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

**Call to Order:** Chairman Pinard called the meeting to order at 8:37 a.m.

**Present:** Trustees: Donald Pinard, Bob Lynch, Richard Molan, Bill Sanders and Dianne Mercier who departed at 9:19 a.m.  
MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

**Absent:** Mayor Gatsas and Michael Woitkowski

**In Attendance:** Attorney John Rich of the McLane Law Firm and Mark LaPrade from Berry, Dunn  
Also in attendance were Janet Chagnon and Denise Venne

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

Chairman Pinard entertained a motion to approve the minutes of the previous meeting. Trustee Lynch moved to approve the board minutes of May 20, 2014, seconded by Trustee Sanders.

Trustee Molan noted a correction to the May minutes and stated that Mr. Leo Bernier was also in attendance during the May 20, 2014 meeting.

Chairman Pinard then called for a motion to accept as amended and the motion carried 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 Lynch, and passed unanimously by all those trustees present.

**Consent Agenda:**

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

**New Business:**

Board of Trustees Request - Appeal of Administrative Denial, Doris Dionne – Pursuant to Administrative Rule, Part 4: Hearings and Part 5 Petitions & Requests, Ms. Janet Chagnon and Ms. Denise Venne were present to testify on behalf of their mother Retiree Doris Dionne.

Chairman Pinard began the public hearing by reading his opening remarks as follows:

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At this time, the Board of Trustees of the City of Manchester Employees' Contributory Retirement System will hold the hearing of Doris Dionne's appeal from the administrative denial of her retroactive health insurance subsidy benefits. By later dated May 9, 2014, Janet Chagnon requested the hearing on behalf of Ms. Dionne. I understand that Janet Chagnon and Denise Venne will be representing Ms. Dionne on this appeal and that the staff has received the appropriate authorization from Ms. Dionne to allow them to represent her.

By letter dated March 28, 2014, Executive Director Gerard Fleury denied the request of Ms. Dionne that she was entitled to the retroactive payment of the health subsidy amount back to 2006. Ms. Dionne appealed this decision.

By letter dated May 27, 2014, Executive Director Fleury notified Ms. Chagnon, on behalf of Ms. Dionne, that the Board scheduled a hearing on June 10, 2014 at 8:30 a.m. Executive Director Fleury also provided Ms. Chagnon with copies of Administrative Rules Part 4: Hearings, and Part 5: Petitions and Requests, as well as a copy of Chapter 218:28 Laws of the State of New Hampshire which are the basis for the health insurance subsidy in question.

Accordingly, pursuant to Chapter 218 of New Hampshire's 1973 Session Laws, and Rule 4 of the Retirement System Administrative Rules, the board holds this hearing to consider the request of Ms. Dionne that she is entitled to a retroactive payment of the health insurance subsidy provided by Chapter 218(28) of New Hampshire's 1973 Session Laws. As described in Executive Director Fleury's letter of May 27, 2014, Ms. Dionne is required to present all available, relevant evidence supporting her claim that she should be entitled to a retroactive payment of the health insurance subsidy.

The primary purpose of the hearing is to allow Ms. Dionne the opportunity to present evidence in support of her claim. To ensure that the record for this hearing contains all the information necessary for the board to consider Ms. Dionne's request, Executive Director Fleury is submitting a number of documents containing information related to the request. The board will consider these documents along with the evidence produced by Ms. Dionne's representatives today.

Chairman Pinard then explained the procedure in which the hearing would be conducted.

First, Ms. Chagnon or Ms. Venne will be allowed to present any evidence that they would like the board to consider. If there are any witnesses, Mr. Fleury will be allowed the opportunity to cross-examine the witnesses. Furthermore, Ms. Dionne's representatives should present all documentary evidence they deem relevant for the board's consideration.

Next, in accordance with Administrative Rule 4.5.2, the staff will submit documents they feel are necessary for an understanding and determination of the issues related to Ms. Dionne's request. The documents being introduced are all attached to Mr. Fleury's affidavit, a copy of which is

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being supplied to Ms. Chagnon. Ms. Chagnon will be allowed an opportunity to respond to any evidence presented by the staff.

Last, after all the evidence has been produced, Ms. Dionne's representatives will be allowed to give a closing statement to summarize the evidence and to make legal arguments, if they so desire.

