

January 10, 2012
Minutes #476

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Pinard called the meeting to order at 8:40 a.m.

Present: Trustees: Chairman Pinard, Richard Molan, Bill Sanders, Michael Woitkowski, Dianne Mercier and Mayor Gatsas arrived at 8:45 a.m. and departed at 9:47 a.m.

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Paul Porter

In Attendance: Attorney John Rich of the McLane Law Firm

Approval of the Minutes of the Previous Board Meeting December 13, 2011:

Trustee Woitkowski moved to approve the minutes of the meeting of December 13, 2011, seconded by Trustee Molan and passed unanimously by all trustees present.

Approval of the Immediate Meeting Agenda:

A motion was made by Trustee Molan to approve the immediate meeting agenda, seconded by Trustee Woitkowski, and passed unanimously by all those trustees present.

Executive Directors Report:

Public Employee Retirement Summit 2012 Date Announced – Mr. Fleury began by informing the board of the upcoming 2012 OPAL Public Employees Retirement System Summit held in Newport, Rhode Island. This year's summit is scheduled for July 23rd through the 25th. Mr. Fleury requested the Board's permission to attend the summit and he encouraged interested trustees to consider attending as well. He stated that details for the Summit were not yet available however, the subject matter of events has never failed to be relevant.

Update on HR. 3561 - Mr. Fleury noted that he recently became aware of, and called the trustees attention to, an item from NCPERS which addressed pending legislation aimed at preserving early retirement provisions for defined benefit plans. He referred to the draft copy of the 2012 House Resolution provided to the trustees as an informational item in their board packets and identified the relevant portion of that bill as Sec 7 (3). If this bill fails, Mr. Fleury commented, other action might be taken to further delay the effective date of a 2007 law which would

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effectively end early retirement based upon a combination of age and service. Mr. Fleury stated that he believes the worst case scenario would necessitate a bill in the NH Legislature in 2013 or after to strike early retirement provisions from the plan document should the 2007 requirements of Section 401(a) of the Code be allowed to take effect. Mr. Fleury stated that he will continue to monitor the pending legislation.

Insurance Coverage Update for April 2011 Meeting – Next, Mr. Fleury informed the trustees of a meeting that was held at the MECRS office in December with Mr. Grady Crews of Ferdinando Insurance, the agent for most of MECRS' insurance coverage. He noted that Mr. Crews has offered to come before the Board to review coverage levels and to answer any questions which board members might have regarding covered liabilities. Mr. Fleury suggested that the ideal time for Mr. Crews to conduct his presentation would be during the April Board meeting.

Chairman Pinard agreed to schedule the insurance coverage presentation by Mr. Crews for the April board meeting.

Comprehensive Review of Benefits Package to Include MECRS – Moving on, Mr. Fleury referred to the copy of Mayor Gatsas' January 3, 2012 Inaugural Address where he mentioned that a Comprehensive Review of Benefit Packages “most notably our defined benefit retirement plan administered by the Manchester Employees Contributory Retirement System” would be conducted in the coming months. Mr. Fleury stated that because this office has always seen the city and the taxpayers as stakeholders in the Plan that he will cooperate in every way and he noted that it would be helpful if individual trustees could plan to participate if representatives from the City request a meeting.

Quorum Concerns for February Board Meeting – Mr. Fleury indicated that two trustees are already unavailable for the regularly scheduled date for a February meeting of the MECRS Board. Unless all four remaining trustees are prepared to commit to attendance on February 14th, Mr. Fleury stated, the trustees may want to consider skipping or rescheduling the February meeting. The trustees considered various options and agreed to move the meeting date from the second Tuesday of the month to the third Tuesday since most of the members would be available on that date.

Moving on, Mr. Fleury explained that Trustee Porter had made him aware of an organization named COMPASS, which is involved in a collaborate effort with health care providers to reduce overall health care costs for the City and for insured individuals covered by the City. Mr. Fleury explained that under this arrangement, retirees who are less than 65 and not subject to Medicare, are encouraged to obtain certain medical services from recommended providers resulting in savings for the City which are in turn shared with the insured. Under such an arrangement both the City and the retiree benefit financially. The challenge is to promote knowledge of this arrangement to participants and it is here where MECRS could be of assistance.

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Mr. Fleury stated that MECRS can specifically target eligible participants with a direct mailing to provide them with information about the program. He speculated that retirees would be more apt to open and read correspondence from MECRS than from a direct mailing from Compass since many people tend to discard unsolicited mail without even opening it. He requested the trustees permission to forward information about the Compass program to the target retiree group.

