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Minutes #572

Minutes of the Board of Trustees' Meeting -1-

Special Notice: Due to the COVID-19 outbreak, this meeting of the MECRS Board of Trustees was conducted exclusively as a conference call due to social distancing requirements.

Pursuant to RSA 91-A:2 III (B), Executive Order 2020-04, Section 8 and Emergency Order #12, Section 3, Chairman Molan has determined that an emergency exists due to the worldwide COVID-19 pandemic and, therefore, a physical presence of a quorum is not practical.

Pursuant to the Attorney Generals Public Guidelines by Emergency Order #12, Section 4, the requirement that the public body still provide a physical location to allow public access was waived. All votes taken during a meeting at which any member participates electronically must be a roll call vote, listing all members participating and their vote on each motion.

Conference call connection details were provided to invited participants, and would have been provided to members of the public seeking to attend but no such requests were received.

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

Before moving forward with the agenda items Mr. Fleury referenced the SPECIAL NOTICE regarding the COVID-19 Pandemic, and read it into the minutes.

Linked Via Conference Call:

Executive Director Fleury conducted a roll call for those participating via conference call.

Participating Remotely: Chairman Molan, Trustee Gagne, Trustee Ntapalis and Trustee Bunker All trustees stated that they were alone during the remote session.

Also linked remotely, in addition to Mr. Fleury were, MECRS staff members, Sandi Aboshar and Suzanne Wilson, as well as Attorney John Rich from McLane Middleton Professional Association

Not Participating: Mayor Joyce Craig, Trustee Plourde and Trustee Wickens

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Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion for approval of the previous board minutes. Trustee Ntapalis moved to approve the previous minutes of July 14, 2020, seconded by Trustee Bunker.

Executive Director Fleury then conducted a roll call vote.

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis, and Trustee Bunker

Nays: None

Motion Carried

Approval of the Immediate Meeting Agenda:

Chairman Molan entertained a motion to approve the immediate meeting agenda. Trustee Bunker moved to approve the immediate agenda, seconded by Trustee Ntapalis.

Executive Director Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis and Trustee Bunker

Nays: None

Motion Carried

Report of the Executive Director:

Report of Legislative Initiative: Referring to the two MECRS's legislative initiatives that died on the table, Mr. Fleury informed the board that he resurrected the draft introductory versions at the LSR (Legislative Service Request) stage and updated them for the 2021 session of the NH Legislature. In addition, he added, he reached out to the System's actuary, Ken Alberts of Gabriel, Roeder, Smith & Co., to get his opinion of the continued validity of the costs/savings estimates, which were used for the bill on plan revisions. Mr. Fleury then asked the trustees, whether they want him to launch a new initiative and whether they wished to pursue it as a House Bill again or target a Senate sponsor? If we are to seek re-introduction in the house, Mr. Fleury stated, he would need to act immediately, therefore he asked, What is the Board's pleasure?

Trustee Gagne moved to direct Mr. Fleury to move forward and continue to work with Representative Long and to also reach out to Representative Foley requesting his co-sponsorship, seconded by Trustee Ntapalis.

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Executive Director Fleury conducted a Roll Call Vote:

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis, and Trustee Bunker

Nays: None

Motion Carried.

Future of Remote Meetings: Mr. Fleury stated that keeping social distancing during Board meetings held at the MECRS's office will be a challenge but is not impossible. He noted that the trustees have become rather good at conducting remote meetings, however the decision on how best to conduct future meetings rests with the Board. Mr. Fleury asked the trustees, as long as Executive Orders continue to allow of them, do they wished to continue remote meetings, or do the Trustee's wish to return to in-person meetings held at the MECRS's office.

After brief discussion the trustees agreed to continue with the remote meetings.

COVID-19 Pandemic Claims Another Victim: Mr. Fleury noted that 2020 was to have been an "on year" for a MECRS Pre-Retirement Seminar. However, he stated, due to COVID-19, it is not practical to conduct such an event and to arrange for speakers and reserve a meeting place. He informed the trustees that a possible alternative could be to produce a semi-professional video, which covers the topics generally contained in the MECRS portion of those seminars. He explained that creating a video that covers the full customary scope of a seminar would be too lengthy and probably too expensive. Since the purpose for which funds were requested focused on a four-hour seminar, he asked the Board, if it could be done under budget, would they be open to the production of a shorter video, which could be run by plan participants at their leisure via the Internet, such as on You Tube.

After brief discussion the trustees agreed to have Mr. Fleury further research the alternatives to conducting the seminars such as a short video and report back to the board at a future meeting.

Status of Replacement GL: Moving on Mr. Fleury reported that the new server, which replaced 2011 server, was installed and configured on Saturday and all went well. He stated that once the migration and testing of all applications had been completed, the old server was powered down.

Delay on CAFR Production: In closing his report, Mr. Fleury reported that missing participation data, which held up the production of the 2019 Comprehensive Annual Financial Report had been received. Subsequent to the data being received and completion of the DRAFT CAFR the trustees were sent the DRAFT and the board is being asked to approve the DRAFT CAFR and to move forward with the publication.

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Trustee Gagne moved to accept the DRAFT, 2019 CAFR and proceed with publication, seconded by Trustee Bunker.

Executive Director Fleury conducted a Roll Call Vote:

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis, and Trustee Bunker

Nays: None

Motion Carried.

Monthly Cash Balance Report:

Mr. Fleury reported a cash balance of \$5,714,785.79. He indicated that future capital calls may require that he consult with the System's Investment Consultant regarding the liquidation of funds.