Chairman Pinard asked the trustees if they had any questions, to which there were none. He then directed Ms. Chagnon and Ms. Venne to present their evidence.

Addressing the board, Ms. Chagnon began by thanking the board for allowing them the opportunity to present their case.

Ms. Chagnon informed the board that there is no evidence on their part and it is her mother, Ms. Dionne's claim that she never received any documentation, informing her of her health insurance subsidy option. In 2006 Ms. Chagnon stated, her mother would have been entitled to a \$100 per month health insurance subsidy. At that time, Ms. Dionne's husband was the subscriber on the City's health insurance plan. Ms. Chagnon stated that if her mother would have received the letter in question, in 2006, that her parents would have availed themselves of the annual \$1,200 health subsidy. Ms. Chagnon stated that it did not make sense that her parents would decline \$1,200, when they were entitled to it.

Ms. Chagnon explained that her father was a retired Manchester firefighter and when he recently passed away, her mother was entitled to receive his pension benefit. On her mother's behalf, she was prompted to call both the MECRS and the State of NH Retirement to inquire as to which pension check, the health insurance deduction would come from, moving forward. It was at that time, she stated that she was enlightened about the health subsidy entitlement.

Ms. Chagnon went on to state that upon hearing that her parents were entitled to this health insurance subsidy benefit since 2006, and were never notified, she and her sister Ms. Venne wanted to know why there was not a better procedure in place in notifying the retirees. She also noted that the City knew that both Ms. Dionne and her husband were City employees and that there should have been a better system in which they would be notified of the option, such as a phone call from the Retirement System or some sort of certified mailing, indicating that the retiree received the notification, along with the necessary, that needed to be signed and returned by the retiree, either enrolling in the subsidy or declining the subsidy.

Ms. Venne then addressed the board and stated that her late spouse was diligent in handling her parents finances and taxes and that he routinely went through all the paperwork of Mrs. Dionne. He has stated that he never received any communication from the retirement office regarding the School health subsidy option. Ms. Venne reported that they have no evidence or proof regarding their claim, but that it is hard to present evidence when the claim is that the

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documentation was never received. She also informed the board that her husband has recently passed away.

Ms. Chagnon stated that she felt that the retiree benefit entitlement should have been automatic, especially when both husband and wife were employed by the City of Manchester and remained on the City health plan.

Chairman Pinard asked Ms. Chagnon and Ms Venne if they had concluded their presentation, to which they responded that there were no further comments. He then explained to Ms. Chagnon and Ms Venne that Executive Director Fleury will present his evidence and then they will be given the opportunity to present their closing statements.

Chairman Pinard stated that at this time, the Board will note for the record that Executive Director Fleury will be introducing a number of documents that he believes are necessary for an understanding and determination of the issues related to Ms. Dionne's appeal. These documents are attached as Exhibits 1-10 to his affidavit. In order to reach a decision on Ms. Dionne's request, the board will consider these documents along with the evidence submitted by Ms. Dionne today. He further noted that Mr. Fleury will provide these documents to Ms. Chagnon and Ms. Venne. Chairman Pinard then asked Mr. Fleury to please summarize the Staff's position on this matter.

Mr. Fleury opened by stating his name and position as Executive Director of the MECRS and noted that he was in serving as Director of the System in 2006 when the health subsidy program became effective.

He noted that the question of whether or not a retroactive health insurance subsidy benefit could be paid had never been posed before and it would likely established a precedent which prompted him to carefully review the statute and the procedures in place.

Mr. Fleury reported that Health Insurance Subsidy Program for the MECRS became effective with House Bill 521 and in the 2005 session of the NH Legislature and was subsequently ratified in November of 2005, with passage on Question #3 on the City referendum vote. Under the terms of the statute the benefits were to be paid to the employer from whom the member retired, or to the employers designated agent in cases where a plan administration has been outsourced. In no case can payments be made directly to a member.

Mr. Fleury further explained that HB521 became Chapter 41 Law of 2005 and was made effective in stages during 2006. Because the initial funding level for the subsidy established pursuant to IRS Code 401(h) was zero, it was necessary for a newly created contribution rate of 1.25% to active members to become effective in March of 2006 and to accumulate in value before benefit payments could commence.

