

October 14, 2014
Minutes #507

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Pinard called the meeting to order at 8:31 a.m.

Present: Trustees: Donald Pinard, Robert Lynch, Mike Woitkowski and Dianne Mercier and Richard Molan arrived at 8:33a.m.
MECRS Staff: Gerard Fleury Sandi Aboshar and Suzanne Wilson

Absent: Mayor Gatsas and Trustee William Sanders

In Attendance: Attorney John Rich of the McLane Law Firm and Retirement System Member, Martha Folopoulos

Approval of the Minutes of the Previous Board Meeting:

Chairman Pinard entertained a motion to approve the previous board minutes of September 16, 2014.

Trustee Woitkowski moved to approve the board minutes of September 16, 2014, seconded by Trustee Mercier 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 Lynch, and passed unanimously by all those trustees present.

New Business:

Request for Non-Work Related Disability – Executive Director Fleury referred to the board's agenda materials, inclusive of his administrative recommendation regarding a request for a non-work related disability from applicant, Ms. Martha Folopoulos, who was also in attendance.

First, Mr. Fleury outlined the standard procedures for applying for a non-work related disability and the rules and laws governing the disability application process, Chapter 218:15 Laws of 1973 as amended and Administrative Rule Section 2.3, all which had been satisfied. He stated that the application was prepared in July of 2014 and received in the Retirement System office on July 29, 2014.

Mr. Fleury listed the two questions which must be addressed to determine eligibility for disability benefits. 1.) Has the member's condition resulted in permanent and total inability to

Minutes of the Board of Trustees' Meeting -2-

perform the duties associated with the applicants position. 2.) Have the remaining statutory and regulatory requirements been met. Mr. Fleury referred to the standard Disability Retirement Application Check list used in determining the member's eligibility for a disability pension, which was supported by copies of the documents on which his summary recommendation is based.

Mr. Fleury reported that upon reviewing the records submitted, and the results of the IME's performed, pursuant to Chapter 218:15, he has concluded that the documentation does not support the conclusion reached by Ms. Folopoulos's attending physician, that her disability is 100% total and permanent with respect to her job class specifications. Therefore, Mr. Fleury stated that it is his recommendation to deny the non-work related disability to Ms. Folopoulos.

Trustee Mercier expressed concerns about Mr. Fleury reporting on the member's medical condition in his recommendation to the trustees on the disability application.

After brief discussion by the board, Trustee Molan moved to strike any comments made from the record, regarding any reference to the applicant's condition, seconded by Trustee Lynch and passed unanimously by all those trustees present.

Trustee Molan then moved to approve the recommendation of the Executive Director to deny the Non-Work Related Disability from Ms. Martha Folopoulos, seconded by Trustee Lynch.

The board continued to discuss the Retirement System procedures for applicants filing for disabilities and Trustee Mercier asked Ms. Folopoulos if there was any objection regarding the selected physicians who performed the IME's to which Ms. Folopoulos responded that she had no issues with either of the physicians. Ms. Folopoulos continued to address the board regarding her history with the school department and her basis for applying for a non-work related disability.

Mr. Fleury then explained that in preparing his recommendation to the board, he noticed gaps in Ms. Folopoulos' service credit. A calculation was prepared and sent to Ms. Folopoulos providing her with information on the option to buyback that service, as well as a calculation to upgrade her pre-1999 service, to the 2% level, which in turn would maximize her benefit. Mr. Fleury stated that the calculations were sent to Ms. Folopoulos regarding those options, so that she might consider their effect on her benefit amount while the eligibility period remained open.

Trustee Mercier asked if the non-work disability is not granted and Ms. Folopoulos appeals the board's decision, would she have the option to have two additional IME reports submitted.

Attorney Rich responded that Ms. Folopoulos would not be able to request new IME opinions in her case and that the current IME reports are part of her administrative record. Attorney Rich indicated that Ms. Folopoulos will, however, have the ability to present any additional evidence that she may have in supporting her claim.

October 14, 2014
Minutes #507

Minutes of the Board of Trustees' Meeting -3-

The board continued to discuss the disability process, the selection of the IME doctors and the responsibilities of the applicants whom apply for disability retirement requests.

Ms. Folopoulos described her medical and history by which she was originally diagnosed, stating further stated that she could not understand how the two independent medical examiners could possibly diagnosis her in just one visit.

Mr. Fleury explained that it is the responsibility of the applicant to provide medical records which clearly document that a condition exists. The responsibility of the medical examiner is to review the records and then weigh the results of those tests against the applicants' job description and to determine if the applicant is 100% totally and permanently disabled, such that the member is incapable of performing the essential functions of his or her position as a result of the disability.