Chairman Molan asked for clarification on Miscellaneous Stanton Payment within the Cash Balance Report. Mr. Fleury explained that the miscellaneous line is a category for any adjustments that need to be made regarding the annuity payroll and it is not part of the pension payments budget line within the report. It can also include other events such as check stops and reissues. Mr. Fleury stated that the payment referenced by Chairman Molan is an annual fixed amount settlement payment that originated many years ago.

Report of the Investment Committee:

Committee Chairman Ntapalis reported that the Investment Committee met as scheduled on Thursday, August 6th at 8:30 a.m. to interview private equity and private debt managers for a \$10 million commitment, to help bring the MECRS private investment levels closer toward the target allocation.

Committee Chairman Ntapalis listed the three managers interviewed from a list provided by NEPC consisting of: Private Advisors Small Company Fund IX: CarVal Credit Value Fund V and Nexus Special Situation Fund III.

Prior to the interviews, Committee Chairman Ntapalis noted that the committee members received a brief review by NEPC of the MECRS Pacing Plan, along with an overview of each of the managers to be interviewed.

He further explained that the manager interviews were held to 30 minutes each and at the conclusion, after further deliberations with NEPC, a motion was made by Committee Member

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Bunker to split the allocation evenly between the Nexus and CarVal funds. Committee Member Gagne provided a second and upon voting, the motion passed without objection.

Therefore, as Chairman of the MECRS Investment Committee, Committee Chairman Ntapalis moved that the full MECRS Board approved the Investment Committee's recommendation and allocate \$5 million each, to Nexus Special Situation Fund III and CarVal Credit Value Fund V, subject to completion of a satisfactory review of subscription agreements and related documents by legal counsel, seconded by Trustee Gagne.

Executive Director Fleury conducted a Roll Call Vote:

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis, and Trustee Bunker

Nays: None

Motion Carried.

Report of the Succession Committee:

Committee Chairman Gagne reported that on July 28, 2020 he and Executive Director Fleury met with Dan Cummings from EFL Associates, the firm hired to conduct the Executive Director Search. He informed the board that a review of the timeline to hire a replacement Executive Director was conducted and he indicated that the search is progressing and is on schedule.

Consent Agenda:

Chairman Molan entertained a motion to approve the Consent Agenda and asked if there were any items which the Trustees wished to remove. There being none, Trustee Gagne moved to accept the Consent Agenda, seconded by Trustee Ntapalis.

Executive Director Fleury conducted a Roll Call Vote:

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis, and Trustee Bunker

Nays: None

Motion Carried

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New Business:

Discussion Regarding Lost Opportunity to Make Contributions Due to COVID -19 – Mr. Fleury explained the issue which has arisen due to plan participants being furloughed due to pandemic “Stay Home” directives. In such cases, plan participants have not contributed and are requesting the ability to contribute but there is a lack of precedence within the System. He further explained that “Leave of Absence” and “Workers Compensation” for which the statute permits member

service purchases are slightly different from being furloughed. Once the participant returns from a Leave of Absence or Workers Compensation, the MECRS’s staff is able to calculate the contributions missed, plus interest, and send the member a calculation amount to make up for the service lost.

The members’ issue, Mr. Fleury explained, is that as some of the participants approach retirement and make the decision not to return to work, especially School participants, that they will suffer a deficit of service in their calculated retirement benefit. The participant feels that they should be able to buy back the contributions missed and have that service time included in their benefit calculation. Mr. Fleury then turned the discussion over to Attorney Rich.

Attorney Rich stated that the benefit at retirement for the Plan Participants is based on earnings and service credit and the members contribution paid into the System each pay period. He reiterated the recent concern that was brought to the Systems attention, which is that the members who are near retirement and have been furloughed and are no longer making contributions into the System, and will lose their service when the retirement benefit is calculated. Members are asking if, while they are out on furlough, are they allowed to contribute their own money into the System so they will not lose service upon their retirement.

Attorney Rich stated that in Public Pensions there is a concept called service credit buyback or buyback, and in the System enabling statute members who are City Employees but not contributing due to approved leaves of absence are allowed to purchase that service credit so that it will count towards their retirement benefit calculation. Attorney Rich noted however that the statute is silent when it comes to furloughs.

Attorney Rich further indicated the he has been consulting with Mr. Fleury and Sandi Aboshar, reviewing different scenarios on how to handle the issue, if the board was inclined to address the furlough cases resulting from the “Stay Home” directive intended to curtail the spread of the virus.

Trustee Gagne asked if the buyback for furloughed employees would include both the employee and the employer contributions, for which Attorney Rich responded that the statute applies to only the employee contribution.

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Mr. Fleury indicated that the employer does not have a budgeted appropriation to pay for the employer contributions missed. He explained that the System's actuary is cognizant of the employer contribution lost and that amount has a minor impact in the employer contribution rate for the ensuing year and is spread across all the employer units and not necessarily the employer unit with which the plan participate is associated.

After lengthy discussion on the matter, Chairman Molan moved to have Attorney Rich continue work with Mr. Fleury to draft an Administrative Rule addressing furloughed members. The draft is to be reviewed by the Administrative & Accounting Committee and subsequently brought to the full board for approval. Trustee Bunker seconded the motion.

Executive Director Fleury conducted a Roll Call Vote:

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis, and Trustee Bunker

Nays: None

Motion Carried

Motion to Adjourn:

Trustee Gagne moved to adjourn the meeting at 9:00 a.m. seconded by Trustee Bunker.

Mr. Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis and Trustee Bunker

Nays: None

Motion carried.

Respectfully Submitted,

Gerard E. Fleury
Executive Director