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Mr. Fleury explained that the benefit levels fell into 8 categories, based on the amount of creditable service attributed to a member at the time of retirement. As part of the provision of the new program, he reported that the subsidy values would increase automatically in January of each year by four percent. He then referred to a schedule within his affidavit, showing the values for the retirees, based on their service amount.

Mr. Fleury continued by explaining that for future retirees the MECRS staff understood that there would need to be a procedure in place in notifying the retiree of this benefit option. MECRS has developed a form, and Mr. Fleury submitted a copy as Exhibit 1. The individual who is retiring has the health subsidy benefit explained to them and they are asked to sign a form that they have been notified of the benefit option and must complete the form as to whether or not they wish to enroll in the health subsidy or decline the health subsidy.

Mr. Fleury further explained that the Member Acknowledgement of Rights Form also includes a section that indicates the retiring member has a health insurance benefit entitlement through the City by virtue of spousal affiliation with a present City Employee or a NHRS, who carries them as their spouse and that they wish to claim the subsidy entitlement.

One of the complexities in dealing with this issue, Mr. Fleury reported, is that the MECRS has no idea who those spouses are. The MECRS is not a City department and does not have access to the City's Human Resource records or the School HR records, therefore it is the retiree's responsibility to inform the MECRS office of their entitlement through their spouse.

Mr. Fleury further reported that an attempt was made by the MECRS to contact the retirees who remained on the City Health Plan and were automatically enrolled in the health subsidy program, explaining that no action was required on their part, simply informing them of the health benefit entitlement, and the fact that there will be a reduced health deduction, due to the health subsidy entitlement.

Mr. Fleury went on to indicate that he and his Executive Assistant, Sandi Aboshar, met with the New Hampshire Retirement System in an effort to coordinate these efforts and work collaboratively, each paying the deductions or subsidies to the City or School HR department to cover premiums.

On May 15, 2006 letters were sent out to retirees who were not able to be located or automatically implemented into the health subsidy plan, advising them of their opportunity to rejoin the employer group or to claim the subsidy. Included in that letter was a paragraph dedicated to retirees who were spouses of NHRS affiliated City retirees. Mr. Fleury reported that Doris Dionne was sent the May 15, 2006 correspondence, and submitted that letter as Exhibit 2.

Mr. Fleury went on to explain that while some were known to be insured by private carriers or not insured at all, the Retirement System had no way of telling what the status of these members

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might be if they failed to respond to the May 15, 2006 letter. In an effort to mitigate the possibility that a member might not have been contacted or failed to receive their May 15, 2006 letter, the Retirement System arranged for every retiree in pay status to receive a second notice as a payroll stuffer with checks and non-negotiable sent by the payment agent, State Street Bank. Mr. Fleury submitted a copy of that payroll stuffer as Exhibit 3. This step meant that each retiree was contacted in writing in May of 2006 with a follow-up notification which was sent along with their monthly payment in July.

Moving on, Mr. Fleury recounted events whereby the Retirement System received a phone call from Janet Chagnon, daughter of Doris Dionne, retired member of the Retirement System from School Food & Nutrition since 1989.

Mrs. Chagnon informed the Retirement System that her father Maurice was recently deceased and that his passing has prompted changes to retirement benefits being directly deposited to an account at Members First Credit Union. She inquired how to redirect Mrs. Dionne's monthly benefit check to a different account number at Members First. Mrs. Chagnon was told that a direct deposit form, available on the Retirement System web site could be completed and mailed to the office, along with a voided check for the desired account.

During the conversation, Mr. Fleury indicated that Mrs. Chagnon mentioned that her father was a retired firefighter with the City of Manchester. This prompted the Retirement System to question whether Mrs. Dionne's health insurance is provided by the City and whether she will become a beneficiary of Mr. Dionne's pension from the New Hampshire Retirement System. The Retirement System was told that Mrs. Dionne is indeed covered for health insurance and will continue to receive coverage from the City with premiums supported by deductions from the NHRS. Mrs. Chagnon was informed that Mrs. Dionne may be eligible for a Retirement System health insurance subsidy, that the matter will be investigated and that Mrs. Dionne will be contacted.

Mr. Fleury reported that subsequent investigation revealed that Mrs. Dionne was eligible for the subsidy and, indeed, she was sent a letter dated May 15, 2006 requesting that anyone with spousal affiliation to a retiree of the NHRS and receiving insurance benefits from the City via that spouse, contact the Retirement System office to claim their entitlement. There is no record of any response to that letter from Mrs. Dionne.

