

December 8, 2020  
Minutes #578

**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 General's 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 8:30 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, Attorney John Rich from McLane Middleton Professional Association and Mr. Sebastian Grzejka from NEPC as well as incoming Executive Director, Mr. Bill Shea

**Excused:** Trustee Wickens

Not Participating: Mayor Joyce Craig

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**Approval of the Minutes of the Previous Board Meeting:**

Owing to the long and complex dialogue of the November 5<sup>th</sup> meeting and the short time span since the postponed meeting of November 10<sup>th</sup>, approval of the minutes of Special Meeting held on November 5, 2020 and the minutes of November 18, 2020 were postponed until the January 12, 2021 Board of Trustees meeting.

**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 Bunker.

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**

Mr. Fleury began by stating that during the meeting the trustees will be hearing reports for the various sub-committees. He referred to the day's agenda, New Business items 1 & 2 and suggested that the report of the Administration & Accounting Committee by Chairman Bunker be delayed and delivered under New Business since they deal with the same issues.

**Manager Transfer Complete:** Mr. Fleury reported that the termination of Gryphon International and subsequent funding of Hardman Johnston as the Plan's International Equity Manager have been completed, as of the first of December. He explained that the funds from the liquidation of Gryphon resided in the Vanguard Total International Equity Fund, as directed by the Board, for the interim period. He noted that all transactions passed through the System's cash flow account at State Street to ensure that NEPC will be able to track the transition for performance reporting purposes.

**MECRS Legislative Initiative Underway:** Mr. Fleury explained that at the time of his report, the MECRS's two House Bills, which were tabled in the 2020 session of the NH Legislature due to the COVID pandemic, have been reintroduced by Representative Long for the 2021 session. Mr. Fleury explained that later in the meeting, Benefits Committee Chairman Gagne will provide the board with an update on the status of the pending legislation.

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Also, Mr. Fleury indicated that the Board will be hearing a recommendation from NEPC Representative Sebastian Grzejka, regarding the need to raise funds for cash flow purposes, before January 1, 2021

Addressing the Monthly Cash Balance Report, Mr. Fleury informed the Board of a recent bank error by State Street Bank & Trusts. He explained that, as directed by the Board to wire Funds to newly hired Investment Manager Hardman Johnson, there was an error made by the bank in selecting accounts, which subsequently caused an overdraft within the System's commingled account and an overstatement in the cash account from which funds were to have been wired. Mr. Fleury reported that the error has been corrected and that he was assured by bank representatives that they will not be charging the System an overdraft fee on the commingled account.

**Report of the Investment Committee:**

Committee Chairman Ntapalis stated that the Investment Committee met as scheduled on Tuesday, November 17th at 8:30 a.m., to conduct domestic equity manager interviews to replace Pzena Investment Management, as recommended by MECRS's advisors at NEPC. He reported that the Committee interviewed COHO Partners, Independent Franchise Partners, and Aristotle Capital Management. At the completion of the interviews, Committee Chairman Ntapalis reported that a motion was offered by Committee Member Gagne to terminate Pzena Investment Management, which drew a second from Committee Member Molan. The vote was all in favor and was followed by a motion from Committee Member Molan to engage the services of Aristotle Capital Management, to assume all liquidation proceeds from Pzena upon satisfactory completion of subscription documents by staff and legal counsel. A second was provided by Committee Member Gagne and the motion passed by an affirmative vote of all committee members present.

Committee Chairman Ntapalis then stated that as Chairman of the Investment Committee, he would like to motion that the full MECRS Board approve the recommendations of the Investment Committee to terminate Pzena Investment Management and hire Aristotle Capital Management, subject to the satisfactory review of subscription documents by the Executive Director and Legal Counsel. The motion received a second from Trustee Gagne.

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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**Report of the Benefits Committee:**

Committee Chairman Gagne stated that as previously noted by the Executive Director in his report, MECRS's proposed legislation which was curtailed by the pandemic in last year's session of the Legislature, has now been re-introduced. He reported that as recently as last Friday, the Retirement System received a request from Legislative Services for a fiscal impact worksheet on LSR-21-0387.0 which will become the System's Plan Amendment bill in the upcoming session of the NH House.

Committee Chairman Gagne stated that Mr. Fleury completed the worksheet using the actuarial data compiled for last year's bill and briefly explained why that was necessary. With his concurrence, he further indicated that it was submitted to legislative services.

Committee Chairman Gagne also reported that recently, the System received the draft of LSR 21-0384.0, which is the System's other piece of legislation, the housekeeping measure, which was reviewed and approved Monday morning. He noted that both bills should be on track for this year's legislative process.

Concluding his report, Committee Chairman Gagne stated that the committee has no indication at this time of how House and Senate hearings on new legislation will be conducted and that Mr. Fleury continues to monitor the situation and will be prepared to respond as required.

