

November 18, 2014
Minutes #508

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

Absent: Mayor Gatsas, Dianne Mercier and Trustee William Sanders

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 previous board minutes of October 14, 2014.

Trustee Lynch moved to approve the board minutes of October 14, 2014, seconded by Trustee Molan and passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Report of the Executive Director:

Update on 2014 Pre-Retirement Seminars - Mr. Fleury reported that the second Pre-Retirement Seminar for 2014, authorized by the Board, was conducted on Thursday, November 6th. He elaborated on presentations by the various speakers and reported receiving positive reviews by the 73 people who attended the seminar.

Chairman Pinard asked Mr. Fleury if he felt that the large attendance was attributed to the current retirement incentive being offered by the city.

Mr. Fleury replied that the attendance appeared to be a good mix of employees, with the younger group interested in the Retirement System programs being offered, such as Additional Contributions and the Service Credit Upgrades.

Attorney Rich suggested that Mr. Fleury look at placing an informational video on the MECRS website, providing participants a different avenue in obtaining information regarding the Retirement System benefits.

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Mr. Fleury replied that he has given the website video idea some consideration and he will continue to research that option further.

Completion of Annual Death Audit - Mr. Fleury reported that the annual audit of retiree beneficiaries was conducted at the end of October. He stated that of the 201 retirees who elected a survivorship option, (six more than last year) that there were not any reported deaths among their chosen beneficiaries.

Manchester Employees' Contributory Retirement System Receives 2014 Award for Compliance with Public Pension Standards - Mr. Fleury was pleased to announce that for the last eleven years the MECRS has applied for and received the Public Pension Coordinating Council's "Public Pension Standards Award". He noted that the PPCC is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.

Elaborating further, Mr. Fleury explained that the award is given in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards established by the confederation. To receive the award, plans must meet specific criterion related to funding, financial reporting, member benefits, and actuarial and audit practices. Mr. Fleury stated that being recognized for this award, demonstrates MECRS continuing commitment to excellence on behalf of plan participants.

Interest in Visit to NEPC- Mr. Fleury stated that in the past, board members have expressed interest in scheduling a trip to conduct manager reviews at the system's investment consultants' office, New England Pension Consultants in Boston. Mr. Fleury asked the trustees for their input as to their availability in the coming months, so that he would be able to coordinate the time with the NEPC office as well as making travel arrangements.

Trustee Molan indicated his availability for the trip to Boston in the week of January 19, 2015.

Mr. Fleury noted the importance of the visit to NEPC and asked the other trustees to please check their schedules and notify him as to their availability as well. Tentatively, however, Tuesday, January 20th was seen as the date for the trip to Boston.

Status Report on Recovery of Payments - In closing, Mr. Fleury referred to his Executive Directors report delivered on October 10, 2014, informing the trustees that the 9th Circuit District Court Division, awarded periodic payments of \$75 per month, beginning November 1, 2014 resulting from contempt of a May 1, 2014 ruling. He also noted that at that October meeting, the Board granted permission to request a Motion to Attach with Notice on the personal residence of the defendant. That notice was prepared and filed with the court on October 15, 2014 but was subsequently rejected on a filing technicality. The first \$75 payment was received and on November 4th, a corrected filing was submitted, requesting an attachment on a personal residence. The Board will be briefed on future developments as events unfold.

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Report of The Administrative & Accounting Committee:

Committee Chairman Woitkowski reported that the MECRS Administrative & Accounting Committee met in scheduled sessions on November 7th and just prior to convening the day's regular board meeting. He went on to summarize the slate of recommendations for the full boards consideration.

First, Committee Chairman Woitkowski, reported on the committee's review of the administrative processes associated with the disability application process. He stated that the committee received a special report written by the Executive Director on the subject which had been reviewed by counsel. The committee agreed that the report put issues recently questioned into prospective and voted to forward the report to the full board to be accepted and placed on file.

Next, Chairman Woitkowski informed the board of the committee's review of the MECRS draft 2015 Administrative Budget. He stated that the Executive Director informed the committee at the morning A&A meeting, of the need for an amendment to the budget resulting in an increase over 2014, of 2.69%. In summary, he reported, the committee found the budget to be acceptable as drafted and voted to move it to the full board for approval.

Committee Chairman Woitkowski reported on a MECRS staff request that leave accrual rates be aligned with those which currently apply to City employees. The committee heard a request from the Executive Director, on behalf of MECRS staff, that the leave accrual rate of 3.37, currently stipulated in Section VII B of the MECRS's personnel rules, be amended to 4.04 hours for employees with more than 20 years of service, so that it matches the rates currently applied to City employees. The committee voted to forward that request to the full board with a recommendation that it be approved.

Committee Chairman Woitkowski then informed the trustees that there was an additional topic which had been discussed at the November 7th meeting. The A&A Committee had discussed the issue of the MECRS board conducting an annual review of the executive director. The A&A Committee will research an appropriate method by which to conduct the review, which will be discussed at the full board level in the coming months.

