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Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:34 a.m.

Present: Trustees: Dick Molan, Harry Ntapalis, Bob Gagne and Jeff Plourde

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Bill Sanders, Dianne Mercier and Mayor Craig

In Attendance: Attorney John Rich and Attorney Steve Dutton from McLane Middleton, Professional Association, Plan Participant Martha Folopoulos, accompanied by her spouse, Mr. James Folopoulos

Approval of the Minutes of the Previous Board Meeting:

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

Trustee Ntapalis moved to approve the minutes of April 9, 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 Ntapalis and passed by all those trustees present.

Chairperson Comments:

Chairman Molan expressed his appreciation to the trustees, in agreeing to postpone the regular monthly Board of Trustees meeting, to May 21, 2019, due to a conflict in his schedule.

Consent Agenda:

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

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Report of the Benefits Committee:

Committee Chairman Gagne reported that the Benefits Committee met on May 2, 2019, to provide direction to administrative staff and legal counsel for the continuing progression in drafting the language for Plan Amendments.

Committee Chairman Gagne stated that the likely changes to the existing Plan Document resulting from previous Board action is clearly known. He explained that the committee discussed potential complications such as, terminated vested members who return to service, members who are rehired after the effective date of Plan amendments and subsequently seek to buy back previously withdrawn service, and previously retired members who elect to return to active service.

Also, Committee Chairman Gagne stated, the committee addressed possible sponsors for the amendments, how and when to publicize the changes, the need for transparency, and how best to consider other Plan Amendments of a housekeeping nature, which are otherwise unrelated to changes in the benefit provisions.

Committee Chairman Gagne then reported that the Benefits Committee is recommending that two separate Legislative Services Requests, (LSRs) be prepared, one for prospective Plan Benefit changes and the other for administrative housekeeping measures, which will not result in any benefit changes.

In reviewing matters associated with the future practice related to vested and non-vested terminated members, Committee Chairman Gagne stated that the Benefit Committee is recommending that non-vested terminated members who return to service after Plan provisions are amended, be allowed to buy back previously withdrawn time by dividing the dollar value of refunded service by 3.75 percent, multiplying the result by 5.75 percent, and then applying interest to those results. Regarding vested members who return to active service, he stated that the three-year final average earnings formula will remain in effect, as will the age 60 normal retirement age requirement. The contribution percentage for those vested members on wages earned after their return to service, would be at the higher 5.75 percentage level.

Committee Chairman Gagne further explained that the Benefits Committee noted that some degree of revision may be required to the GRS Additional Contribution calculator tool for members hired after the inception date of Plan changes. The full extent of those changes he stated, cannot be known until the actuary receives a draft of the proposed legislation.

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As Chairman of the MECRS Benefits Committee, Committee Chairman Gagne moved that the MECRS Board endorse the refinements heretofore described and authorize administrative staff to proceed with finalization of the draft LSR's, solicitation of legislative sponsors, and the drafting of informational disclosures for the Comprehensive Annual Financial Report, Board of Mayor and Aldermen and general membership purposes. The motion was seconded by Trustee Plourde and passed by all those trustees present.

Chairman Molan thanked the members of the Benefits Committee for their work to date on proposed revisions to the Plan Document.

Report of the Investment Committee:

Committee Chairman Ntapolis stated that although the Investment Committee did not meet since his last report, that he was taking the opportunity to update the trustees on changes to date, which were previously approved by MECRS Board.

Committee Chairman Ntapolis recapped the vote taken to commit funds to TA Associates Fund XII and Dalfen Last Mile Fund IV. He reported that the subscription agreement and side letter for TA Associates were finalized, signed and submitted, which now await the first capital call. He further stated that a subscription agreement and side letter for Dalfen Fund IV were also completed and submitted and MECRS is currently waiting for final acceptance.

Committee Chairman Ntapolis noted that the Retirement Systems investment in Mellon GTAA has been redeemed and proceeds have been reallocated to Kabouter International Small Cap Fund, City of London Emerging Market Fund, and the PIMCO All Asset Fund.

