

December 9, 2008
Minutes # 443

Minutes of the Board of Trustees' Meeting

Call to Order: Chairman, Donald Pinard called the meeting to order at 8:33 a.m.

Present: Trustees: Chairman, Donald Pinard, Chuck Hungler, Jeff Duval and Kevin Barry
MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Trustee: Mayor Frank Guinta, Jennie Angell and Bill Sanders

Approval of the Minutes of the Previous Board Meeting:

A motion was made by Trustee Hungler to approve the minutes of the November 10, 2008 seconded by Trustee Duval and passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

Trustee Duval made a motion to accept the immediate meeting agenda, seconded by Trustee Hungler and passed unanimously by all those trustees present.

Chairperson Comments:

Chairman Pinard took the opportunity to reflect upon Trustee Duval's announcement at the previous month's meeting to step down as the aldermanic appointee, for personal reasons. Chairman Pinard noted that since this would be Trustee Duval's final meeting, that he wanted to openly thank him for his diligence and dedication to the System and its membership.

Chairman Pinard presented Trustee Duval with a certificate of appreciation for his service and dedication during his tenure as a MECRS Trustee and the entire Board and the MECRS staff unanimously joined in expressing their gratitude for the time he devoted to the organization.

Trustee Duval thanked Chairman Pinard and expressed his belief that his replacement, Mr. Richard Molan, would make an excellent addition to the Board and would bring fresh ideas and new perspectives to the group.

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Report of the Executive Director:

Subsidy Rate Change Notices to be Sent to Retirees – Mr. Fleury reported that retirees will be notified of the annual increase in the health subsidy rate beginning with their January 2009 payments. Only retirees receiving a subsidy will get the notice and every notice will be customized to the retiree's circumstances. In all, four variations of the notice will be produced depending upon whether the insurance is through the City, the School District, a city employer spouse or the spouse of a New Hampshire Retirement System city retiree.

Next Round of Administrative Rules to be Released for Public Comment - Mr. Fleury informed the board that after months of work and consultation with legal counsel and the System's actuary, three new administrative rules and one revision to an existing rule may be ready for release to the public in late December or early January. Mr. Fleury noted that these rule changes address long standing issues, that it was not imperative that the rules be promulgated quickly, and that he would resist rushing the release of the drafts to the public to be sure that they adequately addressed all concerns. Following the receipt of comments, a public hearing would be scheduled in conjunction with a regularly scheduled trustee meeting and the board would be asked to implement the new and revised regulations following the public hearing.

2008 Comprehensive Annual Financial Report Underway - Mr. Fleury also reported that a working draft of the 2008 CAFR is now underway. Paramount to this year's report, may be expanded reporting requirements stemming from the decision to invest in certain alternative asset classes such as Portable Alpha and Fund of Funds Private Equity. Input from the System's external auditors will play a decisive role in the final format of key statements but more asset classifications and additional supporting schedules will likely be required in order to comply with FASB 157.

In concluding his report, Mr. Fleury expressed his personal appreciation for having had the opportunity to work with Trustee Duval during his tenure on the Board of Trustees. Mr. Fleury thanked Trustee Duval for his service and dedication to the board and its committee assignments. He then asked if there were any questions by the Board.

Chairman Pinard inquired about the process by which members of the System, who are out on workers' compensation, are notified of their ability to continue making employee contributions to the System.

Mr. Fleury replied that the Retirement System responds to these events rather than driving them because there are limited mechanisms in place for the System to know when a member is out because of work related injury. He noted that in some cases the employees elect to pay the 5% employee contribution based on the amount of

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supplemental pay they receive. This is not without problems however, since a member's supplemental pay is significantly lower than the weekly salary amount and service is based on a member making contributions on their base salary. As a result, the member may have to buyback the difference in the contribution amount due in order to receive a month of service credit. Any member who chooses not to have the deduction taken from their supplemental pay may choose to buyback their service while out on workers' compensation at a later date.

Chairman Pinard indicated that there are some workers' compensation individuals who are not aware of that option or the procedure to buyback service and he suggested that those members receive notification regarding the process to buyback service. Mr. Fleury replied that the information was certainly out there and that the problem was frequently that a member chooses not to read information provided to them or to act upon it. Mr. Fleury did concede that more might be done to address the issue through a collaborate effort with Risk Management and the City Human Resource Department.

Trustee Hungler offered a motion to direct the Executive Director to speak with Risk Management regarding notification of options to the members out on workers' compensation, seconded by Trustee Duval.

Mr. Fleury stated that he could focus on developing a process whereby members who lost service credit because of job related injuries would receive some kind of automatic notice of their rights to buy back such time and that he would report his progress to the Board at future meetings.

Motion passed unanimously by all those trustees present.

Trustee Hungler asked Mr. Fleury about a recent e-mail exchange they had shared regarding lock-up periods and liquidity on the hedge funds and the possibility that such a practice would benefit Pension Plans.

Mr. Fleury explained pros and cons of extended lock-ups and the liquidity options. In brief, exceptions to the lockup period result in the sale of those most marketable assets in the portfolio to the benefit of investors who panic and bail out. This leaves the less marketable and potentially less valuable assets remaining for investors who stay the course. Since investors were clearly informed of the lockup period before they invested, the strict adherence being implemented by fund managers prevented turnover and volatility in the fund to the benefit of investors.

Next, Trustee Hungler asked Mr. Fleury if he has received communication from the actuary regarding the contribution rate for 2009.

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Mr. Fleury responded that he would be meeting with Mr. Ken Alberts from Gabriel, Roeder, Smith & Co. on Friday, December 12, 2008 and expected to have results at that time.

The board continued to discuss the demographics of the Plan and the impact of the future employer contribution rate.

Report of the Investment Committee:

Committee Chairman Hungler reported that there was no investment meeting held this month but that routine reports from NEPC had been made available. He referred to the hand-out, Investment Performance "Flash Report" distributed at the beginning of the meeting addressed the results for the period ending 10/31/2008. The composite gross for last month was -12.7% and year to date -27.0%.

Chairman Hungler noted that the board recently met with Mellon Capital and that the board continues to closely monitor their performance.

Chairman Hungler also noted that the next Investment Committee meeting is scheduled for January 12, 2009. The committee will conduct interviews of three selected SMID Cap Managers, recommended by New England Pension Consultants.

Report of the Benefits Committee:

Due to the absence of Committee Chairman Angell, Mr. Fleury reported that the Advisory Committee nominated and elected Kimberly Desrosiers from Parking Control as Chairperson for 2009, replacing Steve Quinn, Union Representative from the Water Works Dept., whose term ends as of December 31, 2008.

Mr. Fleury further reported that the Advisory Committee still has future plans to expand the utilization of the health subsidy to include a dental subsidy but will delay any action until such time as the economy recovers. The committee also expressed interest in working collaboratively with the recently hired Human Resource Director, Jane Gile and planned to invite Ms. Gile to a future Advisory Committee Meeting.

Consent Agenda:

A motion was offered by Trustee Duval to accept the Consent Agenda, seconded by Trustee Barry and passed unanimously by all those trustees present.

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Mr. Fleury was pleased to note for the record that the MECRS is currently in competition with at least two other Pension Plans for Small Pension Plan of the Year.

New Business:

Trustee Duval noted the true dedication from his peer trustees on the board as well as the MECRS staff members and that he will miss working with them.

Next Meeting Schedule:

Chairman Pinard noted that the next scheduled board meeting is Tuesday, January 13, 2009 at 8:30 a.m.

There being no further business to transact, Trustee Barry offered a motion to adjourn at 9:12 a.m. seconded by Trustee Duval and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director