

January 12, 2021  
Minutes #579

**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 8:39 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 Ntapalis, Trustee Bunker, Trustee Wickens. Also newly elected Trustees, Mathew Ciechon and Thomas Bozoian. All trustees stated that they were alone during the remote session.

Also linked remotely, in addition to Mr. Fleury and incoming Executive Director Mr. William Shea were, MECRS staff members, Sandi Aboshar and Suzanne Wilson, Attorney John Rich from McLane Middleton Professional Association and NEPC representatives, Mr. Sebastian Grzejka and Mr. Kevin Leonard.

Not Participating: Mayor Joyce Craig

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

Chairman Molan entertained a motion approve the previous board meeting minutes of the Special meeting on November 5, 2020, the regular board meeting minutes of November 18, 2020 and minutes of December 8, 2020.

Trustee Ntapalis moved to approve the minutes of November 5, 2020, November 18, 2020 and December 8, 2020, seconded by Trustee Bunker.

Executive Director Fleury then conducted a roll call vote.

Ayes: Chairman Molan, Trustee Wickens, Trustee Ntapalis, Trustee Bunker, Trustee Bozoian and Trustee Ciechon.

Nays: None

Motion Carried

**Approval of the Immediate Meeting Agenda:**

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

Executive Director Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Wickens, Trustee Ntapalis, Trustee Bunker, Trustee Bozoian and Trustee Ciechon

Nays: None

Motion Carried

Chairperson Comments:

Chairman Molan began by welcoming both newly elected trustees to the MECRS Board, Trustee Thomas Bozoian and Trustee Mathew Ciechon. He then explained that due to the pandemic, the requirement to conduct remote meetings pursuant to RSA 91-A, as well as the requirement to conduct a roll call vote for each vote taken during the Board of Trustees meeting are in effect.

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

#### **New Business:**

Board Organization - Chairman Molan explained that pursuant to By-Laws Article V, 5.01 Standing Committee Membership, he will ratify existing sub-committee chairmanships, fill any vacant committee chairs and will also solicit trustees to fill any committee vacancies.

First, Chairman Molan referred to the chairmanship on both the Investment Committee and the Administration & Accounting Committee and he asked Committee Chairman Ntapalis and Committee Chairman Bunker if they would continue to serve as Chairman on the respective committees, to which they both indicated to that they would like to continue in their roles as Committee Chairman.

Chairman Molan then referred to the Chairman vacancy on the Benefits Committee and he asked that Trustee Ciechon if he would serve as Chairman, to which Trustee Ciechon agreed to do so. Chairman Molan then briefed Chairman Ciechon on the pending legislation for 2021 and he also stated that Mr. Fleury would update him on the pending legislation.

Next, Chairman Molan addressed the vacant seats on each of the sub-committees. He asked Trustee Ciechon if he would be available to fill the vacancy on the Investment Committee, Trustee Bozoian if he would be available to fill the vacancy on the Administration Committee as well as the vacancy on the Benefits Committee. Both Trustee Ciechon and Trustee Bozoian accepted their committee assignments.

Chairman Molan then clarified and reaffirmed all committee assignments and asked if there were any objections, to which there were none.

Mr. Fleury then provided the trustees with an update on the pending legislation, stating that the second LSR received a House Bill number within the last 24 hours. He explained that the Benefits Committee will need to follow the activity on the pending legislation and that he will send copies of both House Bills to Benefits Committee Chairman Tom Bozoian as well as all committee members. He also indicated that on a daily basis, the pending legislation is being monitored.

Adoption of Amended Administrative Rule – Next Chairman Molan referred to the Public Hearing held earlier on housekeeping to Administrative Rule, Part 2.6.1 and addition to Admin. Rule Part 9.1.2 whereby no comments were received. He entertained a motion to adopt the housekeeping measures to address service credit purchases relating to pandemic furloughs.

Trustee Bunker moved to adopt the amendment to Administrative Rule, Part 2.6.1 as well as addition to Part 9.1.2 addressing member concerns regarding the pandemic furloughs, seconded by Trustee Ntapalis.

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Executive Director Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Wickens, Trustee Ntapalis, Trustee Bunker, Trustee Bozoain and Trustee Ciechon

Nays: None

Motion Carried

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

Final Report: Mr. Fleury stated that this will be the last and the 191<sup>st</sup> report, during his employment as Executive Director, for which he has never missed a meeting in 17 years. Mr. Fleury also stated that it has been a pleasure serving the organization and he expressed his thanks to past and present Board Members for their support and special thanks to the staff members of the MECRS, who were here when he arrived and who collaborated with him so well over the years. "We made a terrific team," Mr. Fleury stated and further stated that he could not have done it without them. Mr. Fleury then announced that he will hand over the reins to Bill Shea, who will be a busy man for the first few months. Mr. Fleury indicated that the first few days working with Mr. Shea have gone exceptionally well and provisions have been made for Mr. Shea to contact him after his departure if he needs a helpful hint on anything. Mr. Fleury informed the trustees that the technology to do that efficiently and securely, is already in place.

