

September 16, 2010
Minutes #463

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman, Donald Pinard called the meeting to order at 8:35 a.m.

Present: Trustees: Chairman, Donald Pinard, Jennie Angell, Richard Molan, Paul Porter, Chuck Hungler
MECRS Staff: Gerard Fleury and Suzanne Wilson

Absent: Trustees: Mayor Ted Gatsas and Bill Sanders

In Attendance: Attorney John Rich of the McLane Law Firm

Approval of the Minutes of the Previous Board Meeting:

A motion was made by Trustee Angell to approve the minutes of the August 10, 2010 board meeting, seconded by Trustee Hungler and passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Chairperson Comments:

Chairman Pinard noted that he has received positive feedback from several MECRS members who attended Retirement Seminar held September 14, 2010, and he complimented the Retirement Staff for a job well done.

Report of the Executive Director:

Monthly Status Report on Pension Administration System Upgrade/Replacement – Mr. Fleury reported that the work continues regarding the MECRS pension administration system upgrade/replacement and site visits to public retirement systems in Waltham and Beverly Massachusetts were conducted on August 24th to further ascertain the development and implementation abilities of competing vendors. He informed the board that it is clear now that should the board elect to authorize replacement of the existing system, regardless of which vendor is selected, processing for part of 2011 would need to continue on the legacy system. Support for the MECRS website presently comes from the same vendor who developed and supports the legacy system although the website is not part of the pension administration package. Web support will therefore continue to be budgeted separately and should be mutually

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exclusive from this project.

Data Analysis on Retirement Benefits - Mr. Fleury stated that the subject of retiree benefits frequently comes up when concerns over pension costs are raised. Since it is not a reporting requirement of the System, statistics are not compiled and published on the subject however some data can be statistically compiled and Mr. Fleury reported that he had done so and provided the results for the board to review.

Mr. Fleury noted that the MECRS currently has 699 retirees. Those retirees were categorized into the top twelve, top ten percent and total population. He then grouped the total population retiree benefit, into the median 50 and the lowest 50.

The trustees continued to discuss the results of Mr. Fleury's analysis, noting the different variables that drive the retirement calculations such as changes to the Plan and benefit enhancements available to the members.

Chairman Pinard noted the importance of knowing the median and mean for different time periods.

Mr. Fleury responded that he such data should be available for at least a certain period of time and that he would compile data from past years in a comparative format and report back to the board when the comparisons were complete.

Results of Pre-Retirement Seminar – Mr. Fleury stated that he was pleased to hear Chairman Pinard's comments on the positive feedback he had received from the membership regarding the MECRS Retirement Seminar. The theme of the seminar was designed to entice the membership to think about their previous preconception of what retirement was going to be like and what has changed over the last five years due to the changes in the economy and changes in the marketplace which might cause them to reevaluate their plans. Mr. Fleury stated that he had been fortunate to acquire an excellent slate of presenters for the seminar who had also focused on that same theme while providing detailed information to those in attendance.

Web Site Statistics - Moving on, Mr. Fleury informed the board that since its inception in 2004, the current MECRS web site, www.manchesterretirement.org, has been accessed for information a total of 710,827 times. Over a thousand web site pages have been browsed in just the last week and 237 information items have been downloaded from the MECRS site. He also reported that compared to the same analysis in 2008, the recent statistics show that the use of the web site has a least doubled in the past two years.

Web Site Security Update – Next, Mr. Fleury reminded the Board that earlier this year the System had contracted to have a security analysis performed on the MECRS information systems

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to ensure that there was minimal risk of losing confidential client data to hackers. The findings of that security audit revealed that an unauthorized party could have access to a member's personal information if a member was careless. For example, if a member accessed their account from a public computer such as one in the public library and then failed to close the browser before leaving the machine, in the past, that session might have continued to be active after the member departed. Mr. Fleury stated that the System had completed corrective measures to prevent unauthorized access in this and similar situations by implementing timeout features on the personal information screens of the MECRS web site.

Since the time the new control was recently implemented, when a member's personal information screen is left unattended for slightly over a minute, the user is cycled back to a blank login screen. Mr. Fleury also noted that this practice now mirrors that used by banks and credit unions with online access to their member accounts.

Short-term Planning & Scheduling - Mr. Fleury commented that Budget Development and COLA Regulatory Revision are two projects which remain on his task list for the coming months. He stated that input from the board would be appreciated and could provide a clearer understanding of the Board's desires and anticipated delivery dates.

Mr. Fleury again reminded the Board of a request by the MECRS Administrative & Accounting Committee months earlier for an update of salary data on comparatively sized public plans for budgeting purposes. Mr. Fleury informed the board that he has completed a survey of Public Retirement Systems of approximately the same assets under management, approximately the same number of active members and approximately the same number of retirees. The specific purpose of the survey was to ascertain the number of employees, average salaries, and fringe benefit entitlements associated with public pension plan administration. The data in the survey responses has been compiled and compared to MECRS in a brief but informative report.

Mr. Fleury felt that the results would be useful when reviewed in conjunction with the Condrey Study, regarding the MECRS staff salary which was conducted about five years ago. He noted that he would like to be able to open preliminary discussion on the salary and benefit segments of the budget using these report in the month of October.

