

April 9, 2019  
Minutes #555

**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: Dick Molan, Harry Ntapalis, Bob Gagne, Bill Sanders, Jeff Plourde and Dianne Mercier arrived 8:36 a.m.

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

**Absent:** Mayor Craig

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

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

Chairman Molan entertained a motion to approve the minutes of the previous board meeting held March 12, 2019.

Trustee Ntapalis moved to approve the minutes of March 12, 2019, seconded by Trustee Gagne and passed unanimously by all those trustees present.

**Approval of the Immediate Meeting Agenda:**

Chairman Molan entertained a motion to approve the immediate meeting agenda.

Trustee Gagne moved to approve the immediate agenda, seconded by Trustee Mercier and passed by all those trustees present.

**Chairperson Comments:**

Due to a travel commitment, Chairman Molan requested the postponement of the May 14, 2019 Board of Trustees meeting, to the third Tuesday, May 21, 2019, pending the availability of board members.

After the trustees review of their personal calendars, they were all in agreement to re-schedule the May monthly Board of Trustees meeting, to the third Tuesday, May 21, 2019 at 8:30 a.m.

**Report of the Executive Director:**

**Work on MECRS CAFR in Process:** Mr. Fleury stated that the MECRS has used the same service provider for over fifteen years to convert the Word version of the Comprehensive Annual Financial Report, to a more professional Adobe version. At the end of 2017 he reported that,

April 9, 2019  
Minutes #555

### **Minutes of the Board of Trustees' Meeting -2-**

that provider Susan Germana retired and ceased doing business. Subsequently, the System is now working with a new provider, Page Design and Layout, Inc., who came highly recommended by Susan Germana. Mr. Fleury noted that the new provider's initial results have been favorable and he informed the board that the Adobe version of the 2018 CAFR has been provided to the System's auditors. He then noted that reports from Gabriel, Roeder, Smith & Co. for GASB 67, 68, and GASB 74 remain outstanding. GRS estimates that those reports will be available soon and the final portions of the CAFR will be updated.

Work on Draft Plan Changes are in Progress: Mr. Fleury referred to the agenda's Informational Item, Chronology for Implementing Second Tier for Future Plan Participants. While the scope of potential plan changes have been identified, Mr. Fleury explained that considerable analysis is still needed to identify and address a myriad of real-world events, which will potentially complicate the statutory changes. He noted issues such as the treatment of buybacks, the mechanics of participation in the Additional Contribution Program, and a study of how a second tier would be implemented with work-related disabilities, all of which must be fully addressed before draft legislation can be completed. Mr. Fleury indicated that Benefits Committee Chairman Gagne will elaborate further, when he delivers his Benefits Committee Report later in the meeting.

Contact for Electric Power – Due to the expiration of the MECRS current electric power contract and subsequent 20% increase to renew, Mr. Fleury stated that he was prompted to shop for competitor's rates. Mr. Fleury was pleased to report that MECRS will be signing on with a new electric provider for 20% less than the original provider, which will take effect in the coming months.

#### **Report of the Monthly Cash Balance:**

Mr. Fleury reported a \$5.2 million cash balance for the period ending March 31, 2019 and he indicated that he does not anticipate any major capital calls. Mr. Fleury then referred to the Investment Committees rebalancing recommendation, which will be delivered by Committee Chairman Ntapolis later in the meeting.

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

Committee Chairman Plourde reported that on April 9, 2019, the Administration & Accounting Committee met to review the annual COLA determination materials and to craft a recommendation regarding the COLA in 2019.

The committee reviewed information from the US Labor Department, which determines the Consumer Price Index, excerpts from the actuarial valuation, and investment return result for the period ending December 31, 2018.

April 9, 2019  
Minutes #555

**Minutes of the Board of Trustees' Meeting -3-**

After deliberating on the matter, Committee Chairman Plourde reported that the committee voted to grant a COLA of 1%, effective July of 2019, to all retirees who have been retired for at least one year.

Committee Chairman Plourde moved to approve of the Administration & Accounting Committee recommendation to grant a Cost of Living Adjustment of 1%, effective July 1, 2019 for the August 2019 payroll, to those annuitants retired for a least one year, seconded by Trustee Gagne and passed unanimously by all those trustees present.

Trustee Mercier inquired about the amounts of past COLA awards. Sandi Aboshar, Executive Assistant printed and distributed historical COLA Award amounts. After the trustees review of the Historical COLA Awards, Mr. Fleury explained the rationale for some of the more sizable increases.

Chairman Molan stated that the A&A Committee formed its recommendation following the guidelines of MECRS Administrative Rule Part 7, COLA.

**Report of the Investment Committee:**

Committee Chairman Ntapolis reported that on April 4th, the Investment Committee met in non-public session to interview three potential real estate managers. After exiting non-public session, Committee Chairman Ntapolis informed the board that a motion was made by Committee Member Gagne to allocate \$2 million to Dalfen Last Mile Fund IV and \$4 million to TA Associates Fund XII, both subject to a favorable review of subscription agreements by counsel. The motion received a second from Committee Member Molan and the vote was all in favor.

