

February 10, 2026
Minutes #638

Minutes of the Board of Trustees' Meeting -1-

Call to Order:

Chairman Molan called the meeting to order 8:30am

Present:

Trustees: Sharon Wickens, Peter Capano, John Baron, Richard Bunker, Mat Ciechon (arrived at 8:31am)

MECRS Staff: Melanie Murray, Kimberly Barrett, Karianne MacIntosh

Absent:

Mayor Jay Ruais

In Attendance:

Attorney John Rich, Jr. – McLane Middleton
Heidi Barry – GRS (linked remotely)
Sebastian Grzejka – NEPC

Linked Remotely:

Chairman Richard Molan

Chairman Molan noted that since he was participating remotely while out of state, all votes needed to be conducted by roll call, and he confirmed 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 13, 2026.

Trustee Bunker moved to approve the minutes of January 13, 2026, seconded by Trustee Baron.

Executive Director Murray conducted a roll call vote, and the motion passed unanimously.

Approval of the Immediate Meeting Agenda:

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

Trustee Capano moved to approve the immediate meeting agenda, seconded by Trustee Wickens.

Executive Director Murray conducted a roll call vote, and the motion passed unanimously.

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Chairman's Comments:

Chairman Molan shared that he had spoken with the Mayor, who agreed with the recommendation of John Clayton as the Mayoral Appointee to the Board. John is highly known for being a Columnist with the NH Union Leader. Chairman Molan anticipates the appointment will occur in time for the next meeting in March.

Previous Business:

Executive Director Murray thanked Heidi Barry from GRS, who was linked remotely, for joining our meeting in the event the Board had any questions during the discussion of the 5-Year Experience Study.

Ms. Murray recapped the January 13th vote, in which the Board accepted the updated Demographic Assumptions reflected in Column 2 of the Experience Study chart. She noted, however, that the vote referred to the first bullet item on the Executive Summary, an increase of the price inflation assumption of 2 % to 2.50%, which is reflected in Column 3. While she understood the Board's intent was to accept only the Demographic Assumptions reflected in Column 2, she requested the Board revisit the vote to clarify and affirm its decision.

Attorney Rich stated that, for clarity, it would be helpful to note that Column 2 reflects the Updated Demographic Assumptions in conjunction with retaining the 6.75% investment return and 2.5% wage inflation.

Trustee Wickens moved to accept the Experience Study Updated Demographic Assumptions, as reflected in Column 2, and the motion was seconded by Trustee Ciechon.

Ms. Murray conducted a roll call vote, and the motion passed unanimously.

With no further questions, Heidi Barry was thanked for her time and signed out of the meeting at 8:34 am.

Report of the Executive Director:

Ms. Murray reported the City has tentatively scheduled their annual Benefits Fair for May 5th at the DPW with sessions from 7 am to 10 am and 1 pm to 5 pm. On May 7th, another fair will be held at the Health Department from 10 am to 2 pm. MECRS will be present at both sessions to answer questions and provide information about the Retirement System.

Ms. Murray told the Board that active and deferred members should have received their annual benefit statements at this time. Members are encouraged to carefully review the information provided, particularly their designated beneficiaries, and ensure all information is current. She noted a fair number of calls from members looking to update their information.

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Retirees should have received their Form 1099R by now as well. These forms are mailed directly from State Street and are not available online. A reminder was also included on this month's direct deposit notices advising retirees who elected a survivorship option to notify MECRS if their beneficiary predeceases them, as this will impact their benefit.

Visitors to the MECRS website will notice the addition of a widget in the bottom-right corner, a blue circle with a figure of a person. This update is intended to bring our website into compliance with federal accessibility requirements, which take effect in April 2026. Users with visual disabilities can click the widget to customize the display, allowing the website to better meet their accessibility needs.

Ms. Murray stated that she met with the City's HR Department and their Anthem representative to continue the discussion regarding the logistics of having the MECRS staff participate in the city's health insurance. The HR director will be assembling a packet for review by the Mayor and Alderman at the next HRIC meeting. The intent is to have a plan in place in the event a change becomes necessary, as legislation was reintroduced this year which could impact the current MECRS provider.

