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**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.

**Linked Via Conference Call:**

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

**Participating Remotely:** Chairman Molan, Trustee Gagne, Trustee Plourde, Trustee Ntapalis, and Trustee Bunker and Trustee Sanders replacement, Sharon Wickens – 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 as well as Mr. Mark LaPrade and Tyler Butler, both from Berry Dunn.

**Not Participating:** Mayor Joyce Craig

**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 June 9, 2020, seconded by Trustee Bunker.

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Executive Director Fleury then conducted a roll call vote.

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

Nays: None

Abstention: Trustee Wickens

Motion Carried

Before moving forward with the agenda items Mr. Fleury referenced the SPECIAL NOTICE regarding the COVID – Pandemic, and read it into the minutes. Also Mr. Fleury reported that other than the System's legal counsel and the two representatives from the audit firm, Berry Dunn, there were no other members from the general public participating on the conference call.

**Approval of the Immediate Meeting Agenda:**

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

Executive Director Fleury conducted a roll call vote.

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

Nays: None

Motion Carried

**Chairperson's Comments**

Before moving on with the day's agenda, Chairman Molan stated he would like to welcome Trustee Sanders' replacement, Sharon Wickens to the MECRS Board of Trustees.

**New Business:**

Presentation of the MECRS Audit Results for 2019 - Representative's Mr. Mark Laprade and Mr. Tyler Butler from the firm Berry Dunn, were connected remotely to deliver the draft MECRS audit results for 2019.

Mr. LaPrade began by directing the board's attention to page 3 of the audit report and he turned the presentation over to Mr. Butler to summarize the key financial information within.

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Mr. Butler began by detailing key financial information, basically the MECRS profit and loss for 2019. He reported a strong investment return, about a 16% money weighted return. He indicated a total contribution increase by 8%, primarily due to increase in the employer paid rate and a slight increase in the covered payroll of about 2%. He reported the benefit payments up about 8%, attributed to a growing retiree base.

Referring to Other Deductions which consist of administrative expenses and refunds of member contributions, Mr. Butler noted stability year after year.

Turning the board's attention to page 4 of the presentation, Mr. Butler highlighted the pension trust net position as a percentage of total pension liability as 62.75% , the medical trust net position as a percentage of total OPEB liability as 48.0%, the Funded Status of the Pension Trust at 61.80% and the Funded Status of the Medical Trust of 48.00%. He explained that the differences between both the pension and medical trust net position and the funded status of the pension and medical trust is that the percentages of net position, take the asset values as of December 31, 2019 and leaves them as is. The funded status results of the pension trust and the medical trust involve actuarial smoothing where investment returns are evened out over 5 years.

Working through the presentation Mr. Butler reminded the board that the audit was performed in accordance with U.S. generally accepted auditing standards and Government Auditing Standards. All procedures conducted by Berry Dunn were on a test basis and designed to obtain reasonable, not absolute assurance. In addition, Mr. Butler stated that the audit requires understanding of internal controls, particularly as it relates to benefit payments and participant data and contributions.

Working from the next page of the presentation, Mr. Butler continued, providing more detail on the Required Supplementary Information, which is consistent with previous years.

Mr. Butler then addressed highlights of the financial statement footnotes, which were also consistent with past years. However, Mr. Butler indicated that footnote Note 2 is the exception, as it added disclosure regarding risk and uncertainty relating to the COVID -19 pandemic, particularly with respect to the investment portfolio. Mr. Butler then continued to summarize the remaining financial footnotes, specifically Footnotes 8, 9 and 10 which deal with actuarial information that is presented within the financial statements.

Mr. Butler stated that the version of the Comprehensive Annual Financial Report that the board members received in their agenda packets is not the most recent version. Small changes have been made to the CAFR as a result of the quality exchange process, which will be included in the final report.

Mr. LaPrade then referred to the Required Auditor Communications letter which outlines the audit process and highlights the audit firm's responsibility, which is to express an opinion on the

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financial statements, and he also noted that the audit does not relieve management or the Board of their responsibility over financial statements. He stated that responsibility for the preparation and fair presentation of the financial statements and for their design, along with implementation and maintenance of internal controls rests with management.

Mr. LaPrade then explained the audit process, the review of accounting policies, and any exceptions, to which there were none, and also that there were no transactions that lacked authoritative guidance. He went on to explain the scope of management's judgments and estimates relating to the actuarial calculations. Mr. LaPrade stated that there is about \$164 million in investments that are valued at net asset value, which is allowed, but does require reliance on other people to come up with a value therefore those financial segments are included in the review.

