award was approved unanimously by all Trustees present.

Report of the Investment Committee:

Trustee Mat Ciechon presented the report of the Investment Committee meeting held on March 10, 2026 with the Board's investment consultant, Sebastian Grzejka from NEPC.

Representatives from Boston Trust Walden were present to provide an update, and they reiterated confidence in the firm's investment strategy. NEPC reviewed the portfolio and

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recommended rebalancing \$8 million from international equity to domestic equity and fixed income to better align with asset allocation targets.

NEPC further recommended consideration of commitments of approximately \$16 million to private equity and private debt and up to \$8 million in real estate and real assets, with a follow-up meeting to be scheduled upon presentation of manager recommendations.

Investment Committee Chairman Mat Ciechon made a motion to accept the NEPC recommendations for rebalancing and commitments. The motion was seconded by Trustee John Clayton, and the Board voted unanimously to approve the recommendations.

Consent Agenda:

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

Trustee Mat Ciechon moved to approve the Consent Agenda, seconded by Trustee John Clayton, and approved by all those Trustees present.

Previous Business:

The Board reviewed the 2025 preliminary valuation results in March, which were since finalized and distributed.

Chairman Molan entertained a motion to accept and place the final valuation report on file.

Trustee Mat Ciechon moved to accept, which was seconded by Trustee John Clayton, and passed by all those Trustees present.

Attorney Rich pointed out that that the final valuation contains substantially more information regarding the Fund than the preliminary valuation, the purpose of which is to establish the required contribution. He noted that the final report includes discussion of risk factors, plan provisions, and other relevant actuarial information, and serves as a valuable reference for Trustees.

Informational Items:

Mr. Sebastian Grzejka, from NEPC, updated the Board on the Monthly Performance Report through the end of February 2026. He stated assets under management reached approximately

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\$380 million, representing a new high-water mark. The portfolio was up approximately 3.5% year-to-date, reflecting a strong start to the year. Overall manager performance was reported as generally in line with expectations.

He noted that these results are expected to be partially offset by market development in March, which were driven by geopolitical tensions in the Middle East, including Iran. Market conditions during March were highly volatile, with frequent shifts between risk-on risk-off sentiment, ultimately resulting in a risk-off environment and broad declines across risk assets. The only asset class that performed positively during the month was real assets, particularly energy, supported by rising oil prices.

Manager performance was generally reported as satisfactory. He noted that Boston Trust presented on its relative underperformance versus benchmark and was noted to be under ongoing review, particularly in light of recent increase in market volatility, which is considered a more favorable environment for its strategy.

Trustee Baron asked whether they expect that market conditions will stabilize over the summer.

Mr. Grzejka responded that this is difficult to assess, noting that initial market consensus had expected the geopolitical situation to be short-lived, with a relatively quick resolution and return to normal conditions. However, this outcome had not materialized, and uncertainty had persisted for longer than anticipated.

It was noted that the primary ongoing concern relates to the impact on energy and oil prices. Brent crude has stabilized in the range of approximately \$100-\$110 per barrel, with only limited and short-lived pullbacks. While the U.S. is partially insulated as a net exporter of energy, other regions such as Europe and Asia remain more exposed due to their reliance on oil imports from affected regions. Despite this relative insulation, the U.S. economy remains exposed through imports and services.

Mr. Grzejka highlighted that if elevated oil prices persist throughout the year, there is a risk of broader demand destruction. In such a scenario, economic conditions could shift from current growth environment toward a stagflationary outcome, characterized by higher costs, weaker demand, and increased pressure on global growth.

It was further noted that the situation remains highly uncertain, with limited progress in geopolitical negotiations and a current stalemate in developments. Additional supply-side

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constraints, including disruptions to key shipping routes, were also noted as contributing to continued upward pressure on energy prices and regional outflow.

Overall, Mr. Grzejka emphasized that the outlook remains uncertain and highly dependent on future geopolitical developments.

Investment Objective and Guidelines:

Executive Director Murray referenced the red-lined Investment Objective and Guidelines document that was previously circulated to the Board. It was stated that recommended changes had been proposed by NEPC, including updates that were in response to Investment Committee discussions regarding market cycle assumptions and related horizon considerations.

Mr. Grzejka explained that one of the key discussion points from the Investment Committee has been the treatment of market cycle assumptions. It was noted that the existing policy referenced a three-to-five-year market cycle, however this assumption has evolved materially over the past 15 years. He stated that while market cycles remain relevant for evaluating opportunities pursued by managers, the intention is no longer to assign a specific numerical timeframe within the policy.

It was further noted that additional changes to the document were largely editorial in nature, including minor wording updates and general clarifications.

Mr. Grzejka highlighted a more substantive change related to private equity benchmarks. He stated that the portfolio would be transitioning from Cambridge benchmarks to MSCI benchmarks following an internal review. The rationale provided was that MSCI offers more robust and granular data, with improved availability and reporting capabilities.

He explained that MSCI's methodology is LP-based rather than GP-based, resulting in broader dataset sourced from limited partners. This approach was noted to reduce survivorship bias and increase the number of observable line items and investments, thereby improving the robustness of the benchmark and related reporting.

It was further stated that, while the underlying performance characteristics of Cambridge and MSCI private market benchmarks are broadly similar and reflective of the overall private market's universe, MSCI provides enhanced analytical depth.