Mr. Fleury went on to report that the Retirement System contacted the City Human Resource Department and confirmed that Mrs. Dionne will continue to be covered by the City on her late husband's coverage through the NHRS. The Retirement System informed City Human Resources of Mrs. Dionne's subsidy eligibility and that a monthly subsidy will be made prospectively.

Mr. Fleury went on to inform the board that a letter to Mrs. Dionne was prepared and sent to confirm her eligibility for the Subsidy Program moving forward. In that letter it was noted that her daughter had requested retroactive payment back to the date of the program's inception and

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that the Retirement System would not provide retroactive payments. The letter included standard instructions on how a member may appeal an administrative decision to the Retirement System Board of Trustees. Executive Director Fleury submitted the letter dated March 28, 2014 as Exhibit 4.

The March 28, 2014 letter stated that a letter was sent to Ms. Dionne on May 15, 2006 informing her of the Subsidy Program and that Ms. Dionne had never responded to the letter or otherwise contacted the Retirement System to claim benefits under the program.

Also, Mr. Fleury indicated that the letter noted that the subsidy program had limited uses as defined under federal law and the state statute. He stated that subsidies paid under this plan can only be made to the City of Manchester. No entitlements can be paid for health insurance premiums to parties other than the City of Manchester and under no circumstance can payments be made by us directly to a retired member, even if those amounts are to be used to cover health insurance premiums.

Mr. Fleury went on to testify that on May 9, 2014, the System received a letter appealing the administrative denial and also documentation on the granting of Power of Attorney by member Doris Dionne to her daughter Janet Chagnon to act on her behalf. He then submitted the letter dated May 9, 2014 from Janet Chagnon as Exhibit 5.

Mr. Fleury noted that by letter dated May 14, 2014, the Retirement System acknowledged Ms. Dionne's May 9, 2014 letter seeking an appeal of the Retirement System's denial to provide retroactive subsidy benefits, and by letter dated May 27, the Retirement System scheduled this hearing for June 10, 2014 at 8:30 a.m. The May 14, 2014 letter from Gerard Fleury, Executive Director to Janet Chagnon submitted by Mr. Fleury as Exhibits 6 and 7 Exhibit 6 and May 27, 2014 letter from Gerard Fleury, Executive Director to Janet Chagnon was (Exhibit 7).

Mr. Fleury reported that he calculated the health insurance subsidy potentially due to Doris Dionne in the event the benefit is applied retrospectively as if she had taken the necessary steps to opt in in July of 2006. That amount is \$10,731.34. The Calculation of Potential Subsidy Benefit to Doris Dionne was submitted by Mr. Fleury as Exhibit 8.

Mr. Fleury informed the trustees that Chapter 218:28 provides that the only method of payment of the subsidy is for the Retirement System to pay the applicable subsidy directly to the City, insurer or health care administrator as designated by the City. The statute specifically prohibits payment of the health subsidy directly to the member.

He further informed the trustees that there is no mechanism contained in Chapter 218:28 for the Retirement System to make a retroactive payment to either the member or the City.

It is my understanding Mr. Fleury stated, that should the Board grant the appeal and authorize a retroactive payment; we may have to issue Ms. Dionne an IRS Form 1099 because the payment

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cannot be made from the Health Subsidy portion of the Plan since Chapter 218:28 does not provided for a retroactive payment as a non-taxable subsidy payment.

Also, Mr. Fleury stated that it is his understanding that should the Board grant the appeal and authorize a retroactive payment, there is a possibility that the Internal Revenue Service could allege that the System has not operated the Plan according to its terms. The result of such an IRS challenge could be that the System has to pay a substantial penalty to maintain its tax-qualified status.

Mr. Fleury stated that the basis for his administrative denial is his belief that the MECRS Administration did everything which was reasonable back in 2006, to locate the retirees and make the benefit available. It was by action of the System, that this matter was discovered and the concern is that the payment of a retroactive amount would put the System in an unfavorable position with respect to compliance of the tax codes.

Trustee Sanders asked Mr. Fleury if MECRS has implemented a procedure where a negative confirmation is required by the retiree, at the time of retiring, declining the subsidy benefit, to which Mr. Fleury responded yes, there is a procedure in place at this time. However, there was not a procedure in place for negative confirmations by the retirees when the program was enacted.

