

October 8, 2019
Minutes #562

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:33 a.m.

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

MECRS Staff: Gerard Fleury and Sandi Aboshar

Absent: Dianne Mercier 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 September 10, 2019.

Trustee Ntapalis moved to approve the minutes of September 10, 2019, seconded by Trustee Sanders 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 Sanders and passed by all those trustees present.

Report of the Executive Director:

Martha Folopoulos Appeal to NH Supreme Court: Mr. Fleury reported that on September 10, 2019, Martha Folopoulos appealed the Board's decision of August 13th to the New Hampshire Supreme Court. On September 27, 2019, Mr. Fleury stated that Attorney Steven Dutton of the McLane Law Firm filed a Defendant's Motion for Summary Affirmance with the Court. Mr. Fleury then deferred all questions related to the appeal to Attorney Rich.

Attorney Rich elaborated on Mr. Fleury's comments, stating that the Motion for Summary Affirmance, which is a mechanism for the Supreme Court to dismiss the appeal which is a discretionary appeal, means the Supreme Court doesn't have to hear the case. Attorney Rich stated there is no set time table for the court to make a decision but he expects that the Retirement System should hear by the end of 2019 whether the case will continue.

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Status of GL Conversion: Mr. Fleury reported that the 2018 ending account balances have been loaded and reconciled in the new GL Conversion and that preparations are underway to load 2019 year to date values. He informed the Board that Executive Assistant Sandi Aboshar had attended regional training in Portland, Maine on the GL module. He stated that based upon motions which will be made later in today's meeting, other aspects of the new GL system, specifically the use of electronic payments, will be established and implemented.

Report of Legislative Initiative: As of Friday, September 29th, Mr. Fleury reported that he had been contacted by the Office of Legislative Services seeking soft copies of MECRS's two proposed legislative bills, which he had sent via email that same day. He noted that he will continue to monitor the Legislative Website for any news on the status of the bills.

Mr. Fleury indicated that work continues on the Board's requested cover letter and a supporting schedule explaining the proposed legislation, to the Board of Mayor and Alderman and also to the membership. He further explained that as of Monday, October 7th, the MECRS office received an updated schedule from the System's actuary, Gabriel, Roeder, Smith & Co., which was distributed to board members at the start of the meeting. Mr. Fleury noted that later in the meeting, he will be placing a conference call to Mr. Alberts to address concerns, and/or to answer any questions that the trustees may have regarding the legislative initiative

State Street Bank & Trust Update: Mr. Fleury reported that on September 11, 2019 the Retirement System received a package of checks which were generated and shipped from State Street Bank & Trust. He indicated that earlier in the month, after having requested the monthly accounts payable batch to pay the System's vendors and service providers, we experienced drops from the batch and also noted that many of the checks included a special stamp making them certified checks. He explained that certified checks are more expensive than a regular issue and the System had not requested certification for any checks in the batch. State Street was contacted about the matter and four dropped checks were subsequently produced and shipped under separate cover and the System vendors and service providers were all paid. Returning to the matter of the checks received on September 11th, Mr. Fleury noted that it seems that all of the checks which were produced as "certified checks" in the last batch were re-generated and shipped as regular checks, thus duplicating the payments. Mr. Fleury informed the trustees that the System's procedure is to mail the payments directly to the vendors therefore staff was able to destroy the duplicates. He indicated that despite the confusion resulting from State Street's actions, the situation regarding services from State Street remains under control.

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Report of the Chairman:

Chairman Molan reported that he had a discussion with Secretary of State William Gardner and he was told that placing the legislative measure on a referendum ballot in the fall of 2020 would not receive the Secretary of State's support. The board continued to discuss all options pertaining to the legislative initiative.

Chairman Molan recessed the meeting at 8:45 a.m. for a meeting with counsel.

Chairman Molan reconvened the meeting at 9:35 a.m.

Monthly Cash Balance Report:

Mr. Fleury reported that the rebalancing authorized by the Board has been completed resulting in a high cash position of \$12,029,000. He informed the board that the cash balance will meet the liquidity needs for capital calls in the remainder of 2019, as well the payroll needs into January, 2020.

Trustee Gagne moved to accept the cash balance report, seconded by Trustee Plourde and passed unanimously by all those trustees present.

Report of the Administrative & Accounting Committee:

Committee Chairman Plourde reported that on September 30, 2019, the Administration & Accounting Committee met to review a host of issues, on which the Executive Director requested consensus.

Committee Chairman Plourde listed that issues as, State Street Custodial problems, replacement of the MECRS LAN and new GL, the costs associated with Legislative Initiatives, next years' Executive Director Search, and the budget implications of all of these issues.

Committee Chairman indicated that three motions were made, which resulted in recommendations from the A&A Committee. Those recommendations now require ratification by the full MECRS Board.

As Chairman of the MECRS A&A Committee, Committee Chairman Plourde offered the following motions:

Committee Chairman Plourde moved to authorize MECRS staff to migrate the payment of accounts payable to an electronic process using ACH, as soon as is practical, seconded by Trustee Gagne and passed unanimously by all those trustees present.