Addressing the board, Attorney Rich stated that if the board chooses to accept the Executive Director's recommendation and deny the benefit, the applicant will have the option to appeal the decision. The board would then review the records and have access to details in the applicant's file.

Chairman Pinard called for a vote on Trustee Molan's motion to deny the non-work related disability for Ms. Folopoulos, seconded by Trustee Lynch.

The vote was taken with Chairman Pinard, Trustee Molan and Trustee Lynch voting in favor to deny the disability, Trustee Mercier voted in opposition of the motion and Trustee Woitkowski abstained. Motion carried.

Mr. Fleury stated that Ms. Folopoulos will be formally notified of the appeal process and advised of how information must be submitted in order to request that the decision be overturned.

Ms. Folopoulos thanked the board for their time and departed.

Report of The Executive Director:

Update on 2014 Pre-Retirement Seminars: Mr. Fleury began by reporting that the second MECRS Pre-Retirement Seminar for 2014, authorized by the Board at their August meeting, is now scheduled for Thursday, November 6, 2014. He informed the board that at present, there are over 50 people confirmed for the second session. He noted that an additional email announcement will be sent to City employees later in the week in order to maximize attendance.

MECRS By-Law Amendment Sought: Mr. Fleury stated that it has come to the attention of staff that a current By-Law requiring all retirees and vested deferred members be notified of trustee election results by direct mail is onerous, wasteful and, potentially, of little value. Mr. Fleury indicated that the need to write to the membership in order to announce results is arguably

Minutes of the Board of Trustees' Meeting -4-

a thing of the past and, therefore, requested the Board's approval to draft an amendment to the current notification requirements, which would replace the annual direct mailing requirements with a combination of one direct mail notice and multiple website postings. The By-Law sections tentatively affected include; Section 18.02, 18.04 and 18.09.

Trustee Molan expressed concern, stating that he does not view Mr. Fleury's request as an improvement because there are retirees who do not have access to the internet.

After brief discussion of the pros and cons of Mr. Fleury's request, the trustees agreed to review the draft amendment to the MECRS By-Laws, once submitted by Mr. Fleury.

Real Time Access to Board Agenda Materials: A few months ago, Mr. Fleury reported that he began to investigate whether board agendas, presentation materials and related documents could be made accessible by personal portable devices in a cost efficient manner in order to reduce paper reports at board meetings. In order to make this work in the present environment, a prohibitive number of technical issues would need to be overcome. At present, he stated, this could only be done if every portable device operated on a Microsoft operating platform had WIFI capability. Interconnecting with Apple and Android devices cannot be facilitated using existing resources and renders the concept too costly and technically complicated to pursue.

Next, Mr. Fleury informed the trustees of court results from October 10, 2014, in pursuing the recovery of an over payment. He recapped the case stating that in May, the MECRS received a favorable ruling from 9th District Court, however, no payments have been forthcoming, placing the party in contempt. Subsequently, MECRS pursued a request for periodic payments, which has been granted by the court. The party is now obligated to pay \$75.00 per month, beginning November 1, 2014.

Mr. Fleury suggested that the board may also want to consider placing a lien on the party's personal real estate which would entail Mr. Fleury filing a request in Hillsborough County Courthouse. Mr. Fleury stated that during the last court session, the defendant made it known that she is liquidating a personal residence.

Trustee Woitkowski asked Mr. Fleury for the repayment amount due, which Mr. Fleury approximated at \$7,300.

After brief discussion the trustees directed Mr. Fleury to file the necessary paperwork, placing a lien on her personal residence.

In concluding his report, Mr. Fleury stated that he attended the public hearing on rate setting for the former Local Government Center, which is now HealthTrust. Mr. Fleury was pleased to announce that the MECRS is not expecting any rate increase for health insurance this year.

He then informed the board that the MECRS is eligible for a voting right on the election of officers at HealthTrust. He indicated that he thought it would be worthwhile, as part of the

Minutes of the Board of Trustees' Meeting -5-

mutual group and it would provide MECRS with a voice as to how rates are determined on the policy and the direction of HealthTrust. Mr. Fleury asked the boards permission to do so,

which would entail the MECRS Chairman signing a resolution that would allow Mr. Fleury to cast a vote at the HealthTrust annual meeting.

Trustee Woitkowski moved to approve the signing of the HealthTrust resolution, therefore, authorizing Mr. Fleury to have voting privileges, seconded by Trustee Lynch and passed unanimously by all those trustees present.

