

October 11, 2016
Minutes #528

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, William Sanders, Dick Molan and Robert Lynch, Mike Woitkowski and Dianne Mercier arrived at 8:32 a.m.
MECRS Staff: Gerard Fleury and Sandi Aboshar and Suzanne Wilson

Absent: Mayor Gatsas

Excused: None

In Attendance: Attorney John Rich, from the McLane Middleton, Professional Association, as well as City Employee, Robert Gagne.

Approval of the Minutes of the Previous Board Meeting:

Approval of the minutes for the previous MECRS board meeting held September 13, 2016, was deferred until the next Board of Trustees meeting scheduled for November 8, 2016.

Approval of the Immediate Meeting Agenda:

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

Executive Director Report:

Website Development: Mr. Fleury was pleased to report that after countless test refinements, the new MECRS website is ready to go and a launch date of Wednesday, October 19th has been set. He informed the board that MECRS members, who currently have an account with the existing site, will receive a letter from the Retirement System, informing them of the change, about two days ahead of the conversion. He noted that all of the features of the current MECRS website have been retained in the new site, with enhanced security and more reliable site construction.

Mr. Fleury then elaborated on the process in which new users would establish a MECRS login. After brief discussion regarding the enhanced website, the trustees suggested that Mr. Fleury distribute a notification to all MECRS members, informing them of the newly enhanced MECRS website, in an effort to increase participation.

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Status of Portfolio Rebalancing: Moving on, Mr. Fleury reported on the trustees recent adoption of the rebalancing recommendation by NEPC and he provided the trustees with a list of completed rebalancing actions.

- An additional commitment of \$1 million to IR&M Core Bonds, completed on September 16th
- An additional commitment of \$2 million to Blackrock SIO, completed on September 14th
- An additional commitment of \$4 million to PRISA, completed on September 29th
- A redemption of \$2 million, made from Mellon Capital GTAA on September 23rd.
- A redemption of \$3 million, made from Loomis Sayles on September 23rd.
- An initial investment of \$1.6 million with Kayne Anderson Energy Fund VII was made on September 21st
- A redemption of \$3 million, placed with Rothschild Smid Cap on September 15th and expected to settle in the first week of October.

Mr. Fleury stated that the rebalancing recommendation will be completed later in the week along with the capital calls from the DSF Real Estate Group and Blue Vista Mgmt.

Budget Development for 2017 Underway: Mr. Fleury reported that quotes requested for services have been sent to vendors and service providers, in support of the 2017 operating budget. He informed the board that many budget estimates are in hand, but many others will not be available until the end of October. He was pleased to announce that he had been notified by Cross Insurance, that there will not be an increase in Fiduciary Insurance or Directors & Officers Insurance premiums for the coming year.

Mr. Fleury then stated that a meeting of the Administration and Accounting Committee is needed in November to review initial budget amounts and to provide guidance for the final version of the 2017 budget, which will then be reviewed and voted on by the full MECRS Board at the December 13, 2016, Board of Trustees Meeting.

Chairman Pinard asked Mr. Fleury if he is anticipating any new large expenditures for 2017, to which Mr. Fleury replied that he wanted to alert the trustees that in order to qualify for the Public Fund Administration Award, the board would need to conduct an additional valuation by an independent actuarial firm, to review the current MECRS actuary, Gabriel, Roeder Smith & Co. Such a review would be an additional cost to the System.

After brief discussion, the board opted not to incur the additional expenditure of reviewing MECRS actuarial services, expressing complete confidence with present services and methods of the current actuary.

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MECRS Board Election Time Again - In closing his report, Mr. Fleury stated that the annual election process for MECRS Board Members will begin on October 24th when the filing period opens at the City Clerk's Office. Mr. Fleury noted that the two trustees' whose terms will expire on January 1st are Elected trustee, Michael Woitkowski and Mayoral Appointee, Dianne Mercier. The election is scheduled for Thursday, December 8th for Trustee Woitkowski's position and the Mayor will need to reappoint Trustee Mercier before the end of December.

Mr. Fleury asked, if at some point, Trustee Mercier would let him know of her interest in reappointment, and he further stated that he would be happy to communicate Trustee Mercier's interest to Mayor Gatsas.

Report of the Administration & Accounting Committee:

Committee Chairman Woitkowski reiterated Mr. Fleury's earlier comments on the need to schedule a meeting of the A&A Committee in November for review of the 2017 budget.

Mr. Fleury then reminded the trustees of his call for jury duty by the US District Court for the months of November and December which could limit his availability during normal working hours.

Report of the Investment Committee:

Investment Manager Interviews - Acting Committee Chairman Sanders informed the trustees that schedule conflicts prevented Committee Chairman Molan from participating in manager interviews at the October 6, 2016 meeting of the MECRS Investment Committee, therefore, as Acting Committee Chairman during that meeting, he delivered the Investment Committee Report.

Acting Committee Chairman Sanders reported that the committee interviewed three "Liquid Alternative Managers," which had been previously selected by the full MECRS Board. After hearing presentations from all three managers, Standard Life, AQR Capital Mgmt. and William Blair, and deliberating on the merits of each, Committee Member Mercier had offered a motion to recommend Standard Life for a \$10 million allocation to their GARS product. The motion received a second from Committee Member Woitkowski. During discussion, it was decided to invest via a pooled funds option which allows for a lower fee structure than the alternative mutual fund product. Acting Committee Chairman Sanders stated that the committee voted unanimously in the affirmative.

Therefore, on behalf of the MECRS Investment Committee, Acting Committee Chairman Sanders offered a motion to accept the recommendation of the Investment Committee and invest \$10 million with Standard Life in their GARS Liquid Alternative Investment product, using the

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pooled subscription option, and subject to a favorable review of the subscription documents by legal counsel, seconded by Trustee Molan.

Chairman Pinard asked Acting Committee Chairman Sanders what had made Standard Life stand out over the other two managers.

Acting Committee Chairman Sanders replied that Standard Life is more traditional and self invested, not a hedge fund and the other two managers were variations on hedge funds with higher fees. Standard Life is managing a significant amount of money with a strategy for not catching all of the upside and having protection on the downside.

Trustee Mercier noted that Standard Life historically performed closer to their benchmark, especially on the downside with a longer track record and less volatility. Also, she stated that Standard Life does not have quantitative analysis running the show whereas the other two managers were very heavy into quantitative analysis.

Motion passed in the affirmative to invest \$10 million with Standard Life.

Consent Agenda:

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

New Business:

Non-Work Related Disability Request, Lorraine McDermott - Mr. Fleury reported that standard procedure was followed in processing the request for disability by Ms. McDermott and that he recommends approval of Ms McDermott's disability request. Trustee Lynch moved to approve the Non-Work Related Disability for Ms. McDermott, seconded by Trustee Mercier and passed unanimously by all those trustees present.

Other Business:

Mr. Fleury stated that in anticipation of the approval by the Board to fund Standard Life, the Private Placement Memorandum and Subscription Agreement have been completed and will be forwarded to the System's legal counsel for review.

Trustee Sanders asked Mr. Fleury about the status of the cash flow requirement, to which Mr. Fleury responded that the cash flow balances are presently sufficient for the operation of the

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Retirement System. The trustees continued to discuss the cash flow status for the coming months, but no actions were taken.

Chairman Pinard expressed his concern regarding the prospects for meeting the quorum requirement at the next ME CRS Board meeting scheduled on Election Day, November 8, 2016. After polling the trustees, it was clear that the requirement would be met.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Lynch moved to adjourn the meeting at 9:07 a.m. seconded by Trustee Sanders and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director