Minutes of the Board of Trustees' Meeting -1-

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

Present: Trustees: Richard Molan, Sharon Wickens, John Baron, John Clayton and Peter Capano

MECRS Staff: Melanie Murray, Kimberly Barrett and Karianne MacIntosh

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

Absent: Mayor Jay Ruais, Trustee Mat Ciechon

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous Board meeting minutes of May 14, 2026.

Trustee Clayton moved to approve the minutes of May 14, 2026, seconded by Trustee Capano 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 Wickens moved to approve the Immediate Meeting Agenda, seconded by Trustee Baron and approved by all those Trustees present.

Report of the Executive Director:

Ms. Murray reported that the legal review of the commitment to TA Realty XIV was completed, and that the subscription documents were finalized and submitted at the end of May. She further noted that legal review of the commitment to CrossHarbor Institutional Partners XI remains ongoing.

Ms. Murray provided an update regarding the HarbourVest Fund V liquidity election. Following discussion and Board approval at the prior meeting, NEPC submitted its recommendation to elect the full liquidity option with the upfront payment. The election documentation was completed and submitted prior to the June 2 deadline.

Ms. Murray informed the Board that MECRS' information technology vendor recommended transitioning to a fiber internet connection once service became available at the building. She reported that a promotional offer had been secured that eliminated installation costs and locked in a fixed rate for five years, resulting in modest cost savings compared to the current provider while also providing improved reliability and speed.

Ms. Murray advised that installation had originally been anticipated for the first week of June; however, delays have occurred because of difficulties identifying the connection access to the fourth floor following prior renovations. She reported that building management would attempt to locate the necessary infrastructure, with possibility of alternative connection through another tenant's facilities.

Next, Ms. Murray provided an update on pending legislation affecting health insurance risk pools. She reported that two bills remain under consideration by the Legislature: Senate Bill 661, which would require all risk pools to operate on an assessable basis, and House Bill 1491, which would permit a non-assessable model under which MECRS' current provider, HealthTrust, operates.

She explained that under a non-assessable model, if claims exceed premiums, participating entities are not immediately subject to additional assessments. By contrast, assessable risk pools, such as those used by other major providers, like SchoolCare may issue supplemental charges to participating groups when claims exceed projections. It was noted that SchoolCare recently made headlines in connection with significant assessments issued to participating entities.

In anticipation of potential legislative changes, Ms. Murray reported that she had been coordinating with the City to explore the possibility of joining the City's health insurance plan. She explained that the City is self-insured, maintains reserves, and does not issue supplemental assessments. Ms. Murray noted that the City's Human Resource Director had intended to bring the request before the Human Resource Insurance Committee (HRIC) of the Board of Mayor and Aldermen following the completion of the budget process; however, the Human Resource Director has since separated from the City.

Trustee Wickens offered to assist in facilitating outreach to the appropriate City contacts once the budget process concludes.

Trustee Capano requested clarification regarding assessable and non-assessable risk pools and asked about the potential advantages of joining the City's health insurance program. Ms. Murray explained that assessable pools may require participating entities to contribute additional funds when claims exceed premiums, while HealthTrust's non-assessable model addresses funding shortfalls through future rate adjustments. She noted that any assessments are calculated on a pool-wide basis. Ms. Murray further explained that the City operates a self-insured health plan under which participating entities pay established premiums and MECRS would not be subject to retroactive assessments. She added that the City maintains reserves to help absorb fluctuations in claim costs.

Ms. Murray explained that HealthTrust has indicated it would discontinue offering health insurance if legislative changes required it to operate as an assessable risk pool, as it does not intend to adopt that structure. She noted that this possibility has prompted consideration of alternative options to ensure continuity of health insurance coverage for MECRS.

Report of Monthly Cash Balance:

Ms. Murray reported that the cash balance began the month of May with just over $7.5 million. During the month, proceeds from the prior rebalancing were received, including liquidations from Hardman Johnston and City of London that settled in May. Additionally, approximately $1 million in capital calls were processed during the same period. As a result, the month concluded with a cash balance slightly more than $8.5 million.

Trustee Baron inquired about the anticipated impact of approximately 45 reported retirements within the school department. Ms. Murray clarified that not all retirements affect MECRS, as participation is limited to certain employee groups. She explained that teachers are included in the New Hampshire Retirement System, while MECRS membership includes school food services and paraprofessional staff.

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

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

Request for Motion:

Chairman Molan entertained a motion to accept the increased fee schedule proposed by State Street Corporation for Custodial Services, as discussed at the previous meeting.

