

May 12, 2020  
Minutes #569

**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 8:35 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

Also linked remotely, including himself, Mr. Fleury listed, MECRS Staff Sandi Aboshar and Suzanne Wilson, Attorney John Rich from McLane Middleton Professional Association as well as Mr. Keven Leonard from NEPC

**Not Participating:** Trustee William Sanders and Mayor Craig

Before moving forward with the day's agenda, Attorney Rich noted a preliminary matter in which the board minutes must reflect, that the trustees identify any person in their presence, while being linked remotely to the board meeting. All trustees responded that no one else was present at their individual locations.

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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 April 14, 2020, seconded by Trustee Plourde.

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 Comments:**

Chairman Molan stated that he and Executive Director Fleury conducted a recent conference call with Collier International Partners regarding their re-submission of their subscription documents. Chairman Molan reported that a revised document received as a result of the call is currently under review by the MECRS legal counsel.

**Citizens Comments:**

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

**Report of the Investment Committee:**

Chairman Molan indicated that in light of Mr. Leonard's availability, he would like to start with the report of the Investment Committee and asked Chairman Ntapalis to provide his report.

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Committee Chairman Ntapalis stated that the Investment Committee met as scheduled on Thursday, April 16<sup>th</sup> at 8:30, to interview real estate and real asset managers. He reported that committee members began by discussing a wide range of concerns with the investment consultants from NEPC for almost an hour before beginning the interviews.

Committee Chairman Ntapalis indicated that the interviews ran for a total of 2 ½ hours and culminated with a recommendation for the full Board's consideration. He then listed the managers interviewed as:

- Ares Real Estate Secured Income Fund
- HarbourVest Real Asset Fund IV
- Kayne Anderson Real Estate Partners Fund VI

At the conclusion of the interviews and after deliberation and further discussion with NEPC Advisors, Chairman Ntapalis informed the board that Committee Member Gagne made a motion to recommend HarbourVest Fund for a commitment of \$5 million for which Committee Chairman Ntapalis seconded the motion and the vote was all in favor.

Committee Chairman Ntapalis then stated, that as Chairman of the MECRS Investment Committee, he offered a motion that the full Board approve the recommendation of the Investment Committee and move forward with the recommended investment, subject to the customary review of subscription documents by legal counsel.

Trustee Gagne seconded the motion to approve the Investment Committee's recommendation.

Mr. Kevin Leonard corrected Committee Chairman Ntapalis stating that the roman number for HarbourVest Fund is Fund IV.

Chairman Molan noted the correction to the motion.

Mr. Kevin Leonard further stated that NEPC fully supports the recommendation and that the recommendation is consistent with the asset allocation and the strategic plan to continue to diversify. He noted that HarbourVest is one of the top global private market firms within the institutional market place and has been very successful previously. Also, Mr. Leonard explained that HarbourVest IV will focus on energy, power, infrastructure and natural resources, primarily purchasing secondary investments.

Chairman Molan questioned if HarbourVest was asked if their Fund has investment exposure in Timber?

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Mr. Fleury responded that he had no record of that question being asked during the Investment Committee meeting, however he does recall a reference to timber fund exposure, within the HarbourVest materials provided for that meeting.

Attorney Rich stated that HarbourVest is primarily a secondary fund which indicates that they have vetted all managers and that there are not the same concerns as with a prior timber investment made by MECRS.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried.

Mr. Leonard stated that he continues to send Mr. Fleury updates on the equity markets, which are relatively positive. He further outlined the different sectors within the MECRS portfolio and stated that performance has been relatively positive, however he indicated that due to the global pandemic, it is expected to see the second quarter earnings to be historically low.

Chairman Molan asked if there will be an updated flash report on investments for which Mr. Leonard responded that NEPC is currently working on a preliminary report, which will be sent to Mr. Fleury upon completion and subsequently forwarded to the Board members.

Mr. Leonard reported that through quarter to date, beginning April 1, 2020 through the close of business on May 8, 2020, the S&P 500 is up 13.6% bringing the year-to-date -8.7%. Small Cap stocks, defined by the Russell 2000, are up 15.4%, bringing the year-to-date to -19.9%. On the Non-U.S. side, the MSCI EAFE Index which is the benchmark of developed Non-U.S. equities was up 6% quarter to-date, which brings year-to-date to -18.1%. Emerging market equities up quarter to date 7.6%, year-to-date -17.8%, the Russell 1000 Growth for the quarter is up 17.3% and on a year-to-date basis currently positive. Mr. Leonard reported that it is the only equity asset class, positive year-to-date, which is being driven by the technology companies.

