

Note: These minutes from the April 12, 2016, regular meeting were approved and executed at the May 10, 2016 regular Meeting of the Board of Trustees.

**Board of Trustees
April 12, 2016**

The Public Minutes

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

Trustees: Hershel Sosnoff, *Acting Chair*; Tonya Angwin; John Beardmore; Dean Crombie; Bill Dwyer; Julia Griffin; Germano Martins; David McCrillis; Bruce Moorehead; Don Roy; and George Walker. Dick Gustafson, Ph.D., and Maureen Kelliher, *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*; Nancy Miller, *Director of Member Services*; Frank Clough, *Director of IT*; Heather Fritzky, *Controller*; Nancy Cone, *Internal Auditor*; Nina Calkins, *Process Improvement Manager*; Mark Cavanaugh, *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Rosamond Cain, *Human Resources Manager*; Shannan Hudgins, *Administrative Coordinator*.

Acting Chair Sosnoff called the April 12, 2016 meeting of the NHRS Board of Trustees to order at 10:03 a.m. On a motion by Trustee Dwyer, seconded by Trustee Beardmore, the Board unanimously voted to approve the public and non-public minutes, as amended.

Trustee Beardmore presented his Audit Committee report of that morning's meeting, noting that two new audits had been added in the last month. He stated that the audit tracking report had been revised. Trustee Beardmore reported that *Internal Auditor* Nancy Cone had shared her draft risk assessment plan, which he described as an important improvement on an already robust auditing program. In closing, he stated that *IT Director* Frank Clough had provided an IT update to the Committee in which he detailed significant improvements to the System's technology infrastructure and security.

Trustee Walker offered a brief, but detailed report of the Benefits Committee meeting of Tuesday, April 5th, stating that in addition to an update on Staff review of HB 342 reporting requirements for retirees working part time, the Committee had discussed a disability re-examination recommendation and two recoupment matters. Of particular note was the Committee's recommendation to the full Board in the O'Day matter. Trustee Beardmore offered the following motion for the Board's consideration:

I will make a motion pursuant to Ret. 204.08(b)(2), that the Board accept the factual findings of the Hearings Examiner's February 9, 2016 recommendation but find that the legal issue is the proper classification of a job in the Retirement System. Under RSA 100-A:3, IX, "the trustees shall determine whether the person holding the job is" a teacher "as defined in RSA 100-A:1".

Also, that the Board finds that it is a reasonable interpretation of RSA 100-A:1, VI, based on the unique facts of this particular case, to conclude that the petitioner's job was designated as a job-share position and both employer and member contributions were made; and therefore, that such position remained a job-share position until the employer notified the NHRS and the impacted member in January 2015.

Finally, all necessary member and employer contributions shall be remitted and related service credit shall be granted to Ms. O'Day based on the facts presented in the Hearings Examiner's recommendation.

The motion was seconded by Trustee Martins. Following a discussion of the matter in which Trustee Beardmore provided a detailed report on the Committee's deliberations and expressed his appreciation of the careful legal analysis provided by Carolyn Johnson, *Hearings Examiner*, the Board approved the motion as follows:

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

Abstention: Trustee Moorehead.

On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board 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 Sosnoff, Angwin, Beardmore, Crombie, Dwyer, Griffin, Martins, McCrillis, Moorehead, Roy, and Walker.

Nays: None.

On a motion by Trustee McCrillis, seconded by Trustee Martins, the Board unanimously voted to conclude the non-public session.

No votes were taken during the non-public session.

On a motion by Trustee Walker, seconded by Trustee Beardmore, the Board voted to accept the recommendation of the Benefits Committee to direct Staff to pursue a disability re-examination in the matter of J.S., as follows:

Ayes: Trustees Sosnoff, Angwin, Beardmore, Crombie, Dwyer, Martins, McCrillis, Moorehead, Roy and Walker.

Abstention: Trustee Griffin.

Trustee Roy reported that the Governance Committee had last met on March 8th to review the NHRS fee schedule for copies of materials to non-NHRS members, deciding no changes were warranted. The Committee had also discussed the protocol for responding to matters raised by potential federal legislation. He noted that there would be no Committee meeting following the full Board meeting.

