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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 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 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 and Mr. Sebastian Grzejka from NEPC

**Not Participating:** Mayor Joyce Craig

**Excused Absence:** Trustee Richard Bunker

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**Approval of the Minutes of the Previous Board Meeting:**

Chairman Molan entertained a motion for approval of the previous board meeting minutes. Trustee Ntapalis moved to approve the previous minutes of August 11, 2020, seconded by Trustee Gagne.

Executive Director Fleury then conducted a roll call vote.

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

Nays: None

Motion Carried

**Chairperson Comments:**

Chairman Molan announced that the Board is in receipt of a formal letter from Trustee Plourde notifying the MECRS of his resignation from the MECRS Board of Trustees effective immediately, citing personal reasons. Chairman Molan explained that Trustee Plourde's resignation, results in a two-position Trustee election in the upcoming fall season. The first seat he stated is for a two-year term and the second seat is for a three-year term.

With deep regret, Chairman Molan entertained a motion to accept Trustee Plourde's resignation from the Board of Trustees.

Trustee Gagne moved, also with regret, to accept the resignation letter from Trustee Plourde, seconded by Trustee Ntapalis.

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Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried.

Chairman Molan asked Mr. Fleury to send Trustee Plourde notification of the Board's vote to accept his resignation with regrets. Mr. Fleury agreed to do so.

**Report of the Executive Director:**

Report of Legislative Initiative: Mr. Fleury began by reporting that Representatives Long and Goley have been contacted and asked to sponsor MECRS's legislation, once again in the 2021 session of the NH Legislature, pursuant to the board's directive at last month's meeting. While no response has been received from Representative Goley, Mr. Fleury indicated that Representative Long has signaled his willingness to sponsor the MECRS once again, contingent upon his winning re-election in the upcoming November elections.

Status of Replacement GL & Other IT Issues: Mr. Fleury reported that the MECRS server has been successfully replaced and is functioning as planned. He informed the trustee's that the cutoff of the obsolete GL will be delayed until there is absolute certainty that all functions are equal to or better than what was available for the old system. Mr. Fleury stated that a clever migration strategy to the new server allows for indefinite operation in parallel mode so it would be foolhardy to cut off sooner than necessary and subsequently discover a singular annual event that might prove problematic. Therefore, he stated, the Retirement System staff will continue to operate in parallel a bit longer.

Mr. Fleury informed the trustees that recently, the Retirement System was obligated to update the version of the imaging software, that is used to produce scan images of member records for business continuity/disaster recovery purposes. He explained that some months ago staff began to experience difficulty retrieving records from other than the host computer. In August he indicated that the operation of the host computer also became a problem. He further noted that tech specialists for the software were consulted and it was determined that cumulative security upgrades, which are installed automatically from Microsoft, made the base application inoperative and that the simple solution was to upgrade the scanning software on the host machine and on each workstation. Mr. Fleury was pleased to report that additional training was provided on the software upgrades and the system is once again fully operational.

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**Cash Flow Issues:** Moving on, Mr. Fleury reported that the MECRS operating cash balances are at recent lows due to the annual summer reduction in contributions and the expected continuation of capital calls for private investment. He stated that a liquidation plan to raise cash was requested from NEPC however, they took this opportunity to rebalance the portfolio as well as recommending liquidations for cash flow purposes. Mr. Fleury noted that a recommendation for rebalancing awaits the Board vote of approval later in the meeting, for which supporting documents have been prepared in anticipation of an affirmative vote. He then explained that details on the rebalancing are also included in the board packets, and that Mr. Grzejka from NEPC is scheduled to participate remotely, later in the meeting, whereby the trustees will have the opportunity to ask questions and address their concerns regarding their recommendation.

**Status of New Investments:** In closing his report Mr. Fleury recapped the board decision to invest in two new private investment funds at the last board meeting. Mr. Fleury indicated that one of the funds, Nexus Special Situations Fund III had been completed and the draft documents for CarVal Fund V, scheduled to close later this month, is currently under review by legal counsel.

**Monthly Cash Balance Report:**

Mr. Fleury reported no irregularities within the report and noted a cash balance of \$4,737,092.65 for month ending August. Mr. Fleury indicated that next month's cash balance report will include the new funding obligation for Nexus.

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

Mr. Fleury mentioned that currently there is a DRAFT Administrative Rule pending approval, that addresses the issue of members buying back missed contribution's due to circumstance associated with COVID-19. Also, Mr. Fleury noted the need to appoint an A&A Committee Chairman due to Committee Chairman Plourde's resignation.

Chairman Molan then interceded and appointed Trustee Richard Bunker as A&A Committee Chair and asked Mr. Fleury to inform Trustee Bunker and to schedule an A&A meeting to address the pending DRAFT Administrative Rule.

**Report of the Investment Committee:**

Committee Chairman Ntapolis reported that three managers from a list provided by NEPC were interviewed on August 6, 2020. consisting of; Private Advisors Small Company Fund IX, CarVal Credit Value Fund V and Nexus Special Situation Fund.

