

October 13, 2020  
Minutes #574

**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 8:35 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, Bunker and Trustee 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, as well as Attorney John Rich from McLane Middleton Professional Association.

**Not Participating:** Mayor Joyce Craig

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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 of September 8, 2020. Trustee Ntapalis make that motion, which received a second from Trustee Gagne.

Trustee Bunker then noted his excused absence at the September BOT meeting and requested a correction to the minutes, striking his name from the Roll Call vote taken on page 3, under Chairperson Comments.

Trustee Molan moved to approve the minutes as amended, seconded by Trustee Ntapalis.

Executive Director Fleury then conducted a roll call vote.

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

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 Ntapalis.

Executive Director Fleury conducted a roll call vote.

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

Nays: None

Motion Carried

**Report of the Executive Director:**

Cash Flow Issues: Mr. Fleury reported that at the September, Board of Trustees meeting, the trustees approved rebalancing of the portfolio, which was also intended to augment operating cash. He stated that all of the recommended actions have now been completed.

Status of New Investments: Mr. Fleury reminded the Board of its decision to invest in two new private investment funds, made at the last meeting.

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He reported that one of the funds, the Nexus Special Situations Fund III, had been submitted and accepted. The other investment with CarVal Fund V has been submitted, accepted, and the initial capital call was completed on September 30<sup>th</sup>.

Progress on MECRS 2021 Administrative Budget: Mr. Fleury indicated that work is underway on the MECRS 2021 Administrative Budget, which should be ready for approval by the trustees at the December board meeting. He informed the trustees that there have been no issues with the construction of the budget except for one category, that being Fiduciary and Directors & Officers coverage. He stated that the MECRS insurance agent, Cross Insurance, has cautioned him that the Retirement System can expect to see premium rate increases in excess of 20 percent, compared to previous years. Mr. Fleury then stated that he has requested that the coverage be “shopped” for a better price, however he noted that there are few underwriters providing coverage in these areas so the outlook for competitive pricing is not promising.

Resignation Acknowledgement for Jeff Plourde: Moving on, Mr. Fleury stated that as the Trustees directed at its last board meeting, he acknowledged Jeffrey Plourde’s resignation from the MECRS’s Board, and included the Board’s message that the resignation was accepted with regret. He also expressed his personal belief that Jeff displayed characteristics of a solid board member and suggested that Mr. Plourde might consider a seat on the MECRS’s Board at a future election. Mr. Fleury stated that his message was warmly received.

MECRS Core Telephone System Updated: In closing his report, Mr. Fleury informed the Board that the core telephone system in use at MECRS was over 25 years old and its core components are no longer available in the event of a breakdown. He stated that new phone systems are relatively inexpensive and in light of a current response problem with business hours voicemail, the phone system was replaced on October 9<sup>th</sup>. He noted that the upgrade was completely within budget and will provide a more reliable system with expanded features that will serve the MECRS for years to come.

**Monthly Cash Balance Report:**

Mr. Fleury reported a healthy cash balance of \$7.7 million for the period ending September 30, 2020. He informed the trustees that they can expect to see a significant decrease in the cash flow report ending in October, due to one component of the recent re-balancing, which was delayed and did not execute in September, two substantial capital calls in early October. One from TA Realty and one from Searchlight Investors, refunds to terminated employees, as well as monthly administrative operating expenses. He then indicated that he has been in contact with the System’s financial consultant, NEPC, on the need to closely monitor and maintain a healthy cash position, and that a recommendation will be forthcoming to carry the System to the end of 2020.

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**Report of the Administrative & Accounting Committee:**

Chairman Molan asked Committee Chairman Bunker if he had anything to report, to which Committee Chairman Bunker replied that the committee is currently waiting for final bids on the insurance issue that Mr. Fleury spoke about earlier in the meeting, as well as updated health insurance premiums for 2021.

**Report of the Investment Committee:**

Committee Chairman Ntapalis reported that the Investment Committee met as scheduled on Tuesday, September 29<sup>th</sup> at 8:30 a.m. to review portfolio performance with NEPC and to formulate a course of action with respect to International Equity Investments.

