

March 9, 2021  
Minutes #581

**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 and only one such requests was received.**

**Call to Order:** Executive Director Shea called the meeting to order at 8:33 a.m.

Before moving forward with the agenda items Mr. Shea referenced the SPECIAL NOTICE regarding the COVID-19 Pandemic, and read it into the minutes.

**Linked Via Conference Call:**

Executive Director Shea conducted a roll call for those participating via Zoom Conference.

**Participating Remotely:** Trustee Ntapalis, Trustee Ciechon, Trustee Bozoian, Trustee Wickens and Mayor Craig. Mayor Craig disclosed that her Chief of Staff Lauren Smith was also present. All other trustees stated that they were alone during the remote session. Due to technical difficulties, Chairman Molan joined the meeting at 8:40 a.m.

Also linked remotely in addition to the Executive Director Mr. William Shea were, MECRS staff member Sandi Aboshar, Attorney John Rich from McLane Middleton Professional Association and Berry Dunn representatives Mark LaPrade and Tyler Butler, NEPC representative Mr. Kevin Leonard. Gabriel, Roeder, Smith & Co. representatives Mr. Ken Alberts and Mr. Kevin Noelke as well as retiree/citizen Mr. Gerry Fleury

Not Participating: Trustee Bunker

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

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

Due to Chairman Molan having connectivity issues and joining the meeting late, Executive Director Shea entertained a motion to approve the previous board meeting minutes of February 9, 2021.

Trustee Ntapolis moved to approve the minutes of February 9, 2021, which was seconded by Trustee Bozoian.

Executive Director Shea then conducted a roll call vote.

Ayes: Trustee Ntapolis, Trustee Bozoian and Trustee Ciechon.

Abstentions: Trustee Wickens

Nays: None

Motion Carried

**Approval of the Immediate Meeting Agenda:**

Executive Director Shea entertained a motion to approve the immediate meeting agenda.

Trustee Wickens moved to approve the immediate agenda, which was seconded by Trustee Ntapolis.

Executive Director Shea conducted a roll call vote.

Ayes: Trustee Ntapolis, Trustee Wickens, Trustee Bozoian and Trustee Ciechon

Nays: None

Motion Carried

At 8:40 a.m. Chairman Molan joined the meeting remotely and commented that he was alone and that he would continue with agenda item, New Business #1, GRS presentation of the 2020 Preliminary Valuation, in order to accommodate Mayor Craig's meeting schedule.

**New Business:**

Gabriel, Roeder, Smith & Co. – GRS representatives were linked remotely to deliver the 2020 preliminary actuarial results.

March 9, 2021  
Minutes #581

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

First Mr. Alberts reviewed “actuarial 101” slides for the newly elected trustees to the MECRS’s board. He stated that the purposes of the valuation are to measure the System’s funding progress and to calculate the employer contribution rate for the City’s fiscal year 2022. He explained that the Retirement System is supported by member contributions, City contributions and investment income.

The funding objective of the Retirement System, Mr. Alberts summarized, is to establish and receive contributions which, when expressed as percent of active member payroll, will remain approximately level from year to year and will accumulate sufficient assets over each member’s working lifetime, to finance promised benefits throughout retirement. Contributions which satisfy the funding objective are determined by the annual actuarial valuation.

Mr. Alberts further explained that the valuation results detailed in the presentation involve actuarial calculations that require assumptions about future events. Mr. Alberts noted that the assumptions and methods used are reasonable and appropriate for the purpose for which they have been used. In addition, Mr. Alberts stated that because it is not possible or practical to consider every possible contingency, GRS may have used summary information, estimates or simplifications of calculations to facilitate the modeling of future events.

Utilizing a chart on page 18 of the presentation in the board’s agenda packets, Mr. Alberts provided a brief summary of the active experience versus the expected experience, active members added to and removed from the rolls and how those demographic assumptions affected the preliminary actuarial results.