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Next, Committee Chairman Plourde offered a motion for discontinuing the mailing of paper non-negotiables for monthly annuity payments to retirees, and establishing an on-line access for retirees to track their annuity payments, as soon as is practical, seconded by Trustee Ntapalis and passed unanimously by all those trustees present.

Committee Chairman Plourde offered the final motion to mandate that new retirees, from this point forward, utilize direct deposit for receipt of their monthly annuity payments, seconded by Trustee Gagne and passed by all those trustees present.

Report of the Investment Committee:

Committee Chairman Ntapalis reported that the Investment Committee met on Thursday, October 3rd to review the Pacing Plan for 2019 through 2020, to review potential managers to be interviewed at the Committee's next meeting, and to hear the recommendation of the System's advisor, NEPC, regarding the current investment manager CarVal's plan to become autonomous from its present parent, Cargill Corporation.

Committee Chairman Ntapalis stated that the Committee also received a review of past private investments and a recommendation of how best to continue that strategy into the future. As part of that strategy he stated, the Investment Committee will interview three potential managers on Wednesday, October 23rd at 9:00 AM, for a commitment ranging between \$6 and \$12 million.

Committee Chairman Ntapalis listed the Managers to be interviewed as:

Searchlight Capital – Fund III

FTV L.P -Fund V

Coller Capital – Fund VIII

The exact order of manager interviews and presentation materials Committee Chairman Ntapalis stated, will be made available ahead of the meeting.

Committee Chairman Ntapalis reported that the Committee also heard a favorable recommendation from NEPC on CarVal's Plan to become autonomous from parent Cargill Corporation. He explained that CarVal has solicited the consent from its investors ahead of the action and NEPC recommends that the Retirement System concur.

Committee Chairman Ntapalis offered a motion that the MECRS Board vote to have Chairman Molan grant the consent for CarVal's plan, seconded by Trustee Gagne and passed by all those trustees present.

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Report of the Benefits Committee:

Committee Chairman Gagne stated that since his last report, drafts of proposed legislative amendments were perfected after a review by counsel, and two drafts, one addressing plan changes and the another addressing administrative housekeeping issues have been introduced and issued Legislative Service Request numbers.

He stated that work has been ongoing to perfect communications to the Board of Mayor & Aldermen and to the general membership, explaining the measures. As part of the planned communications, he referred to a chart (which was distributed to the trustees depicting the cost benefits of the proposed plan changes and also has been reviewed by the System's actuary.

Committee Chairman Gagne stated that the actuary, Gabriel, Roeder, Smith & Co. is awaiting a telephone conference call as part of today's meeting so that they can explain the layout and contents of the handout, and answer any questions from Board members.

On the administrative side, Committee Chairman Gagne noted that cost estimates have been requested to update information systems, which will be needed to deal with the plan changes, and those cost estimates will be included in the MECRS operating budget for calendar year 2020

Consent Agenda:

While Mr. Fleury was in the process of placing a conference call to Mr. Ken Alberts from GRS, Committee Chairman Molan addressed the next agenda item and entertained a motion to accept the Consent Agenda.

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

Mr. Fleury then joined Mr. Ken Alberts by phone to explain the handout, MECRS Projected Key Financial Goals and to address the trustees' concerns.

Trustee Sanders first stated that he did not find the handout to be reader friendly and he suggested edits to the document such as attributing the source of the data to GRS as well as explaining in detail the proposed legislative changes to the Plan and to also include the MECRS logo on the document. He stated that the edits would provide the Board of Mayor and Aldermen a better understanding of the proposed changes. He also felt it to be unnecessary that the document include the valuation data for period ending December 31, 2017.

Mr. Alberts agreed to follow through with Trustee Sanders edits and to eliminate the December 31, 2017 valuation data, therefore keeping the document current.

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The trustees discussed the timing of the fiscal impact, the upcoming valuation results, as well as the City election ballot.

Trustee Sanders then asked Mr. Alberts if it would be possible to add projections of new hires, subject to the proposed plan design changes and how they would affect the payroll related assumptions, for which Mr. Alberts agreed to do so.

Mr. Fleury stated that he will be in contact Mr. Alberts in the coming weeks, regarding the requested changes and he thanked Mr. Alberts for his time and ended the call.

Report of Special Committee:

Chairman Molan informed the trustees that he has been in contact with Trustee Mercier and she did indicate that she will deliver a report of the Succession Committee at the December Board of Trustees meeting.

The trustees continued to discuss the course of action needed in pursuing the legislation. It was decided to pursue legislation absent a requirement for a referendum vote. Trustee Sanders suggested that Mr. Fleury and Chairman Molan meet with representative Long regarding the proposed legislative changes to take whatever steps make sense regarding the referendum vote. In conclusion, it was decided that the meeting with the sponsor would be held as soon as possible and that those in attendance would report back on the results at the November meeting.

Trustee Gagne expressed his desire to participate in that meeting. Chairman Molan then stated that he will contact Representative Long to schedule a meeting at the MECRS's office.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Gagne moved to adjourn the meeting at 9:35 a.m., seconded by Trustee Plourde and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director