Referring to the next page of the presentation booklet Mr. Laprade noted that there were no significant audit adjustments. He did note the standard unrecorded adjustments, and he stated that the total impact to the change in net position would be an increase in fiduciary net position of approximately \$83,000, concluding that not to be material to the financial statements.

Moving on, Mr. Laprade reported no disagreements with management and no difficulties in performing the audit. He stated that management was well prepared and proactive during the audit.

Mr. Butler resumed the presentation summarizing the Yellow Book Report, which describes the review of internal controls as well as compliance with laws and regulations. Mr. Butler stated that there were no findings to report.

Concluding the audit presentation, Mr. Laprade asked the trustees if they were aware of any instances of non-compliance with laws and regulations that would be direct and material to the financial statements, to which there were none.

Trustee Ntapalis inquired if audit process included the review of all MECRS's insurance policies in place.

Mr. Laprade responded that the only way the insurance policies would be included in the audit process, is if, while reviewing the administrative expenses, that one year a policy was in place and the following years expenses did not include the premium. Under those circumstances, it would be identified within the audit. The audit is not a fiduciary check list, Mr. Laprade explained.

Trustee Gagne referred to the note in the draft audit, which states, "what is the status of any legislative amendments to the Plan" and he asked if the auditors were aware of the recent stalling to the pending Plan amendments.

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Mr. Butler responded that the audit is aware of the delay and if MECRS had progressed further in seeking the Plan amendments, that relative language would have been included in the CAFR.

Before departing, Mr. Butler stated that while conducting the MECRS's audit remotely due to the pandemic, that it was a pleasure in working with the MECRS's staff during the audit process.

**Report of the Executive Director:**

Report of Legislative Initiative: Mr. Fleury stated that as previously mentioned in the meeting, both pieces of the MECRS's legislation "Died on the Table" along with many other bills which the Senate was not able to address before recessing for the session. While staff will continue to monitor the situation, Mr. Fleury indicated that the prognosis does not appear hopeful so the entire exercise may need to be repeated in the next session, in order to achieve the objectives which both bills would have accomplished.

Status of GL Replacement: Mr. Fleury explained that work on the new GL replacement continues to approach completion and a cutoff date of September for the current system has been set. That date will be contingent on delivery and installation of a new server, which will house all existing applications, including the replacement GL. Once all acceptance testing on the new server is completed, Mr. Fleury stated that the old server will be powered down and all operations, including the new GL will be live on the new platform.

Future of Remote Meetings: Mr. Fleury stated that due to the uncertainty associated with COVID-19, it is difficult to tell how much longer the MECRS's office will need to conduct remote meetings. Thus far he indicated, the matter has been dealt with by using free introductory products which eventually expired and allowed only meetings of less the 45 minutes in duration. Since such limits are often exceeded, Mr. Fleury informed the board that he made the decision to purchase a subscription to the software on a monthly basis. When the need to conduct remote meetings ends, Mr. Fleury stated that he will discontinue the subscription but that he will budget for a full year at a lesser cost if the need continues into 2021.

COVID-19 Virus Response switches to "Re-Open Mode": In closing his report, Mr. Fleury informed the board that as of Monday, June 29<sup>th</sup>, the office has returned to normal 8:00 a.m. to 4:00 p.m. hours of operation. He assured the trustee's that a host of safety precautions have been implemented and the daily operation no longer resembles the Pre COVID-19 practices. He also reported that there has been no operational backlog and staff continues to monitor and adjust daily practices in response to changes in the pandemic situation.

**Monthly Cash Balance Report:**

Mr. Fleury reported a cash balance of \$6,779,052.01. He indicated that pension contributions remain constant and he noted that there has been a slight reduction in both the number of capital calls and distributions from investments. Currently he stated, there are no outstanding capital calls and everything is progressing normally.

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**Report of the Administrative Report:**

Committee Chairman Plourde reported that on June 25, 2020, the Administration & Accounting Committee met to review a draft Pandemic Response Policy, formulated in response to the COVID-19 situation.

Committee Chairman Plourde stated that the draft policy was written and refined by MECRS staff and legal counsel. He further indicated that the policy is designed to serve as a guideline to the current and any future pandemic situations which might occur. After brief deliberation of the A&A Committee, he reported that a motion was offered by Committee Member Molan, which received a second from Committee Member Gagne, to recommend adoption of the policy by the full MECRS Board. Therefore, as Chairman of the MECRS Administration and Accounting Committee, Committee Chairman Plourde made a motion that the full MECRS Board adopt the draft Pandemic Response Policy, subject to future revisions as may become warranted, which was seconded by Trustee Bunker.