Trustee Capano moved to approve the increased fee schedule, seconded by Trustee Clayton, and approved by all those Trustees present.

Consent Agenda:

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

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

Presentation to the Board:

Mr. Grzejka from NEPC provided the Board with an overview of NEPC, including its history, organizational structure, and client base. He noted that NEPC is a privately held investment advisory firm founded in 1986 as New England Pension Consultants by Dick Charlton, who remains involved with the firm.

Turning the Board's attention to page 2, Mr. Grzejka referenced the chart on the right-hand side, which illustrates NEPC's client base and its diversification across client types. The chart indicated that NEPC serves approximately 426 clients across corporate, nonprofit, healthcare, private, public fund, and Taft-Hartley categories, with public funds representing the largest share of assets under advisement. He noted that the public funds account for approximately half the total assets under advisement.

Mr. Grzejka noted that NEPC has approximately 384 employees, up from fewer than 100 employees in the firm's earlier stages of development. He explained that this growth has been accompanied by an expansion of the firm's geographic footprint, from its original office in Boston to additional regional offices, and a research office in London.

Mr. Grzejka further noted that NEPC seeks to specialize in its client service model. Turning the Board's attention to page 3, he explained that NEPC works with a range of client types, including approximately 72 public fund clients across the country. He cited examples such as the City of Boston and various pension plans, including New York City and Pennsylvania PERS.

He noted that the median client size is approximately $3.1 billion, with certain large state plans contributing to the overall scale of assets under advisement. Mr. Grzejka explained that NEPC maintains a dedicated team focused on public pension plans to ensure clients receive specialized expertise aligned with fiduciary risk and return considerations.

Mr. Grzejka emphasized that NEPC operates on a fully fee-based model derived solely from client advisory relationships and does not engage in product sales, noting that this structure is intended to align the firm's interests with those of its clients.

Continuing onto page 4, he reviewed NEPC's service model, noting emphasis on maintaining close and high-touch client relationship. He explained that NEPC maintains an average client-toconsultant ratio of approximately 6-to-1, which allows for a high level of engagement and responsiveness, particularly in managing complex institutional portfolios.

He further noted that NEPC maintains dedicated teams focused on public pension clients to ensure specialized expertise in fiduciary governance and investment oversight.

Moving onto page 6, Mr. Grzejka provided an overview of NEPC's investment research team, which he described as a core engine supporting the firm's advisory services.

He explained that the research organization is structured into several specialized teams, each with distinct responsibilities.

Mr. Grzejka first described the Asset Allocation team, led by Phil Nelson, noting that this group is responsible for developing long-term capital market assumptions and evaluating how client portfolios should be positioned across asset classes. He stated that this team focuses on identifying appropriate risk/return tradeoffs, setting strategic allocation frameworks, and helping clients determine where assets should be deployed over long-term investment horizons.

Next, he described the Portfolio Construction team, led by Tim Bruce, which focuses on how individual managers and strategies are combined within client portfolios. He explained that this team evaluates manager pairings, assesses diversification benefits, monitors unintended risk exposures, and reviews whether portfolio outcomes are consistent with expectations relative to the intended design.

He then reviewed the Investment Strategy team, led by Will Forde, explaining this team oversees NEPC's underlying asset-class research capabilities. He noted that the team is organized across public and private market segments, including equities, fixed income, private equity, real estate, and other alternative investments, and is responsible for identifying investment opportunities and maintaining coverage of managers and strategies across these markets.

Next, he described the OCIO Portfolio Strategy team, led by Scott Perry, which supports NEPC's Outsourced Chief Investment Officer offering. He explained that this team is

responsible for coordinating portfolio-level implementation decisions for OCIO clients, including rebalancing, manager selection, and ongoing portfolio oversight within the parameters established by client investment policy statements and governance frameworks. He noted that this function serves as the execution layer translating research view into actionable portfolio decisions for clients.

Lastly, Mr. Grzejka described the Research Operations team, led by Dawn Swift, which supports the diligence and implementation functions underlying the investment research platform. He explained that this team manages manager onboarding and due diligence workflows, coordinates research documentation, and ensures that investment recommendations and analyses are processed efficiently and delivered in usable form to client-facing teams.

Mr. Grzejka added that these teams operate in an integrated manner, allowing NEPC to connect macro-level asset allocation decisions with bottom-up manager selection and portfolio implementation, ensuring consistency across the investment process.