Trustee Ntapolis asked Mr. Alberts if the decrease of active employees contributing in 2020, from 2019, is considered to be a loss in funding the employee contributions.

Mr. Alberts explained that it is not considered a loss. Not only did the System have a reduction of active employees, they also did not have the accrual of those member benefits, therefore it does not affect the System’s funded status.

Mr. Alberts reported that the past year has been unusual given the COVID-19 pandemic. It is possible that some of this year’s demographic experience is attributable to the pandemic, such as the higher rates of death and retirement and lower rates of vested terminations. Given that we are still in the pandemic, Mr. Alberts commented that it is not yet known what the full effects will be on the Retirement System. It is possible that the valuation results will be uncharacteristically volatile during the next couple of years as a result of the pandemic.

Moving on, Mr. Alberts directed the trustee’s attention to page 16. He reported that the average pay increased by about 5.5% which generated a loss on accrued liability.

March 9, 2021  
Minutes #581

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

Noting Mayor Craig's time constraint, Executive Director Shea asked Trustee Wickens and Mayor Craig if there was a specific segment of the presentation where they had concerns or questions.

Trustee Wickens stated that one of the concerns of Mayor Craig's was the \$1.57 million increase in the employer contribution rate, within the general fund. She inquired as to the possibility of utilizing the smoothing process or amortizing the 5% increased cost of the employer contribution rate.

Mayor Craig interjected and listed some of the funding constraints, in formulating the upcoming budget that the City faces

Mr. Alberts referred back to the preliminary report and stated that last year's employer rate was 30.50% and this year's rate has been computed at 35.46%.

The next source of activity Mr. Alberts stated will be the assets on page A-3. Mr. Alberts reported the Summary of Current Asset Information and the Development of Funding Value of Assets, noting the Total Value of Assets of \$261,645,690 for 2020. Mr. Alberts noted that differences between actual and assumed investment income are phased in over a closed 5-year period. He stated that the funding value of assets recognizes assumed investment income fully each year. During periods when investment performance exceeds the assumed rate, funding value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate funding value of assets will tend to be greater than market value. If actual and assumed rates of retirement income are exactly equal for four consecutive years, the funding value will become equal to market value.

Trustee Wickens asked Mr. Alberts if he would provide a calculation of smoothing the 5% projected employer contribution increase over a 5-year period for the board's consideration, to which Mr. Alberts responded that he would be willing to research that possibility.

Mr. Alberts stated that there is a methodology which can be applied within the asset valuation to accelerate the recognition of market expectations and he asked Mr. Leonard from NEPC to elaborate on the 2021 market expectations.

Mr. Leonard from NEPC detailed the 10-year outlook, and he stated that 2021 is projected to be a good year for risk assets with a strong rate of return.

In summary, Mr. Alberts stated that GRS could research a couple of alternatives, 1.) grading into the higher contribution and 2.) possibly re-setting the smoothing of assets.

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

Mayor Craig stated her deadline for presenting the City budget by March 31<sup>st</sup> and she asked Mr. Alberts when he would be able to report those suggested alternatives of reducing the employer contribution rate to the board, for which Mr. Alberts responded that he would work on those requested calculations ASAP.

Mr. Laprade from the audit firm, Berry Dunn pointed out that the investments do need to defer into the expense over a 5-year period straight-line so there may be a difference in funding and GAAP accounting for the City from the expense prospective.

At this point in the meeting, Chairman Molan stated that it would be wise for the Board to explore the alternative employer contribution determinations.

After lengthy discussion the Board agreed to schedule a Special BOT meeting, whereby Mr. Alberts will present alternative employer contribution determinations for the Board's consideration.

After brief discussion regarding the trustees' and mayor's availability, it was agreed upon to schedule the Special meeting, whereby the actuarial alternatives would be presented on Monday, March 15, 2021 at 8:30 a.m.

