July 14, 2026
Minutes #644

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Acting Chairman Wickens called the meeting to order at 8:30 a.m.

Present: Trustees: Sharon Wickens, Mat Ciechon, John Baron, and Peter Capano, John Clayton (arrived at 8:31 a.m.)

MECRS Staff: Melanie Murray, Kimberly Barrett and Karianne MacIntosh

In Attendance: Attorney John Rich - McLane Middleton
Sebastian Grzejka - NEPC

Absent: Mayor Jay Ruais

Excused: Richard Molan

Approval of the Minutes of the Previous Board Meeting:

Acting Chairman Wickens entertained a motion to approve the previous Board meeting minutes of June 9, 2026.

Trustee Ciechon moved to approve the minutes of June 9, 2026, seconded by Trustee Baron, and approved by all those Trustees present.

Approval of the Immediate Meeting Agenda:

Acting Chairman Wickens entertained a motion to approve the Immediate meeting agenda.

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

Report of the Executive Director:

Ms. Murray reported that the legal review of the CrossHarbor Institutional Partners XI investment commitment had been completed. The investment was finalized, and the subscription documents were submitted on June 22, 2026.

She also reported that legal counsel completed its review of the HarbourVest V liquidity option agreement, which was finalized and submitted on June 23, 2026. Liquidation proceeds of $3.5 million were received on June 30, 2026.

Ms. Murray provided an update on the proposed fiber internet installation. Although installation had been anticipated for June, the vendor encountered unforeseen challenges in establishing the connection. Another tenant in the building, Collectible Tags, is also interested in obtaining fiber service. The vendor remains hopeful that both businesses can be connected. However, technical issues remain unresolved, and Collectible Tags has not yet been connected. No further action is planned until the vendor resolves the installation challenges.

Ms. Murray reported that the two pending risk pool bills discussed at the previous meeting were vetoed by the Governor on June 19, 2026. She stated that similar legislation is expected to be reintroduced next year, and that she will continue pursuing the option of joining the City's health insurance plan.

Lastly, Ms. Murray announced that the City's Employee Appreciation BBQ will be held on September 16, 2026, from 11:00 a.m. to 2:00 p.m. at McIntyre Ski Area. The retirement system has again been invited to participate and will staff an informational table at the event.

Trustee Baron asked whether the $3.5 million received from the HarbourVest V liquidation would be reinvested. Ms. Murray explained that the proceeds had been deposited into the System's cash account, which maintains a target cash allocation. She noted that over $2 million would be utilized to fulfill capital calls during the month of July.

Report of Monthly Cash Balance:

Ms. Murray reported that the cash balance at the beginning of June was just over $8.6 million. During the month, the balance increased by approximately $3.5 million, despite several capital call payments, ending June at just under $12 million. She noted that a capital call in excess of $2 million to Willow Tree in July would reduce the cash balance. Overall, she stated, the System continues to maintain a healthy cash balance.

Acting Chairman Wickens entertained a motion to accept the Cash Balance Report.

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

Consent Agenda:

Trustee Capano asked for clarification regarding the deferred pension requests. Ms. Murray explained that deferred pensions represent individuals who have terminated employment with the City but are not yet eligible to begin receiving retirement benefits. Once they satisfy the applicable eligibility requirements, typically at age 60, they may begin receiving their pension benefits.

With no further questions, Acting Chairman Wickens entertained a motion to accept the Consent Agenda Items.

Trustee Capano moved to approve the Consent Agenda Items, seconded by Trustee Baron, and approved by all those Trustees present.

Presentation to the Board:

Mr. Grzejka from NEPC provided an investment performance update, noting that the June flash report was not yet available due to the timing of the June valuations. At a high level, he reported that through the end of May, the portfolio was up nearly 7% year-to-date, with assets valued at just over $393 million, approaching the $400 million mark. June was expected to be relatively flat for the month; however, overall performance remained strong.

Mr. Grzejka discussed manager performance and noted that the Investment Committee may benefit from hearing directly from additional managers, similar to the presentation previously provided by Boston Trust. He referenced Aristotle and Loomis as managers that have experienced challenges due to recent market conditions. He explained that the primary driver of underperformance among certain fundamental managers has been the significant market impact of the MAG-7 stocks. Managers that did not hold these companies at meaningful weights or did not have exposure to related securities experienced a performance headwind over the past 18 months.