A&A Committee Chairman Woitkowski then requested a motion that the board accept and place on file the report of the Executive Director on the MECRS Disability Application & Appeals Process.

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Moved by Trustees Lynch to accept and place on file Mr. Fleury's report of the disability application and appeals process, seconded by Trustee Lynch.

Mr. Fleury further explained that at the MECRS's October board meeting, the trustees directed that the rules and practices for the administration of disability applications be reviewed by the A & A Committee. He stated that he had prepared a report outlining the existing procedures, which was also forwarded to legal counsel for review. Minor modifications were made to the report, for the committees review and acceptance.

Mr. Fleury stated that by accepting and placing the report on file, the report would create a document inclusive of a statutory and regulatory site, that explains the disability and appeals process so that it can serve as a reference for future use.

The board voted unanimously to receive and place on file the MECRS Disability and Appeals Process Report.

Committee Chairman Woikkowski then moved that the Board approve the MECRS Administrative Budget for 2015 as submitted in the amount of \$838,994.46, an increase over 2014 of \$21,984.04 or 2.69% seconded by Trustee Lynch.

Chairman Pinard asked for specifics as to the budget increase.

Mr. Fleury began by explaining that the draft budget which had been reviewed at the committee level on November 7, 2014, needed to be amended. Copies of correspondence from Gabriel, Roeder, Smith & Co, the MECRS's actuary, detailing final estimates for the 2015 valuation were reviewed at the committee level, earlier today and accepted for recommendation to the full board.

Mr. Fleury explained that the biggest challenge in controlling the budget's growth was absorption of cost overrunning in the current year for both Director's and Officer's coverage and for Fiduciary Liability coverage. He further explained that when the budget for 2014 was approved, it contained estimates for both lines of coverage which ended up being much higher when the renewals were actually received. After meeting with the agents this fall, Mr. Fleury informed the board that he was given written quotes for 2015 which in total were only \$85 higher than last year's actual premium, which equates to a 1.97% increase.

Mr. Fleury then reported that one other big ticket increase existed for a budget line entitled Sick Leave Accrual. He stated that it had come to his attention that only sick leave accrual was included in that line but that generally accepted accounting principles called for vacation time to be accrued in a similar manner, which by adding all of the vacation time in one lump sum would have cost double the amount and that he had chosen to bring the accrual up to the target level in two steps, funding half in 2015 and the other half in 2016.

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Chairman Pinard inquired as to the difference between an expense and a reserve of the sick leave and vacation accrual appropriations, to which Mr. Fleury explained that when leave balances are paid out upon termination or retirement to an employee, an expense is actually incurred. When the budget appropriates funds to be held in reserve for leave contingencies, there is no cash expenditure in that period and the amount remains on the books as an asset.

Mr. Fleury added that another budget category which reveals a large percentage increase, but amounts to only small dollars is electric utilities. He explained that MECRS left PSNH as its electricity supplier a few years ago and obtained a contract with ENH Power for 7.6 cents per kilowatt hour. That contract will expire early in 2015 and renewal rates will be higher. Although MECRS plans to return to PSNH, whose rate will be somewhat lower than ENH, the rate for the majority of 2015 will still be higher.

The trustees then voted unanimously to accept the motion to approve the MECRS Budget for 2015.

And finally, Committee Chairman Woitkowski moved that the board approve the recommendation of the A&A Committee to amend Section VII, B of the MECRS Personnel Rules, so that they match the leave accrual rates currently afforded to City employees, seconded by Trustee Molan.

Mr. Fleury explained that the City employees leave accrual rate is slightly higher than the MECRS's employees accrual rate. Increasing the leave rate would give the MECRS staff an additional week of leave, after 20 years of service.

Trustee Molan noted that the MECRS staff have not received a COLA in many years.

After brief discussion, the trustees voted unanimously to amend section VII, B of the System's Personnel Rules to match the City of Manchester leave accrual rate.

For the record Mr. Fleury reported that formal evaluations have been completed on each employee of the MECRS staff and those reports have been reviewed by the employees, signed and placed on file.

New Business:

MECRS 3rd Quarter Investment Performance Results - Due to the inability of the New England Pension Consultants representatives to attend the re-scheduled board meeting, Mr. Fleury referenced the 3rd Quarter Flash Report included in the trustee's agenda packets and reported on various managers' performance and investment results.

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Mr. Fleury stated that the MECRS portfolio is on target for a positive year, yet the question remains if the 7.25% earnings assumption will be met.

Chairman Pinard stated that the next MECRS Board of Trustees meeting will be held on Tuesday, December 9, 2014 at 8:30 a.m.

Consent Agenda:

Trustee Woitkowski 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 Woitkowski moved to adjourn the meeting at 9:10 a.m. seconded by Trustee Molan and passed unanimously by all those trustees present.

Respectfully Submitted

Gerard E. Fleury
Executive Director