Before departing the remote meeting, Mayor Craig thanked all those attending the meeting for their consideration in researching ways in possibly reducing the employer contribution rate.

Mr. Alberts turned the presentation over to Kevin Noelke whereby he summarized the assets used for the valuation, reporting the market value total as \$277,363,259 and a funding value as of December 31, 2020 as \$261,645,690. Mr. Noelke noted that as a favorable position for the MECRS.

Mr. Noelke reported that the rate of return recognized as 8.6% also a favorable position. Mr. Noelke then provided the board with an explanation of the computed process in the development of funding value of assets.

Mr. Noelke moved on to page A-5 of the presentation. He reported that the experience during the year ended December 31, 2020 was more favorable than assumed for both pension benefits and the health subsidy. The primary source of experience gain was investment return. On a funding value basis, recognized return was 8.6% compared to a 7.0% assumed rate of return. Overall, he reported that the health experience gain was approximately 1.2% of beginning year liabilities. The health funded status increased from 48.0% to 51.8% before recognition of assumption changes.

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

Mr. Alberts continued on page A-2 of the presentation detailing a chart Summary statement of System Resources and Obligations. present resources and expected future resources for both pension and health

Mr. Alberts stated that the computed pension contribution rate for the City's fiscal year 2022 is 32.70% of covered payroll. The computed health subsidy contribution rate for the City's fiscal year 2022 is 2.76% of covered payroll.

Continuing to work through the preliminary valuation, Mr. Alberts stated that the contribution rates are sufficient to finance the employer normal cost and to amortize the unfunded pension actuarial accrued liability (full funding credit) as a level percent of payroll over a period of 19 years for pension benefits, and 19 years for health subsidy benefits.

Mr. Alberts reported that the total computed contributions for the City's Fiscal year 2022, normal cost of 13.54%, member contributions of 3.75%, employer normal cost of 9.79%, unfunded actuarial accrued liability of 22.91%, health contribution of 2.76%, resulting in the Employer pension total of 35.46%.

Mr. Alberts then stated that recognition of these assumption changes reduced the pension funded status from 63.7 to 59.2% and the health funded status from 51.8% to 46.8%. Further, the pension contribution increased by 4.62% of pay and the health contribution by 0.56% of pay.

Mr. Noelke then reported on the Derivation of Experience Gain & Loss for 2020. He stated that the actual experience will never (except by coincidence) match exactly with assumed experience. Gains and losses often cancel each other over a period of years, but sizable year-to-year fluctuations are common. He referred to a chart on the bottom of page A-6 which provided a history of gains and losses for pension and health over the last ten years.

The pension unfunded actuarial Accrued Liability (UAAL) of \$168, 697,990 is amortized over a closed 19-year period and the health subsidy UAAL of \$18,805,740 is amortized over a closed 19-year period.

Continuing to work through the presentation Mr. Alberts referred to Comment E, Retiree Health Benefits. He noted that a separate medical care account is maintained and that the medical benefits along with any life insurance provided by the Plan are subordinate to the retirement benefits. Benefits are considered subordinate if they do not exceed 25% of the aggregate contributions other than contributions to fund past service liabilities. He noted that the health care contribution rate was determined to pass the 25% test for the 2022 City fiscal year.

Referencing Comment H within the presentation, Mr. Alberts reported the load for the end of career payments affecting final average compensation is currently 12% and he referred to a historical schedule of those increases over the last 10 years.

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

Having concluded the presentation of the 2020 Preliminary Valuation, Mr. Alberts thanked the board for their time and commented that he will be submitting alternatives next Monday, March 15, 2021 as requested.

Mr. Kevin Leonard of NEPC reported on the market outlook, key market themes, the effects of COVID as well as the stimulus packages. He highlighted the 10-year forecast of fixed income, equities, non-U.S. equities and risk assets, such as emerging markets.

