

June 9, 2020  
Minutes #570

**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 as the Retirement System offices are closed to the public.**

**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 8:30 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 – All trustees stated that they were alone during the remote session.

Also linked remotely, in addition to himself were, MECRS Staff members, Sandi Aboshar and Suzanne Wilson, Attorney John Rich from McLane Middleton Professional Association as well as Mr. Sebastian Grzejka and Keven Leonard, both from NEPC

**Not Participating:** Trustee William Sanders and 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 Gagne moved to approve the previous minutes of May 12, 2020, seconded by Trustee Ntapalis.

June 9, 2020  
Minutes #570

### **Minutes of the Board of Trustees' Meeting -2-**

Executive Director Fleury then conducted a roll call vote.

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

Nays: None

Motion Carried

#### **Chairperson's Comments**

Chairman Molan stated he would defer any comments until the Consent Agenda was considered.

#### **Citizens Comments:**

Chairman Molan asked Mr. Fleury if there were any citizens who may have joined the meeting remotely, to which Mr. Fleury responded that there were none.

#### **Report of the Executive Director:**

Report of Legislative Initiative: Mr. Fleury first stated that at the time he drafted his report that there had been no discernable activity on the legislative website on either of the MECRS's pending House bills. He reported however that he had just been informed that the Senate is going to be combining house bills into groups and conducting online hearings on entire groups of bills at once. He stated that the situation is monitored daily and the MECRS is poised to participate if required.

Status of GL Replacement: Next, he reported that work on the new GL is approaching completion. A host of internal reports used to confirm account balances are being written and prepared for delivery and testing. He noted that one final synchronization between the legacy

June 9, 2020  
Minutes #570

**Minutes of the Board of Trustees' Meeting -3-**

and replacement accounting packages is planned and upon successful confirmation of the synchronization results, the new package can go live.

Mr. Fleury informed the Board that the new server, which is what drove the need for the System to replace the General Ledger, has been ordered and should be delivered the first week of August. At such time, he indicated that the two servers will run parallel and migration of applications to the new server will be conducted followed by discontinuation of Great Plains GL.

COVID-19 Virus Response Switches to "Re-Open Mode": Mr. Fleury stated that as the world moves toward post COVID-19 normalization, a working policy has been drafted aimed at protection of the vital human resource component of the organization. He explained that the draft policy consists of a new physical layout at the office entry, to prohibit a casual walk-in, which could be a source of virus exposure. The policy will be refined and eventually brought to the Administrative & Accounting Committee for review, followed by formal acceptance by the full MECRS Board. He also indicated that certain policy recommendations, which were part of a webinar conducted by legal counsel, were factored into the policy and it has been made generic so as to be applicable to any outbreak, rather than COVID-19 specific, so that the policy will remain in effect and ready for implementation should the need arise in the future.

Audit of 2019 to be completed by July: In concluding his report Mr. Fleury informed the trustees that the audit of 2019 continues and is expected to be completed early in July. The auditors have signaled their intention to deliver the audit results at the regularly scheduled board meeting on July 14, 2020.

**Monthly Cash Balance Report:**

Mr. Fleury reported a healthy cash balance of \$7,722,000 for the period ending May, 2020, noting a routine number of capital calls within private investments. He reported a slight reduction in distributions, but nothing concerning, and he indicated that contributions continue to flow normally.

Chairman Molan entertained a motion to accept the Cash Balance Report. Trustee Ntapolis moved to accept the Cash Balance Report, seconded by Trustee Plourde.

Executive Director Fleury conducted a roll call vote.

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

Nays: None

Motion Carried

June 9, 2020  
Minutes #570

## **Minutes of the Board of Trustees' Meeting -4-**

### **Report of the Administrative Report:**

Committee Chairman Plourde stated that the next Administrative & Accounting Committee meeting is scheduled for June 25, 2020 at 8:30 a.m., whereby the DRAFT Pandemic Policy that Mr. Fleury referred to earlier in the meeting will be discussed. He then asked if any of the A&A Committee Members anticipate a schedule conflict with the meeting date and time, to which there were no conflicts mentioned. Mr. Fleury stated that he will be sending board members the DRAFT policy well in advance so that they can workshop the policy and be ready to address any concerns at the A&A meeting.