Chairman Molan was pleased to note that the Retirement System staff has shown that they have been able to conduct the System's daily operations remotely. He then asked Mr. Fleury if the policy should be broadened to include other emergency situations that may arise and he provided an example such as a snow emergency

Mr. Fleury explained that the MECRS Business Continuity Plan in place protects the full operation of the Plan but needed the addition of a Board approved policy to address pandemic conditions which had never before been anticipated. Executive Director Fleury conducted a roll call vote.

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

Nays: None

Abstentions: Wickens

Motion Carried

**Report of the Investment Committee:**

Committee Chairman Ntapalis stated that he and the Executive Director are currently working to coordinate an Investment Committee meeting in August, to conduct interviews of Private Market Mangers.

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Mr. Fleury noted that he is waiting to hear from Investment Consultant, NEPC to forward the manager recommendations as well as availability of the managers, before scheduling the meeting, and he is expecting that to be in August.

**Report of the Succession Committee:**

Committee Chairman Gagne reported that the Succession Planning Committee formally met remotely on Thursday, June 25th. Issues discussed included salary and severance matters, as well as possible limited moving assistance for a hired candidate and the role of EFL in determining those issues. The timeframe for candidate interviews was discussed with the target being September. Candidate interviews will be conducted by a committee whose makeup has yet to be determined but could consist of the entire Board. Committee Chairman Gagne stated that he felt that the entire Board should participate in the candidate interviews.

Committee Chairman Gagne continued his report stating that Attorney Rich will be providing salary and severance benchmark information for the Committee's use in the coming weeks and a meeting with EFL will then be scheduled. It was also determined that Attorney Rich can facilitate remote meetings on such occasions when Mr. Fleury needs to recuse himself from participation. It was also determined that the Committee would need to meet again in August in order to remain on schedule and the following points are to be addressed prior to that meeting:

- EFL will be asked to provide guidance on salary and moving expense matters.
- EFL will be asked to provide a project timeline which complies with Board Chairman Molan's September 2020 target date.
- EFL will be asked to explain whether they propose to conduct interviews remotely or in person.

Committee Chairman Gagne stated that no exact date has been scheduled for the next Committee meeting at this time, but he is expecting it to be in the month of August.

Committee Chairman Gagne informed the board of a recent "meet and greet" session at the Retirement office with one of the candidates. He noted that it was repeatedly stated that the meeting was not an interview or a component thereof. He stated that it was simply to meet him in person, in light of the current pandemic, not knowing if the pending interview process will be handled remotely, versus in-person interviews.

**Consent Agenda:**

Moving on, Chairman Molan asked the board members if anyone wanted any item removed from the Consent Agenda. Chairman Molan requested that Consent Item, Budget & Expenses be removed.

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Chairman Molan entertained a motion to approve the Consent Agenda with the exception of #2.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried.

Referring to Consent Agenda Item #2, Expenditures for Six Months Ending June 30, 2020, Chairman Molan made the Board aware of an issue in the last category, Non-budgeted expenditures. He stated that the individual expenses listed do not reconcile with the Non-budgeted expenses, which was brought to Mr. Fleury's attention prior to the meeting. He noted that Mr. Fleury has been asked to make the correction and to provide the board with details on how it was resolved.

Mr. Fleury explained that it is simply an oversight within the report and he will provide a corrected report, Consent Item #2, to be included in the August Agenda for approval.

**New Business:**

**Accept and Place on File the Gainful Occupation Report for 2019 -**

Chairman Molan entertained a motion to accept and place on file the Gainful Occupation Report for 2019.

Trustee Gagne moved to accept and place on file the Gainful Occupation Report for 2019, seconded by Trustee Bunker.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried.

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Mr. Fleury explained that the Gainful Occupation Report complies with Chapter 218.15, V. He credited Executive Assistant, Ms. Aboshar for the report stating that she compiles the information needed annually and prepares the cover letter for the board's approval.

**New Business:**

Report on MECRS Audit of 2019 by Berry, Dunn – Trustee Ntapalis moved to accept the MECRS Audit of 2019 presented earlier in the meeting, seconded by Trustee Plourde.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried.

**Motion to Adjourn:**

Trustee Gagne moved to adjourn the meeting at 9:15 a.m. seconded by Trustee Plourde.

Mr. Fleury conducted a roll call vote.

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

Nays: None

Motion carried.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director