Mr. Fleury went on to explain that back in 2006 there was a form used called Members Acknowledgement, The Rights Pursuant to Chapter 41 Laws of 2005. Due to Spousal Consent at the time of retirement, both the retiree and their spouse are present for the retiree process. At that time, they are given an explanation of complete benefits and specific questions are asked, based on the retiree status, to be sure that the retirees will receive their full entitlement. This process creates a safety net.

Attorney Rich asked Mr. Fleury to clarify for the record, his efforts to confirm whether or not Ms. Dionne was covered by the City Health Insurance since 2006.

Mr. Fleury responded that he wanted to be sure that if there is a ruling in favor of a retro, that Mrs. Dionne was in fact covered by the City since 2006. The City was contacted and it was confirmed that Mrs. Dionne was covered by the City under her husband's plan for the entire period from 2006 onward.

Trustee Molan asked Mr. Fleury if Mrs. Dionne had direct deposit in 2006 to which Mr. Fleury responded that he is not sure if that was the case back then, but that State Street Bank has a valid address for all retirees and the retiree would have received either a check or non-negotiable, as well as the State Street stuffer, alerting retirees of the open enrollment for the Health Benefit and subsidy entitlement.

Trustee Molan asked Mr. Fleury if mailing a monthly advice of payment is still the current practice of State Street Bank, to which Mr. Fleury responded, yes, that is the current practice.



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Trustee Mercier referred to Mr. Fleury's Exhibit 2 letter and asked Mr. Fleury to explain as to what the communication means for the retiree receiving the correspondence.

Mr. Fleury replied that the purpose of the letter was to inform the retiree of the enrollment in the City Health Plan when the Health Subsidy Plan was implemented and the letter also is asking the retiree to contact the MECRS office with any questions or concerns regarding the open enrollment.

Trustee Mercier again referred to Exhibit 2 and asked if the Exhibit 2 requires any action on the retiree's part.

Mr. Fleury replied that the letter, Exhibit 2, indicates that the retiree should contact any of the following telephone numbers with questions or concerns regarding the health subsidy.

Trustee Mercier referred to the sentence within Exhibit 2 that states, in order to take advantage of the benefit, the retiree must respond within a 90-day window provided by law, and asked for clarification of that statement.

Mr. Fleury explained that initially, the 90-day window was the only opportunity the retiree had to avail themselves of the insurance. The City had a health insurance group opening which coincided with the eligibility in the health subsidy program. It was understood that initially, retirees may have found the City Health insurance unaffordable, but with the implementation of the subsidy program, the retiree was provided with the ability to reconsider joining the City health insurance group and avail themselves of the health subsidy.

Mr. Fleury further explained that there is a part in Exhibit 2 that states, "Some retirees of the MECRS may be spouses of full time police officers, firefighters, and teachers employed by the City and may be obtaining their insurance coverage from the City but on their spouse's plan through the New Hampshire Retirement System, (NHRS). If you fall into this category, please contact us as soon as possible as we can arrange to have your subsidy applied against the premium expense your spouse may be incurring on your behalf through a retirement deduction at the NHRS". The MECRS had no idea who these members were. The letter informed them that if the member was a spouse of one of the NHRS members, and if they remained on the City health plan, that they were eligible for the subsidy and they should contact one of the organizations listed in the letter.

Attorney Rich stated that the way the Rules work regarding Hearings, is that it gives the persons making the appeal the opportunity to file a brief, and to review the materials that were presented today, therefore the board cannot make a decision today.

Trustee Molan asked Ms. Chagnon if she was aware that her mother received a non-negotiable every month.

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Ms. Chagnon stated that the only thing she sees is the monthly direct deposit into her mother's credit union account.

Trustee Molan then asked Mr. Fleury the amount of Ms. Dionne's pension benefit, to which Mr. Fleury replied he could not recall the amount of her benefit.

Trustee Sanders asked Ms. Chagnon if her mother has been receiving a 1099R tax reports from State Street Bank, to which Ms. Chagnon stated yes, we must receive the tax report.

Trustee Sanders asked Mr. Fleury to compare and confirm the mailing addresses of the 1099 form with the mailing address of Exhibit 2 and he asked Ms. Chagnon and Ms. Venne to confirm with their tax accountant the mailing address of the 1099R.