The trustees agreed to have Mr. Fleury mail this information out to approximately 60 retirees who qualify.

In closing his report, Mr. Fleury requested a definitive answer on attending the Opal Conference in July.

The board granted Mr. Fleury's request to attend the Opal Conference in Rhode Island.

Chairman Pinard asked Trustee Sanders if the City's health insurance plan inclusive of a higher deductible is being offered to the current retirees.

Trustee Sanders replied, that it is most definitely being offered to the retirees.

Report of the Investment Committee:

Committee Chairman Molan stated that there was no Investment Committee meeting held on January 9th, due to lack of a quorum however, informal discussion took place with NEPC representatives in attendance. Mr. Kevin Leonard and Mr. Sebastian Grzejka discussed potential interviews of real estate money managers at the next Investment Committee meeting to be scheduled for March 12, 2012.

Mr. Fleury felt it noteworthy to mention that Trustee Molan had asked Mr. Leonard for clarification on NEPC's recommendation to the trustees at the December board meeting with respect to MECRS participation in real estate opportunities.

Mr. Fleury reported that Mr. Leonard had explained that NEPC's recommendation was for a consolidation of existing core managers in addition to a new investment in real estate fund of funds which included an opportunistic component. That distinction had been lost at the December meeting and it had appeared the Mr. Leonard had altered NEPC's recommendation when the board exhibited a lack of enthusiasm over opportunistic real estate. Mr. Fleury noted for the record that NEPC's intent had been to make two mutually exclusive recommendations and not to switch tactics when the board interest appeared cautious.

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Report of the Administrative & Accounting Committee:

Committee Chairman Woitkowski reported the A&A Committee had met a day earlier to conduct a conference call with the System's Actuary and legal counsel to discuss the draft amendment to the personnel policy as well as Administrative Rule 7 regarding retiree COLA's.

Committee Chairman Woitkowski stated that after a presentation by legal counsel and with the actuary linked via conference call, the committee had signaled its approval of the direction and the scope of the draft amendments to Administrative Rule 7. He further noted that the revised methodology recommends that a "target rate of return" and a "percentage eligible for gain sharing" be adopted by the board as part of the revisions. Since counsel required at least preliminary rates in order to proceed with further development of Rule amendments, the committee had voted to use 8% as the target rate of return and 15% for the percentage eligible for gain sharing in the initial version of the revised rule. Those values will be incorporated into the text of the rule and the formula to be used in determining the affordability of future COLAs. He further explained that upon finalization of the rule, it will be brought before the full board seeking a motion to release the draft for 30 days of public comment. Assuming acceptance by the full board and following the thirty day comment period, the board would schedule a public hearing on the rule change and could then entertain a motion to adopt the rule inclusive of any comment induced amendments. Release to the full board will probably be scheduled for the next meeting with the public hearing scheduled for either April or May.

Mayor Gatsas arrived at 8:45 a.m.

Moving on to another topic, Committee Woitkowski reported that the Committee had also reviewed an amendment which had been previously requested to the personnel policy on staff salary. The intent of the amendment was to make step increases on the salary scale a result of satisfactory annual performance reviews, to define when such reviews would be conducted and by whom, and to include the results of those processes in the annual budget.

Trustee Mercier asked to have some historical prospective on the subject.

Referring to the Salary Schedule included in the trustee's agenda packets, Trustee Molan responded that in the past the board has decided on whether or not the step increases are awarded to staff, usually at the last minute and despite the existence of a formal salary scale commissioned and adopted by the board years before. The amendment states that each year, upon completion of a satisfactory performance evaluation, each member of the MECRS staff shall advance one step on the Condrey salary schedule beginning January 1st of the ensuing year and the Executive Director shall include the funding in the salary lines of the budget for that purpose. In addition, Trustee Molan stated that the performance evaluation of the Executive Director shall be conducted annually, and to the extent possible in the month of October, by the

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A&A Committee. At that time, the MECRS Board may, upon a majority vote, act to suspend this section of the policy if it has been determined that the incremental increase associated with a step for employees will be financially detrimental to the ongoing operation of the organization.

Mr. Fleury went on to explain that the amendment is designed so that any salary increases are done in conjunction with the budget. Past practice has been for the draft budgets to have no increase in salaries. The board was then given a schedule indicating the fiscal impact of salary increases and would approve amounts extemporaneously. Because this process differed from the way salary scales are generally applied, Mr. Fleury stated that he was directed to re-write the policy to allow for that step to be included in the original draft of the budget, inclusive of the provision in the rule that states if the board feels that salary increases will prove to be detrimental to the operation of the System then increases can be withheld.

