

January 8, 2019
Minutes #552

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:35 a.m.

Present: Trustees: Richard Molan, Harry Ntapalis, Jeffrey Plourde, Bob Gagne, Bill Sanders, Mayor Joyce Craig and Dianne Mercier arrived at 8:36

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

In Attendance: Attorney John Rich from McLane Middleton, Professional Association and Ryan Mahoney, Chief of Staff – City of Manchester Mayor's Office

Chairman Molan began by welcoming Mayor Joyce Craig to the meeting as well as newly elected board members, Jeffrey Plourde and Harry Ntapalis.

Approval of the Minutes of the Previous Board Meeting:

Trustee Gagne moved to approve the minutes of the board meeting held December 11, 2018, seconded by Trustee Sanders and passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

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

Report of the Executive Director:

VOIP Vendor Replaced: Mr. Fleury reported communications continuity irregularities in recent months which resulted in the need to reset the communications gateway every several days. To remedy the problem, the voice over internet protocol ("VOIP") service provider was switched and it should ensure that clients and business affiliates will be able to reach the MECRS Office. Mr. Fleury explained that when the gateway problem was present, calls were diverted to voicemail, even though the phone lines were not busy. Staff was alerted to the problem when it occurred, because they were unable to place outgoing calls until the Gateway was reset.

Cash Flow Will Need to Be Addressed: Mr. Fleury stated that cash flow reserves for January appears to be sufficient, however capital calls and normal operating costs will probably require some measure of investment liquidation in February or March. He further stated that MECRS Investment Consultant, NEPC, will be made aware of the situation and asked to recommend the source for liquidity. The Board should anticipate a formal request at the February or March meeting.

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Alternative Asset Reconciliation for Year End: Moving on, Mr. Fleury reminded the Board that Private Equity, Private Debt and some Real Estate investment vehicles do not report fourth quarter asset values in time for them to be included in the annual financial statements. He explained how the System handled investments and that the System was powerless to accelerate the availability of statements. Because final numbers must be given to the actuary for valuation purposes no later than February, the System uses third quarter statements for those funds and adjust by the net of capital calls and distributions, which occur during the fourth quarter. In order to be sure that reporting values match those used by NEPC and State Street Bank, the staff compiles a synchronizing schedule for each private manager and coordinate with the custodian and advisor to ensure that we agree on the values. Although this has become routine, because there are more of these types of investments than ever, the scope of the exercise has grown. Mr. Fleury stated that the report was simply to let the board know that all is well in hand.

Mailing of Member Statements: Mr. Fleury informed the board that annual Member Benefit Statements have been printed and are in the process of being delivered to the participants.

Request for Retroactive Retirement Payments: In closing his report, Mr. Fleury informed the board that the MECRS Office is in receipt of a request for a benefit adjustment, retroactive to a period prior to the actual date of retirement and he stated that all Board members, have been copied on that request. Mr. Fleury noted the request and the circumstance leading up to it have no precedence and the request was not received in the customary manner. The matter has been referred to counsel for review before any action is taken.

Report of the Monthly Cash Balance:

Referring to the handout distributed at the start of the meeting, Mr. Fleury stated that the Cash Management Report reflects a stable balance \$4.7 million for the period ending December 31, 2018. He listed a number of pending funding commitments, but stated that he is not anticipating any deficiency for the months of January and February.

New Business:

Board Organization – Owing to the recent changes to the MECRS Board of Trustees, Chairman Molan stated that the pre-existing committee assignments must be re-established and he first started by designating the Chairperson for each of the standing committees.

Chairman Molan noted that Trustee Bob Gagne has indicated that he will continue as the Chairman on the Benefits Committee. Moving on to the Investment Committee, Chairman Molan asked newly elected Trustee Ntapalis to Chair that committee, which Mr. Ntapalis was pleased to accept. Chairman Molan then asked newly elected Trustee Jeff Plourde to Chair the Administrative & Accounting Committee, which he also was pleased to accept.

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Chairman Molan explained that pursuant to the MECRS's By-Laws each committee must consist of three members and that later in the meeting the Committee Chairs will be asked to appoint the members of their committee.

Regarding Trustee Mercier's recent concern related to the replacement of the MECRS Executive Director, at such time as Mr. Fleury decides to announce his retirement, Chairman Molan then entertained a motion to form a Special Committee for Succession Committee, to develop a strategy for efficiently dealing with the situation when it occurs.

