

September 11, 2018  
Minutes #548

**Minutes of the Board of Trustees' Meeting -1-**

- Call to Order:** Chairman Molan called the meeting to order at 8:30 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

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

Trustee Lynch moved to approve the minutes for the board meeting held August 14, 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 Gagne and passed unanimously by all those trustees present.

**Report of the Executive Director:**

New Wire Transfer and Accounts Payable Processes with State Street - Mr. Fleury was pleased to report that after months of preparation and after overcoming a number of technical obstacles, the process regarding wire transfers and accounts payable transactions with MECRS' custodial bank, are being updated. Traditionally, Mr. Fleury noted, wire transfer, transfers between accounts, and payments to vendor and service providers, have been handled by faxing requests in a standard format to account representatives at State Street. He explained that upon implementation of the new process, MECRS staff will have the ability to initiate these transactions via a cloud based application controlled by State Street. Also, he reported, that MECRS's staff will provide payment details into the system, within allowable and predefined parameters, which will provide improved controls over the timing of transactions and lessen the reliance on decades old technology.

Budget Work for 2019 Commences - Next, Mr. Fleury reported that in the coming weeks, cost estimates for the 2019 operating budget should begin to arrive and that the largest of these estimates will be for Fiduciary and Director's & Officers Insurance premiums. While we already know that dental insurance rates for 2019 will be unchanged, Mr. Fleury announced that he is scheduled to attend rate hearings on health insurance for the 2019 calendar year. He informed the board that much of the remaining budget is expected to remain flat and none of the budget lines

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are expected to show meaningful increases. Also, he stated that the Administrative & Accounting Committee will be provided with a 2019 draft budget by November, as the System moves toward budget approval time at the December 11<sup>th</sup> Board of Trustees Meeting.

In closing, Mr. Fleury informed the board that the MECRS's website has had recent operating difficulties, which have been reported to the service provider. After detailing the difficulties to the trustees, Mr. Fleury indicated that he will keep the board apprised on when the website is in full operation.

**Report of the Monthly Cash Balance:**

Mr. Fleury reported that the Cash Balance value ending August, 2018 is approximately \$4.5 million. He informed the board of an unusual situation whereby investment manager, Blue Vista Real Estate, was wiring erroneous distributions repeatedly to MECRS' Custodial Bank. The error was recognized and reported and once MECRS receives a requested authorization from State Street Bank, the incorrect transaction will be reversed. Mr. Fleury stated that the error has been documented however the Cash Balance report did not reflect the excessive distribution amounts.

**Report of the Investment Committee:**

Committee Chairman Lynch reported that the MECRS Investment Committee met on Wednesday, September 5, 2018 to interview private equity managers. Chairman Lynch stated that MECRS Investment Consultant NEPC had recommended that three existing MECRS managers with new fund offerings be interviewed; HarbourVest, Private Advisors and Lexington Partners. He also noted that interviews were conducted in non-public session and the minutes of the meeting were sealed.

In deliberations which followed the non-public session, Committee Chairman Lynch informed the board that a motion was made by Committee Member Sanders to recommend an allocation of \$5 million to HarbourVest Co-investment Fund V and \$3 million to Private Advisors North American Small Company Fund VIII. The motion received a second from Committee Member Molan and passed without objection.

Committee Chairman Lynch then offered a motion to ratify the recommendation of the Investment Committee to invest \$5 million in HarbourVest Fund V and \$3 million in Private Advisors Fund VIII, subject to the acceptable review of subscription agreements for each fund by legal counsel. Committee Member Gagne seconded the motion and the motion passed unanimously by all those trustees present.

Attorney Rich recommended that Mr. Fleury determine the scheduled closing dates of each manager, so that the legal counsel has ample time to review the subscription agreements and meet each closing deadline. Mr. Fleury stated that he will do so.

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**Benefits Committee:**

Committee Chairman Gagne informed the board that all committee members have received the requested, Supplemental Actuarial Valuation from the System's Actuary, Gabriel, Roeder Smith & Co. and that a committee meeting will be scheduled in the weeks ahead.

Mr. Fleury explained that the GRS report is inclusive of 2 scenarios for the committee's review and consideration. He also stated that he will collaborate with Committee Chairman Gagne in scheduling the next Benefits Committee meeting.

**Consent Agenda:**

Moving on, 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 those trustees present.

**Motion to Adjourn:**

Having conducted all the business of the day, Trustee Lynch moved to adjourn the meeting at 8:40 a.m., seconded by Trustee Gagne and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director