

February 12, 2013
Minutes #489

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 Donald Pinard, Robert Lynch, William Sanders, Mike Woitkowski
MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Mayor Gatsas, Dianne Mercier and Richard Molan

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 January 8, 2013, seconded by Trustee Sanders and passed by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Report of the Executive Director:

Status of Administrative Cost Saving Measures: Mr. Fleury reported that in an attempt to realize cost reductions in any aspect of administrative operations, which would not result in diminished services, MECRS has switched power suppliers from PSNH to Energy NH as well as telephone services with FairPoint, in favor of Voice Over Internet Protocol. He noted that there is a time factor involved in both of these conversions, so the savings will not happen immediately and that the percentage reduction in their respective expenses will be significant but because these are not large expenditures, the effect on total spending will be slight.

Office Lease Renewal: Mr. Fleury informed the trustees that while reviewing year end closing schedules, it was discovered that a date error existed in the lease contract for the 1045 Elm Street office. He explained that the terms of the lease are for five years and the expiration date of the lease is also written in the agreement, however the two conflict. The expiration date calculates to be six years after the signing date and not five. In short, while it was thought that the lease expires in 2014 as stated in the agreement, the term actually ends in July of 2013 and is now due for renewal. Steps were taken to assess other sites to ensure that renewal of the existing lease is in the best interest of the organization. Due to the logistics associated with a move, any decision will need to be made quickly in order to avoid the need for an extension as tenant at will.

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Mr. Fleury went on to report that due diligence had been completed, communicating with major real estate brokers in the city, viewing various alternate sites, comparing costs of square footage and other factors on an equal basis as well as conducting a site visit. In conclusion Mr. Fleury stated that the amount of space needed, in any other location, inclusive of the moving cost, would necessitate a 31% increase in the rent budget, which cannot be financially justified. Therefore, Mr. Fleury stated that he is recommending the renewal of the existing lease by exercising the renewal clause within the lease agreement.

It was moved by Trustee Lynch to authorize the signing of the lease at 1045 Elm St. for another 5-year term, seconded by Trustee Sanders.

Trustee Woitkowski asked if the clause within the lease maintains the current monthly fee for the 5-year term. Mr. Fleury responded that the lease increases by the lower of actual CPI or 5%, which is the provision that has been in place for the last 10 years.

Motion carried to renew the lease at 1045 Elm Street for the 5-year term.

Plans for 2012 Audit: Moving on, Mr. Fleury announced that a tentative date for the start of the audit, for 2012, has been set for Monday, March 18th, and he noted that Chairman Pinard has already signed the engagement letter. Much of the required information has already been provided to the audit team, with the objective of having the final reports to the board by the June meeting.

Status of Year End Closing/CAFR: In closing his report, Mr. Fleury indicated that most of the closing numbers for calendar year 2012 are now in hand. The notable exceptions, due to the nature of the investments, are private equity managers, Lexington, Newstone, BankAmerica and Millennia Partners. The graphic design firm for production of the CAFR has been chosen and the System has received quotes for the printing of the report itself. Since the report is tied to the completion of the audit, the CAFR will likely be printed and issued in July.

Consent Agenda:

It was moved by Trustee Sanders to approve the Consent Agenda, seconded by Chairman Pinard and passed by all those trustees present.

New Business:

Request for Motion – Approval of Revised Standard of Conduct Questionnaire –

Mr. Fleury explained that in conjunction with legal counsel, he is requesting the elimination of an irrelevant item from the Code of Ethics Questionnaire sent to all service providers of the System. Mr. Fleury referred to item #7, which requests a list of all direct or indirect ownership

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or beneficial interest that the service provider or service provider's relatives or coventurers may have in any investment interest, or in non-publicly traded securities held by the System.

Chairman Pinard opened the discussion by asking if the Service Provider Questionnaire is also used for the MECRS Staff and Board Members. Mr. Fleury responded that there are two versions of the questionnaire and that employees and board members receive a version slightly different from the one sent to service providers.

Mr. Fleury explained that question #7 is asked of the System employees and board members to determine whether they might have traded for their own accounts or those of relatives or partners based upon otherwise confidential investment opportunities intended for use by the system. When a similar variant on that question appears on the version for service providers, it becomes problematic.

Attorney Rich stated that the way the question is phrased to the service providers suggests that all service providers must poll their employees and their families regarding their investments, which is unnecessary and probably prohibited.

The board agreed to eliminate the question from the service providers Code of Ethics Questionnaire and the motion was passed unanimously.

Chairman Pinard announced the next Board of Trustees meeting for March 12, 2013.

Motion to Adjourn:

Having completed all of the items of business for the day, Chairman Pinard entertained a motion to adjourn. Trustee Sanders moved to adjourn at 8:50 a.m., seconded by Trustee Lynch, and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director