

Note: These minutes from the March 10, 2015, regular meeting were approved and executed at the April 14, 2015, meeting of the Board of Trustees.

**Board of Trustees
March 10, 2015**

The Public Minutes

**New Hampshire Retirement System
54 Regional Drive
Concord, New Hampshire**

Trustees: Dick Gustafson, Ph.D., *Chair*; Tonya Angwin ; John Beardmore; Dean Crombie; Bill Dwyer; Julia Griffin; Maureen Kelliher; Germano Martins; David McCrillis; Hershel Sosnoff; and George Walker. Don Roy, *absent*.

Staff: George Lagos, *Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Denise Call, *Director of Employer Services*; Frank Clough, *Director of IT*; Marty Karlon, *Public Information Officer*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Nina Calkins, *Process Improvement Manager*; Carolyn Johnson, Esq., *Hearings Examiner*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Rosamond Cain, *Human Resources Manager*; Shannan Hudgins, *Administrative Coordinator*.

Guests: David Kausch and Heidi Barry, GRS.

Chair Gustafson called the March meeting of the NHRS Board of Trustees to order at 9:00 a.m. On a motion by Trustee Walker, seconded by Trustee Martins, the Board of Trustees unanimously voted to approve the February 10, 2015, Regular Board Meeting public minutes.

Audit Committee Chair Beardmore reported that the Committee had reviewed and unanimously approved the Surry Village Charter School (SVCS) withdrawal application. On a motion by Trustee Beardmore, seconded by Trustee Sosnoff, the Board unanimously accepted the recommendation of the Audit Committee to approve the request of Surry Village Charter School to withdraw from the System pursuant to RSA 100-A:43 upon satisfaction of the following conditions:

SVCS shall provide NHRS with:

- (1) documentation evidencing a vote of its governing body to establish an alternative retirement plan providing benefits which are at least equal to the current NHRS benefits,
- (2) a copy of a duly executed declaration of trust, plan document and summary plan description governing such plan,
- (3) documentation, if any, providing notice to employees detailing the establishment of the alternative plan; and

(4) payment of its unfunded accrued liability as determined by GRS.

Chair Beardmore noted that *Internal Auditor* John Browne had reviewed the Audit Tracker, and the Committee had received updates on IT matters, as well as the telephone system Request for Proposals (RFP).

Trustee Walker reported that at its March 6, 2015 meeting, the Benefits Committee had approved the minutes of its January 12th meeting, reviewed Staff recommendations for the Pearson Matter, as well as a rule making petition. The Committee's recommendations would be presented to the Board for vote at the April 14, 2015, meeting. Trustee Walker stated that the Committee had also received an update on the medical subsidy audit project, which had been well-received for its thoroughness and timeliness. He closed by reporting that three recoupment matters had been decided.

Chair Gustafson reported that the Governance Committee had not convened since the February meeting and there were no matters to report.

Trustee Sosnoff delivered the Investment report, stating that funds held in trust as of January 31, 2015 were \$7.28 billion, representing a decrease over the previous month of 0.1%. The US unemployment rate had dropped to 5.5%, a figure which included an influx of people returning to the job market after unsuccessful years of searches. He also noted that the economic threat to the European Market had been forestalled by an eleventh-hour negotiated deal with Greece.

Larry Johansen, *Director of Investments*, added that the IIC quarterly report would be available to the Board at its April meeting. He also provided the following performance return figures as of December 31, 2014: one year at 6.5% - the top quartile; three years at 12.9% - the top decile; and five years at 10.2% - better than 85% of NHRS peers. He closed by announcing that the Independent Investment Committee (IIC) February meeting which had been cancelled because of inclement weather would be held on Friday, March 20, 2015.

Trustee Crombie, Chair of the Personnel, Performance & Compensation Committee (PPCC), stated that at its February 17th meeting, the Committee had discussed a limited number of personnel issues, followed by the annual Executive Director evaluation. On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board of Trustees voted to enter into non-public session under RSA 91-A:3, II(c) to discuss a matter which could adversely impact the reputation of someone other than a member of the Board, on a roll call vote, as follows:

Ayes: Trustees Gustafson, Angwin, Crombie, Beardmore, Dwyer, Griffin, Kelliher, Martins, McCrillis, Sosnoff, and Walker.

Nays: None.

On a motion by Trustee Dwyer, seconded by Trustee Griffin, the Board unanimously voted to conclude the non-public session during which no action had been taken.

Trustee Sosnoff opened the Legislative Committee report and requested Legislative updates from Marty Karlon, *Public Information Officer*. Mr. Karlon reported that the Legislature had used House Bill 2, the budget legislation, as a device to suggest mechanical language changes regarding medical subsidy. He anticipated additional legislative activity following cross-over on April 2, 2015.