Mr. Leonard continued to report positive results, quarter to-date. for fixed income and high-yield bonds, stating that there has been a significant re-bounce in the market.

Chairman Molan thanked Mr. Leonard for his report to the Board and ended the conference call with Mr. Leonard.

Before moving forward with the agenda, Chairman Molan took the opportunity to address the news of the upcoming retirement of Trustee William Sanders, indicating that there will be a significant loss to the MECRS Board of Trustees.

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**Report of the Executive Director:**

Report of Legislative Initiative: Mr. Fleury reported that since the House suspended operations due to the pandemic, there has been essentially no progress on the MECRS's pending legislative initiatives. Legislative activity was initially suspended until May 4<sup>th</sup> according to the state's

website. Mr. Fleury noted however that that message has changed and there appears to be plans to conduct Senate hearings on the bills in some remote manner. Mr. Fleury indicated that he has done many of those types of sessions and he believes that the MECRS is well postured to submit testimony and supporting materials if either of the MECRS' bills come before the Senate.

Participation in Virtual Meetings: Mr. Fleury stated that because of the COVID-19 situation, many organizations have quickly adapted to virtual meetings and have been holding webinars designed to keep clients, investors and stakeholders informed. Since the last meeting, Mr. Fleury informed the trustees that he has participated in virtual meetings and webinars conducted by NCPERS, NEPC, Dalfen, State Street, Sands, PRISA and several others. Generally, across the board, every organization has been providing details on what they have done to cope with the ongoing pandemic while voicing concerns over the long-term implications. While most every organization strives to put their best foot forward, Mr. Fleury indicated that the reoccurring concerns tend to be the specter of a reoccurrence coupled with potential permanent implications for businesses and the global economy. He further explained that he plans to continue allocating time and participation in these meetings and webinars and that he will be happy to answer any questions or concerns regarding the sessions.

Status of GL Replacement: Mr. Fleury explained that work in the GL has slowed because of the difficulty of staff not being in the same location. Testing is detecting minor issues that can easily be resolved, most of them associated with timing between the legacy system and the replacement GL but those types of issues require cooperation between staff that is made complicated by the fact that staff is not in immediate proximity of one another. This is a workable situation he noted but it will delay the implementation.

COVID 19 Virus Response: Moving on Mr. Fleury informed the trustees that since the pandemic has begun, he is confident that staff can provide the full range of client services and tend to the administrative operations of the Plan. He reported that he had been posting COVID-19 updates to the MECRS's website every two or three days when the pandemic first broke out. After the first two weeks, he indicated that he updated the website on a weekly basis and currently Mr. Fleury noted that he has posted a permanent notice on the website, that anyone needing service, can call or email staff during business hours and that staff will respond. Mr. Fleury stated that this will remain the MECRS's staff position until the crisis is over or until some meaningful change to the MECRS's operating status occurs.

Preparation for Audit of 2019: In closing his report Mr. Fleury indicated that the MECRS' auditors are having a degree of difficulty confirming participant data with the employer. He

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explained that this is a spot check that the auditors perform annually, however working from home and social distancing requirements associated with COVID-19 make access to employer files difficult at best. Other than that complication, he stated that the flow of materials to the auditors for their review appears to be happening on schedule and should that continue, the audit results should be ready by July or August at the latest.

**Monthly Cash Balance Report:**

Mr. Fleury reported a healthy cash balance of \$8,671,000 for the period ending April, 2020, with the typical number of distributions and capital calls.

**Report of the Administrative Report:**

Committee Chairman Plourde reported that on April 30, 2020, the Administration & Accounting Committee met to formulate the annual recommendation on whether to recommend a COLA in 2020. He explained that the Executive Director provided committee members with copies of the statute and regulations pertaining to COLA and supplied the calculation called for in the rules. The calculation was based upon regulatory factors in the valuation and upon inflation factors determined by the US Labor Department for calendar year 2019.

After the committee's deliberation, Committee Chairman Plourde reported that a motion was offered by Committee Member Molan, which received a second from Committee Member Ntapolis, to recommend to the full Board that they approve a 1% COLA assumed in the valuation. A roll call vote was taken and it was unanimously in favor. Therefore, Committee Chairman Plourde offered a motion that the full MECRS Board approve the A&A Committee recommendation to award a 1% COLA to all members retired on or before July 1, 2019 with payment to commence with the July 2020 annuity payroll. Committee Chairman Ntapolis seconded the motion.