Committee Chairman Ntapalis stated that the Committee received notification from NEPC days before the meeting, on disappointing investment returns by International Equity manager, Gryphon. As part of the quarterly review, Committee Chairman Ntapalis informed the board that NEPC recommended that Gryphon be terminated and that the proceeds be placed into the System's existing Vanguard International Equity Fund, until replacement managers can be interviewed and selected.

He then indicated that the Committee was provided with four potential managers to be interviewed in the wake of a Gryphon termination and was able to narrow the four managers down to three. He stated that the exact date and time for the manager interviews will be worked out between NEPC and the Executive Director.

Committee Chairman Ntapalis then reported that on a motion by Committee Member Gagne, with a second from Committee Member Bunker, the Committee voted to act upon NEPC's recommendation and terminate Gryphon International, placing proceeds temporarily in the Vanguard International Equity Fund and then interview other managers. The motion passed and discussion continued on the managers to be interviewed.

Continuing with his report, Committee Chairman Ntapalis reported that the Committee reached a decision after discussions with NEPC to conduct interviews with managers; Baillie Gifford – EAFE Plus Alpha, GQG – International Equity, and Hardman Johnston International. A motion to that effect came from Committee Member Gagne, with a second from Committee Member Molan and the motion passed.

Therefore, as Chairman of the MECRS Investment Committee, Committee Chairman Ntapalis motioned that the full MECRS Board ratify the recommendations of the Investment Committee

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to terminate Gryphon International, place the proceeds in the Vanguard Total International Equity Fund, and schedule interviews with Baillie Gifford, GQG International and Hardman Johnson International to replace Gryphon. The remote interviews would be scheduled before the MECRS's November BOT meeting. The motion drew a seconded from Trustee Gagne. There was no discussion.

Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried

Mr. Fleury then informed the board that in the time since the Investment Committee meeting was held, he had been able to set a date and time to conduct manager interviews. That meeting is scheduled for October 27, 2020 at 8:30 a.m., with NEPC hosting the meeting via Zoom.

**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 Ntapalis, Trustee Bunker and Trustee Wickens

Nays: None

Motion Carried

Mr. Fleury referred to the March BOT meeting, at which time the Board commissioned the System's actuary Gabriel, Roeder, Smith & Co., to conduct an Experience Study. He informed the Board that the Study has been completed and that he had just received the Study's results earlier that the morning. He went on to suggest that due to the extensive detailed study results, that the Board schedule a Special Board meeting for the sole purpose of reviewing the results of the Study. He sought the Board's approval to work with the System's actuary to schedule that meeting and that he would forward the study's results electronically to the board members for their review, if that met with their approval. There were no objections and so Mr. Fleury indicated that it would be done.

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Moving on, Mr. Fleury stated that pursuant to Title VI, Section 91A:3 II(b), the trustees should enter a non-public session to discuss the details of the recently conducted candidate interviews for the Executive Director position.

Trustee Gagne moved to go into Non-public session at 8:53 a.m., seconded by Trustee Wickens.

Mr. Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis and Trustee Wickens.

Nays: None

Motion Carried

Trustee Gagne moved to reconvene the regular Board meeting at 9:19, seconded by Trustee Wickens.

Mr. Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis and Trustee Wickens.

Nays: None

Motion Carried

Chairman Molan then entertained a motion to seal the minutes of Non-Public session.

Trustee Gagne moved to seal the minutes of Non-public session, seconded by Trustee Ntapalis.

Mr. Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Gagne, Trustee Ntapalis and Trustee Wickens.

Nays: None

Motion Carried

Chairman Molan asked when the announcement would be going out for the upcoming MECRS Trustee election. Mr. Fleury referred the question over to Ms. Aboshar who replied that the notices were sent out on October 1<sup>st</sup>. Mr. Fleury then reminded the Chairman that his term of appointment was nearing its end and he asked whether he should send a reminder letter to the Board of Aldermen indicating Chairman Molan's willingness to accept another term. Chairman

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Molan asked Mr. Fleury to wait until he had the opportunity to converse with some of the Aldermen on the matter and that he would get back to Mr. Fleury regarding a reminder letter.

**Motion to Adjourn:**

Trustee Gagne moved to adjourn the meeting at 9:21 a.m. seconded by Trustee Wickens.

Mr. Fleury conducted a roll call vote.

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

Nays: None

Motion carried.

Respectfully Submitted,

Gerard E. Fleury  
Executive Director