

November 13, 2018
Minutes #550

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:33 a.m.

Present: Trustees: Richard Molan, Bob Lynch, Mike Woitkowski,
Bob Gagne

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Trustees: Bill Sanders, Dianne Mercier and Mayor Joyce Craig

In Attendance: Attorney John Rich from McLane Middleton, Professional Association
and Mr. Harry Ntapolis Retiree and Candidate for Citizen Trustee

Approval of the Minutes of the Previous Board Meeting:

Trustee Lynch moved to approve the minutes for the board meeting held October 9, 2018, seconded by Trustee Woitkowski and 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 Lynch, and passed unanimously by all those trustees present.

Report of the Executive Director:

Plan to Migrate MECRS General Ledger to the Cloud: Mr. Fleury reported that a meeting was held on October 23rd with the Retirement System's current Microsoft GL Support Provider, to explore the potential for migration of the Great Plains General Ledger from a server-based application to the cloud. Based on the dissatisfaction with terms and conditions presented by the current provider, Mr. Fleury reported that he has requested proposals from four companies, that also provide GL, and that he will keep the Board apprised of those findings.

He explained that the System's present server will need to be replaced early in 2020 when its operating system will cease to be supported by Microsoft, and migration of the server-based GL will be complicated and expensive. Also, Mr. Fleury noted that a onetime expense to migrate to the cloud will mitigate future annual support costs, improve reliability, and lessen the functional demand for the replacement server and its operating system.

Mr. Fleury then informed the Board that there will be a 2019 budget expense for migration in 2019 to avoid a dual push in 2020 when support for the existing server by Microsoft is scheduled to cease.

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Status Report on Private Equity Investments: Mr. Fleury reported that the subscription agreements with HarbourVest and Private Advisors have both been completed.

Status of Redemption & Rebalancing Exercise: Mr. Fleury referred to last month's Board authorization, for redemption of investments with Sands Capital and Mellon GTAA, in a move to provide liquidity and to also make fine adjustments to the portfolio allocation. As of October 22nd, Mr. Fleury reported that those portfolio rebalancing steps had been completed.

Final Distribution from Millennia Partners: Moving on, Mr. Fleury reported that at the end of October, MECRS received an unexpected "final" distribution from Millennia Partners which had closed a few years earlier and residual assets thought to have no value, were finally liquidated, resulting in a distribution of \$9,898.45. In order to ensure consistent reporting treatment for this unexpected payment that could be considered a "fly in the investment reporting ointment," Mr. Fleury stated that the distribution was reported to MECRS's Investment Consultants at NEPC, Auditors at Berry Dunn, as well as to MECRS Custodian, State Street Bank & Trust.

2018 Pre-Retirement Seminar Conducted: Next, Mr. Fleury informed the trustees that on November 6th, MECRS conducted a Pre-Retirement Seminar, which was well attended. Despite his invitation, the City's Deferred Compensation Plan provider did not participate, citing organizational irregularities, which prevented them from sending a speaker. Even with the provider absent, he viewed the seminar as a success.

Manchester Employees' Contributory Retirement System Receives 2018 Award for Compliance with Public Pension Standards: In closing his report, Mr. Fleury stated that the MECRS has applied for and received the Public Pension Coordinating Council's ("PPCC") "Public Pension Standards Award". He explained that the PPCC is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement. The award is presented to public pension systems that satisfy strict criteria established by the PPCC in order to recognize those public systems that follow best practices.

Regarding the review of the Private Advisors legal documents, Attorney Rich pointed out that as a result of the System being an NEPC client, the System will receive the same terms as any other NEPC client, regardless of size, such as discounted fees. He noted that normally the System only receives the same terms as other investors of the same size as the System. Attorney Rich gave recognition to NEPC in negotiating the provision that will benefit the System.

Report of the Monthly Cash Balance:

Mr. Fleury reported that the Cash Management Report reflects a stable balance of \$6.5 million for period ending October, 2018.

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Referring to the Cash Flow Report revisions, requested by Trustee Mercier, to include a column reflecting the expected deadline for each commitment, Mr. Fleury reported that he has added a Funding Target Year column, for each investment, which will provide the board with a duration estimate for each investment.

Report of the Benefits Committee:

Committee Chairman Gagne recapped the last Benefits Committee meeting, whereby it was agreed to delay further discussion on the potential for changes to the Plan until such a time, when all Board members are present. He informed the board that he had the opportunity to reach out to Mayor Craig, and that he had subsequently met with Mayor Craig and her Chief of Staff, Ryan Mahoney, to discuss the importance of the issue.

Committee Chairman Molan suggested that due to the pending December Trustee Election, whereby the newly elected Trustees will attend their first board meeting in January, 2019, that Mr. Fleury send the Mayor a formal invitation to attend the January, 2019 meeting, whereby the proposed Plan Changes will be scheduled for further discussion. Mr. Fleury agreed to do so.

Consent Agenda:

Chairman Molan entertained a motion to approve the Consent Agenda. Trustee Lynch moved to accept the Consent Agenda, seconded by Trustee Gagne and passed by all Trustees present.

Other Business:

Mr. Fleury referred to an alert document received from NEPC Research regarding underperformance and sizable declines in active management with Aberdeen Standard Investments. To address the issue in detail, he placed a conference call to Representative Sebastian Grzejka and Mr. Grzejka addressed the board via speaker phone.

Mr. Grzejka briefed the board on the content of the November 7, 2018 document issued by NEPC Research. He first summarized the significant event of the retirement of the Head of Global Multi-Asset Investing, as well as the announcement of his replacement and several new additions to the firm.

Mr. Grzejka provided the board with a background of Standard Life's Global Absolute Return Strategies. He stated that NEPC views the retirement announcement, coupled with changes to the GARS portfolio management team to be a material event for Aberdeen Standard's multi-asset platform.

After brief discussion, Mr. Grzejka recommended that MECRS re-visit the Standard Life on going issue when they conduct the annual performance review in 2019.

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Motion to Adjourn:

Having conducted all the business of the day, Trustee Lynch moved to adjourn the meeting at 10:15 a.m., seconded by Trustee Gagne and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director