Forward Planning: Mr. Fleury reported that three important events will be coming up in closing the plan year, the next actuarial valuation, the audit of 2020, and the preparation of the 2020 Comprehensive Annual Financial Report (CAFR). He indicated that the groundwork has already been established for those events and they are expected to run smoothly.

Legislation for 2021: Next. Mr. Fleury stated that at the time his report was written, one of MECRS's two LSRs had been assigned a House Bill number. He reported that LSR 21-0387 dealing with plan amendments was designated as HB 211-FN and now appears on the State's website. He explained that the bill has been shared with counsel and is being reviewed by staff. Regarding the second housekeeping LSR, Mr. Fleury reported that it has yet to be acted upon but still appears in the system as an LSR and the System will be ready to respond when the time comes.

State Street Custody Services Now Outsourcing to India: In closing his report Mr. Fleury informed the board of a recent capital call that required a wire transfer request. He explained that it is customary for a representative from our custodial bank, State Street Bank, to call

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someone other than the initiator of the wire in most cases. When the verification call came in for Executive Assistant Sandi Aboshar, she was working remotely and the call needed to be routed to her cell phone. Mr. Fleury reported that during the initial call he found it very difficult to communicate with the individual, because of that person's poor command of English. He then advised the caller to contact Ms. Aboshar, using the cell number they had on file. Mr. Fleury went on to state that he subsequently received another call from the individual indicating that he could not reach Ms. Aboshar and that he had left a message and that he had been trying to her all morning without success.

When she eventually received the call, Ms. Aboshar reported that she learned that the caller was in India. Mr. Fleury stated that he has no issue with outsourcing, however given the importance of timely and accurate financial transfers, when agents are less than truthful and their command of English creates a communications challenge, it can be disconcerting and therefore he wanted to inform the Board of the issue.

**Report of the Cash Balance:**

Moving through the agenda and for the benefit of the newly elected Trustees, Chairman Molan asked that Mr. Fleury provide a detailed explanation of the Cash Balance Report.

Mr. Fleury explained that the pension fund investments are diversified into a number of private investments. The Cash Balance Report lists the MECRS's funding commitments, the balance of those commitments as well as the funding target year for each fund. He stated that this monthly report keeps track of those commitments to assure that adequate cash reserves are on hand to meet the Retirement System's obligations for the annuity payroll and other Retirement System liabilities.

Mr. Fleury then reported a healthy balance of \$4.8 million in cash with a target balance about \$3.5 million for the period ending December, 2020.

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

Committee Chairman Bunker stated that other than the other than the adoption of the Administrative Rules conducted earlier in the meeting, he had nothing to report.

**Report of the Investment Committee:**

Committee Chairman Ntapolis asked NEPC representatives to report of the investment return for period ending 2020.

Mr. Grzejka reported that the System closed November with the composite level, up about 8.5% for the year, the second-best November on record. He then stated that based on preliminary

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results, the Plan is expected to closed December up another 3%, which results in a positive return for the year in the 11% range.

Mr. Fleury then noted progress on the board's authorization to terminate PZENA Investment Management and replace them with Aristotle Capital. He indicated that the Fund is expecting the cash proceeds from PZENA on Wednesday, January 13, 2021 and Chairman Molan will be signing the agreement with Aristotle on Wednesday as well.

Mr. Fleury stated that he and Mr. Shea are currently in the transition period, switching over signatory responsibilities and notifying vendors of the Executive Director change. He also informed the board that he will make himself available, if necessary, regarding the two-House Bills, which may require testimony in person or remotely in the House and Senate.

Chairman Molan thanked Mr. Fleury for his continued support with the MECRS' pending legislation.

**Consent Agenda:**

Chairman Molan entertained a motion for approval of the Consent Agenda.

Trustee Wickens moved to approve the Consent Agenda, seconded by Trustee Bozoian.

Executive Director Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Wickens, Trustee Ntapolis, Trustee Bunker, Trustee Bozoain and Trustee Ciechon

Nays: None

Motion Carried

**New Business:**

Application Request for Ordinary Disability – Mr. Fleury reported that Retirement System member, Ms. Ruth Watts has applied for an Ordinary Disability, pursuant to the provision of Chapter 218:15 Laws of 1973, as amended and Administrative Rule Section 2.3. Upon reviewing the records submitted and the results of the two Independent Medical Evaluations performed, Mr. Fleury stated that all requirements were met in applying for the disability and the case contains the necessary evidence which would allow an objective reviewer to conclude that the applicant is totally and permanently disabled such that the applicant is incapable of performing the essential functions of her position as listed on her job description.

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Mr. Fleury stated that it is his recommendation that the board approve the applicant's request for disability based upon evidence submitted and compiled.