He noted that recent market conditions have shown some signs of broadening, particularly during periods of increased geopolitical or macroeconomic concerns, with performance moving away from the concentrated leadership of the MAG-7 companies. He indicated that if this trend continues, managers with more traditional fundamental investment approaches may begin to experience improved relative performance. He also referenced recent communication from Aristotle, outlining the challenges impacting their investment process, and noted that similar explanations have been provided by other managers with comparable investment styles.

Mr. Grzejka then transitioned to the primary agenda item, which was a continuation of the discussion regarding the System's private markets allocation. He noted that commitments to both TA Associates and Cross Harbor had been completed and were now part of the portfolio. He added that Cross Harbor has begun making investments and the timing of any future capital calls remains uncertain.

Mr. Grzejka explained that the next step was to review opportunities within the private equity and private debt allocations. He reminded Trustees that, unlike public market investments where capital can generally be invested or withdrawn as needed on a daily basis, private market investments require capital commitments that are called from investors over time as managers identify opportunities and capital is subsequently distributed back to investors as investments are realized.

Mr. Grzejka discussed the recent HarbourVest situation, noting that the fund was nearing the end of its investment life and had an opportunity to sell assets through a continuation vehicle. Investors had the option to either continue their investment or elect a liquidity option. Mr. Grzejka explained that these types of events are not always available and that private market investments typically generate liquidity through asset sales, public offerings, or other exit opportunities.

Mr. Grzejka reviewed the purpose of the annual capital pacing analysis, which evaluates the amount of capital that should be committed to private markets in order to reach and maintain the System's 15% target allocation to private equity and private debt. Referring Trustees to page 5 of the Private Equity Pacing Plan dated July 2026, he explained that the analysis provides greater visibility for the first several years, specifically 2026 through 2028, while future years are estimated based on assumptions regarding capital calls and distributions.

He noted that the analysis included the HarbourVest distribution, which represented approximately 1% of the total portfolio, and that this amount would need to be replenished to maintain the target allocation. For 2026, NEPC recommended committing up to $18 million to private markets.

Mr. Grzejka explained that the recommendation focused on two areas: evaluating opportunities to recommit with existing managers and identifying attractive opportunities within the current market. He noted that one area of interest is the buyout segment of private equity, which focuses on acquiring mature companies and enhancing operations to position them for future sale or continued growth.

Turning to page 9, Mr. Grzejka introduced five potential managers for consideration, beginning with Dover Street XII, a HarbourVest secondary fund. He explained that secondary funds purchase existing private market investments from investors seeking liquidity. Rather than investing in newly formed funds with unknown underlying investments, secondary funds acquire mature portfolios with existing assets, reducing blind-pool risk and shortening the traditional private equity "J-curve" period where a fund's returns or cash flows start negative in the early years and turn positive only as the fund matures.

He explained that secondary investments typically provide earlier exposure to mature assets, allowing investors to potentially realize returns and distributions sooner than traditional private equity commitments. He noted that market conditions following periods of volatility often create attractive opportunities as institutions rebalance portfolios and sell existing private market investments.

Mr. Grzejka highlighted HarbourVest's experience in the secondary market and noted that Dover Street has a strong track record of investing across secondary opportunities. He added that HarbourVest is an existing relationship for the System, with current investments in two real assets funds, two private equity fund-of-funds, and the recently completed co-investment fund.

Mr. Grzejka continued the discussion on page 10, introducing J.F. Lehman. He noted that five managers were included in the presentation rather than the typical four because J.F. Lehman was identified by NEPC's research team as a top investment opportunity. He explained that the timing for consideration of this manager was somewhat limited, as the firm had initially expected to remain open to investors through year-end but had experienced higher-than-anticipated demand. As a result, J.F. Lehman was requesting that interested investors provide an indication of interest by mid-August.

Mr. Grzejka provided background on the firm, noting that it was founded by John Lehman, who previously served as Secretary of the Navy under President Reagan. He explained that J.F. Lehman focuses on private equity investments within specialized sectors related to defense, government services, infrastructure, and environmental services. He clarified that the firm's investments are not focused on areas such as shipbuilding or military equipment manufacturing, but rather on supporting and improving infrastructure and service-related businesses, including maintenance, operational improvements, and energy-related infrastructure.

He noted that J.F. Lehman has been operating for more than 30 years and has maintained a highly experienced investment team that has worked together for more than 20 years. He highlighted the firm's strong track record and emphasized that its specialized industry expertise and network of operating partners are key components of its success. He added that while J.F. Lehman was considered a high-conviction opportunity by NEPC's research team, the other managers presented also offered similar investment characteristics, and the System would continue to have attractive options if the timing did not allow for participation in this specific fund.