Still pending, Committee Chairman Ntapolis reported, is the total redemption of Standard Life and the ensuing reallocations to Pzena, Sands, the Vanguard International Index Fund, Vanguard Tips, and operating cash. According to the Standard Life subscription agreement, he indicated that the Systems portfolio should expect to see redemption proceeds in the first half of June, and the Retirement System staff is prepared to execute the reallocations as soon as the receipt of proceeds has been confirmed.

Finally, Committee Chairman Ntapolis indicated that the addition of new managers and termination of existing managers necessitated that the MECRS's Investment Policy Guidelines be amended to reflect the update to sector allocations and also to the manager appendices included in the Investment Guidelines. He went on to report that the draft of the new policy has been sent to MECRS's Investment Consultant NEPC for review and the new policy is expected to be added to the July agenda for acceptance and placed on file.

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Chairman Molan entertained a motion to accept Committee Chairman Ntapalis's report and place of file.

Trustee Gagne moved to accept and place of file, the report of the Investment Committee, which received a second from Trustee Plourde. Motion carried.

Report of the Executive Director:

State Street Bank & Trust - Everything Old is New Again: Mr. Fleury informed the trustees of recent service issues with the Systems custodial bank, State Street Bank & Trust. The System's April accounts payable batch become fragmented and took over a week to straighten out and some vendor payments were delayed as a result. He reported that State Street is not using the data received by the System to properly label transactions and the dollar amounts are being attributed to incorrect purposes. Transaction issues are being outsourced to India and are being forwarded to US operations and then to us for explanation, often multiple times for the same transaction. He stated that problem inquiries go unanswered or the replies state that the cause is unknown. Mr. Fleury reported that the tone of communications has become tenser because some of the transactions which State Street fails to carry out, are mission critical transactions for the System.

Trustee Ntapalis asked Mr. Fleury if representatives at State Street Bank have given Mr. Fleury any indication that the issues of concern, within internal operations, will be addressed and rectified quickly, or has the issue just been a continuous pattern of a breakdown in services by State Street.

Mr. Fleury reported that the MECRS's account representative from State Street has been unable to provide an explanation as to why their services have recently been unsatisfactory.

Chairman Molan questioned the term of the vendor contract with State Street Bank, to which Mr. Fleury responded that the contract goes on in perpetuity, unless one party wishes to break the contract.

An additional concern, Mr. Fleury stated is the recent employee representative turnover within State Street Bank.

Trustee Gagne suggested that the issue be turned over to the MECRS Administrative & Accounting Committee, for future review and evaluation.

Mr. Fleury then suggested that the A&A Committee may wish to re-open communications with previous bidders who had submitted proposals, when the Request for Proposal (RFP) for custodial services was issued in 2017.

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Following brief discussion by the Board, Chairman Molan suggested that A&A Committee Chairman Plourde, schedule a meeting of his committee to further address the concerns with State Street Bank and to report back to the full Board at the July Board of Trustees meeting.

Attendance at 2019 NEPC Client Conference: Mr. Fleury reported that on May 7, 2019, he attended the NEPC 2019 Client Conference in Boston. While the conference provided a number of potentially valuable takeaways, Mr. Fleury stated, one event with lasting potential was a session on NEPC's "Client Hub". He informed the trustees that NEPC has made a number of improvements on the scope and detail of information on accounts, which is now readily available via their client hub.

Mr. Fleury indicated that most of the trustees have access to Client Hub and stated that if any of the board members should require assistance in accessing Client Hub or are interested in a demo by NEPC on the Client Hub application, to please let him know and he would be happy to provide assistance. Chairman Molan expressed his desire for a demo to the Board and Mr. Fleury indicated that it would be done.