Report of the Investment Committee:

Committee Chairman Molan reported that the MECRS Investment Committee met as scheduled on Thursday, October 9th. Present were Committee Member Bill Sanders, Trustee Mike Woitkowski, Attorney John Rich, Jr. of the McLane Firm, NEPC Consultant Kevin Leonard, Executive Director Fleury, and Executive Assistant Aboshar.

The meeting included a presentation by Kenneth Solano, Jr., Relationship Manager and Thomas Obaseki, Asset Allocation Portfolio Specialist for Wellington Management. The presentation lasted 45 minutes and covered key aspects of the Wellington Diversified Inflation Hedge portfolio, in which MECRS currently has an investment of approximately \$7 million.

Committee Chairman Molan explained that the purpose for the meeting was to provide an opportunity to become reacquainted with the manager, to receive an explanation of performance factors, and to hear prognostications for the coming quarters. The meeting was friendly and informative and it allowed for an open dialogue with the manager's representatives.

Next, Committee Chairman Molan reported that a number of its investment managers have simply failed to respond to third requests regarding their submission of the annual MECRS Code of Ethics questionnaire, as required by the Board's rules. At the Investment Committee meeting, NEPC was asked whether they might assist in obtaining compliance from the remaining managers, to which Mr. Leonard indicated that they would be happy to do so. Mr. Fleury agreed to supply NEPC with the list of delinquent managers.

Moving on, Committee Chairman Molan stated that in the wake of a recent decision by CALPERS to terminate its investment in hedge funds, public funds across the nation with similar holdings have been reflecting upon their decisions to be in that space. The short version of extensive discussion on the subject is that NEPC is not prepared to recommend that MECRS terminate hedge fund of funds investments based solely upon the action of CALPERS.

Committee Chairman Molan then informed the trustees of the resignation of Bill Gross from PIMCO. Since the resignation of Mr. Gross, a great deal of headline noise has ensued regarding the wisdom of retaining investments with PIMCO and of the possible ramifications of Mr. Gross's departure from the firm. NEPC has been watching the situation at PIMCO for some

Minutes of the Board of Trustees' Meeting -6-

months and has determined that only a few of the many PIMCO funds stand to be directly impacted by Bill Gross' departure. The PIMCO All Asset Fund, in which MECRS invests, is not one of those funds. While NEPC will continue to monitor activities at PIMCO, there appears to be little justification for immediate action. Should such justification materialize, NEPC will notify MECRS and a special meeting of the Board should be able to address the matter in an acceptable timeframe.

In concluding his report, Committee Chairman Molan stated that Mr. Leonard shared NEPC's draft recommendation for minor tweaks to the allocation model with the Committee. At present, only a minor shift between Emerging Market Debt (Local Current) and Diversified Fixed Income are being contemplated. There was considerable discussion by Committee members on the role and effect of certain allocations in the model and the subject seems ripe for further discussion at a future meeting. The subject of manager performance was discussed and it was suggested that NEPC provide a comprehensive recommendation by the end of the year to address adjustments to the allocation, rebalancing, and manager performance issues.

Trustee Molan then suggested that a MECRS field trip to NEPC's office in Boston be scheduled, which would facilitate meeting a number of managers on the same day while introducing MECRS Trustees to NEPC's facilities. Mr. Fleury stated that he and Kevin Leonard of NEPC will pursue plans for that trip if it meets with the Board's approval.

Committee Chair Molan stated that Mr. Leonard has honored the request to prepare a chart of the MECRS Investment Managers and their dates of review by the board since inception, which would assist the board in scheduling the managers to come before the board for review.

Trustee Mercier moved to receive and place on file the Investment Committee Report, seconded by Trustee Lynch and passed unanimously by all those trustees present.

It was then moved by Trustee Woitkowski to approve a field trip to the New England Pension Consultants new facilities in Massachusetts and to conduct manager interviews from the selected list prepared by NEPC, seconded by Trustee Lynch and passed by all those trustees present.

Consent Agenda:

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

Trustee Molan then suggested that the Administrative & Accounting Committee review the Administrative Rules on the appeals process. He stated that he felt that documentation should be reviewed by all board members in an effort to better understand each case.

After lengthy discussion Committee Chairman Woitkowski scheduled a meeting of the A&A Committee on Friday, November 7, 2014 to get a first glance at the 2015 budget and to review the process in which disabilities are handled.

October 14, 2014
Minutes #507

Minutes of the Board of Trustees' Meeting -7-

Motion to Adjourn:

Having conducted all the business of the day, Trustee Mercier moved to adjourn the meeting at 9:37 a.m. seconded by Trustee Woitkowski and passed unanimously by all those trustees present.

Respectfully Submitted

Gerard E. Fleury
Executive Director