A motion was then offered by Trustee Gagne for the formation of the Succession Committee, seconded by Trustee Sanders.

Trustee Mercier explained that her timely suggestion was offered, so that the board would have a plan in place, when Mr. Fleury decides to end his tenure as Executive Director. She stated that Mr. Fleury has done an outstanding job over the years which is greatly appreciated.

Mr. Fleury reiterated his past statements that he has established written procedures on Executive Director functions. He also was able to provide the board with the name of a well-founded organization that conducts director searches for public pension funds, EFL Associates. He went on to note that at the Succession Committee's request, he will be able to provide a wealth of information on the EFL Organization.

Trustee Ntapolis referred to his past participation on other search committees and he offered once again, to be part of the Succession Committee.

Pursuant to the MECRS By-Laws, Chairman Molan requested an amendment to Trustee Gagne's motion, which would also grant authority to the MECRS's Board Chairman to work with legal counsel to fashion a document stating the proper direction for the Succession Committee, inclusive of an expiration date of one year. Trustee Gagne amended his original motion, adding Chairman Molan's request. Motion carried unanimously by all those trustees present.

Chairman Molan stated that Trustee Mercier was asked to Chair the Succession Planning/Special Committee for which she graciously accepted.

Consent Agenda:

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

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Report of the Benefits Committee:

Chairman Molan asked Benefits Committee Chairman Gagne to provide the newly elected trustees and Mayor Craig with a brief history on the committee's activities associated with Plan Design Changes and the long-term liability of the Plan. Committee Chairman Gagne briefly provided an overview of the committee's work on plan sustainability. He then listed the committee's recommendations for design changes that had been forwarded to the full MECRS Board as 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 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. 5.) A cap on severance allowed for inclusion in the retirement benefit calculation, for all new entrants.

He explained his rationale for making the recommendations for new entrants only and stated the changes would have a significant financial impact on current members of the System. He indicated that some of the MECRS board members expressed interest a further review of the impact of applying the proposed changes to existing members or possibly grandfathering in to a certain age.

Committee Chairman Gagne stated that the proposals will require legislation and that the Board of Mayor and Aldermen would be asked to take affirmative action before to changes proceed to the legislature.

The Trustees discussed the financial impact of the proposed changes and Mayor Craig questioned the date of the last time that the Board of Mayor & Aldermen participated in legislative changes. Mr. Fleury responded the last change was in 2006, and it was the related to the creation of the medical subsidy. Mr. Fleury then described the steps needed in seeking legislative changes.

After brief discussion on other pension plans and their benefits, Trustee Sanders spoke about the continued work to be done by the Benefits Committee, such as establishing an effective date for the changes. Noting the timing of the proposed changes and the pending current valuation, he requested a report from actuary, utilizing the 2018 valuation results updating the fiscal impact of proposed changes to the Plan, effective on January 1, 2020 and looking ahead 5 years, which should show an improvement of the funded status of the Plan. Trustee Sanders stated that submitting the requested report to the BMA, along with a brief explanation letter signed by the full MECRS Board, should provide the BMA with a clear understanding of the proposed legislative changes.

Committee Chairman Gagne concurred with Trustee Sanders comments.

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Chairman Molan asked Mr. Fleury if the MECRS Advisory Committee was still active, to which Mr. Fleury responded that a majority of the members on the Advisory Committee have retired and the committee is no longer active.

Chairman Molan stated that the Advisory Committee would be a great avenue for providing the membership with proper factual information.

Benefits Committee Chairman Gagne indicated that the next Benefits Committee will meet at a date yet to be determined in February, to continue the review of the proposed changes, and be ready to recommend action at the March BOT meeting.

Referring to the vacancy on the MECRS Investment Committee, Chairman Molan suggested that Trustee Gagne would be a valuable asset on the committee to which Trustee Gagne accepted.

Referring to the vacant seat on the Administrative & Accounting Committee, Trustee Ntapalis agreed to serve on that committee.

Committee Chairman Robert Gagne, listed his committee members as Harry Ntapalis, Jeff Flourde and Richard Molan as ex-officio.

Regarding the Succession Committee, Committee Chairman Mercier listed her committee members as Harry Ntapalis, Robert Gagne and Richard Molan as ex-officio.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Sanders moved to adjourn the meeting at 9:28 a.m., seconded by Trustee Gagne and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director