Office Copier/Scanner/Fax/ Printer upgraded: Moving on, Mr. Fleury informed the Board that MECRS has used the same copy machine for the last five years and the buy/lease agreement was nearing expiration on that unit. He reported that a brand-new unit with a few extra features has been obtained for a similar period and for a lower monthly maintenance fee and lower monthly rental charge. In summary he reported, the System now has a newer, faster equipment for less money than was currently budgeted.

Progress Report of Portfolio Rebalancing: Mr. Fleury referred to earlier report given by Investment Committee Chairman Ntapolis. updating the trustees on a set of rebalancing exercises recommended by NEPC. Mr. Fleury stated that the portfolio rebalancing is proceeding as planned.

Request for Board Ratification of Past Intent: In closing his report Mr. Fleury stated that for the past few years, the Board and its' Benefits Committee have explored certain options designed to ensure continuity of the Plan to the foreseeable future. He stated that the Benefits Committee has reached a point where refinements to earlier work commissioned by the actuary are in order. Before proceeding with the request to the actuary for those refinements, which will include the generation of a fiscal impact statement, Mr. Fleury requested the Board's ratification of specific and implied intent to incur actuarial charges for this purpose.

Trustee Gagne moved to ratify the Board's past intent to incur actuarial charges pertaining to the proposed Plan amendments, seconded by Trustee Ntapolis and passed by all those trustees present.

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Public Hearing - Hearing Requested by Attorney Alexander Gatzoulis on behalf of Martha Folopoulos, relative to retroactive annuity payments – At the discretion of the member or members counsel, this hearing may be conducted in non-public session.

Martha Folopoulos and her spouse James Folopoulos were escorted into conference room to begin the Public Hearing.

Chairman Molan opened the Public Hearing on behalf of Martha Folopoulos at 8:53 a.m.

Chairman Molan began by stating that Ms. Folopoulos has the option of conducting the Public Hearing in Public or Non-Public Session, to which Ms. Folopoulos responded that she would prefer Non-Public Session.

Pursuant to Title VI Chapter 91A Section 91-A;3 II (c) Non-Public Sessions a roll call vote was conducted to go into non-public session at 8:54 a.m.

Roll Call Vote:

Ayes: Plourde, Gagne, Ntapalis and Molan

Nays: None

Pursuant to Title VI Chapter 91 Pursuant to Title VI Chapter 91A Section 91-A;3 II (c) Non-Public Sessions a roll call vote was conducted to resume Public session at 9:40 a.m.

Roll Call Vote:

Ayes: Plourde, Gagne, Ntapalis and Molan

Nays: None

Trustee Gagne then moved to seal the minutes of Non-public Session, seconded by Trustee Ntapalis and passed by all those trustees present.

Report of Monthly Cash Balance: Mr. Fleury reported that the cash balance is on track with an adequate balance.

New Business:

Accept and Place on File GRS Consulting Actuarial Valuation Report for 2018 and GASB Reports 67, 68 and 74 – First Mr. Fleury explained that the board had received the preliminary

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valuation earlier in March. The final copy has just been delivered as well as the Governmental Accounting Standards Board (GASB) Statements 67, 68 and 74. He stated that the board simply needs to vote to accept and place on file those reports.

Trustee Plourde moved to accept and place on file the MECRS 2018 Actuarial Valuation as well as the GASB Reports No's 67, 68 and 74, seconded by Trustee Gagne and passed by all those trustees present.

Application Request for Work-Related Disability – Walter Madej - Mr. Fleury explained that Walter Madej has applied for work-related disability pursuant to the provisions of Chapter 218:15 Laws of 1974 as amended, and Administrative Rule Section 2.4.

Upon reviewing the results of two Independent Medical Examinations, Mr. Fleury stated that it is his recommendation that the Board approve the applicant's request for a Work-Related Disability.

Trustee Gagne moved to approve Walter Madej's request for a Work-Related Disability, seconded by Trustee Ntapalis and passed by all those trustees present.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Gagne moved to adjourn the meeting at 9:45 a.m., seconded by Trustee Ntapalis and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director