Mr. Fleury explained that routinely, there isn't a month that goes by when State Street correspondence to a retiree isn't returned and subsequently MECRS staff works collaboratively with State Street Bank in contacting the pension recipient to determine their new address.

Ms. Venne stated that her parents have lived at their Putnam St. address practically their whole married life and it wasn't until a few years ago that her father was moved to a nursing home and her mother, Doris Dionne, moved in with her sister.

Attorney Rich stated that due to the information requested by Trustee Sanders, the hearing should be continued at the next monthly MECRS Board meeting, which will push back the decision.

Mr. Fleury stated that he could provide the mailing address of the past 1099 forms, very easily and will provided that information at the July board meeting.

Ms. Chagnon stated for the record, the latest documents addressed to her mother, have her last name misspelled as Dion and the correct spelling is Dionne.

Ms. Venne stated that once the letter went out to the retirees in 2006, that she finds it very interesting that only 35% of the retiree population is taking advantage of the Health Subsidy. She wondered how many retirees did not receive the letter or maybe that it wasn't made clear to the retiree that they may be eligible to take part of the health subsidy.

In closing Ms. Venne thanked the trustees for the opportunity to be heard and stated that she and her sister felt that they simply want what their mother is owed and would like the board members to take all the information that was presented into consideration.

Ms. Chagnon asked the trustees, if two years after the closing of the 90-day window went by and her mother heard from a fellow retiree that she had the health subsidy, and then her mother inquired as to joining the program, would she have been able to take part in the subsidy.

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Chairman Pinard replied that she would have to have been able to enroll in the City Health Plan to take part of the subsidy.

Chairman Pinard stated that next month the hearing will continue and the parties will be notified of the hearing date and time. Ms. Chagnon and Ms. Venne departed.

**New Business:**

Presentation of MECRS 2013 Audit Results – Mr. Mark LaPrade from Berry, Dunn was present to deliver the audit findings for 2013 and to answer questions from the Board of Trustees.

Mr. LaPrade began by distributing the Executive Summary of the MECRS 2013 Audit and outlining his presentation. He highlighted the responsibilities of Berry, Dunn and stated that the audit is performed in accordance with U.S. generally accepted auditing standards' and Government Auditing Standards.

Mr. LaPrade reported that there were no transactions where there was a lack of authoritative guidance or consensus and all the significant transactions have been recognized in the proper period.

He went on address a number of important disclosures which included: the schedule of net appreciation (depreciation) in fair value of investments in Note 3 of the financial statements, the disclosures required by GASB 40 for the investments held as of December 31, 2013 and 2012 in reflected in Note 7 , and also the funded status of the Retirement System of 63.5% which is reflected in Note 8 of the Comprehensive Annual Financial Report .

Addressing estimates used in the report, Mr. LaPrade identified the more significant accounting estimates that affect the financial statements which include: the calculation of actuarially determined contributions, the actuarial accrued liability and the actuarial value of plan assets disclosed in Note 8. Also, he noted some investments are valued at estimated levels rather than quoted prices in an active market. Those values amounted to \$25.2 million at December 31, 2013, compared to \$21.2 million at December 31, 2012 and are allocated on the financial statement between the pension and health subsidy trusts. Mr. LaPrade reported that part of the MECRS portfolio, tends to hold up the audit process, due to the late issuance of the financial statements from some of the funds. As a result, the final reports and CAFR will not be distributed today. Mr. LaPrade stated that the audit found that the management judgments used in developing the accounting estimates had been appropriate.

Regarding the audit adjustments, Mr. LaPrade reported there had not been any adjustments to the financial statements as a result of the audit process, however he noted that there were three unrecorded audit adjustments for 2013 which were consistent with finding in previous audits. Those unrecorded adjustments were related to the difference between the projected and actual

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payroll for various City departments for the period of July 1, 2013 through December 31, 2013. The value of actuarially calculated underpayment of employer contributions for applicable City departments for the City's fiscal year of July 1, 2012 through June 30, 2013 are not recorded by the Retirement System.

Mr. Fleury noted that the unrecorded audit adjustments are attributed to the "True-up", which Mr. LaPrade agreed was a correct statement.

Mr. LaPrade continued by stating that the financial statements do include Required Supplementary Information and he provided a list to the trustees. He did note however, that Berry Dunn does not express an opinion on the Required Supplementary Information.