### **Report of Investment Committee:**

Committee Chairman Ntapolis stated that the next Investment Committee meeting will be scheduled in the coming months.

### **New Business:**

Market Performance Update - Mr. Leonard reported a significant rebound in the market as of April 30, 2020. Referring to the Total Plan Performance - Preliminary Report, included in the board packet, Mr. Leonard explained that the report does not reflect the actual managers performance. He stated that the estimated results were calculated, by taking the allocations for periods ending April and May, 2020 as well as the underlying indices assigned to each of those asset classes, which resulted in positive preliminary estimates of future performance.

Mr. Leonard stated that currently in the month of June, the MECRS portfolio has seen even stronger returns and he provided the Board with those positive results. He described massive rebounds across all asset classes as he detailed the positive returns and the strength of the market, with the re-opening of the economy.

Trustee Ntapolis referred to the downturn within the market in March and he asked the NEPC representatives their thoughts on the motivator within the current market and if they believe that it will continue.

Mr. Leonard responded that the stimulus package helped fuel the re-bounce in the market and that during the month of April there was a massive sell-off in equities, a risk sell-off in the bond market, and significant illiquidity at that point. The trillions of dollars and programs that were implemented Mr. Leonard stated, certainly helped the market significantly. However, Mr. Leonard noted that he cautions clients of the macro risk that still exists and the market could suffer a setback.

Mr. Grzejka then stated that he concurs with Mr. Leonard and for the MECRS to continue to focus on Private Markets as well as pursuing an opportunity within the credit markets.

June 9, 2020  
Minutes #570

**Minutes of the Board of Trustees' Meeting -5-**

Mr. Fleury asked that when the NEPC representatives have their recommended list of managers to be interviewed completed, that it please be forwarded in advance so that he can work with Committee Chairman Ntapalis to schedule the next Investment Committee meeting, and have it precede the regular monthly Board of Trustees meeting. Mr. Grzejka agreed to do so.

**Report of the Succession Committee:**

Committee Chairman Gagne reported that he receives weekly updates from the firm, EFL Associates, hired to search for the replacement of the Executive Director position. He indicated that EFL Associates has received a total of 11 applications, of which, seven are under consideration and are undergoing additional interviews.

Committee Chairman Gagne noted that Mr. Fleury's retirement date is fast approaching and he asked the Board their thoughts on future strategy in transitioning his replacement.

Lengthy discussion ensued by the trustees regarding the time table and coordination for the recommended overlap in training as well as the possibility of keeping Mr. Fleury on a retainer for a period of time.

Chairman Molan suggested formalizing the replacement strategy discussed and Committee Chairman Gagne agreed to schedule a follow-up Succession Committee Meeting on June 25, 2020 following the adjournment of the Administrative & Accounting Committee.

Attorney Rich informed the board that he is involved in other Executive search committees and commended Committee Chairman Gagne and his committee on a job well done and their prudent steps taken in the selection of Mr. Fleury's replacement.

In closing his report Committee Chairman Gagne indicated that he continues to receive weekly reports on the status of the Executive Director search including a list of any applicants inclusive of a rating on qualifications.

**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 Plourde, Trustee Ntapalis, and Trustee Bunker

June 9, 2020  
Minutes #570

## **Minutes of the Board of Trustees' Meeting -6-**

Nays: None

Motion Carried.

### **Previous Business**

Chairman Molan asked Attorney Rich to report on developments with Collier Capital that had occurred following the January Board of Trustees meeting.

Attorney Rich referred to the past Board's approval to commit a \$5 million investment with Collier Capital Fund VIII and the subsequent board decision not to move forward with the investment of the private equity manager that was discussed at the January meeting.

Attorney Rich provided a timeline of the communications and negotiations that transpired since the board approved the investment at the November Board meeting. He explained the lengthy and time-consuming involvement with reviewing the subscription and other documents as well as the process that MECRS had put in place to ensure that prospective private managers who required confidentiality of investment information were aware of MECRS' obligations under the New Hampshire public records law, RSA 91-A.

