

November 12, 2019
Minutes #563

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:31 a.m.

Present: Trustees: Richard Molan, Harry Ntapalis, Robert Gagne,
and Bill Sanders

MECRS Staff: Gerard Fleury, Sandi Aboshar and Suzanne Wilson

Absent: Dianne Mercier, Jeff Plourde and 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 October 8, 2019.

Trustee Gagne moved to approve the minutes of October 8, 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 Ntapalis moved to approve the immediate agenda, seconded by Trustee Sanders and passed by all those trustees present.

Report of the Executive Director:

Retiree Direct Deposit Project: Mr. Fleury informed the trustees, that pursuant to their authorization, letters have been sent to the 55 retirees and/or beneficiaries, who are still paid by check, in an effort to convert them over to ACH payments and also providing them with a Direct Deposit sign up form. Within 2 business days, he reported that 20 percent of the retirees and/or beneficiaries responded and submitted sign up forms. Mr. Fleury stated that he will keep the board updated on the progress.

Status of GL Conversion: As part of the conversion to a new General Ledger accounting system, Mr. Fleury informed the trustees that the nature and format of the monthly reports being provided to the Board will undergo change. He stated that the present reports were designed to conform with old reporting standards and have since evolved. Although the current format values are correct, the way in which they are compiled and listed, no longer reflects current trends. Mr.

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Fleury further explained that the monthly reports in the new system will mirror the formats used in the MECRS Comprehensive Annual Financial Report and each month will build toward the eventual year end values, which are audited and published in the CAFR.

Manchester Employees' Contributory Retirement System Receives 2019 Award for Compliance with Public Pension Standards: Next, Mr. Fleury was pleased to announce that for the last sixteen years the MECRS has applied for and received the Public Pension Coordinating Council's "Public Pension Standards Award". The PPCC is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.

Report of Legislative Initiative: Mr. Fleury updated the trustees on the legislative initiative. He reported that as of Friday, November 1st, fiscal worksheets had been prepared and submitted to State Legislative Services for MECRS's two pending pieces of legislation. After discussion with Representative Long on the afternoon of October 28th, in which some or trustees were present, he reported that Legislative Services was contacted and it was requested that the language in LSR 20-2113.0 requiring a referendum of City voters, be stricken from the bill. He then stated that on November 4th the Retirement System received that revision and submitted an updated Fiscal Worksheet as requested.

Question on D&O Coverage Retention: Moving on, Mr. Fleury reported that the MECRS Directors & Officers coverage carrier had quoted flat premiums for 2020 with an elevated retention level of \$500,000, up from \$15,000.

Mr. Fleury asked the board members if they would prefer to keep retention at \$15,000 or accept the elevated retention level at \$500,000. He then explained that keeping retention at \$15,000 will add 4%, roughly \$2,179 to the insurance premium budget.

After the Trustees briefly discussed the retention level options, Trustee Sanders moved to continue with the current retention level of \$15,000, seconded by Trustee Ntapalis and passed by all those trustees present.

State Street Issues: Lastly, Mr. Fleury updated the board on the ongoing issues with MECRS's custodial services at State Street Bank & Trusts. On October 17th, he reported, at the invitation of the System's legal counsel, he and Sandi Aboshar Executive Assistant, met with Cathy Schmidt, the Executive Director for McLane Middleton. He noted that the System had previously consulted with Ms. Schmidt, while evaluating proposals for competitive bids when the MECRS's website was redesigned a few years ago and that Ms. Schmidt had been listed as a reference by Wedu and was very helpful in making the decision to pursue a contract with that service provider. He stated that Ms. Schmidt was briefed on the past issues with State Street, the System's issuance of an Request For Proposal in 2017, as well as the reasons why the Retirement System elected to remain with State Street at that time. It was also explained that custody

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problems continue to plague day to day operation and that the System has carefully been pursuing moving custody services to People's United Bank.

Mr. Fleury informed the trustees that Ms. Schmidt recommended that the Retirement System continue to pursue a possible affiliation with People's United Bank, and to also question State Street's insistence that they will not split retiree services from custodial services.

Mr. Fleury reminded the board that the System has little issue with the service provided by State Street Retiree Services and migration from that arrangement would pose a complex, time sensitive, and labor-intensive task, which is not to be taken lightly. In summary, Mr. Fleury stated that Ms. Schmidt provided a neutral third-party opinion, that the Retirement System is moving in the right direction and should continue with researching the possible change in services.

For the record, Attorney Rich noted that Ms. Schmidt had been employed with Citizens Bank for many years and eventually became President of the NH operations.

The trustees continued to discuss options of splitting the custodial services and the retiree services between two financial institutions.

After brief discussion, Trustee Sanders suggested that Mr. Fleury extend an invitation to Vice President Tony Teberio from People's United, to attend the December Board of Trustees meeting, to answer questions and concerns regarding custodial services offered by People's United.

Monthly Cash Balance Report:

Chairman Molan entertained a motion to accept the Cash Balance Report.

Trustee Gagne moved to accept the Cash Balance Report, seconded by Trustee Sanders and passed unanimously by all those trustees present.

Report of the Administrative & Accounting Committee:

Due to the absence of A&A Committee Chairman Plourde, Mr. Fleury stated that in the coming days he will contact the Committee Chair to schedule a meeting of the A&A Committee. Mr. Fleury explained that the committee members will formulate a recommendation for acceptance of the 2020 Administrative Budget to be presented at the meeting of the full Board on December 10, 2019.

Trustees Sanders expressed his concern regarding the actuarial cost of the GASB 76 pronouncement.

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After brief discussion Trustee Sanders offered a motion that Retirement System absorb the cost of GASB 68 & 76, by adding the expense to the DRAFT MECRS budget, to be reimbursed through the City's employer contribution rate, seconded by Trustee Gagne and passed unanimously by all those trustees present.

Report of the Investment Committee:

Committee Chairman Ntupalis reported that the Investment Committee met on Wednesday, October 23rd to interview private equity managers as recommended by our Investment Advisors at NEPC.

Committee Chairman Ntupalis listed the managers that were interviewed as:

Searchlight Capital – Fund III

Coller Capital – Fund VIII

FTV L.P. – Fund VI

At the conclusion of interviews, which were conducted in non-public session, Committee Chairman Ntupalis reported that a motion was offered by Committee Member Gagne that the Committee recommend, to the full MECRS Board, to allocate \$5 million to Searchlight Capital and \$5 million to Coller Capital, both subject to satisfactory completion of a legal review of subscription documents by counsel. The motion received a second from Committee Member Sanders and the motion passed without opposition.

Committee Chairman Ntupalis then offered a motion to the full Board to allocate \$5 million to Searchlight Capital and \$5 million to Coller Capital, both subject to satisfactory completion of a legal review of subscription documents by counsel. The motion received a second from Trustee Gagne and was passed unanimously by all those trustees present.

Consent Agenda:

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

Other Business:

Attorney Rich reported that he had received an Order from the New Hampshire Supreme Court in which the Court decline to hear the appeal requested by Ms. Folopoulos. He noted that the Supreme Court had the discretion whether or not to hear the case, and had unanimously voted

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that the case should not be heard. Chairman Molan thanked Attorney Rich and Attorney Steve Dutton for their work on the case.

Chairman Molan noted that Trustee Mercier's term would end in December. Trustee Molan stated that Trustee Mercier had made numerous contributions to the Board and she would be missed.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Gagne moved to adjourn the meeting at 9:08 a.m., seconded by Trustee Sanders and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director