

May 9, 2017  
Minutes #534

**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, Bill Sanders, Mike Woitkowski and Bob Lynch  
MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson
- Absent:** Dianne Mercier and Mayor Gatsas
- Excused:** Dick Molan
- In Attendance:** Attorney John Rich, from McLane Middleton, Professional Association, Ken Alberts of Gabriel, Roeder, Smith & Co., Retirement System Member, Peter Lynch as well as Retirees, Ronald Robidas and Harry Ntapalis.

**Approval of the Minutes of the Previous Board Meeting:**

Trustee Sanders moved to approve the minutes for the board meeting held April 11, 2017. Trustee Lynch 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 Woitkowski and passed unanimously by all those trustees present.

**Citizens Comments:**

Chairman Pinard asked the citizens present, if they had any comments, to which there were none.

**Report of the Executive Director:**

**Switch of Email Providers:** First, Mr. Fleury reported that during the month of April, MECRS began to encounter email communication problems, which compromised the availability of certain functions and also resulted in less than professional looking emails being sent. He stated that the evolution of the email systems, which integrate various business features occurred over time and was somewhat fragmented. That fragmentation was the proximate cause of the

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difficulties being experienced and so in the third week of April, email related functions were updated and consolidated, which resulted in superior reliability and additional functionality.

Switch of Power Providers: Mr. Fleury then informed the trustees that in the coming month, MECRS will switch its electricity supplier in order to help control the utility expense. The current contract was set to expire and the current provider was planning to charge a rate which was lower than Eversource but still much higher than the current rate. He stated that after shopping for competitive rates, a supplier from whom the System had purchased power in the past, was again the least expensive and a new agreement was made with that supplier.

Compensation Study Completed: Mr. Fleury stated that the Compensation Study, which the Board commissioned as part of the 2017 budget, has been completed by Condrey Associates of Atlanta, Georgia. He explained that the study yielded updated job descriptions for all staff members, a comparison between MECRS and 16 public employee retirement systems of compatible size, and a revised pay scale to replace the ten year old version currently in place. Mr. Fleury informed the trustees that a formal review of the results, inclusive of a presentation by representatives of Condrey Associates will be undertaken by the Administration & Accounting Committee, who will then bring any recommendations forward to the full Board in the coming months.

Status of Portfolio Rebalancing: Mr. Fleury recapped the April Board meeting, whereby the trustees authorized the transfer of \$10.5 million between various accounts as recommended by NEPC. Mr. Fleury indicated that all of those transfers have been completed with the acceptance of Gryphon International, which will execute on June 1, 2017.

"True-up" Payment Option Sought: In closing his report, Mr. Fleury explained that the MECRS owes the City \$146,479 by July 1, 2017 as a result of the "true-up" calculation contained in the 2016 actuarial valuation. He informed the board that MECRS has been asked by the City Finance Department, whether the payment can be delayed for a year, when the final six month true-up will be known. The objective, Mr. Fleury explained, would be to avoid a cash payment in 2018, should the final true-up call for the payment of additional funds by the City. Mechanically, the administrative aspects are simple; however, Mr. Fleury stated that he does not have the authority to make such a decision without sanction from the Board of Trustees. If this route is chosen and approved, Mr. Fleury indicated that MECRS would use the 7.25% earning assumption rate to compute interest on the \$146,479 to the date of payment and he asked the trustees how they would like to proceed in this matter.

Because of his expertise, on such matters, Mr. Ken Alberts from Gabriel, Roeder, Smith & Co. was asked and agreed with Mr. Fleury's synopsis, and that delaying the payment would simplify the City's budget process.

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Trustee Sanders, Finance Director for the City of Manchester, concurred with Mr. Alberts and stated that it would be in the City's best interest to delay the payment of the credit, pending the final true-up results in 2018.

After brief discussion, Trustee Woitkowski made a motion to direct Mr. Fleury to delay the payment amount of \$146, 479, to the City of Manchester, pending the final true-up payment due in 2018, seconded by Trustee Lynch and passed unanimously by all those trustees present.

