

August 13, 2019
Minutes #560

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:42 a.m.

Present: Trustees: Richard Molan, Harry Ntapalis, Robert Gagne and Jeff Plourde

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: William Sanders, Dianne Mercier and Mayor Craig

In Attendance: Attorney John Rich from McLane Middleton, Professional Association
Sebastian Grzejka from NEPC

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the minutes of the previous board meeting held July 9, 2019.

Trustee Gagne moved to approve the minutes of July 9, 2019, seconded by Trustee Ntapalis 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 Plourde and passed by all those trustees present.

Report of the Executive Director:

GL Upgrade: Mr. Fleury began by reporting that that work continues on the replacement of the GL application and that the System's chart of accounts has been loaded and components of the bank reconciliation and accounts payable modules have been set up. He noted that weekly sessions with trainers from the software provider have been able to keep the process moving and future reports will continue to detail the progress. In addition, he informed the board that after using the trial version of the software for a period of time, that he has moved forward and purchased the software. In the month of October, MECRS Staff is expected to participate in regional training in Portland Maine. Mr. Fleury further explained that he continues working in the software application, adding MECRS legacy data as well as adjusting the System's chart of accounts.

August 13, 2019
Minutes #560

Minutes of the Board of Trustees' Meeting -2-

Status of 2018 CAFR: Next, Mr. Fleury stated that following the delivery of the MECRS's audit report from Berry Dunn, a few minor edits were made to the draft 2018 CAFR and the auditor letter has been issued. Inclusive in the trustee's board packets is the final version of the CAFR, which the board will vote to accept and place on file, later in the meeting. Mr. Fleury noted that the trustee's acceptance will facilitate the staff's ability to load the 2018 CAFR to the MECRS's website and that the delivery of the hardcopy CAFR's will be mailed to plan participants by the end of the month.

Attendance at Opal 2019 Public Employees Retirement System Summit: Mr. Fleury briefed the board on his attendance to the Opal Public Employees Retirement System Summit in Newport, Rhode Island where he participated in a panel with executive directors from other Plans to discuss trends and concerns in the industry. He noted that after attending this particular summit for the past 15 years, that he continues to find value in the sessions, across a broad range of topics. For example, it was interesting to hear about challenges facing other plans and while many face the same challenges, such as funded ratios and earnings assumptions, some plans have more serious political complications which they need to address. In summary, Mr. Fleury reported that he found the summit to be of value and strongly recommends that the trustees attend in the future years.

Report of Legislative Initiative: Mr. Fleury reported that he has heard back from Legislative Services however he stated that he is waiting to hear from Representative Long to schedule a meeting to secure his sponsorship. One of his primary concerns, Mr. Fleury explained, is the passage of time and the nearing deadlines. He detailed the plan to seek two bills, one to modify the benefit structure and the other to address housekeeping issues, such as incorporating provisions of Administrative Rule 13 into the statute. Mr. Fleury stated that the window for introducing house bills, opens on September 4th and ends on September 20th, noting the importance of having the sponsor on board and the LSR drafts completed and submitted during that window of opportunity.

Mr. Fleury and Attorney Rich discussed the housekeeping legislation and how provisions of Administrative Rule 13 would be folded into the housekeeping initiative.

State Street Alternatives Being Investigated: Mr. Fleury reported that he and the Executive Assistant, Sandi Aboshar met with Anthony Teberio of Peoples United Bank to explore the potential for the transfer of custody and retiree services to Peoples United. Mr. Fleury stated that the plan is to visit the Public Employees Retirement System for Medford, Massachusetts to view their operations related to custody. He added that Medford transitioned over to Peoples United from State Street and is just slightly smaller than MECRS in net asset available for benefits, and active and retiree populations, but they are still close enough in size to make a good comparison. Mr. Fleury noted that he happens to know the Board

Administrator in Medford and expects a candid opinion of the services they receive. A representative example of functions currently provided by Peoples United retiree services may

August 13, 2019
Minutes #560

Minutes of the Board of Trustees' Meeting -3-

require that staff members travel to Dartmouth College to review the services they receive from Peoples United.

New Business:

Accept and Place on File the 2018 MECRS CAFR - Chairman Molan then entertained a motion to approve the 2018 MECRS Comprehensive Annual Financial Report.

Trustee Ntapalis moved to approve the 2018 MECRS CAFR, seconded by Trustee Plourde and passed unanimously by all those trustees present.

Mr. Fleury informed the board on the ongoing communications with newly acquired manager Dalfen Last Mile Fund. Upon receiving a requested extension on the final closing date, due to unilateral changes to the limited partnership agreement, Mr. Fleury reported that he forwarded the agreement changes to the System's legal counsel as well as to Investment Advisor NEPC for review and will keep the board apprised on this matter.

Attorney Rich briefed the board on the scope of changes to the limited partnership agreement, noting that most changes were relatively routine, but some were of a material nature.

Mr. Grzejka stated that NEPC had reviewed the changes and were standing by their initial recommendation on the investment. He noted that NEPC will follow up and Attorney Rich and Mr. Fleury will participate in a conference call with Dalfen representatives and report back to the board at the September Board of Trustees meeting.

Mr. Fleury also informed the trustees that Dalfen had contacted him with an additional investment opportunity. Mr. Fleury described the opportunity as not being a good fit for MECRS because of MECRS' liquidity constraints.

Report of the Monthly Cash Balance – Mr. Fleury reported that during the month of July there was a \$2 million redemption of S&P 500 shares to meet cash flow needs. Pension contributions were slightly higher than expected, which he attributed to the increased number of participants retiring, inclusive of the sick and vacation payouts. He indicated that at the close of the period, MECRS had a cash balance of about \$4.6 million, with a payroll of \$1.7 million. Due the uncertainty of capital calls, the cash flow may need to be increased in the coming months by further redemptions.

