

February 11, 2020
Minutes #566

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Acting Chairman Sanders called the meeting to order at 8:52 a.m.

Present: Trustees: William Sanders, Harry Ntapalis, Robert Gagne and Jeff Flourde

MECRS Staff: Gerard Fleury and Suzanne Wilson

Linked by Phone: Chairman Dick Molan

Absent: Richard Bunker and Mayor Joyce Craig

In Attendance: Attorney John Rich from McLane Middleton, Professional Association

Approval of the Minutes of the Previous Board Meeting:

Acting Chairman Sanders entertained a motion to approve the minutes of the previous board meeting held January 14, 2020.

Trustee Gagne moved to approve the minutes of January 14, 2020, seconded by Trustee Ntapalis and passed unanimously by all those trustees present.

Approval of the Immediate Meeting Agenda:

Acting Chairman Sanders 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.

Report of the Executive Director:

Progress Report- Replacement GL: Mr. Fleury reported that on January 22nd Tyler Butler from Berry Dunn visited the MECRS's office to discuss the upcoming audit of 2019 and to review planned changes in the way reports and procedures are structured. In the System's last audit Mr. Fleury stated, it was mentioned that accumulated depreciation on fixed assets would need to be culled at some point. He explained that MECRS's existing budget structure was discussed and subsequent to the meeting the existing budget for 2020 was formally divided into administrative and capital allocations. The sum of the two components is unchanged from the amount approved by the board in December of 2019, however the new structure will result in a different way of seeing administrative expenditures and the amortization and reporting of fixed asset going forward. In conjunction with that change, Mr. Fleury added, the physical inventory records

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were purged of disposed equipment and obsolete intellectual property listings. The updated inventory was synchronized with the carrying value of assets on the financial statements and excess accumulated depreciation was culled back as had been suggested by the auditors. Mr. Fleury was pleased to report that parallel testing on the new accounts payable programs reached the perfection point with reports from the new system, which will be more legible. The old and new systems were reconciled to the cent for January and enhanced automated reporting features are now being defined, which will provide faster and less labor-intensive monthly statements and annual reports.

Report of Legislative Initiative: Moving on, Mr. Fleury reported on the status of the pending legislative initiative, stating that there has been no response from active or retired members regarding the notices mailed to them on pending plan amendments. He stated that MECRS continues to monitor legislative bulletins for progress on the bills and the MECRS website, manchesterretirement.org, will be updated on any status changes.

Annual Valuation Report Schedule Established: Mr. Fleury informed the board that on Tuesday, March 10, 2020 Gabriel, Roeder, Smith & Co. is scheduled to deliver the preliminary actuarial valuation report. As is customary practice, Mr. Fleury stated, ending asset values for 2019 were reconciled with the custodian State Street Bank, as well as the MECRS's investment consultant NEPC, prior to being reported to the actuary. He noted that the Retirement System's investment advisor and auditors will be present on March 10, 2020 to hear the actuary's report and to collaborate with the Board on any potential adjustments to the valuation assumptions, before the final valuation report is produced.

Attorney Rich recommended that Mr. Fleury discuss the legislative amendment to House Bill 1292-FN.

Mr. Fleury first noted that there are two House Bills. The first legislative initiative he reported, is a housekeeping measure and has emerged with an ought to pass unanimous vote. The second House Bill 1292-FN emerged with "ought to pass with amendment". Mr. Fleury indicated that originally the HB 1292-FN would have cost shifted 2 percent of the contribution rate from the City to the member. The amendment he explained, effectively reverses the 2 percent cost shift at the end of the amortization period for the actuarial accrued liability. Mr. Fleury informed the Board that copies of the amendment had been sent to the MECRS actuary, for which the actuary responded that they do not view the amendment as problematic. Mr. Fleury indicated that a copy of the amendment was also submitted to legal counsel and to the MECRS auditors. Mr. Fleury indicated that legal counsel has recommended clarification to the language on when the reverse cost shift will take effect, which will happen sometime after 2030, the end of the 20-year amortization. Mr. Fleury then asked Attorney Rich to elaborate on his recommendation.

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Attorney Rich explained that the language in the amendment to the legislation, talks about the MECRS Board certification as to a funding level. He explained that his preference was for the amendment to read that the Board would certify the funding level on the basis of an actuary's valuation based on sound actuarial funding methods and assumptions. This approach would be consistent with the section of Chapter 218 that addresses the City's annual funding obligation. Also, Attorney Rich expressed his concern that the amendment does not specify when the rate will revert back to 3.75%. He noted that this could lead to members requesting retroactive credit for contributions if it was not clear that any contribution level reduction was prospective.

The board continued to discuss the insertion of language defining the specific time frame of, the City's fiscal year, July 1, within the amendment, which would add clarity to House Bill and provide a better understanding for future Retirement System Boards.

Mr. Fleury stated that in order to act on legal counsel's recommendation, he requested Board authorization to contact the sponsor of HB 1292-FN and to insert the clarifying alternate language within the amendment.

After brief discussion Trustee Gagne moved to direct Mr. Fleury to contact the sponsor of HB 1292-FN, Representative Long, and request the insertion of the recommended alternate language, specifying certification on the basis of the actuarial valuation results and the inclusion of the date at which the rate will revert back to the 3.75%, to the beginning of City's fiscal year, July 1st, seconded by Trustee Ntapalis and passed by all those trustees present.

Monthly Cash Balance Report:

Acting Chairman Sanders asked for a review of the Cash Balance Report for January, 2020.

Mr. Fleury reported that the System continues to receive distributions from various equity and credit investments, resulting in a cash balance of 10.6M at the end of 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 Investment Committee:

Committee Chairman Ntapalis referred to the Investment Committee meeting held earlier in the morning, whereby NEPC representatives provided the committee with a strategic investment plan framework for 2020. Mr. Ntapalis reported that the recommendation from NEPC representatives was to continue with the current asset allocation strategy and to plan for potential manager interviews at a future date.

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Committee Chairman Ntapalis noted that the next Investment Committee meeting is tentatively scheduled for April.

Report of the Succession Committee:

Succession Committee Chairman Gagne stated that the first official Succession Planning Committee meeting will be held immediately following the conclusion of today's Board of Trustees meeting.

Consent Agenda:

Acting Chairman Sanders 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 and passed unanimously by all those trustees present.

Motion to Adjourn:

Having conducted all the business of the day, Trustee Gagne moved to adjourn the meeting at 9:13 a.m., seconded by Trustee Plourde and passed unanimously by all those trustees present.

Respectfully Submitted,

Gerard E. Fleury
Executive Director