

June 13, 2017
Minutes #535

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Pinard called the meeting to order at 8:35 a.m.

Present: Trustees: Donald Pinard, Dick Molan, Mike Woitkowski and Dianne Mercier
MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Mayor Gatsas

Excused: Bob Lynch and Bill Sanders

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 May 9, 2017. Trustee Woitkowski seconded the motion and it was passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Report of the Executive Director:

Participation in Investor Conference Call and Meetings: Mr. Fleury reported that several times per year, many of our investment managers conduct investor conference calls, quarterly performance webinars, and annual investor meetings, which are available on the internet. Absent schedule conflicts, he stated that he usually participates in such calls, downloading the presentation materials in advance and then connecting to the sessions via the internet using applications such as Go-To-Meeting. In some cases he stated, these calls are of dubious value but at other times they can contain valuable investor information on the status and direction of strategies being employed by the manager. He informed the board that the calls can be accessed from anywhere with proper planning and registration and that if any trustee would like to avail themselves to these educational events, that he would be happy to pass the necessary information along, for listening in on webinars or conference calls. Trustee Mercier suggested that all Board members be notified of such opportunities and Mr. Fleury indicated that he would do so.

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Appropriation Shortage in Health Insurance Line: Mr. Fleury alerted the board that the MECRS 2017 appropriation for staff health insurance, will not be sufficient due to additional enrollment. In the past, Mr. Fleury stated, worse case gross appropriations were used for budget purposes, with knowledge that amounts not spent would lapse to surplus. The Board directed the estimated net amount be used several years ago and so any change in the number of covered individuals in any Human Resource line of the budget, results in a surplus or a deficit, depending upon whether an employee has been added or is discontinuing coverage. This shortage will be accounted for at year end as part of an annual comprehensive housekeeping adjustment to the entire budget.

Auditor's Report to be Delivered at July 11, 2017 Board Meeting: Next, Mr. Fleury announced that representatives from Berry Dunn are scheduled to be present at the July 11th meeting to report the findings of the audit for 2016 and to offer any comments on the 2016 Comprehensive Annual Financial Report. Mr. Fleury also noted that no controversial issues are anticipated regarding the audit.

Portfolio Rebalancing Completed: Mr. Fleury reported that rebalancing of the MECRS portfolio, pursuant to MECRS Investment Consultant recommendation and subsequently approved by the Board in April, has been completed.

Custodial Banking RFP Issued: Mr. Fleury updated the trustees on the board commissioned Request for Proposal, for custodial banking services, which was issued on May 19th. Copies of the RFP were shared with the MECRS Investment Consultant, posted on the MECRS website, and mailed directly to eight potential bidders, including MECRS's current custodian, State Street Bank & Trust.

US Mail Delivery Problem Impacts Accounts Payment: Mr. Fleury notified the board that MECRS incurred at \$20 late fee on a monthly credit card payment, due to circumstances resulting from US postal delivery problems. Subsequent correspondence from the same vendor was delivered to this building but to the incorrect tenant. These issues were reported to the US Postal Service, and Citizens Bank agreed to refund the late fee when the problem was reported to them in writing. One possible resolution to mail delivery problems, Mr. Fleury stated, is the conversion to electronic payments, however the Board would need to agree to authorize such a change and payment authorization procedures and audit trails would also need to be revised to ensure proper accountability and segregation of duties. Mr. Fleury noted that future reports on this subject will be forthcoming.

In closing Mr. Fleury briefed the trustees on the Fee Policy for the Additional Contribution Program. He explained that a license in the form of a protected Excel file, was purchased from the System Actuary, Gabriel, Roeder, Smith & Co. for \$10,000. The costs of the software

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license was paid by the pension trusts and carried as a receivable on the books. The promulgated Administrative Rule VI, called for a \$50 fee for the basic calculation, with an additional \$100 payment, if the member elected to move forward with the additional contribution program. Both the initial fee and the additional payment were used to reduce the receivable.

Mr. Fleury informed the board that the \$10,000 has been recovered and the future practice regarding fees for the Additional Contribution Program, is scheduled to be addressed at the MECRS July 11, 2017 board meeting.

Chairperson Comments:

Chairman Pinard asked the trustees if they had any scheduling conflicts with the upcoming MECRS monthly meetings, during the busy summer season, to which there were none stated.

Chairman Pinard then inquired as to the deadline of the filing period for MECRS' Board of Trustee election. Ms. Aboshar replied that the filing deadline for Board Elections is the last week in October.

Reports on April and May Cash Balance: Mr. Fleury referred to the board's adopted cash flow policy and explained the delay in including the report as part of May's agenda. The June agenda packet, Mr. Fleury reported, includes the April and May cash balance results, which confirms exactly every source and use of funds, that reconcile back to the balance of the System's custodial bank and includes the balance for future funding commitments.

The trustees briefly discussed the timing of the capital calls and funding, which will also be reflected in the MECRS Comprehensive Annual Report as part of GASB 72 reporting requirements.

Trustee Mercier asked Mr. Fleury if it was possible, under the future funding commitments, to estimate the dates of those future funding requests, to which Mr. Fleury replied that it is difficult to estimate the timing of the commitments and he provided an example as to why.

Report of the Investment Committee:

Committee Chairman Molan reported on the meeting held May 18, 2017, whereby the committee reviewed the latest draft of the Liquidity and Cash Management Policy. Also, Committee Chairman Molan added that the committee elected to conduct manager interviews, scheduled for Thursday, June 22, 2017, consisting of Multi-Strategy Credit Opportunities, North American Direct Lending and Diversified Global Investment Managers.

The trustees continued to discuss MECRS's current allocation in Direct Lending and the timing of the recommended funding.

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Moving on, Mr. Fleury recommended that the Administrative & Accounting Committee schedule a meeting in July to address the board commissioned, compensation study by Condrey Associates and to review the revised draft of the MECRS Funding Policy.

After brief discussion on the A&A committee members' availability, it was agreed to schedule the next A&A Committee meeting for Monday, July 10, 2017.

Consent Agenda:

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

New Business:

Request for Ordinary Disability – Tina Farias - Mr. Fleury briefed the trustees on the circumstances, which caused a delay in submitting his recommendation, to approve the ordinary disability request for Ms. Farias, based upon evidence submitted and compiled.

Trustee Molan moved to approve the Application for Ordinary Disability for Tina Farias, seconded by Trustee Mercier and passed unanimously by all those trustees present.

Gainful Occupation Report – 2016 – Mr. Fleury explained that the Gainful Occupation Report is designed to ensure compliance with Chapter 218:15 V, which states that that disability recipients shall, until his or her normal retirement date, submit a report each year to the retirement board indicating earnings from employment.

Trustee Molan moved to accept and place of file the 2016 Gainful Occupation Summary Report, seconded by Trustee Mercier and passed unanimously by all those trustees present.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Molan moved to adjourn the meeting at 9:05 a.m., seconded by Trustee Mercier and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director