Chairman Molan then asked Mr. Fleury to read into the minutes the communications received from the retirees regarding the COLA consideration.

Mr. Fleury read the first e-mail:

1<sup>st</sup> e-mail: I understand this coming Tuesday, May 12<sup>th</sup> the MECRS Board of Trustees will be taking a final vote on a 1% COLA, effective for July 1<sup>st</sup>. It would be greatly appreciated to show the Board that pensioners are in support of the 1% COLA. Thank you, Hazel Gott

2<sup>nd</sup> e-mail: Hope this finds you and yours well. On behalf of all the Parks, Cemetery and recreation people who I worked with, I will offer my support of a COLA. If there was a way, I would forgo mine in order for the pensioner who really doesn't receive very much, to receive theirs.

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Anyway, I'm sure you will present the situation in the most fair way possible and we just need to believe our experts. I trust your judgement regardless of the outcome. Stay safe, Ron Ludwig

3<sup>rd</sup> email: Hope you support our cost of living wage during these hard times. Fred Turner, Parks & Recreation

4<sup>th</sup> e-mail: I am sending this e-mail in reference to the upcoming discussion regarding our COLA by the Board of Trustees. As a retired city employee, I have noticed the prices rising steadily. It would be a welcomed relief to receive a cost of living increase. I want to thank you and the board for all you do and your fine consideration on this matter. Thank you in advance, Stan Jaworski

5<sup>th</sup> e-mail: Hoping you will vote for our COLA. Could really use it. Thanks Linda Masewic, Retired Parks & Recreation

6<sup>th</sup> e-mail: I hear next week the board is voting on our COLA. It would be appreciated if the board voted a cost of living raise for us retirees. Whatever percentage is a plus. Thank you, Mike Broutzos

7<sup>th</sup> e-mail: Hope this email finds you well. Please accept this correspondence as my support for the proposed COLA coming up for a vote at the next BOT meeting. The increment suggested may appear to be insignificant to some, however as you know better than I, many of our retirees receiving benefits from the System are not receiving large payments. Any action the board can do to assist these folks should be taken.

Some may feel a meager 1% would not do much to enhance anyone's quality of life, but if their pension is about \$20,000 yearly, an extra \$200 may go a long way to assist some of these folks with prescription co-pays, utilities, etc., providing them with an additional \$1,000 over 5 years and \$2,000 over 10 years. That's real money!

With the recent downturn in the economy and stock market, it may be several years before the System would be able to lend a helping hand again.

I would ask the Board to support the proposed COLA.

Thank you for allowing me to express my opinion. Wishing everyone safety and good health.  
Ronald (Red) Robidas

Mr. Fleury then reported that he also received a telephone call from Mr. Leo Bernier, expressing his support for the COLA consideration.

Mr. Fleury read the final email received from Michael D. Roche.

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I am writing to convey my support for the upcoming vote on a 1% COLA. I believe it is just as important today as it was forty years ago when I made the motion to grant the first COLA ever for the retirees. Thank you in advance for your consideration.

For the record, Mr. Fleury stated that Mr. Roche was one of the original trustees of the MECRS Board.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion carried to grant a 1% COLA as recommended by the A&A committee

**Report of Special Committee:**

Succession Committee Chairman Gagne reported that work on the engagement with EFL Associates is proceeding. Since last month's report, he stated that EFL completed the formal Job Specifications, which were provided to Board and Committee Chairman and to the Executive Director. In addition, he noted that a list of potential advertising sites for the vacancy announcement and job recruitment were compiled and shared with those same individuals.

Committee Chairman Gagne noted that a release date is pending and there will be further reports as project milestones are reached.

In closing his report Committee Chairman Gagne stated that beginning last Friday he will receive weekly reports on the status of the search including a list of any applicants inclusive of a rating on qualifications.

Mr. Fleury added that the job advertisement is on the GFOA website as well.

**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



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Nays: None

Motion Carried.

**New Business:**

Accept and Place on File the 2019 GASB 74 & 75 Report- Trustee Bunker moved to accept and place on file the GASB 74 & 75 Report, seconded by Trustee Gagne.

Mr. Fleury conducted a roll call vote;

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

Nays: None

Motion carried.

**Motion to Adjourn:**

Trustee Gagne moved to adjourn the meeting at 9:06 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