

August 8, 2017
Minutes #537

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Pinard called the meeting to order at 8:34 a.m.

Present: Trustees: Donald Pinard, Dick Molan, Mike Woitkowski, Bob Lynch, Bill Sanders and Dianne Mercier arrived at 8:59 a.m.
MECRS Staff: Gerard Fleury and Suzanne Wilson

Absent: Mayor Gatsas

In Attendance: Attorney John Rich, from McLane Middleton, Professional Association

Approval of the Minutes of the Previous Board Meeting:

Trustee Molan moved to approve the minutes for the board meeting held July 11, 2017. Trustee Sanders seconded the motion and it was passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Report of the Executive Director:

Cash Flow Report Confusion at July Board Meeting: Mr. Fleury referred to the July Board of Trustees meeting and the confusion over the seeming lack of the supporting document entitled, "Monthly Cash Balance Report". Regarding the Cash Balance Report, Mr. Fleury explained, that due to the delay in receiving information from the MECRS' custodial bank, the report was not included in the trustees July packets.

Mr. Fleury recapped the meeting in question and reported that at the start of the meeting, the June Cash Flow report, along with other handouts was distributed. However, he stated that the report for June was not recognized and acted on. He informed the trustees that the June and the July reports are included in their August agenda packets and scheduled to be accepted and placed on file later in the meeting.

Referring to the June and July Cash Balance Reports, Chairman Pinard requested clarification regarding the Target Cash Balance and the Cash Balance at the end of each period.

Mr. Fleury explained the itemization of receivables and payables listed and provided details on how the balances are calculated.

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Executive Directors Attendance at 2017 Opal Public Funds Summit - As previously announced, Mr. Fleury attended the 2017 Opal Public Funds Summit in Newport, Rhode Island on July 24th, 25th and 26th, where he was a participant in the Executive Director's Round Table, for discussion on events and challenges facing public plans across the country. Mr. Fleury informed the trustees that over the three day summit, the participants and presenters included; elected officials, attorneys, plan trustees, money managers, actuaries, and various service providers. He elaborated that he was able to learn about industry trends and innovations, which may prove valuable to the MECRS.

Status of Rebalancing Exercise as a Result of the Amended Asset Allocation - Mr. Fleury reported that the asset allocation revisions approved by the Board at the July meeting required that \$6 million be redeemed from Income Research & Management, and another \$2.5 million from Loomis Sayles. He informed the board that the transaction was completed and the proceeds were reinvested in Vanguard Inflation Protected Securities on July 28th. Mr. Fleury stated that the allocation change required that Hedge Fund Manger Entrust/Permal be terminated and notification was sent in accordance with fund requirements on August 4th and that the proceeds are expected in the third or fourth quarter of 2017.

Status of RFP Process - In closing his report, Mr. Fleury updated the board on the status of the Request For Proposal and reported that five proposals were received for custodial banking services, including a proposal from MECRS's existing service provider. He stated that the RFP's submitted are more than was expected; therefore, he noted, it will take longer than originally anticipated to conduct a thorough review of each proposal. He informed the board that at this early stage in reviewing the RFPs, all of the proposals are still in the running, although at least one proposal contains a requirement which would be problematic.

Mr. Fleury stated that due to his concern with the contract language, he will be working with the System's legal counsel in reviewing the RFPs. He noted that vendor references will also be contacted in the coming weeks.

Trustee Sanders asked, if Mr. Fleury was working with a template or reference point in reviewing the bidders for custodial services.

Mr. Fleury responded that he has been using the submission requirements in the RFP to determine whether the proposals satisfy the requirement and that the System's Investment Consultant, NEPC, has been very helpful in the RFP process. He stated that at some point in the review of the RFPs, he is planning on turning over the proposals to the MECRS Administrative & Accounting Committee for possible interviews of the selected bidders. Mr. Fleury stated that he will keep the board updated as the RFP process evolves.

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Report of Monthly Cash Balance:

Referring to the Cash Balance Cash Flow reports that were discussed earlier in the meeting, Trustee Sanders moved to accept and place on file the Cash Balance Reports for June and July, seconded by Trustee Molan and passed unanimously by all those trustees present.

Report of the Investment Committee:

Attorney Rich updated the board on the pending contract with newly hired manager, CarVal Investors. He reported, there has been a delay in working with the side letter agreement. The required side letter language has been sent to CarVal, however, they have not responded as of yet.

Mr. Fleury also noted that receipt of a copy of the partnership agreement with CarVal is still pending.

Previous Business:

Authorization to Release Amendments to By-Laws X & XI, also Administrative Rules Parts 4 & 13 - Trustee Sanders offered a motion to release the amendments to the By-Laws and Administrative Rules, seconded by Trustee Woitkowski.

Mr. Fleury began discussion by first explaining that in accordance to the MECRS By-Laws, Article XI, paragraph 14.06, the proposed amendments require a 30-day posting before their adoption in order to afford interested persons an opportunity to submit data and make their views known either orally or in writing. Mr. Fleury further stated that the amendments are a recommendation by the System's legal counsel, McLane Middleton, Professional Association.

Attorney Rich of McLane Middleton then elaborated on the proposed amendments.

Chairman Pinard referred to the proposed amendment, Article X Quorum, section 10.04 and requested clarification of a quorum.

Attorney Rich responded that except in an emergency, a quorum must be physically present at the location specified in the meeting notice. An emergency, Attorney Rich stated, means that immediate Board action is imperative. He further stated that participation in a meeting by telephone or video conference call does not count towards the quorum requirement, so a quorum must be physically present.

After continued discussion regarding the amendments, the board voted unanimously to authorize the release to By-Laws X & XI and to Administrative Rules Parts 4 & 13.

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Approval of Working DRAFT of the MECRS Funding Policy - Trustee Molan moved to approve the DRAFT Funding Policy, seconded by Trustee Sanders and passed unanimously by all those trustees present.

Trustee Sanders thanked Trustee Mercier for her considerable input regarding the Funding Policy.

Consent Agenda:

Trustee Woitkowski moved to accept the Consent Agenda, seconded by Trustee Lynch and passed by all those trustees present.

New Business:

Accept and Place on File MECRS, 2016 Comprehensive Annual Financial Report – Trustee Woitkowski moved to accept and place on file the 2016 CAFR, 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 9:55 a.m., seconded by Trustee Mercier and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director