Moving to page 11, Mr. Grzejka introduced Gridiron Capital VI as the third option under consideration. He explained that, similar to J.F. Lehman, Gridiron has a sector-focused investment approach, with a greater emphasis on consumer and industrial businesses.

Mr. Grzejka noted that a key characteristic NEPC looks for in private equity buyout managers is operational expertise and access to experienced industry professionals who can provide guidance and support to portfolio companies. He explained that successful managers not only provide capital but also work alongside business operators with deep sector knowledge to help professionalize, improve, and expand companies rather than relying solely on financial leverage to generate returns.

Mr. Grzejka noted that Gridiron is currently raising Fund VI and focuses on consumer and industrial opportunities, distinguishing it from J.F. Lehman's focus on industrial, government, and defense-related sectors. He provided an example of one of Gridiron's portfolio companies, Erie Home, which operates in the roofing and basement remodeling industry. He described the company as similar to a national platform with localized operating teams, a model that allows smaller regional businesses to be consolidated and expanded into larger, more institutionalized companies.

Mr. Grzejka stated that this type of investment strategy represents an area of continued growth within the private equity market and highlighted Gridiron's strong historical track record, noting that the firm represents another strong candidate for consideration.

Continuing to page 12, Mr. Grzejka reviewed another potential private market manager, Advent Mid-Market Private Equity SCSP, noting that the firm is headquartered in Boston and has been operating since 1994. He explained that Advent is one of the longest-tenured buyout managers in the industry and has expanded significantly over time. He noted that the firm originally focused on smaller companies and lower-middle-market investments but has grown substantially as subsequent funds have increased in size.

Mr. Grzejka explained that the opportunity under consideration is Advent Mid-Market Fund I, while the firm's flagship Global Fund XII is significantly larger, at approximately $26 billion. He noted that the mid-market strategy represents a return to Advent's earlier investment approach of focusing on smaller companies. The fund will primarily target consumer, business services, and financial services sectors, with limited technology exposure, as Advent maintains a separate strategy focused specifically on technology-enabled businesses.

He noted that because this is a newer fund within Advent's platform, there is limited performance history available for this specific strategy. He explained that NEPC must rely on Advent's broader historical track record while recognizing that returns for larger funds often moderate as investment sizes increase and opportunities become more difficult to scale. He noted that Advent's earlier, smaller funds produced particularly strong returns, and the current opportunity relies on the firm's ability to replicate that success within a mid-market strategy.

Lastly, turning to page 13, Mr. Grzejka introduced Lone View II, a technology-focused private equity manager based on the West Coast. He explained that the firm's founding team previously worked at Golden Gate Capital, a well-known technology buyout firm, for approximately 15 years before launching Lone View two to three years ago. He noted that the team brings significant industry relationships, operational expertise, and experience improving businesses within the technology sector.

Mr. Grzejka explained that private market investments can sometimes be difficult to illustrate through familiar company names but provided an example of Lone View II's investment in a healthcare technology company that provides data and information management solutions used across healthcare systems. He noted that Lone View II is currently raising its second institutional fund and that its initial fund has generated strong early results.

Mr. Grzejka highlighted that Lone View II would provide additional diversification within the System's private equity portfolio, as the current portfolio has limited direct technology exposure. He noted that the System's existing technology-related investment is primarily through Top Tier Venture, a fund-of-funds investment, while the remainder of the private equity portfolio is diversified across debt, fund-of-funds, buyouts, and special situations.

Mr. Grzejka summarized the key differences among the managers presented. He noted that HarbourVest's Dover Street strategy provides exposure to secondary investments and fund-of-funds strategies, offering significant diversification through approximately 4,000 underlying investments, reduced blind-pool risk, and the potential benefit of acquiring existing private market investments at a discount.

He explained that J.F. Lehman, Gridiron, and Advent are more specialized sector-focused managers with operationally intensive investment models. These firms rely on deep industry expertise, operating partners, and specialized networks to improve portfolio companies within targeted sectors. He added that Lone View II follows a similar specialized approach but is focused specifically on technology and technology-enabled service businesses. Mr. Grzejka concluded that each manager provides a distinct strategy, ranging from broadly diversified secondary exposure to more concentrated, sector-specific buyout opportunities.

Trustee Ciechon asked about the timing of fund closings and manager evaluations. Mr. Grzejka clarified that the expected close date for one of the funds had been delayed, noting that private market fundraising timelines often shift. He explained that while J.F. Lehman's stated expected close date was March of the following year, the firm anticipated completing the fundraising process much sooner due to stronger-than-expected investor demand.