Committee Chairman Ntapolis re-iterated Mr. Fleury's earlier comments regarding the Investment Committees recommendation, followed by the full Board approval to split the \$10 million allocation evenly between Nexus and CarVal.

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**Report of the Succession Committee:**

Committee Chairman Gagne reported that the Succession Planning Committee formally met remotely on Tuesday, September 1<sup>st</sup> for which Dan Cummings of EFL Associates was a participant.

Committee Chairman Gagne reported that the committee reviewed candidate materials, which had been provided for review and discussion purposes. He explained that each Committee member gave their opinion of each candidate and ranked them in order of preference. In summary he stated it was decided to interview five out of the seven candidates and that interviews would be conducted remotely. Also, he indicated that the goal was to limit interviews to two per day but that all interviews would be done in as short a period of time as possible. It was also determined that all board members would be invited to participate in the interviews, but that it would be important that everyone participate on all of the interviews, in fairness to the candidates and the selection process. He further explained that the list of interview questions would consist of the questions provided by EFL Associates, augmented with questions compiled by the Executive Director and that nothing will prohibit ad hoc questions if such questions help to expand upon the quality of the interviews.

Committee Chairman Gagne stated that the names of the candidates to be interviewed should be treated as confidential and the interviews will take place in non-public session (RSA 91-A:3 II.(b)).

In closing his report, Committee Chairman Gagne stated that Mr. Cummings is currently waiting to hear from the board on the trustee's availability in scheduling the interviews. Chairman Gagne indicated that in the coming days, the trustees will be receiving an email, inclusive of optional interview times to choose from.

The trustees continued to discuss the importance of all the trustees participating in the interview process

**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 Ntapalis moved to accept the Consent Agenda, seconded by Trustee Gagne.

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Executive Director Fleury conducted a Roll Call Vote:

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

Nays: None

Motion Carried

**New Business:**

Cash Flow Re-Balancing – Mr. Grzejka from NEPC was present to recommend a general re-balancing that will provide the needed liquidity and also correct for over/under allocations within the MECRS portfolio. - Referring to the July 31, 2020 Flash Report included in the board packet, Mr. Grzejka reported that the MECRS portfolio was up 2.5% for the year. Fast forwarding to period ending August, 2020 Mr. Grzejka reported all equity markets as positive during the month, also stating yet another stellar month with the MECRS portfolio. Mr. Grzejka then requested scheduling a meeting of the Investment Committee later in the month of September to conduct a review of the MECRS' portfolio.

With respect to rebalancing, Mr. Grzejka stated that the recommendation is to raise a balance of \$3.5 million in the cash account and to re-balance part of the portfolio by taking \$5 million from Sands Capital and rebalancing to Pzena and Rothschilds. The next part of NEPC's recommendation, Mr. Grzejka stated is to take \$2.5 million from PIMCO and rebalancing within the fixed income allocation, which would take the MECRS's portfolio back to target, harvesting some of the gains and raising cash at the same time.

Investment Committee Chairman Ntapalis stated that he will work with Mr. Fleury in scheduling the next Investment Committee meeting.

Trustee Gagne moved to accept the re-balancing recommendation as presented by Mr. Grzejka from NEPC, 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

July 2020 Flash Report – Referring to the Flash Report, Mr. Grzejka noted a bifurcated market between value and growth, large and small cap as well as U.S and non-U.S equities. He noted

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that Sands Mgmt. and Pzena Mgmt. are reflective of the split market. Over the long term he stated the MECRS Investment Managers have done well and he reported the market values of each of the managers. However, he stated that due to the changing market volatility, the COVID-19 pandemic, as well as the pending election, he noted the importance of reassessing the allocation within the portfolio.

Mr. Grzejka noted that specifically, NEPC will be reviewing the allocation with the Kayne Anderson Energy Fund as well as updating the board on activity within the fund. The trustees briefly discussed the allocation with Kayne Energy without needing to take any action.

Chairman Molan referred to the difference between the New Hampshire Retirement System's portfolio reports and the MECRS quarterly reports and because both organizations rely upon NEPC investment guidance, he and asked Mr. Grzejka to explain the difference in the returns, at the next MECRS Investment Committee meeting.

Mr. Grzejka noted the request and stated that he will address the issue at the next meeting.

Trustee Wickens referred to the Total Plan Performance Detail Preliminary report and asked Mr. Grzejka to explain the lack of activity with the Searchlight Fund III.

Mr. Grzejka explained that Searchlight is a new private equity fund for MECRS and that some performance reflects initial start-up activities. Because this is a new fund, the return is reported on a money weighted basis so their performance is based on cash flows verses time rated returns.

There being no further questions and the presentation having concluded, Chairman Molan thanked Mr. Grzejka for his participation in the meeting and ended the remote session

**Motion to Adjourn:**

Trustee Gagne moved to adjourn the meeting at 9:18 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.

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Respectfully Submitted,

Gerard E. Fleury  
Executive Director