Referring to the Succession Planning Committee for which Trustee Gagne also Chairs, Chairman Molan referred to the last Trustee meeting, whereby Committee Chairman Gagne was asked to work with Mr. Fleury in negotiating compensation after the transition of the new Executive Director.

Committee Chairman Gagne indicated that funds have been included in the 2021 budget to cover any necessary consulting services to be provided by Mr. Fleury following his retirement and are scheduled for approval by the full MECRS Board later in the meeting.

**Consent Agenda:**

Chairman Molan entertained a motion to accept the Consent Agenda.

Trustee Gagne moved to accept the Consent Agenda, seconded by Trustee Bunker.

Mr. Fleury conducted a roll call vote.

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

Nays: None

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**New Business:**

Approval of the 2021 MECRS Administrative Budget - Committee Chairman Bunker reported that on December 2, 2020, the Administration & Accounting Committee met to review the draft MECRS Administrative Budget for 2021 and to review updates to the MECRS Funding Policy. After an overview of the budget request by Mr. Fleury and several questions from the Committee, Committee Chairman Bunker reported that a motion was offered by Committee Member Gagne, which received a second from Committee Member Ntapalis, to recommend that the full MECRS Board ratify the MECRS's 2021 Administrative Budget as submitted by the Committee.

Committee Chairman Bunker next explained that the Committee also reviewed the MECRS Funding Policy in light of new actuarial assumptions approved by the Board, following receipt of an experience study from the actuary. He reported that a motion was offered by Committee Member Gagne and seconded by Committee Member Wickens to recommend approval of the updated Funding Policy by the full Board.

Committee Chairman Bunker moved that the full MECRS Board approve the Administrative Budget for 2021 in the amount of \$1,065,062.60 as recommended by the A&A Committee. Secondly, Committee Chairman Bunker moved that the full MECRS Board approve the updated Funding Policy as recommended by the A&A Committee.

Trustee Gagne seconded the approval of the MECRS Administrative Budget for 2021, in the amount of \$1,065,062.50 as well as the approval of the updated MECRS's Funding Policy. Chairman Molan asked if there was any discussion regarding the approval of the 2021 Administrative Budget.

Trustee Gagne referred to the earlier question in the meeting regarding the appropriation amount within the 2021 Budget for the transition of the Executive Director as well as the anticipated retirement of the Executive Assistant. He referred to account #5400-012 in the amount of \$15,220.56 and stated that to be an adequate amount to cover both transitions.

Chairman Molan voiced his preference to deal with the two issues one at a time and so he acted on the budget item first.

There being a motion and a second to approve the 2021 Administrative Budget Chairman Molan asked Mr. Fleury to conduct a roll call vote.

Mr. Fleury conducted a roll call vote.

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

Nays: None

Motion Carried.

Chairman Molan next asked if there was any discussion regarding the approval of the updated MECRS Funding Policy.

Attorney Rich stated the importance of including the updated Funding Policy to the MECRS website, manchesterretirement.org.

After brief discussion Mr. Fleury stated that he would have the updated MECRS Funding Policy on the MECRS's website by the end of the day. Mr. Fleury conducted a roll call vote.

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

Nays: None

Motion Carried.

Other Business:

Chairman Molan asked Mr. Grzejka to elaborate on the MECRS cash flow report. Referring to the Mr. Fleury's earlier cash flow report Mr. Grzejka explained that the Private Managers calling capital, are seeing investment opportunities over the last six months and acting quickly, and therefore the Board needs to be sure to maintain an adequate cash balance to satisfy the Retirement Systems capital call obligations.

After reporting on the System's asset allocation, activity and monthly and yearly positive investment performance within the MECRS's portfolio, Mr. Grzejka stated it was NEPC's recommendation to transfer \$2.5 million to cash, which should carry the System through to the new year. Mr. Grzejka then reminded the Board that after the new year,

NEPC will provide a full rebalancing recommendation for the entire portfolio, followed by a review of the asset allocation in February. A handout provided by Mr. Grzejka called for \$2 million to be redeemed from Sands Capital and \$.5 million from S&P 500 EFT shares. Trustee Gagne moved to transfer \$2 million from Sands capital and \$500,00 from S&P Index Fund, which was seconded by Trustee Ntapalis.

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Mr. Fleury conducted a roll call vote.

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

Nays: None

Motion Carried.

Before adjourning the meeting Chairman Molan reminded the trustees of the upcoming MECRS' election for an employee representative to the MECRS Board of Trustees, on Thursday, December 10, 2020.

Trustee Gagne suggested that Mr. Fleury post a reminder notice on the MECRS's website of the upcoming election, for which Mr. Fleury stated that he will DRAFT a notice immediately.

Trustee Gagne then referred to the press release announcing the newly hired incoming Executive Director. He suggested that the press release also be place in the Union Leader announcing the new Executive Director to the MECRS.

Mr. Shea responded that he is looking forward to starting his tenure as Executive Director and he would be happy to provide a photo of himself for incorporation into the press release.

**Motion to Adjourn:**

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

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