Attorney Rich asked whether the accelerated fundraising timeline should be viewed positively. Mr. Grzejka responded that the increased demand reflects strong market interest in the strategy. He noted that J.F. Lehman is investing in areas benefiting from significant tailwinds, including defense-related services, infrastructure, and specialized industrial businesses. He explained that these areas have historically been underinvested and J.F. Lehman's long-standing specialization, government relationships, experienced team, and strong performance history have contributed to the heightened demand. He added that the specialized nature of the businesses in which they invest creates a barrier to entry, as these opportunities require established expertise, scale, and industry relationships.

Trustee Baron asked for additional clarification regarding the manager rating framework displayed in the NEPC Private Equity Pacing materials. Mr. Grzejka explained that NEPC evaluates managers on a scale of one to five, with a rating of one representing a fully underwritten recommendation and a rating of five representing a manager that NEPC would not recommend. He explained that the evaluation incorporates several factors, including the strength and stability of the firm, investment philosophy and approach, quality and experience of the investment team, historical performance, and NEPC's overall analyst assessment.

Mr. Grzejka used J.F. Lehman as an example, explaining that the firm received strong ratings due to its long history, continuity of its investment team, and consistency of its investment process. He noted that performance was rated slightly lower because results have varied depending on market conditions and sector demand. While more recent funds have benefited from favorable industry conditions and produced strong results, earlier funds did not experience the same level of support. He added that the philosophy rating reflects the specialized nature of the strategy, which requires significant industry expertise and relationships.

Mr. Grzejka commented that, generally, NEPC prefers to see ratings of one or two across the evaluation categories. He explained that a rating of three or lower would warrant additional consideration and could reflect concerns such as firm ownership structure, lack of succession planning, newer investment teams, or inconsistent performance. He stated that J.F. Lehman does not present those concerns due to its stable team and established investment approach.

Trustee Ciechon asked whether the recommended $18 million private markets commitment would likely be allocated to a single manager or multiple managers. Mr. Grzejka explained that the recommendation would likely be split among two managers to provide diversification and avoid concentrating the commitment with a single investment opportunity.

Mr. Grzejka further explained that the $18 million recommendation was based on the System's pacing analysis and the need to rebuild the private markets allocation following the HarbourVest distribution. He noted that, without the distribution, the recommended commitment amount would have been lower. As of May, the private markets allocation was slightly above 13%; however, after incorporating the distribution and updated pacing assumptions, the allocation was closer to approximately 12.8%–12.9%, creating a need for additional commitments to move back toward the System's 15% target allocation.

Trustee Peter Capano asked for additional information regarding the management fees associated with private market investments. Mr. Grzejka explained that private market investments generally carry higher fees than public market investments due to the complexity and resources required to identify, evaluate, and manage private company investments. He noted that while public market investments can often be accessed at very low costs, private markets require significant research, due diligence, and operational expertise, which results in higher management fees.

He further explained that for traditional private equity funds, such as J.F. Lehman, Gridiron, Advent, and Lone View II, management fees are generally around 2%, along with a performance-based incentive fee commonly referred to as carried interest. He noted that fees may vary slightly depending on the specific manager and fund structure, but 2% remains a common industry standard.

Mr. Grzejka explained that fund-of-funds and secondary strategies, such as HarbourVest typically have lower management fees. He noted that HarbourVest's fees are structured on a tiered basis and average approximately 1.1% over the life of the fund. He added that because a secondary fund invests in underlying private equity funds, there may also be additional underlying manager fees. On a look-through basis, the total cost could be closer to approximately 1.6%–1.7%, depending on the underlying investments.

Mr. Grzejka concluded that, while private market investments generally involve higher costs, NEPC continues to view the asset class as attractive due to the historical excess returns, or alpha, generated relative to public markets over time. He noted that this potential return premium is the primary reason private markets remain an important component of diversified institutional portfolios.

Trustee Wickens requested additional information regarding Advent's investment strategy. Mr. Grzejka explained that Advent originally built its reputation by investing in lower-middle-market companies but, as the firm grew and raised increasingly larger funds, its investment focus shifted toward larger companies and global opportunities. He noted that Advent's flagship fund is now approximately $26 billion, making smaller investments less practical due to the scale of the fund.