Mayor Gatsas asked Mr. Fleury, under whose direction was he asked to modify the policy.

Mr. Fleury replied that there is a sub-committee of the MECRS Board that deals with administration and accounting and upon their review of the budget this year, committee members questioned past practice and directed that he re-write the rule.

Mayor Gatsas asked Mr. Fleury to identify the members of A&A Committee which Mr. Fleury did.

Trustee Mercier asked Mr. Fleury, what constitutes the completion of a satisfactory performance evaluation.

Mr. Fleury replied that there is a formal document which includes 14 different evaluation criterion and allows for a staff member to be rated on efficiency, proficiency, and the like. That document provides the framework for the evaluation which is completed annually by the supervisor and subsequently reviewed with the staff member.

Mayor Gatsas then asked what the steps are in between and if the step increase includes a COLA.

Mr. Fleury replied that there has never been a COLA granted to staff members since his tenure. The MECRS Board approved the step program in 2007 and each step equates to 2.5%. Trustee Mercier asked if the board has the authority to reduce the 2.5% down to a lower level.

Mr. Fleury replied that it could do so but explained to the trustees, that the step increments were determined by an outside consultant which was commissioned by the board, Condrey Associates. Condrey did a comparison with employees in other public funds of similar size located in

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Massachusetts, reviewed the structure of those plans to ensure compatibility and adjusted for the difference in the economy between NH and Mass.

It was then moved by Trustee Molan to approve the A&A Committee's recommendation to approve the amendment to the personnel policy, seconded by Trustee Woitkowski and passed by a voice count.

Trustee Mercier asked to receive copies of the Draft, Administrative Rule 7 when completed.

Consent Agenda:

It was moved by Trustee Molan to accept the Consent Agenda, seconded by Trustee Sanders and passed unanimously by all those trustees present.

New Business:

MECRS Board Organization – Mr. Fleury informed the trustees that there was no need to address Board Organization for 2012. He explained that this item had been added to the agenda to document the circumstances that have transpired. Had Trustee Pinard not been re-elected this term as trustee, then there would have been the need to fill the Chairman's vacancy. Pursuant to the By-Laws, because Board Organization is done every other year but trustees elections are for three year terms, this turns out to be an odd year and since Trustee Pinard retained his elected seat on the Board, no action is necessary.

Mayor Gatsas reported on his Inaugural Address to the City on January 3, 2012 where he informed the public that he will name a Retirement Committee to undertake a comprehensive review of benefit packages offered to city employees. He stated that it has been over 10 years since there have been any contribution increases by city employees and like all things costs continue to rise. He went on to say that we must make prudent decisions today so that our system can be sustained well into the future.

He informed the board that the committee will seek input from the public and stakeholders and to examine other structures and weigh the value of all available options.

Mr. Fleury noted that the subject had also been addressed just prior to the Mayor's arrival and he stated that he is looking forward with anticipation to meeting the committee members. He further noted that he had requested that one or more trustees make themselves available to meet with the Mayor's committee once the review process got underway.

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Chairman Pinard then entertained a motion to go into executive Session pursuant to RSA 91-A:3 II(d) at 9:02 a.m.

Roll Call Vote:

Ayes: Messrs. Sanders, Woitkowski, Pinard, Mercier, Molan and Mayor Gatsas

Nays: None

Chairman Pinard entertained a motion to conclude executive session at 9:43 a.m.

Roll Call Vote:

Ayes: Messrs. Sanders, Woitkowski, Pinard, Mercier, Molan, and Mayor Gatsas

Nays: None

Motion Carried

Chairman Pinard then entertained a motion to seal the minutes of executive session noting that no actions were taken during the session.

Trustee Sanders moved to seal the minutes of executive session pursuant to RSA 91-A:3(III), seconded by trustee Molan and passed unanimously by all those trustees present.

Sensing that the meeting was nearing completion, Chairman Pinard reminded everyone that the next MECRS board meeting will be held February 21, 2012, one week later than usual in order to ensure a quorum and also accommodate trustee schedules.

Motion to Adjourn:

Having completed all of the items of business for the day, Chairman Pinard entertained a motion to adjourn. Trustee Molan moved to adjourn at 9:48 a.m. seconded by Trustee Sanders and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director