Trustee Gagnon moved to approve the Cash Report, seconded by Trustee Plourde and passed unanimously by all those trustees present.

Consent Agenda:

Chairman Molan entertained a motion to accept the Consent Agenda.

August 13, 2019
Minutes #560

Minutes of the Board of Trustees' Meeting -4-

Trustee Gagnon moved to approve the Consent Agenda, seconded by Trustee Ntapalis and passed by all those trustees present.

New Business:

Request for Re-Hearing - Attorney Rich recapped the MECRS' Hearing held on June 11, 2019 for participant Martha Folopoulos, who was seeking a retroactive benefit. Attorney Rich reported that after careful and thoughtful consideration, the Board voted at the June meeting to deny her request. Findings of Facts and Conclusions of Law were prepared based on the Board decision and subsequently mailed to Ms. Folopoulos on July 1, 2019. Attorney Rich stated that under the MECRS's statute and Administrative Rules, Ms. Folopoulos was also notified that she had 30-days to request a re-hearing.

Attorney Rich reported that on July 24, 2019 he received an e-mail request from Ms. Folopoulos requesting a two-week continuance of the July 31st re-hearing deadline. On July 25, 2019, due to the timing of the request and MECRS's meeting notice requirements, Attorney Rich reported that he and Board Chairman Molan agreed the most appropriate way to handle the late request was to contact all MECRS's Trustees on the matter and have the Trustees vote via an E-mail poll vote. On July 25, 2019, an email was sent to the full Board, explaining in detail, the request by Ms. Folopoulos and all Trustees voted to deny the request of an extension of time.

Previous Business:

Ratification of E-mail Poll Vote of July 25, 2019 - Attorney Rich then requested a vote to ratify the e-mail poll conducted July 25, 2019, sent by counsel, regarding an extension to the filing deadline for an appeal by Ms. Folopoulos.

Trustee Gagnon moved to ratify the e-mail poll of July 25, 2019 regarding an extension to the filing deadline for an appeal, submitted by Ms. Folopoulos, seconded by Trustee Plourde and passed unanimously by all those trustees present.

Attorney Rich stated that he informed Ms. Folopoulos by email on July 25, 2019 that her request for an extension of time had been denied. On July 29, 2019, Ms. Folopoulos filed a request for re-hearing, which was circulated to the trustees inclusive in their board packets.

Attorney Rich refreshed the Board's memory on Ms. Folopoulos' claim and the Board's decision and cited Administrative Rule 4.7 regarding Re-hearing requests.

Mr. Fleury noted that the intent of Administrative Rule 4.7 is to require a re-hearing only if the Board's denial is unlawful or the Board failed to abide by its own regulations and/or the statute. He stated that Ms. Folopoulos' submission of July 29, 2019 failed to comply with the Rule 4.7

August 13, 2019
Minutes #560

Minutes of the Board of Trustees' Meeting -5-

and does not meet the requirement for a re-hearing. Chairman Molan concurred with Mr. Fleury's assessment.

Trustee Gagne stated that after a review of Ms. Folopoulos' subsequent request and consideration of the record in this matter, including the Findings of Fact and Conclusions of Law, exhibits, and other submissions provided by Ms. Folopoulos and counsel for the Retirement System, he moved to deny the request for a re-hearing, as there is no basis to grant the request. He further stated that the Board's prior decision to affirm the action of MECRS Staff to limit the adjustment of Ms. Folopoulos' retirement benefits to only those benefits payable after September 1, 2018 was lawful and reasonable.

The motion received a second from Trustee Plourde and a vote in the affirmative was taken.

Attorney Rich noted that the Executive Director will notify Ms. Folopoulos of the Board's decision by letter.

Report from NEPC - Mr. Grzejka from NEPC first distributed the materials to review the performance for the second quarter of 2019 and to discuss the next steps in the Pacing Plan with a focus on Private Equity.

Referring to the July Flash Report, Mr. Grzejka stated that through the month of June, the markets were doing well with very strong returns. Towards the end of June and for the month of July, Mr. Grzejka listed factors impacting the Total Composite of \$238 million, which year-to-date is up 10.7%. He reported that the year-to-date column indicates very good results throughout.

At the end of June, Mr. Grzejka reported that the Executive Director completed the re-balancing and the new policy index, approved by the MECRS's Board has been implemented. He continued by providing returns on all sector allocations of the portfolio.

Chairman Molan noted that the Private Markets returns were below their benchmarks.

Referring to the Private Markets Program and Review & Strategic Investment Plan portion of the meeting handout, Mr. Grzejka turned the trustee's attention to Tab 4 of the handout. He explained the difference between the Private Equity and the Private Credit, as Private Equity being similar to the S&P Index Fund and Private Credit, similar to the Barclays Aggregate Bond Fund.

Mr. Grzejka detailed the Implementation Strategy for both Private Equity and Private Credit in terms of risk and reward. He stated that it is NEPC's recommendation that the Board consider \$6 million in commitments to private markets funds in the coming year to achieve and maintain the target 10% allocation. He noted that today is just the approval of the Pacing Plan and that NEPC will presents a list of managers for the Board's consideration in the coming months.

August 13, 2019
Minutes #560

Minutes of the Board of Trustees' Meeting -6-

Trustee Gagne moved to approve the NEPC's recommended Pacing Plan and committing \$6 million conceptually to Private Markets, seconded by Trustee Ntapalis and passed unanimously by all those trustees present.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Gagne moved to adjourn the meeting at 9:58 a.m., seconded by Trustee Plourde and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director