Attorney Rich indicated that in advance of an interview, prospective managers were required to execute the Private Markets Disclosure Statement and Manager Acknowledgment under which they acknowledged that MECRS was subject to RSA 91-A and agreed to the MECRS side letter contract language that modified the manager's standard contract language.

Attorney Rich explained that Collier Capital and its legal counsel refused to include the agreed upon contract language in the investment documents. Collier Capital instead proposed its own alternative contract language for RSA 91-A that was unsatisfactory. As a result of Collier Capital's refusal to abide by the terms of the Private Markets Disclosure Statement and Manager Acknowledgment, Attorney Rich and Mr. Fleury, following consultation with Trustees Molan and Ntapalis, notified Collier on December 13<sup>th</sup> of the MECRS decision not to invest with Collier. After consultation with MECRS Investment Consultant NEPC, a decision was made to increase the allocation to Searchlight Capital by \$3 million in order to stay close to the intended investment target in private equity.

Attorney Rich stated that Attorney Dutton from his office had written to Collier Capital in March demanding payment from Collier Capital of the sunken costs and investment losses incurred by MECRS as a result of Collier Capital's failure to abide by the Private Markets Disclosure Statement and Manager Acknowledgment. Collier Capital had responded by denying liability and sought to have MECRS invest in Fund VIII with a new side letter. At the request of Collier Capital, Chairman Molan and Executive Director Fleury had a telephone conference with Collier officials on May 11<sup>th</sup> that was unproductive. The Collier Capital officials were focused on

June 9, 2020  
Minutes #570

**Minutes of the Board of Trustees' Meeting -7-**

soliciting participation by MECRS in Fund VIII rather than discussing a payment to MECRS. Following the conference call, Executive Director Fleury had further correspondence with Collier Capital but Collier Capital continued to deny responsibility for any MECRS losses. Attorney Rich indicated that since Collier Capital has made it clear that they had no interest in voluntarily compensating MECRS, the only alternative was to file suit against them in the New Hampshire courts which he and Attorney Dutton did not recommend given the amount involved and the potential costs of litigation. In conclusion, Attorney Rich recommended that the System not escalate the situation any further with Collier Investments.

Trustee Bunker moved that the Retirement System notify NEPC that they are not interested in any future commitments with Collier Capital, seconded by Trustee Gagne.

The trustees expressed their frustration with Collier Capital and their displeasure in dealing with representatives from Collier Capital.

Attorney Rich also noted that subsequent to the board's discussion with Collier Capital, the need to work on revisions to the Private Markets disclosure document was recognized, making it easier for the Retirement System to recover the sunken costs and damages in the event that the situation arises again.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried.

**Chairperson Comments:**

Chairman Molan referred to the Consent Agenda item, Request for Retirement by Finance Director, William Sanders. Chairman Molan stated that Trustee Sanders has provided the Retirement System with great insight and guidance, over the years. He stated that Trustee Sanders has been a valued member of the MECRS Board, as well as a valued friend to all. On behalf of the MECRS Board and Staff, Chairman Molan wished Trustee Sanders the very best in his retirement.

Chairman Molan also extended an open invitation to Trustee Sanders to either attend future board meetings or to counsel the Board on matters that he would like to share his opinion on.

June 9, 2020  
Minutes #570

**Minutes of the Board of Trustees' Meeting -8-**

Trustee Gagne concurred with Chairman Molan's comments and stated that as a fellow department head, he recognizes Mr. Sanders' expertise and work for the City of Manchester and his ability in balancing the interest of the City and the Retirement System.

Before adjourning the meeting, Chairman Molan asked Mr. Fleury if the next Board of Trustees meeting scheduled in July will be held remotely.

Mr. Fleury responded that the decision is dependent on whether the Governor's Executive Order, allowing public meetings to be held remotely, is rescinded and he noted that he will keep the board updated on the issue.

**Motion to Adjourn:**

Trustee Gagne moved to adjourn the meeting at 9:27 a.m. seconded by Trustee Plourde.

Mr. Fleury conducted a roll call vote.

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

Nays: None

Motion carried.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director