

July 9, 2013
Minutes #493

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Pinard called the meeting to order at 8:42 a.m.

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

Absent: Mayor Gatsas, Dianne Mercier and William Sanders

In Attendance: Attorney John Rich of the McLane Law Firm and former Trustee/City Employee, Mr. Harry Ntapalis

Approval of the Minutes of the Previous Board Meeting:

Trustee Molan moved to approve the board minutes of June 11, 2013, seconded by Trustee Lynch and passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Chairman Pinard recognized Mr. Harry Ntapalis in attendance and he delivered a formal presentation to Mr. Ntapalis by reading a proclamation from the MECRS into the record.

To: Harry G. Ntapalis,

In recognition of the completion of a three year term on the Board of Trustees of the Manchester Employees' Contributory Retirement System, from 2005 to 2008, for the time you volunteered on search committees prior to your affiliation with the board to interview and recommend a replacement actuary and an executive director for the plan, for your involvement on the Retirement System's Advisory Committee, for your assistance in reviewing the risk exposure and adequacy of insurance coverage for the organization subsequent to your departure from the board, and for your general concern for the wellbeing of the Retirement System over many years, it is the pleasure of the board, on behalf of all of the membership, to thank you for your dedication and service to the organization, and to formally congratulate you on your retirement.

Presented on the 9th day of July, 2013.

Minutes of the Board of Trustees' Meeting -2-

Mr. Ntapalis expressed his gratitude to the board for the unexpected honor and he stated that he had enjoyed his tenure on the MECRS Board of Trustees, serving the membership, as well as his years of service with the City of Manchester. Before departing, Mr. Ntapalis thanked the trustees for the formal recognition and he stated that he holds the MECRS staff and trustees in the highest esteem.

Report of the Executive Director:

Status of Rebalancing for 2013: Mr. Fleury reported that pursuant to action taken by the board at their meeting on June 11th, \$2 million, was redeemed from large cap equity managers, Pzena and Sands Capital, along with \$1 million from Smidcap manager, Rothschild. Those proceeds were combined with \$1 million received from RMK Timber and invested in Vanguard's S&P 500 Index fund, ticker symbol VINIX. Also, Mr. Fleury reported, additional cash from the liquidation of Gottex portable alpha, was allocated to City of London and Gryphon International in the amounts of \$1.5 million and \$1.25 million respectively, in accordance with an earlier directive from the board.

Mr. Fleury indicated that later in the meeting, he would be providing further details of the transfers, when he discusses the rebalancing and cash management report, and also when the New Business item, Adoption of the Cash Management Policy, is addressed and is considered by the board.

Status of Statutory Amendment to Chapter 218:7: Mr. Fleury informed the board that on June 10, 2013, a telephone call was received from the Director of Human Resources at the Manchester School District, questioning what might result with respect to benefit eligibility if the contract year were reduced to less than 180 days which is required for participation by Chapter 218:7. This situation was reported to the MECRS Board at their scheduled meeting the following morning, where the Board instructed staff to collaborate efforts with the School District, to amend the statute in such a way as to avoid any conflicts between the school district's definition of a contract year and the amount cited in the retirement statute. Immediately following the adjournment of the board meeting, Mr. Fleury stated that a revision to Chapter 218:7 was drafted. Later that same morning, the office was contacted by Senator David Boutin, Mayor Gatsas, and Jay Flanders at the Senate branch of Legislative Services, all regarding the timing of corrective legislation and the availability of language needed to avoid retirement eligibility issues. The language which had been drafted shortly before was provided to Mayor Gatsas, Senator Boutin, Mr. Flanders at Legislative Service and MSD HR Director Wakefield, via email by 11 AM that same day.

Mr. Fleury went on to report that on Wednesday, June 19th, Trustee Molan informed the office that he had been contacted by various senators regarding the amendment in question and that

July 9, 2013
Minutes #493

Minutes of the Board of Trustees' Meeting -3-

there appeared to be a perception that a referendum vote would be required. Upon the recommendation of Trustee Molan, counsel was asked to provide an update to their August 2004 opinion on the need for referendum votes. Mr. Fleury noted that that update was received and had been included in the trustee's agenda packets. In summary, since the minimum participation standard in the present law was enacted with the prior approval of the Manchester Board of Mayor & Aldermen without a referendum, requiring a referendum vote for a simple housekeeping amendment to that same section, would appear to be unnecessary.