In addition, Mr. Fleury noted that he had been asked to study the mechanics of how a COLA is granted and to seek possible alternatives to the present inflation index published by the US Department of Labor. He expressed some concern that the Board's exact objective was less than clear and he asked for any guidance the Board would care to offer.

Trustee Hungler felt that it would be helpful to compare the CPI value for All Cities with those which focus only on the New England states.

Mr. Fleury agreed to provide the comparison for the trustees' review for next board meeting.

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Mr. Fleury then briefed the board on a recent meeting he had taken with Mr. Marc Ahern of Seix Advisors. Mr. Fleury reminded the Board of the sudden and unannounced resignation of Managing Director, Eric Storch, months earlier, and of press releases regarding the relationship between Seix and its parent, SunTrust Bank. Mr. Fleury reported that in his discussions with Mr. Ahern, the new primary contact at Seix, that he was informed that the firm expects to remain a subsidiary of SunTrust.

Next, Mr. Fleury referred to Informational Item #3, Legislation Sponsorship Request, regarding housekeeping amendments to the MECRS Death Benefit Provisions. Correspondence had been sent to Senator Devries, seeking legislative sponsorship for the 2011 session of the NH Legislature.

Mr. Fleury reported that Senator Devries had recently replied to his request and has expressed concerns over her sponsorship potentially creating the appearance of a conflict of interest due to her seat on the Manchester Board of Mayor and Aldermen.

Mr. Fleury informed that Board that he withdrew his request for sponsorship by Senator DeVries, has redirected it to Senator D'Alessandro, and is currently waiting for his response.

In closing his report, Mr. Fleury reported on a provision in part of the National Health Care Bill, that may affect the MECRS, and would require it along with all small businesses to issue 1099 forms to any entity that they do business with and pay more than \$600 per year.

Mr. Fleury stated that he was confident that MECRS would have little difficulty complying with the requirement if it remains intact but that efforts to repeal that provision may yet be successful. He indicated to the Board that he would continue to track the issue to ensure readiness and would report changes as they occur.

Report of the Investment Committee:

Committee Chairman, Hungler, reported that the Investment Committee did not formally meet, however, he elected to address Informational Item #5 "MECRS Flash Report" for the month of July, included in the trustees agenda packets.

Committee Chairman Hungler reported that July was a positive month with a 5% return for the month and a year to date return of 2.6%. He noted that final statistics have not been received at this point because of late reporting asset classes and he informed the Board that preliminary results for the month of August suggest that results for that month will not be favorable.

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Also, Committee Chairman Hungler reported on a meeting held at the MECRS office where he and Mr. Fleury had met with RMK Timberland representatives. Mr. Kevin Leonard of NEPC had also participated in the meeting via phone conference.

Committee Chairman Hungler explained that approximately one year ago the investment contract with RMK had been scheduled to end. At that time, owing to disadvantageous economic conditions, RMK Timberland had requested a one year extension, which was granted by the MECRS Board. He informed the trustees that RMK is currently seeking another extension on the agreement which must be approved by all three of the investors. MECRS has 16% of the contract, with two other investors owing 42% each.

Committee Chairman Hungler reported that as of June 30, 2010, RMK's has an 8.5% loss for the year and he listed different factors that the trustees will want to take into consideration before voting on an extension.

As a result of the meeting, RMK representatives agreed to contact the other two investors to ascertain whether it was their intention to support an additional extension, and to report their findings back to the MECRS board.

Mr. Fleury interjected that in addition to the directive issued to RMK to speak with the other two investors, NEPC has been charged with making a recommendation to the MECRS Board on whether or not to grant an extension. Furthermore, MECRS legal counsel has been directed to examine the property valuations and the way in which the management fees are paid to determine whether an extension of the investment is contractually advisable.

Attorney Rich asked Mr. Fleury whether the intent of the original investment with RMK Timberland was to profit from the sale of harvest timber or to recognize gains on the underlying land.

Mr. Fleury replied that it is his understanding that the investment was made for both reasons.

Consent Agenda:

Trustee Hungler moved to accept the Consent Agenda, seconded by Trustee Porter and passed unanimously by all those trustees present.

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New Business:

Non-Public Session For Discussion Regarding Vendor Selection – Chairman Pinard entertained a motion to enter Non-Public Session to discuss the vendor selection process for a replacement administrative information system at 9:26 a.m. citing RSA 91-A: 3 II (d).

Roll Call Vote:

Ayes: Messrs. Pinard, Angell, Molan, Hungler and Porter

Nays: None.

Motion carried unanimously.

Chairman Pinard called for a roll call vote to come out of non-public session at 10:14 a.m.

Roll Call Vote:

Ayes: Messrs. Pinard, Angell, Molan, Hungler and Porter

Nays: None.

Motion carried unanimously.

Chairman Pinard entertained a motion to seal the minutes of non-public session.

Trustee Porter moved to seal the minutes of non-public session, seconded by Trustee Molan and passed unanimously by all those trustees present.

Motion to Adjourn:

Having concluded all of the items of business for the day, Chairman Pinard entertained a motion to adjourn. Trustee Hungler moved to adjourn at 10:15 a.m. seconded by Trustee Molan and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director