Regarding "Other Required Communications", Mr. LaPrade indicated, that no difficulties or disagreements with management were encountered in performing the audit. Also, there were no consultations with other accountants about auditing or accounting matters. He then informed the Board that Berry Dunn will subsequently request certain representations from management in connection with the procedures to issue the final reports.

Mr. LaPrade then asked the Board of Trustees if they are aware of any instance or allegations of fraud, to which the trustees responded that they have nothing to report.

Moving on, Mr. LaPrade referred to the next page in his presentation booklet, which is looking forward, noting that GASB 67 will be applicable for the year ending December 31, 2014, and will require additional disclosures. There is one new disclosure which will require the annual money-weighted rates of return in the financial statements. It is our understanding; Mr. LaPrade stated, that management is working with the actuary to ensure that the necessary information will be available for the preparation of the financial statements for 2014.

Mr. LaPrade provided a summary of the Yellow Book Report which is required for a governmental audit. Basically the Yellow Book audit considers, Internal Control over Financial Reporting in connection with designing the audit procedures. He noted that an audit of internal controls was not performed and that they do not express an opinion on the internal controls. He also informed the trustees that the audit results did not note any instance of non-compliance or other matters that would be required reporting.

In concluding his report, Mr. LaPrade provided the board with the Financial Highlights of the last two years noting the Net Position Held in Trust for 2013 in the amount of \$194,374 and the net increase of \$27,819 from 2012.

Mr. LaPrade advised the board that before the final audit is submitted, the opportunity exists to address any concerns or to make any changes to the draft audit.

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Mr. Fleury asked Mr. LaPrade when MECRS could expect the auditor's representation letter which is to be included in the MECRS Comprehensive Annual Financial Report, to which Mr. LaPrade in turn asked Mr. Fleury, when he would like to receive the letter.

Mr. Fleury replied that the CAFR is ready to go to press, absent a couple of last minute minor revisions and that he is concerned that the printing quotes he has for production of the report will expire after a certain date.

Before departing, Mr. LaPrade thanked the trustees for their time and he speculated that Mr. Fleury will have the audit letter by the end of July.

**Request of the Executive Director** - Mr. Fleury asked the board for their permission to move the scheduled date of the September Board meeting to the third Tuesday of September, due to the scheduling of the MECRS Bi-Annual Pre-Retirement Seminar. He explained that the second Tuesday coincides with the School Districts Teacher Conference, which would allow the para-professionals and kitchen staff the ability to attend the seminar. The trustees agreed to re-schedule the Board of Trustees meeting to the third Tuesday in September.

### **Report of the Executive Director:**

Legislative Update - Mr. Fleury reported that SB 225 has passed and we are still waiting for it to be "Chaptered" before placing it into effect.

Update on Recovery of Overpayment - Mr. Fleury then stated that despite having received a court ruling for the Plaintiff in small claims on May 1, 2014, no payment was forthcoming as of May 30<sup>th</sup> which places the defendant in contempt of court. He asked the trustees for direction in which to proceed. Trustee Molan moved to direct Mr. Fleury to pay the cost for a continuation in small claims court, seconded by Chairman Pinard and passed unanimously by all those trustees present. Mr. Fleury noted that the fee for a continuation in small claims is a \$35.

Attorney Rich stated that Mr. Fleury has also been informed of the ability to attach property in the recovery of overpayment which may move things forward.

Chairman Pinard referred back to the hearing that took place earlier in the meeting and asked for clarification on the continuation of the hearing to be held in July.

He questioned, if the trustees request further information, what will happen at that point in the proceedings.

Attorney Rich responded that pursuant to the MECRS Administrative Rule Part 4: Hearings and Part 5 Petitions & Requests, Mr. Fleury will notify Ms. Dionne's representatives that the hearing will be continued at the July Board Meeting. Subsequent to the July Board meeting Ms. Dionne's representatives will be provided the opportunity to file briefs at the August board

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meeting, and also any potential unanswered questions by the MECRS board may further postpone a decision.

**Other Business:**

**Motion to Adjourn:**

Having conducted all the business of the day, Trustee Lynch moved to adjourn the meeting at 9:56 a.m. seconded by Chairman Pinard and passed unanimously by all those trustees present.

Respectfully Submitted

Gerard E. Fleury  
Executive Director