Committee Chairman Ntapolis reported that during the meeting, Committee Member Gagne offered another motion to implement rebalancing recommendations of NEPC, to terminate Mellon GTAA and allocate the proceeds to existing managers with \$3 million allocated to Kaboutier International Small Cap, \$4 million allocated to City of London Emerging Market Fund and any remaining balance, to PIMCO All Asset Fund. Additionally, Committee Member Gagne moved to terminate Standard Life Liquid Alternative Fund and allocate \$3.5 million to Large Cap Value manager Pzena, \$2.75 million to Large Cap Growth Manager Sands, \$2 million to the Vanguard International Index Fund, \$3 million to the Vanguard TIPS Fund, and any balance remaining in cash to help meet cash flow obligations. Committee Chairman Ntapolis reported that the motion received a second from Committee Member Molan and the vote was passed unanimously by committee members.

Committee Chairman Ntapolis then moved to have the full MECRS Board ratify the recommendations of the Investment Committee outlined above, seconded by Trustee Gagne and passed unanimously by all those trustees present.

April 9, 2019  
Minutes #555

**Minutes of the Board of Trustees' Meeting -4-**

**Report of the Benefits Committee:**

Committee Chairman Gagne reported that the Benefits Committee met as scheduled, to ratify an earlier committee recommendation for a slate of possible plan amendments designed to ensure the continuity of the existing plan, by reducing certain benefit provisions for prospective plan participants. The committee reviewed years of study and debate on the subject and voted to ratify the work of earlier committees.

Committee Chairman Gagne moved that the full Board adopt the Benefits Committee's recommendation to pursue legislative plan changes, for those hired after the final approval of any legislative actions. Committee Chairman Gagne then listed the proposed legislative changes.

1. Normal retirement age increased to age 62 for all new entrants.
2. Early Retirement reduction increased to (7/12) of 1 % per month before Normal Retirement age for all new entrants.
3. Final Average Earnings (FAE) period increased to 5 years for all new entrants.
4. Member contribution rate increased to 7% (5.75% pension, 1.25% health) for all new entrants.

Trustee Mercier seconded the motion made by Committee Chairman Gagne.

Chairman Molan referred to proposed legislative change #4 and opened up the discussion of the increase in the member contribution rate. He indicated that new hires, starting out with a low-grade salary may have to forgo paying for other optional employee benefits such as health care, due to the increased, mandatory employee contribution rate being withheld from their weekly salary. Chairman Molan stated his concern, that pursuing the increase in the contribution rate, exceeds a reasonable level for approximately half of the City's workforce.

Committee Chairman Gagne stated that he understands Chairman Molan's concerns, however prospective hires considering employment are aware of the full benefit package being offered, prior to considering and accepting employment with the City.

Trustee Sanders stated that he also appreciates Chairman Molan's comments and his concerns regarding starting salaries, which may potentially be addressed by the City before the proposals are passed in the legislature. However, Trustee Sanders indicated that it is the board's fiduciary responsibility to bring forward any proposals that address the funded status of the Plan.

After continued discussion on the proposed changes, Chairman Molan called for a vote of the full board. Motion passed unanimously.

April 9, 2019  
Minutes #555

### **Minutes of the Board of Trustees' Meeting -5-**

Attorney Rich referred to the Informational Item #1, Chronology for Implementing the Second Tier, noting the lengthy process in drafting the proposed legislation. He stated that the board will ultimately need to make discretionary decisions and direct Mr. Fleury to proceed in amending the Administrative Rules which will have a cost impact and noted the changes will also require a Public Hearing.

In providing transparency for the basis of the Board's vote, Trustee Sanders suggested that the Mr. Fleury request information from the System's actuary showing the future impact of the proposed changes and the funded status of the Plan.

The trustees continued to discuss the long-term sustainability of the Plan with respect to the proposed legislative changes and the process for moving forward with the proposed changes.

Following discussion, the Benefits Committee Chairman stated that he will schedule a meeting of the Committee to formulate a forward strategy for Plan Amendments.

#### **Consent Agenda:**

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

#### **Previous Business:**

The Board may enter a non-public session pursuant to RSA 91-A:3, II(a) to discuss a possible legal matter. The need to enter non-public session did not materialize. Instead, Attorney Rich stated that counsel for Retiree, Martha Folopoulos has filed an appeal regarding the Board's decision with respect to her entitlement to a retroactive payment of benefits. Attorney Rich suggested that the appeal hearing be scheduled for the May 21<sup>st</sup> Board of Trustees meeting.

Trustee Sanders moved to schedule a hearing for Ms. Folopoulos on May 21, 2019, at 8:45 a.m., seconded by Trustee Mercier and passed by all those trustees present.

#### **New Business:**

Request for Transfer – Referring to the Request for Motion spreadsheet included in the board agenda packets, Mr. Fleury explained the requested transfer of previously approved and budgeted funds for 2018, from areas with a surplus appropriation to areas which ran a deficit. He noted that transfers are needed to balance the appropriation lines in the MECRS budget for 2018 before they are submitted for outside audit. This is a customary end of year exercise to wrap up the budget each year without any lines overdrawn and without the need to increase the original appropriation request.

Trustee Gagne moved to approve the transfer request, in the amount of \$5,483.15, seconded by Trustee Mercier and passed unanimously by all those trustees present.

April 9, 2019  
Minutes #555

**Minutes of the Board of Trustees' Meeting -6-**

**Motion to Adjourn:**

Having conducted all the business of the day, Trustee Sanders moved to adjourn the meeting at 9:17 a.m., seconded by Trustee Ntapalis and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director