

April 9, 2013  
Minutes #491

**Minutes of the Board of Trustees' Meeting -1-**

**Call to Order:** Chairman Pinard called the meeting to order at 8:30 a.m.

**Present:** Trustees: Chairman Donald Pinard, Mike Woitkowski,  
Richard Molan, Robert Lynch  
MECRS Staff: Gerard Fleury and Suzanne Wilson

**Absent:** Mayor Gatsas, Dianne Mercier

**In Attendance:** Attorney John Rich of the McLane Law Firm

**Approval of the Minutes of the Previous Board Meeting:**

Trustee Woitkowski moved to approve the board minutes of March 12, 2013, seconded by Trustee Lynch.

Trustee Molan noted misspellings in the Chairperson Comments section of the March minutes. He stated that the correct spelling for the firm, Shaheen & Gordon and Mr. William Shaheen, where the draft minutes read Sheehan.

The trustees voted unanimously to approve the March 12, 2013 board meeting minutes as amended.

**Approval of the Immediate Meeting Agenda:**

It was then moved by Trustee Molan to approve the immediate meeting agenda, seconded by Trustee Woitkowski, and passed unanimously by all those trustees present.

**Report of the Executive Director:**

**Redemption Request for Benchmark Partners Submitted:** Mr. Fleury reported that pursuant to action taken by the Board at their meeting on March 12<sup>th</sup>, a redemption request was filed with Benchmark Partners on March 21<sup>st</sup>. In keeping with the terms of the subscription agreement, the redemption request was dated for December 31, 2013 and included an additional request for distribution before that time as may be allowed by the manager. Mr. Fleury stated that he will keep the board apprised of further developments with Benchmark Partners.

**Sale of Gilman II Tract Completed:** Mr. Fleury informed the board that on March 21<sup>st</sup>, the System received notification that Regions Timber Group had closed on the sale of the remaining tracts in the Evergreen EFG Timberfund. In accordance with the terms of the sale, proceeds are to be distributed to investors 90 days following the close. Distributions will be net of fees and expenses related to the sale.

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Audit of 2012 Completed: Work on the audit of 2012 was completed in the office on March 22<sup>nd</sup>. Mr. Fleury stated that no material issues are expected as a result of the audit and a formal report will be forthcoming upon completion of financial statements and the Comprehensive Annual Finance Report.

In closing his report, Mr. Fleury indicated that notice was received from the System's custodial bank, State Street Bank & Trust, reporting that they recently had unexpected staff reductions. The System's primary liaison was terminated with 15 minutes notice. Subsequent to this action, March account payables were not received in the customary time frame. State Street Bank was notified, and immediate action was taken to remedy the situation and the bank admitted to the breach in their established procedures. Mr. Fleury stated that he will keep the board apprised of any further issues with State Street Bank & Trust.

**Report of the Investment Committee:**

Committee Chairman Molan reported that the Investment Committee met with representatives from NEPC, the previous day, to discuss the System's options for cash which will be received in the coming months from the redemption of certain holdings and to review asset allocation levels for rebalancing purposes. Chairman Molan noted that if the Investment Committee's recommendations were approved, changes would be necessary to the System's Investment Policy Guidelines. Chairman Molan also stated that NEPC recommended that MECRS adopt an S&P Index Fund as a parking spot for liquidations being received over time from redemption requests already filed and as a complement to equity allocation in the absence of a portable alpha allocation.

Following his delivery of the results of the Investment Meeting, Committee Chairman Molan offered a 3 part committee recommendation to the full board.

Committee Chairman Molan moved to reallocate \$2 million from the IR&M core bond fund to Loomis Sayles Multi-sector bonds. Also, \$3 million eventually anticipated from the liquidation of Gottex Funds, be allocated to Standish Emerging Market Debt. Allocate an additional \$1.25 million to Gryphon International, \$.75 million for Causeways International, and \$1.5 million to City of London Emerging Market Equity. Also allocate \$1 million to Prudential Real Estate PRISA II Fund. (All timed to the availability of cash needed to fund these changes). And finally, interview potential S&P Index fund managers which can provide daily liquidity and an alternative to the present overweight in cash deposits.

Finally, Committee Chairman Molan moved to authorize the executive director to work with NEPC to amend the Investment Policy Guidelines to address the changes recommended above. He noted that these changes will add the S&P 500 Index Fund to the mix and remove the allocation to timber.

Chairman Pinard seconded the motion for discussion.

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Chairman Pinard reiterated the Investment Committee's recommendation and the motion passed unanimously by all those trustees present.

Mr. Fleury asked if it is the pleasure of the board to conduct interviews of the S&P 500 managers at the Investment Committee level or by the full MECRS Board.

After brief discussion regarding the Investment Policy Guidelines and the fee structure of both funds, the trustees agreed to conduct the manager interviews before the Investment Committee.

**Benefits Committee:**

Committee Chairman Lynch notified the trustees that he is unable to attend the upcoming A&A Committee Meeting, scheduled for Monday, May 20, 2013.

After brief discussion on the matter and once the committee members had a chance to review their schedules, it was agreed to reschedule the A&A Committee Meeting as well as the Benefits Committee Meeting for Monday, May 6, 2013, beginning at 8:30 a.m.

**Consent Agenda:**

It was moved by Trustee Molan to approve the Consent Agenda, seconded by Trustee Woitkowski and passed by all those trustees present.

**New Business:**

Request For Motion – Chairman Pinard informed the board that the Executive Director is requesting a pair of budget transfers, one for calendar year 2012, in order to close the year with all budget lines in the black. The second request is a transfer in calendar year 2013 to reallocate insurance premium funds from an area of surplus to an area of deficiency.

It was moved by Trustee Woitkowski to grant the budget request, seconded by Trustee Molan for discussion.

Mr. Fleury provided the board with details of the transfer request explaining that, in an effort to close 2012 budget lines in the black, he is requesting, to transfer \$2,420.01, from the surplus IME appropriation, to cover a shortfall for pension services by the System's custodial bank, State Street Bank & Trust.

Referring to the transfer request for 2013 Mr. Fleury indicated that it is simply a reallocation for insurance premiums, a transfer from Fiduciary insurance premium to Directors & Officers insurance premium to account for variances between budgeted and actual amounts.

The trustees voted unanimously to grant the request as stated.

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**Other Business:**

Non-Public Session Pursuant to RSA 91-A:3 II (c) : in order to discuss complications in the payment of an in-service death benefit - Chairman Pinard entertained a motion to go into Executive Session pursuant to RSA 91-A:3 II(c) at 8:53 a.m

Roll Call Vote:

Ayes: Messrs. Pinard, Lynch, Molan and Woitkowski

Nays: None

Following the conclusion of the Non-Public Session, Chairman Pinard then entertained a motion to seal the minutes of executive session pursuant to RSA 91-A:3, III.

Trustee Lynch moved to seal the minutes of executive session, seconded by Trustee Woitkowski and passed unanimously by all those trustees present.

**Motion to Adjourn:**

Having completed all of the items of business for the day, Chairman Pinard entertained a motion to adjourn. Trustee Woitkowski moved to adjourn at 9:05 a.m., seconded by Trustee Molan, and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director