Chair Gustafson provided the Board with a brief Real Estate update, stating the Committee continued to work on the 16 Foundry Street office space. He did not expect the planned afternoon Committee meeting to sustain a quorum and therefore would be rescheduled.

David Kausch and Heidi Barry, consulting actuaries from Gabriel Roeder Smith and Company (GRS), presented a comprehensive education session to the Trustees specifically addressing the upcoming actuarial 5-Year Experience Study as mandated by RSA 100-A:14, IX. Their presentation included explanations for the purpose of an experience study, the recommended timeframe and the actuarial assumptions employed that would ultimately be considered in employer contribution rate setting for the 2018-2019 biennium. Mr. Kausch and Ms. Berry entertained questions throughout their report and closed with a proposed timeline for the June 30, 2015 Experience Study.

Following a ten-minute recess, the Board reconvened and Executive Director Lagos began his executive update. He announced that the PELRB hearing before the NH Supreme Court had been set for argument on the morning of Tuesday, March 31st with Atty. Edward Kaplan representing NHRS. He then addressed the continued above-95% score on the KPM, which he attributed to consistent and focused management effort. Mr. Lagos next discussed the member and retiree satisfaction and telephone survey reports that were located at the end of his monthly reports, stating that the accumulation of specific data through paper surveys had expanded the survey response rates. The telephone survey results were more anecdotal than scientific but yielded primarily positive comments from the members and retirees who had visited or had direct contact with NHRS.

Tim Crutchfield, *Chief Legal Counsel*, began his update with a report on the AFT suit in Merrimack County Superior Court in which Judge McNamara dismissed the remand from the NH Supreme Court following its January 16th decision. Staff is awaiting the scheduling of a structuring conference in the HB2 Benefits suit, which had been stayed in Hillsborough County Superior Court and the conference is expected to be held in late March or early April. He reported that the employer audit team was carefully managing the audit schedule, including preparing for approximately thirty GASB employer audits. He closed his remarks with a report on Atty. Johnson's management of the appeals case load which documented that she was closing more cases than were being filed.

Director of Finance, Jack Dianis presented the Finance report, beginning with reference to the statutory budget to which the Governor had made no changes and was currently under review by the NH House Finance Committee. Representatives from NHRS were scheduled to appear before Division I of that Committee on Monday, March 16th. In his staff update, Mr. Dianis reported that the first year of management of 1099 issues by Finance had gone well, but he had been surprised by the volume of

calls and visits to the System by retirees. He also stated that external audit services beyond FY 15 would be scheduled for review with an RFP for audit services developed in the next sixty days. He made note of the two budget variances that were influenced by external factors – Independent Medical Examiner costs and Investment legal expense fees.

Mr. Clough, *Director of Information Technology*, discussed recent developments beginning with the issuance of an RFP for an updated telephone system that would close March 31st. He anticipated a decision on vendor selection would be made by April 30, 2015. Mr. Clough discussed system security upgrades under consideration that included email encryption to safeguard the personal details of all NHRS constituents.

Mr. Lagos briefly discussed member services matters in the absence of Nancy Miller, *Director of Member Services*, noting that an offer of employment was anticipated for the position vacated by the upcoming retirement of a benefits specialist. He added that although the LRS on-site work had been focused on insurance matters, further automation of retiree services functions had been addressed, as well as specific MyAccount enhancements. He emphasized that the focus was on providing superior customer service to all of the System's constituents.

Director of Employer Services Denise Call reported that LEAN follow-up planning with the State had been postponed indefinitely following the announcement of the retirement of Commissioner Hodgdon and the resignation of one of the agency's senior managers, Karen Benincasa. Ms. Call noted that the PIP review with LRS had proved successful and that the effort to develop anticipated improvements to medical subsidy processing was making good progress.

Following a brief technical discussion, on a motion by Trustee Martins, seconded by Trustee Griffin, the Board voted to accept the Election to Participate as submitted by the Rumney School District, SAU 48, on the Consent Agenda as follows:

Ayes: Trustees Gustafson, Angwin, Beardmore, Crombie, Griffin, Kelliher, Martins, McCrillis, Sosnoff, and Walker.

Nays: None.

Abstention: Trustee Dwyer.

On a motion by Trustee Martins, seconded by Trustee Beardmore, the Board of Trustees unanimously voted to approve the Disability Application Recommendations on the Consent Agenda as presented.

On a motion by Trustee Crombie, seconded by Trustee Sosnoff, the Board unanimously approved the travel requests for Trustees Beardmore, McCrillis, and Walker as presented in the Board materials.

On a motion by Trustee Dwyer, seconded by Trustee Crombie, the meeting was adjourned at approximately 11:07 a.m.

NHRS Board of Trustees
March 10, 2015

Respectfully submitted,
Shannan Hudgins