As previously stated by Chairman Molan, Ms. Murray referenced that the Mayor is working with the City Clerk's office on the logistics of the appointment. Although BMA approval is not required, the appointee will likely be placed on the agenda for informational purposes.

Lastly, Ms. Murray expressed appreciation to Trustee Bunker for his continued Board participation after his term concluded.

Report of Monthly Cash Balance:

Ms. Murray reported that the Month of January began with \$ 9.7 million. She reported that a fair number of distributions were received, along with sizeable capital calls that were satisfied, resulting in an end-of-month balance of just over \$ 9.1 million. She noted that there were a few scheduled capital calls and distributions for February, which still leaves a quite healthy balance.

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

Trustee Baron moved to accept the Cash Balance Report, seconded by Trustee Bunker.

Executive Director Murray conducted a roll call vote, and the motion passed unanimously.

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Committee Assignments:

Last month's meeting, Chairman Molan appointed the committee chairs and suggested the newly appointed chairs consider member assignments for their respective committees.

For the Investment Committee, Chairman Mathew Ciechon selected Trustee Wickens, Trustee Clayton, and Trustee Capano, with Board Chairman Richard Molan Ex officio.

For the Administrative & Accounting Committee, Chairman Peter Capano selected Trustee Baron, with Trustee Wickens Ex officio and Board Chairman Richard Molan Ex officio.

For the Benefits Committee, Chairman John Baron selected Trustee Wickens and Trustee Capano, with Board Chairman Richard Molan Ex officio.

Consent Agenda:

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

Trustee Capano moved to accept the Consent Agenda, seconded by Trustee Baron.

Executive Director Murray conducted a roll call vote, and the motion passed unanimously.

Presentations to the Board:

Mr. Sebastian Grzejka from NEPC provided an investment update. NEPC does not yet have the finalized January numbers, but he stated January had a very strong start to the year. Virtually every equity asset class, with the exception of growth, posted strong returns. Fixed income was also positive across most sectors, overall building on the strong performance from last year.

Mr. Grzejka referenced page 3 in the Portfolio and Asset Allocation booklet, which included a snapshot of the 2025 Market Index Returns, noting that the magnitude was somewhat unexpected. This marked year three or four of very strong equity performance alongside positive fixed income returns. He explained that, as diversified investors, MECRS benefited broadly across asset classes.

Focusing on the chart on the right side of the page, he started with the US Equities, highlighting that it was a strong year with the S&P 500 up 18%, growth nearly 19%, and small cap approximately 13%.

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Stronger equity returns outside the U.S. were driven by two factors. First, stock performance, particularly in Europe and Asia, mirrored some of what was seen in the U.S., with concentrated gains in semiconductor and chip-related names such as Taiwan Semiconductor. Second, currency played a meaningful role. The U.S. dollar weakened last year, which benefited the unhedged non-U.S. holdings. As a result, international equities delivered nearly double the returns of U.S. markets in some cases.

Lastly, on the far-right side of the chart on page 3, he referenced fixed income, which also had a strong year across Treasuries and credit. He noted that, overall, it was a very good year for investors.

Moving on to page 5, Mr. Grzejka noted there are still tailwinds in place. Many of the companies that drove performance last year, Nvidia, Cisco, and others, remain fundamentally strong from a revenue, cash flow and performance perspective.

That said, a shift in January may come into play again this year. There was a short-term pullback in some large tech names, and there was strength in areas which had previously lagged. That type of market dispersion is constructive, particularly for active managers who hold more than just the “Mag 7” names. Broader participation creates a more favorable environment for active management.

There is continued discussion around AI and whether the promised productivity benefits will come to fruition. Recent headlines about developments potentially impacting certain professional services roles suggest these technologies may be more disruptive than initially expected. If those efficiencies are achieved it could make a big impact across many industries.

Mr. Grzejka stated that from a broader economic standpoint, tariff-related uncertainty remains a variable. Markets are reaching to headlines, though there remains a bit of separation between actuality versus noise. The market is taking things in stride, but should some of the threats come to fruition, that could present a headwind for performance, as it is not fully priced into markets today.