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Mr. Grzejka indicated that this change will be implemented prospectively, with all performance reporting transitioning from Cambridge benchmarks to MSCI benchmarks effective July 1, 2026.

Finally, it was stated that the policy index would also be adjusted accordingly to reflect the benchmark change.

Chairman Molan referred the changes to the Investment Committee for review.

Other Business:

Mr. Grzejka provided a Portfolio Update and Real Asset Review stating this is a continued discussion from the Investment Committee regarding the future private market commitments, with a focus on real estate and related real asset opportunities. He noted that several existing real estate investments, including Kayne Anderson, DSF Portfolio, and Blue Vista, have entered into distribution phase and are expected to wind down over the near term. As a result, approximately half the current real estate lineup is transitioning toward disposition, creating capacity for new commitments within the portfolio. Mr. Grzejka also noted that prior commitments to real estate debt strategies were made in the prior year, and the current focus is on complementing those allocations with real estate equity investments as well as broader real assets exposure, reflecting in evolving opportunity set.

Turning to page 5 in the Portfolio Update and Real Asset booklet, it shows an overview of the real estate market, emphasizing that it is highly heterogeneous and requires a differentiated approach across subsectors. Core real estate was identified as the largest segment of the market but also the most impacted post-COVID, particularly within the office sector, and is not a current area of focus. Instead, the emphasis is on value-add strategies, particularly managers that acquire transitional assets and execute repositioning strategies, including leasing improvements and capital upgrades in well-located markets. Ground-up development was noted as part of the broader opportunity set but is not a primary focus at this time. He stated there are opportunities within real assets, including energy-related infrastructure, noting that while prior years saw increased emphasis on sustainability and renewables, traditional energy continue to play a critical role in the global economy. In addition, the increasing demand for digital infrastructure, particularly data centers and related assets drive by artificial intelligence and broader digital growth trends. He noted that supply constraints in this area are becoming increasingly evident both in the United States and globally.

Mr. Grzejka then reviewed the four potential managers representing different segments of the real estate and real assets landscape. Turning to page 9, TA Reality Value Add XIV: RE-Up was

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described as a traditional value-add real estate manager with a long track record of approximately 40 years, focused on acquiring underperforming but well-located assets, typically 60-70% leased, and executing repositioning strategies to improve leasing and operational performance prior to sale to institutional buyers.

On page 10, Brookfield Real Estate Solutions II was presented in the context of its real estate secondary strategy, which is relatively newer segment within real estate investing compared to private equity secondaries. The strategy involves purchasing portfolios of private real estate assets from existing owners, typically at a discount to net asset value, and may include GP-led continuation vehicles or other structured liquidity solutions. In such structures, existing general partners may remain in place while additional capital is provided by a secondary manager to extend the life of investments and optimize timing of exits. He noted that this approach can provide diversified exposure at a discount, with potential upside from both underlying asset performance and entry pricing.

Next, on page 11, FrontRange Property Fund IV was described as a more return-seeking strategy with a hybrid operating partner model, functioning as a joint venture partner across real estate investments rather than directly owning and operating assets. The manager leverages experience from prior public REIT operations to provide data analytics, operational support, and administrative capabilities to underlying real estate operators. Returns are derived from both asset disposition outcomes and fees earned for services provided, resulting in a blended return stream combining investment performance and operating income. Mr. Grzejka noted that the strategy carries a higher return target relative to other strategies reviewed, with expected returns discussed in the approximate 8-20% range.

Lastly, on page 12, ISQ Global Infrastructure IV, was discussed as a global infrastructure strategy aligned with broader themes of energy transition and digital infrastructure growth, including data centers and related assets. Investments span a wide range of infrastructure assets such as fiber optic networks, transportation and logistics system, toll roads, and chemical distribution infrastructure. The strategy typically targets capital-intensive assets with stable cash flows derived from usage-based fees in addition to capital appreciation upon exit. Return expectations were noted to be generally lower than more opportunistic real estate strategies, in the range of approximately 10-12 percent, though with variation depending on specific investments. The global nature of the strategy was highlighted, with particular emphasis on opportunities outside the United States, especially Europe, where infrastructure development has been more advanced in certain areas relative to the U.S.

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In conclusion, given the current market conditions and the evolving composition of the portfolio, it is appropriate to continue evaluating a diversified set of strategies across traditional value-add real estate, secondaries, operating partner models, and global infrastructure.

Chairman Molan suggested the matter be referred to the Investment Committee. Mr. Grzejka responded that, if the Investment Committee would like to proceed with the four managers, the required Right-to-Know notice will be distributed in advance of the meeting to ensure managers are apprised of applicable System requirements. Attorney Rich confirmed that the existing Right-to-Know notice remains current and may be reused without revision.

The Investment Committee agreed to convene on May 4, 2026 at 9:00 a.m. The Committee will meet in person, with each of the four prospective managers participating by Zoom.

Attorney Rich inquired as to the timing for bringing the recommended private debt allocation to the Board. Mr. Grzejka indicated that he anticipates returning to the Board with recommendations around June, noting that commitments to private debt allocation were made late last year and that allocations are being paced over time.

Motion to Adjourn:

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

Trustee Mat Ciechon moved to adjourn the meeting at 9:10 a.m., seconded by Trustee John Baron and passed by all those Trustees present.

Respectfully submitted,

Melanie Murray
Executive Director