

October 8, 2013
Minutes #496

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Pinard called the meeting to order at 8:46 a.m.

Present: Trustees: Donald Pinard, Mike Woitkowski, Bill Sanders and Bob Lynch
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:

Chairman Pinard entertained a motion to approve the minutes of the previous meeting. Trustee Sanders moved to approve the board minutes of September 10, 2013, seconded by Trustee Woitkowski and passed unanimously 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:

Retirement Process Poster Created and Distributed – Mr. Fleury first mentioned that from time to time the System is notified that an employee has decided to retire, but has somehow neglected to inform the Retirement System of their decision. Too often, such short notice closes the door on choices, which members could otherwise have made. To help lessen the likelihood of these last minute retirement filings, Mr. Fleury reported that a poster was developed for employee bulletin boards which will call attention to the retirement process and provide a few simple steps which can be followed. He went on to note that with the cooperation of the Human Resources, staff at the City and the School District, a supply of posters was distributed for posting on city bulletin boards.

Payroll Import to Web Site Failure - After many years of successful operation, Mr. Fleury informed the board that a recent payroll import to the MECRS web site failed for technical reasons. Upon further investigation, it appeared that there has always been a field length limit on the number of characters in the name of the city or town in which an employee resides. The limit was never a problem until a member moved to Center Barnstead. When the import tried to execute, it stopped at the record in question and all records which followed failed to import. Mr. Fleury was pleased to report that a work around was quickly put in place and a permanent solution is being investigated.

Minutes of the Board of Trustees' Meeting -2-

Work on 2013 CAFR Now Underway - Mr. Fleury notified the trustees that the CAFR for 2014 may require a few additional pages as the System moves toward compliance with upcoming changes to reporting standards. Some schedules may need to be reformatted and values from 2012 expanded or combined to meet the standard. From the standpoint of production efficiency and cost control, publications of this type should always have a total number of pages, including covers, which is evenly divisible by four so a revised layout is now being drafted.

Mr. Fleury then reported that under the Informational section of the agenda, he was unable to produce the usual Cash Flow Report in the trustees agenda packets, due to the continued lack of timely and accurate reports from the System's custodial bank, State Street Bank & Trust. The frustration continues as was reported at the September Board of Trustees meeting and Mr. Fleury stated that he will keep the board updated on the progress in resolving this issue.

In concluding his report, Mr. Fleury was pleased to announce that the MECRS is once again the recipient of the Public Pension Coordinating Council Award for the 11th time.

The trustees congratulated Mr. Fleury for his efforts in receiving the award.

Report of the Investment Committee – Standing in for Investment Committee Chairman Molan, who was absent due to illness, Trustee Sanders reported that he had served as Acting Chairman of the Investment Committee meeting, held October 11, 2013 and, therefore, he would also be delivering the Investment Committee report to the board.

Trustee Sanders reported that the Investment Committee and MECRS' investment consultant representatives from New England Pension Consultants conducted interviews of two private equity managers and one direct lending manager. Each interview lasted approximately 45 minutes and covered information contained in presentation materials which had been prepared by each of the presenters.

First, Trustee Sanders highlighted performance history as well as key information for each prospective investment manager, HarbourVest Partners, Crescent Direct Lending and J.P. Morgan Asset Management.

Following the interviews, and after deliberation with NEPC, the committee voted to recommend that the full board pursue an investment of \$5 million with Private Equity Manager J.P. Morgan, and an additional investment of \$3 million with Crescent Direct Lending. It was noted that the original objective had been to commit a total of \$5 million to one or more managers, but in light of the opportunities presented, and after further discussion with NEPC, it was determined that a total of \$8 million would be more appropriate.

Trustee Sanders also noted that should liquidity needs exceed available cash balances required to satisfy capital calls, NEPC would recommend a source of funds which can be achieved through rebalancing.

October 8, 2013
Minutes #496

Minutes of the Board of Trustees' Meeting -3-

Trustee Sanders then presented a motion that the board authorize the executive director to work with legal counsel to review subscription agreements from J.P. Morgan and Crescent Direct Lending, and upon completion of the review, absent the discovery of issues of concern, the Chairman be authorized to sign agreements in the amount of \$5 million and \$3 million respectively, with each of the aforementioned managers.

Trustee Lynch provided a second to the motion and Chairman Pinard began discussion.

Chairman Pinard asked Trustee Sanders if there is a specific term for each of the managers.

Trustee Sanders replied that for the direct lending investment, the estimated total runoff period is within a 5 to 6 year range, at which point the loans would be paid off. For the Private Equity investment, terms are more challenging and are designed to extend for a decade.

Attorney Rich asked Trustee Sanders to comment on the fact that there was only one manager interviewed in the direct lending category.

Trustee Sanders replied that NEPC originally planned to have two direct lending managers come before the Investment Committee, however, at the last moment one of those managers deemed the allocation to be insufficient and withdrew from the interview process.

There being no further questions on the motion, Chairman Pinard called for a vote and the motion passed unanimously by all those trustees present.

Report of the Administrative & Accounting Committee -

Administrative & Accounting Committee Chairman Woitkowski delivered his report on the A&A committee meeting held prior to the meeting of the full board. He reported on the committee's first review of the MECRS 2014 draft budget, noting that it was tabled until next month when major components identified by Mr. Fleury could include more refined cost estimates.

Report of the Benefits Committee -

Next, Mr. Fleury notified the trustees that a meeting of the MECRS Advisory Committee has been scheduled for Wednesday, October 23, 2013. He noted that Trustee Lynch is the board's representative to that group.

Previous Business:

Additional Discussion on GASB 68— Pursuant to the discussion at the MECRS September Board of Trustees meeting regarding implementation of the new GASB pronouncements, Mr. Fleury reminded the board that he had been directed to schedule a meeting with the City Finance

October 8, 2013
Minutes #496

Minutes of the Board of Trustees' Meeting -4-

Director to discuss the reporting requirements as well as the potential funding ramifications of the new reporting standards on the City and Retirement System.

Mr. Fleury reported that his first opportunity to dialogue with Mr. Sanders in his role as Finance Director was subsequent to the MECRS Investment Committee Meeting, held October 11, 2013. Mr. Fleury went on to state that in those discussions, Mr. Sanders had expressed his preference that the implementation costs be absorbed into the employer contribution rate that is billed to the City, School and other enterprise funds, rather than having those entities billed under separate invoice.

Mr. Sanders suggested that MECRS contract with the System's actuary to get the services provided. The actuary would then report to the board with the information, which would then be disseminated to the different funds, to meet their financial reporting requirements.

Consent Agenda:

Referring to Consent Item #6, Request for Pension, Chairman Pinard noted Mr. Peter Capano's request for retirement, and he took the opportunity to recognize Mr. Capano's dedication to the Department of Public Works. Chairman Pinard noted that Mr. Capano will be missed.

Trustee Sanders moved to approve the Consent Agenda, seconded by Trustee Lynch and passed unanimously by all those trustees present.

Motion To Adjourn:

Having conducted all the business of the day, Trustee Lynch moved to adjourn the meeting at 9:10 a.m., seconded by Trustee Sanders and passed unanimously by all those trustees present.

Respectfully Submitted

Gerard E. Fleury