He noted that labor dynamics is another area NEPC is monitoring. Hiring has slowed following the robust period post-COVID. Employees are staying in roles longer, and companies are extracting more efficiency from existing workforces. However, if unemployment rises or persistently sticky inflation, that would impact the Federal Reserve’s ability to cut rates and provide liquidity support to the market. Those are the dynamics NEPC is evaluating as heading into 2026.

Importantly, from a fundamental perspective, corporate earnings strength and cash flow generation remain intact. This is not the 1999-2000 technology environment where many companies lacked revenue or viable business models. While there is ongoing debate about valuations and bubble risk, Mr. Grzejka noted, NEPC does not believe it is that type of environment at this time.

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Turning the Trustees' attention to page 6, Mr. Grzejka highlighted the 13.5% annualized return for 2025. That is a solid result and the majority of the portfolio contributed positively. He noted two areas of relative weakness. First, Boston Trust, whose strategy focuses on smaller, high-quality businesses and profitable companies with good management and sound cash flow metrics. Unfortunately, all those metrics were not rewarded in 2025, particularly in the second half. Boston Trust does not hold the lower quality names, and their performance suffered as a result. Mr. Grzejka suggested it would be helpful to invite Boston Trust in, to hear directly from them regarding positioning and outlook for 2026.

The second weakness noted is private markets. The valuations of private equity and private real estate also lagged public markets last year. That differential explains much of the gap between the policy index and the total portfolio return.

Chairman Molan asked about the five to seven-year outlook. Mr. Grzejka referenced page 15, for the high-level asset allocation review. He noted that NEPC is not recommending any changes to the asset allocation at this time, reminding the Board that during the first half of 2025, there were some adjustments, but they are comfortable with the current position.

Referring to the bottom half of the page, Mr. Grzejka pointed out the long measures. NEPC evaluated expected returns on both a 10-year and a 30-year basis, with the focus primarily with the plan's assumed rate of return and long-term objectives. The current 30-year expected return is approximately 7.6%. He explained that this is updated on an annual basis and also reviewed on a quarterly basis.

Chairman Molan inquired if any of the managers invest in crypto. Mr. Grzejka confirmed there is no crypto exposure in the portfolio. He explained that crypto exposure is generally associated with hedge funds, which are not present in the MECRS portfolio. Even among hedge fund, exposure has been limited. There are some private equity venture managers that invest in the underlying technology, such as Blockchain or Coinbase, but within the portfolio, there is no direct cryptocurrency exposure.

Trustee Capano asked why the System would not go a little heavier in the international equity. Mr. Grzejka explained the fund is currently overweight international by about 3% relative to the target and slightly underweight U.S. equity to take advantage of those markets. In addition, the global equity composite includes managers like Arrowstreet and Loomis, which have the flexibility to invest anywhere globally and pivot on opportunity. He noted that Arrowstreet in particular has been increasing exposure outside of the U.S. with a broad-based portfolio, whereas Loomis is somewhat more U.S. heavy given their style, but overall, the fund has meaningful global exposure.

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Trustee Capano asked further about the targets. Mr. Grzejka referenced page 15, noting the policy targets and the ranges, which serve as guardrails as to how much the portfolio should be able to deviate, which allows some tracking around the benchmark. Being slightly underweight U.S. equity and overweight international equity last year was beneficial.

With no further questions for Mr. Grzejka, Chairman Molan thanked him for his presentation.

Ms. Murray suggested that the Investment Committee schedule a meeting to include a review with Boston Trust, per Mr. Grzejka's recommendation. The committee members agreed to meet on Tuesday, March 10, 2026, immediately following the Board meeting.

Motion to Adjourn:

There being no further business to come before the Board, Chairman Molan entertained a motion to adjourn the meeting.

Trustee Bunker moved to adjourn the meeting at 9:03 a.m., seconded by Trustee Baron.

Executive Director Murray conducted a roll call vote, and the motion passed unanimously.

Respectfully Submitted,

Melanie Murray
Executive Director