Directing the Board's attention to page 11, Mr. Grzejka provided additional details regarding NEPC's scale advantage and research-driven negotiation process. He noted that NEPC leverages its size and market presence to negotiate favorable terms on behalf of clients, including reduced investment manager fees, improved access, lower minimums, and other economic benefits.

He explained that NEPC actively engages with investment managers and service providers to ensure that clients receive the most favorable economic arrangements available, and that all resulting savings are passed directly to clients.

He further referenced the lower left-hand chart on page 11, noting that NEPC estimates approximately $130 million in annual client savings as a result of these negotiated arraignments, including reduced management fees, improved hurdle rates, lower minimums, and enhanced access to managers.

He added that a number of managers within client portfolios, including TA, Hardman Johnston, and Aristotle, participate in negotiated fee arrangements facilitated by NEPC's investment research and advisory teams.

In closing, Mr. Grzejka noted that while markets, client expectations, and technology have evolved in recent years, NEPC's core mission remains unchanged. He emphasized that the firm remains committed to delivering high-quality investment advice, maintaining strong client partnerships, and providing support during periods of market volatility.

Trustee Capano asked for clarification on the figures presented in the pie chart on page 11, specifically whether they represent the number of clients.

Mr. Grzejka responded that the figures represent investment managers and underlying strategies within NEPC's negotiated fee universe, rather than client counts. He explained that an investment "strategy" refers to an individual manager mandate, such as Aristotle Large Cap Value, and that NEPC has negotiated fee arrangements across a broad set of such strategies on behalf of clients.

He further clarified that NEPC's broader universe includes approximately 600 underlying managers or investment vehicles, with negotiated fee arrangements covering roughly 85 investment strategies, reflecting the firm's scale and ability to secure favorable terms.

Monthly Performance Report:

Chairman Molan noted that the portfolio's market value had reached approximately $383 million, the highest during his tenure on the Board. Mr. Grzejka responded that the performance report is already somewhat stale at the time of the review, as market values had likely increased further following strong performance in May. April returns were highlighted as particularly strong, with approximately 6% gains, bringing year-to-date performance through April to about 4.1%. He noted that active equity managers, specifically Boston Trust and Aristotle have experienced recent periods of underperformance due to prevailing market conditions, particularly a "high beta, high momentum" environment that has favored a narrow group of large-cap growth stocks.

Mr. Grzejka reminded the Board that the portfolio is constructed to include active managers that are intentionally differentiated from one another and from the broader market. In contrast to the Fidelity S&P 500 index fund—which closely tracks the S&P 500 and is heavily concentrated in a small number of large technology-related names (often referred to as the "Magnificent Seven")—active managers like Aristotle and Boston Trust are expected to take more differentiated positions, including underweighting certain dominant index constituents and emphasizing alternative factors in stock selection.

It was acknowledged that this style positioning can lead to periods of relative underperformance, particularly in environments where a small set of high-growth stocks drives market returns. This has been the case over the past year. However, other parts of the portfolio, including international and global equity managers, have performed strongly and added value.

He also highlighted the benefits of recent rebalancing activity involving City of London and Hardman, noting that the timing was favorable given strong market gains. City of London, in particular, was cited as having exceptional performance over the prior year, with returns around 62%. While acknowledging that short-term figures can be volatile, Mr. Grzejka emphasized that the manager has delivered strong long-term results over a multi-decade time horizon.

Overall, Mr. Grzejka expressed satisfaction with portfolio construction and manager selection, noting that periods of underperformance among certain active strategies are expected and addressed through diversification, ongoing monitoring, and periodic rebalancing, including replacing managers when appropriate.

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

CrossHarbor:

Attorney Rich provided an update on the status of the review of CrossHarbor investment documents. He stated that his firm has been awaiting response from CrossHarbor's counsel regarding acceptance of the RSA 91-A side letter protections. He noted that he would have expected to have received a response by now, given the closing scheduled for the end of next week. Attorney Rich stated that his goal was to confirm that the side letter aligns with internal requirements before proceeding further with the legal review.

Attorney Rich also noted that although the same law firm is representing TA, it is likely a different team handling the matter and a different client, so there should not be a conflict or delay, but confirmation is still needed before additional resources are committed to the legal review. Mr. Grzejka indicated that he would contact CrossHarbor to expedite the production of the side letter.

Motion to Adjourn:

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

Trustee Capano moved to adjourn the meeting at 9:13 a.m., seconded by Trustee Wickens and approved by all those Trustees present.

Respectfully submitted,

Melanie Murray
Executive Director