Report on Monthly Cash Balance - Mr. Fleury referred to the agenda item calling for acceptance of the cash flow report and reminded the Board that they had requested a modified cash flow report with updated account activity. However, he stated, the transaction details provided by State Street Bank have not been received and, therefore, the cash flow report is not available for this month. Mr. Fleury noted that he is currently working towards improving the reporting with State Street Bank so that reports will be timely in the future.

**Report of the Administrative & Accounting Committee:**

Committee Chairman Woitkowski reported on the A & A Committee meeting held on May 2, 2017, to discuss the COLA consideration for 2017. He reported that after the committee's full review and consideration of the supporting documentation, inclusive of Administrative Rule 7, and the calculation inflation rate and the fact no COLA was awarded in 2016, the A&A Committee unanimously voted to recommend a COLA effective July 1, 2017 equal to the assumed COLA rate of 1.25%.

Committee Chairman Woitkowski moved to adopt the A&A Committee's recommendation of a 1.25% COLA, effective July 1, 2017, for all retirees retired as of January 1, 2017, seconded by Trustee Lynch and passed unanimously by all those trustees present.

**Report of the Investment Committee:**

Committee Chairman Molan was not in attendance, therefore, Mr. Fleury reminded the trustees of the next Investment Committee meeting, scheduled for Thursday, May 18, 2017 at 9:00 a.m.

**Previous Business:**

Request for Work Related Disability, Peter Lynch – Mr. Fleury referred to his Summary Recommendation included in the trustees agenda packets and reiterated his recommendation, that the board grant a Work-Related Disability request for Mr. Peter Lynch.

Trustee Woitkowski moved to grant the Work-Related Disability for Mr. Peter Lynch, seconded by Trustee Sanders, with Trustee Lynch abstaining. Motion carried.

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**Consent Agenda:**

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

Actuarial Valuation and GASB 67 & 68 – Mr. Fleury noted that the System has received the final version of the 2016 valuation and associated GASB 67 & 68 Financial Report, which were based upon the assumption approvals voted on at the April board meeting. He explained that both reports should formally be accepted and placed on file.

It was moved by Trustee Lynch to accept and place on file the 2016 Actuarial Valuation, as well as the GASB 67 & 68 report, seconded by Trustee Woitkowski and passed unanimously by all those trustees present.

Gabriel, Roeder, Smith & Co. – Phase 2 Report - Mr. Ken Alberts of GRS was in attendance to present the results of the board commissioned Phase Two Analysis of various benefit changes and the impact the changes would have on the funding status of the Plan.

Phase Two, Mr. Alberts explained, is an actuarial study to evaluate the effects of potential changes in benefit conditions for the MECRS. Phase Two consists of a number of options which were included in the report from Stage One, which was completed last summer and narrowed in focus for Phase Two, as requested by the board.

Mr. Alberts reported that the supplemental valuation was based on member and financial data supplied by MECRS, derived from the December 31, 2015 actuarial valuation. He noted that supplemental valuations do not predict the result of the future actuarial valuations, rather, supplemental valuations give an indication of the probable long-term cost of the proposed changes only, without comment on the complete end result of future valuations.

Mr. Alberts summarized the current pension provisions, assumptions and policies affected by the proposals, the combinations of the proposals as well as the additional health subsidies, requested by the board. He mentioned that using the December, 2016 actuarial valuation would yield a slightly different result.

Trustee Sanders asked Mr. Alberts what it would entail as far as time and costs to update the Stage Two analysis, utilizing the December, 2016 valuation results. Mr. Alberts replied that it would cost the fund approximately \$5,000 and he cautioned the board as to the timing of the request, due to the pending experience study.

The trustees continued to discuss the System's funding ratio and the order of operation for the upcoming experience study, as well as updating the Phase Two analysis. The Board also discussed the impact on the funding ratio of accelerating the amortization schedule.

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At the conclusion of discussions, it was moved by Trustee Lynch to table the Supplemental Valuation, Phase Two, and to grant authorization to incur the costs for updating Phase Two, utilizing the December, 2016 valuation, seconded by Trustee Woitkowski 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 9:36 a.m., seconded by Trustee Sanders and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director