Reporting & Budget Implications of GASB 67 & 68: Mr. Fleury reported on the upcoming implementation date for Governmental Accounting Standards Board 67 & 68. He noted that GASB 67 will impact the format and contents of the Retirement System's CAFR and is likely to add expense to the CAFR production because of additional disclosure requirements. Also, Mr. Fleury noted that GASB 68 promises to impact the format and contents of the City's financial reports since it will require calculation and disclosure of pension liabilities not presently being determined or recorded. After analyzing the pending requirement, Mr. Fleury suggested that the city may need to come to the Retirement System's actuary for this data and, from discussions with the actuary, the new process could double the actuarial expense associated with annual valuations. This could then raise the question of whether the expense should be borne by the city or the Retirement System since GASB 68 applies to the city, and not the Retirement System. Mr. Fleury mentioned that the city will likely encounter this issue twice, as the same rules will apply to the NH Retirement System, for the city's police, firefighters and teachers.

In order to address this situation, Mr. Fleury recommended that the board plan to meet with the actuary in September or October to discuss these new requirements in detail. He stated that the MECRS has the advantage of time, due to the implementation date of the new requirements on the NHRS, which is six months earlier than for MECRS, because of the different fiscal year basis between the two plans.

Chairman Pinard asked Mr. Fleury to clarify the GASB reporting requirements and the timing of the production of the MECRS, Comprehensive Annual Financial Report.

After continued discussion on the pending liability, Mr. Fleury stated that he will continue to monitor the financial reporting requirement and the pending liability.

New England Institutional Investor Forum - In completing his report, Mr. Fleury informed the trustees of a one day seminar designed for public fund trustees, scheduled in September in Boston, MA. The seminar is new and is expected to consist of two tracks which allow anyone attending to focus on their particular area of interest. He noted that further information has been

July 9, 2013
Minutes #493

Minutes of the Board of Trustees' Meeting -4-

included in the trustee's agenda packets and he expressed his willingness to seek further details and keep the trustees informed if anyone was interested.

Consent Agenda:

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

New Business:

Adoption of Cash Flow Management Policy - Mr. Fleury explained that in keeping with recommendations from New England Pension Consultants and the stated intentions of the board, a cash management policy has been drafted for formal adoption. The policy has been reviewed by legal counsel and will create guidelines and limitations for administrative staff in order to satisfy the board's cash investment objectives as well as the liquidity needs of the Retirement System. He went on to explain that the current investment policy targets about 2% of the total assets to be in cash, which coincides with the need for liquidity.

Referring to the rebalancing handouts distributed at the start of the meeting, Mr. Fleury provided details on how the board's actions have impacted cash balances over the last quarter, as discussed in the Executive Director's report.

Calling the trustees attention to the handout labeled, "Monthly Cash Management Report," Mr. Fleury explained that the new component of the proposed policy, indicates the cash inflows, the cash outflows and the cash balance for each month. The movement of the funds is reflective of the authority granted to staff as a result of board actions. The policy will ensure that the staff is limited to specific actions on which the board has deliberated and voted.

After brief discussion regarding the implications of volatility of the S&P 500 as it effects the proposed policy, Trustee Molan moved to adopt the Cash Management Policy, seconded by Trustee Lynch.

Attorney Rich asked Mr. Fleury if the Cash Management Policy would be part of the Investment & Objective Guidelines to which Mr. Fleury responded that this policy was designed to stand alone, but that he could integrate it with the Investment Guidelines & Objectives.

Trustee Molan stated that he would like to amend his motion to include attaching the Cash Management Policy to the current Investment Guidelines. The vote was then taken and it passed unanimously by all those trustees present.

July 9, 2013
Minutes #493

Minutes of the Board of Trustees' Meeting -5-

Having completed all of the items of business for the day, Chairman Pinard entertained a motion to adjourn. Trustee Molan moved to adjourn at 9:40 a.m., seconded by Trustee Lynch, and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard Fleury
Executive Director