Referring to MECRS's current Investment Policy, Mr. Leonard reported NEPC's recommendation, applying the 2020 assumptions, is to increase the overall equity profile from a target of 60% to 66%, which includes a new allocation to global equity. Fixed income is currently at 20% Mr. Leonard reported and NEPC is recommending keeping the allocation at 20% however re-distributing the absolute return fixed income, currently managed by Blackrock.

In addition, Mr. Leonard is recommending liquidating the multi-asset PIMCO Fund and re-distributing the proceeds into the overall equity portfolio to increase the equity allocation. The impact of those recommendations will increase the expected 10-year return of 5.8% to 5-9% as well as increasing the 30-year expected return from 6.8% to 6.9% as well as slightly increasing the portfolios volatility.

The board thanked Mr. Leonard for his presentation and Investment Committee Chairman Ntapolis stated that he will work to schedule an Investment Committee meeting for continued discussion regarding NEPC's recommendation.

**Report of the Executive Director**

Closing of 2020 Plan Year: Mr. Shea first reported that during the last week of February, MECRS "closed the books" on 2020, with no issues.

Forward Planning: Mr. Shea indicated that four important events are on track; the next actuarial valuation, for which was presented earlier in the meeting by GRS, the audit of 2020, the COLA consideration for which an Administrative & Accounting Committee meeting has been scheduled for April 8<sup>th</sup> and the publication of the 2020 CAFR. These four major items are all on track.

Executive Assistant Job Requisition: Mr. Shea referred to the upcoming retirement of Sandi Aboshar, effective June 1, 2021. In February, Mr. Shea reported, the Executive Assistant requisition for Sandi's replacement was created. During the week of 2/8/2021, the job requisition was loaded to the MECRS website and during the week of 2/15, the job requisition was posted on Indeed.com. Mr. Shea reported that he has received approximately 30 resumes, with less than a handful of qualified applicants and that he will be making a decision on Ms. Aboshar's replacement by the end of March.

March 9, 2021  
Minutes #581

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

Legislation for 2021: Moving on Mr. Shea reported that House Bill (HB) 356, which was the “house cleaning” bill, was passed on February 24, 2021. Benefits Committee Chairman Bozoian will provide a committee report later in the meeting. This is purely an administrative bill Mr. Shea noted, as it provides a means by which a trustee could be appointed to fill an unexpired term in the event that an elected trustee is unable or unwilling to complete an elected term in office. He then indicated that the same bill also contains technical changes to clarify the way in which our retirement plan satisfies its obligations under the Federal Tax Law. The NH House Executive Departments and Administration (ED&A) Committee moved and voted to retain HB 211, which means that the Bill is being “tabled” until they hear back from the MECRS Board of Trustees to reaffirm or withdraw the bill.

Work from Home Implemented: Mr. Shea stated that he felt that MECRS needed a Work from Home (WFH) Policy of one day per week in order to attract talent for open positions in the future. He stated that this is an added cost-neutral benefit, which supports a better work life balance for MECRS’ employees. Also, he noted that the MECRS staff has had plenty of time to practice such a policy during COVID-19. He added that the policy is simple, and ensures that employees sign into a messenger system daily, that “in office” tasks are scheduled accordingly to prevent an uneven workload, and that the policy can be terminated at any time by the Executive Director.

#### **Report on the Monthly Cash Balance**

Mr. Shea reported no issues with a stable cash balance ending February 28, 2021 with standard pension contributions and outflows for a balance of \$7.58 million with a target cash balance of \$3.5 million.

Chairman Molan asked NEPC representative Mr. Leonard if the excess cash should be re-directed into the S&P Index Fund.

Mr. Leonard referred to NEPC’s recommendations delivered earlier in the meeting, and stated that upon adoption of those recommendation by the full board, the excess cash can certainly be redeployed.

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

Committee Chairman Ntपालis reported that Investment Committee met as scheduled on Tuesday, March 2, 2021 at 8:30 a.m. to conduct a manager interview of DSF in regards to Fund V, as recommended by our advisors at NEPC.