Mr. Grzejka explained that Advent Mid-Market Fund I represent a return to the firm's original investment approach by targeting smaller companies where there is less competition and greater opportunity for value creation. He noted that the strategy is broader than those of J.F. Lehman or Gridiron, with investments expected across financial services, healthcare, industrial, retail, consumer, and leisure sectors. While the specific fund has limited performance history, he stated that Advent's earlier funds of similar size produced strong results before the firm transitioned to significantly larger investment vehicles.

To illustrate the strategy, Mr. Grzejka compared Advent's evolution to that of public equity managers, explaining that the firm had effectively moved from investing in smaller-cap companies to larger-cap companies over time. He noted that the new mid-market fund is intended to capture opportunities that are more consistent with its original investment philosophy.

Following the review of the potential private market managers, Trustee Wickens asked about the next steps in the manager selection process. Mr. Grzejka clarified that NEPC was not asking the Board to select managers for investment at this time, but rather to identify managers to interview. He recommended interviewing four managers, noting that J.F. Lehman presented a timing consideration due to its accelerated fundraising schedule. He emphasized that all five managers presented would be strong additions to the portfolio and would provide exposure to areas of the private markets where the System currently has limited investments.

Mr. Grzejka noted that HarbourVest's strategy offered the broadest diversification and represented the lowest-risk opportunity among the managers presented due to its diversified secondary investment approach. He explained that Lone View II offered greater potential return but also carried relatively higher risk due to its concentrated technology focus.

Trustee Wickens stated she would be interested in interviewing Dover Street XII and Advent Mid-Market Private Equity SCSP.

Trustee Ciechon asked whether J.F. Lehman could realistically be considered given its fundraising timeline and acknowledged the importance of not delaying the manager process if the Board could not meet the required schedule.

Mr. Grzejka responded that J.F. Lehman was seeking indications of investor interest by mid-August, although legal documentation and subscription completion could occur afterward. He stated that the requested timeline related primarily to communicating the Board's intent to commit capital rather than finalizing all investment documentation.

The Investment Committee agreed to convene on August 12, 2026, at 9:00 a.m. The Committee will meet in person with each of the four prospective managers appearing by zoom: Dover Street XII, Gridiron Capital VI, Advent Mid-Market Private Equity SCSP, and Lone View II.

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

Request for Disability Retirement:

Executive Director Murray presented to the Board a request for a non-work-related disability retirement application submitted by Cara Bounds pursuant to Chapter 218:15, Laws of 1974, as amended, and Administrative Rule Section 2.3. Ms. Murray reported that the application was received by the Retirement Office on April 22, 2026. The applicant subsequently underwent the required independent medical evaluations, and the results were received and reviewed.

Ms. Murray explained that the Board's determination is based on whether the applicant's condition resulted in a permanent and total inability to perform the duties of her position and whether all statutory and regulatory requirements for disability retirement had been satisfied. After reviewing the application materials, supporting documentation, and independent medical evaluations, Ms. Murray concluded that sufficient evidence existed to support a finding that the applicant was unable to safely and effectively perform the essential duties of her position. Based on the evidence presented, she recommended approval of the disability retirement application.

Attorney Rich advised that any discussion regarding the applicant's medical information would need to occur in non-public session.

As no discussion was requested, acting Chairman Wickens entertained a motion to approve the request for disability retirement.

Trustee Capano moved to approve the request for disability retirement, seconded by Trustee Clayton, and approved by all those Trustees present.

Gainful Occupation Report:

Ms. Murray presented the 2025 Gainful Occupation Report and requested that the Board accept and place the report on file in order to maintain the audit trail required under Chapter 218:15-5. She explained that disability retirement recipients are required to report employment earnings annually until reaching the normal retirement age of 60.

Ms. Murray noted that if a disability retiree's employment earnings exceed the difference between the annual disability benefit and the retiree's final average earnings, as adjusted for cost-of-living increases, one-half of the excess earnings must be repaid to the Retirement System.

The report identified disability retirees who were required to submit earnings information and those who were exempt from reporting. Of the individuals required to report, three were gainfully employed during 2025. One retiree exceeded the allowable earnings limitation and will reimburse the required amount through a deduction from the retiree's pension benefit.

Acting Chairman Wickens entertained a motion to accept and place the Gainful Occupation Report for 2025 on file.

Trustee Ciechon moved to accept and place the Gainful Occupation Report for 2025 on file, seconded by Trustee Baron, and approved by all those Trustees present.

Motion to Adjourn:

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

Trustee Capano moved to adjourn the meeting at 9:21 a.m., seconded by Trustee Baron, and approved by all those Trustees present.

Respectfully submitted,

Melanie Murray
Executive Director