Chairman Molan entertained a motion for approval of the Ordinary Disability by Ruth Watts.

Trustee Ntapolis moved to approve the request for Ordinary Disability, seconded by Trustee Bunker.

Executive Director Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Wickens, Trustee Ntapolis, Trustee Bunker, Trustee Bozoain and Trustee Ciechon

Nays: None

Motion Carried

Fiduciary Education from NEPC – Mr. Sebastian Grzejka and Mr. Kevin Leonard were connected remotely to provide introductory information on Principals for Responsible Investing, which could form the basis for a revision to the MECRS Guidelines to include language on ESG Investments.

Before beginning their presentation on Impact Investing, Mr. Leonard stated that he and Mr. Grzejka would like to formally congratulate Mr. Fleury on his pending retirement. Mr. Leonard remarked that some of the best email exchanges have come from Mr. Fleury over the years and also that they have enjoyed the dialogue that they have had with Mr. Fleury during his tenure as Executive Director and that he will be missed.

Mr. Leonard explained that Impact Investing is a term used to encompass investing approaches that seek to achieve both a financial return and a societal contribution. He indicated that NEPC is seeing more interest in Impact Investing and Environmental Social Governance (ESG) investing within the public fund arena. Typically, he stated, this type of investing has been practiced within endowment and foundations, but more and more public funds are showing interest in Impact Investing.

Mr. Leonard first explained Top-down investing and Bottom-up investing, versus Impact Investing and he provided the trustees with examples of such investments. In a public fund world he stated, the trend has primarily been Top-down investing. This would involve a state or local law mandating investment behavior by a public fund.

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Mr. Fleury transferred the host control of the meeting over to Mr. Grzejka, enabling Mr. Grzejka to share his PowerPoint presentation for all those participating in the ZOOM meeting.

Referring to page 3 of the presentation, Today's Impact Landscape, Mr. Grzejka defined four strategies in the current impact landscape, Negative Screening, ESG Integration, Thematic, and

Shareholder Engagement. He then provided details on the different approaches, including limitations within each approach.

Mr. Fleury referred to MECRS's recent investment manager interviews and stated that one of the managers had stated that they had an ESG version of the portfolio that the Board was considering. Mr. Fleury stated that what he was told was that ESG had performed better, but with equal fees. With the broader concept of sustainability and the concerns over disruptions in certain industries, Mr. Fleury noted the importance of board members being cognizant of the fact that the current guidelines may be hampering a manager and the importance of having those guidelines in concert with current market trends.

Mr. Grzejka concurred with Mr. Fleury and stated that good governance in any kind of corporation should provide good results long term and the ESG Integration is a sound part of the investing process.

Mr. Grzejka then stated that NEPC is focused on incorporating ESG consideration into their research process and has developed an ESG manager assessment tool to be applied across all asset classes. A proprietary ESG rating system allows NEPC to provide their opinion on the practices of investment managers.

In closing his presentation Mr. Grzejka indicated that it is NEPC's goal is to provide clients with an understanding of ESG integration approaches, industry trends and how ESG can be applied within their portfolio.

Mr. Fleury recommended that the Investment Committee give an ESG strategy future consideration within the MECRS's investment guidelines.

Mr. Grzejka indicated that NEPC will implement their rating scale within the MECRS's portfolio based on NEPC's metrics.

Attorney Rich commented that Mr. Leonard's explanation of the top-down and bottom-up investing was well done, however, he noted the importance of documentation being included in the final investing process.



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Trustee Wickens felt that incorporating ESG investing into the MECRS's Investment Policy would be beneficial.

Trustee Bunker concurred with Trustee Wickens comments.

Chairman Molan thanked Mr. Leonard and Mr. Grzejka for their presentation on Impact Investing.

Incoming Executive Director Shea asked the NEPC representatives, if NHRS is currently implementing ESG investing.

Mr. Leonard stated that the NHRS is currently considering and reviewing how ESG investing would impact their Fund.

Chairman Molan then thanked Mr. Fleury for his years of serving the MECRS and that the MECRS's Board owes Gerry a debt of gratitude. He also stated, if he has learned anything from Mr. Fleury over the years, "it's pay attention to details."

Trustee Ntapolis stated that it has been a pleasure to work with Gerry and it is his hope for Gerry to take the well-deserved time to enjoy his retirement. Trustee Ntapolis then welcomed the two new Board members as well as Mr. William Shea as the new Executive Director.

**Motion to Adjourn:**

Trustee Bunker moved to adjourn the meeting at 9:52 a.m., seconded by Trustee Ntapolis.

Executive Director Fleury conducted a roll call vote.

Ayes: Chairman Molan, Trustee Wickens, Trustee Ntapolis, Trustee Bunker, Trustee Bozoian and Trustee Ciechon

Nays: None

Motion Carried

Respectfully Submitted,

William T. Shea  
Executive Director