Committee Chairman Ntपालis stated that DSF representatives provided a presentation of Fund V, the DSF Multi-Family Real Estate Fund 2019. At the completion of the presentation, he indicated that a motion was offered by Committee Member Molan to table the discussion



March 9, 2021  
Minutes #581

**Minutes of the Board of Trustees' Meeting -9-**

regarding investing in DSF Fund V to the Board of Trustees meeting scheduled for March 9, 2021. This drew a second from Committee Member Wickens. The vote was all in favor at the Investment Committee meeting.

Chairman Molan moved to remove the item from the table, regarding the allocation to DSF Fund V, which was seconded from Trustee Ntapalis.

Executive Director Shea conducted a roll call vote.

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

Nays: None

Motion Carried

The Trustees discussed DSF Fund V and its focus on east coast workforce housing. It was noted that demand for such housing was not going to disappear any time soon. The amount of the investment was discussed with Mr. Leonard noting that the current investment is \$1.5 million. Chairman Molan moved to allocate \$1.5 million with the DSF Fund V subject to review of legal documents, before the opportunity closes in April, which was seconded by Trustee Ntapalis.

Executive Director Shea conducted a roll call vote.

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

Nays: None

Motion Carried

**Report of the Benefits Committee:**

Benefit Committee Chairman Bozoian reported that the Benefits Committee met as scheduled on Tuesday, March 4, 2021 at 8:30 a.m. to conduct a review of House Bill (HB) 211 (changes to the pension plan effective January 1, 2022).

Committee Members, as well as Gerard Fleury (citizen) discussed their views on the bill, Committee Chairman Bozoian stated, including potential impacts on the ability to fill open City positions and the impact on future employees. At the end of the discussion, he reported that a motion was offered by Committee Chairman Bozoian to recommend withdrawing support for HB 211 at the Board of Trustees meeting scheduled for March 9, 2021, which drew a second from Committee Member Ciechon. The vote was all in favor.

March 9, 2021  
Minutes #581

**Minutes of the Board of Trustees' Meeting -10-**

Committee Chairman Bozoian moved to act upon the Benefits Committee recommendation to withdraw support of HB 211, which was seconded by Trustee Ciechon. The Trustees discussed the impact of the legislation on the ability to hire new City employees and the corresponding impact on the System. It was noted that even if the Trustees wanted to amend the legislation, there was not sufficient time to do so.

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

Nays: Wickens

Motion Carried

Trustee Wickens stated her concerns with the current retirement system participants and the need to implement legislation for future plan participants and to ensure stability of the Retirement Plan.

Chairman Molan directed Mr. Shea to send a thank you to note to Representative Pat Long for his support and effort pursuing the MECRS's Plan legislation.

**Consent Agenda:**

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

Trustee Bozoian moved to approve the Consent Agenda, which was seconded by Trustee Ntapalis.

Executive Director Shea conducted a roll call vote.

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

Nays: None

Motion Carried

**New Business:**

Request for Transfer – Transfer between accounts, in the amount of \$34,577.21, in order to have the 2020 Administrative Budget close out without any individual lines exceeding the appropriated amount.

March 9, 2021  
Minutes #581

**Minutes of the Board of Trustees' Meeting -11-**

Trustee Bozoian move to approve the request for transfer, which was seconded by Trustee Ntapalis.

Executive Director Shea conducted a roll call vote.

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

Nays: None

Motion Carried

Mr. Fleury suggested a reaffirmation of the values on pages A-5 and A-7 of the preliminary valuation, so that the pending changes do not affect the upcoming COLA consideration.

**Motion to Adjourn:**

Trustee Bozoian moved to adjourn the meeting at 10:39 a.m., which was seconded by Trustee Ntapalis.

Executive Director Shea then conducted a roll call vote.

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

Nays: None

Motion Carried

Respectfully Submitted,

William T. Shea  
Executive Director