Director of Investments Larry Johansen provided the Investment report, stating that funds held in trust as of February 29, 2016 were down 1.4%, a loss of \$100 million dollars, and year-to-date losses totaled \$513 million, or 6.8%. He explained that the downtrend was a result of volatility in non-U.S. equities, and that U.S. stock and bond markets had also been adversely affected by global market trends. Mr. Johansen noted that the IIC would review its domestic equity portfolio at its April 22nd meeting. He also announced that the IIC had unanimously voted to recommend to the Board of Trustees that it lower the NHRS assumed rate of return (ARR) to 7% from the current ARR of 7.75%.

Trustee Crombie stated that his PPCC update was centered on the Collective Bargaining Agreement currently under negotiation with Staff. On a motion by Trustee Crombie, seconded by Trustee Griffin, the Board unanimously voted to temporarily adjourn the meeting for the purpose of discussing collective bargaining strategy or negotiations under RSA 91-A:2, I(a).

On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board unanimously voted to reconvene the Board meeting.

Marty Karlon, *Public Information Officer*, provided an update on Legislative matters. He reported that Senate Bill 390, regarding disability hearings officers, had passed the House, although it was possibly going to be sent to a second committee, likely House Finance Committee. Mr. Karlon noted that HB 1352, regarding employer penalty assessment, remained in committee. A brief discussion of bills related to state retiree health insurance ensued, and Mr. Karlon stated that Senate Finance had scheduled an April 13 public hearing on House Bill 1591 and House Finance Division I had scheduled an April 19 work session on Senate Bill 495. He noted that NHRS continued to monitor these bills because, even though state retiree health benefits were administered through the Department of Administrative Services, NHRS was charged with deducting any premium payments from retiree pension benefits.

Executive Director George Lagos presented his Executive update with particular review of his telephone outreach to constituents who had visited, called, or received satisfaction surveys related to their interactions with NHRS. He noted that although the time spent on the project was minimal, he both enjoyed the opportunity to speak with members and retirees and was regularly reassured that NHRS Staff were diligent and responsive in their efforts to assist the membership. In response to a statement from Trustee McCrillis concerning the Board's upcoming review and decision of the ARR, Mr. Lagos noted that discussion at the May Board meeting would include data provided by NEPC, GRS, and IIC Chair Harold Janeway, as well as staff analysis and recommendations. He confirmed that a package of documents would be sent to all Trustees two weeks before the May Board meeting to allow ample time for preparation for these important discussions.

Tim Crutchfield, *Chief Legal Counsel*, stated that there were no updates or issues to discuss on pending NHRS court cases. He reported that the Employer Auditing Team had completed 23 audits, above the required 18 per month. He stated that following successful planning meetings, a pilot audit of the State would begin with the Department of Education.

Finance Director Jack Dianis first discussed the expense budget, particularly noting the overall reduction in external legal fees as a result of reduced litigation and Staff's practice focused on narrowing the legal questions presented for opinion to NHRS outside counsels. Mr. Dianis then briefly discussed GASB 72, which required fair value measurement disclosure of NHRS investments. He anticipated audit activity in May as KPMG prepared for the FY 2016 annual audit of NHRS finance.

Frank Clough, *Director of IT*, addressed his remarks to the SE report on identified security vulnerabilities, noting that the remaining five were being addressed by Staff. He reported that co-location efforts were progressing well and the site in Massachusetts was being readied for deployment. He closed with a report on the implementation of the new imaging system, stating that 1.6 million documents had been transferred to the new database.

Director of Member Services Nancy Miller announced that open positions in her departments were successfully being filled, and she anticipated full staffing in the near term. Noting that June and July represented the largest number of retirement applications, she stated that counseling appointments were rapidly filling up, as expected. She closed her remarks by referring Trustees to the retirement statistics included in her report.

Denise Call, *Director of Employer Services*, reported that the PensionGold insurance authorization module was under development with LRS and once delivered, would require extensive testing by Staff. Once fully vetted, Staff would engage in extensive training of employers in the module use. She explained that automation of medical subsidy questionnaires was next on the development agenda and, once completed, would substantially reduce the staff time required to process these forms.

On a motion by Trustee Walker, seconded by Trustee Griffin, the Board voted to forward Matter #9 to the Benefits Committee, and approved the remainder of the Consent Agenda, as follows:

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

Abstention: Trustee Moorehead.

Trustee Crombie indicated to the Board that he would retire on the first of June and that the May Board meeting would be his last. Following a general discussion of upcoming NHRS Board and Committee meetings, on a motion by Trustee Crombie, seconded by Trustee Martins, the meeting adjourned at approximately 11:37 a.m.

NHRS Board of Trustees
April 12, 2016

*Respectfully submitted,
Shannan Hudgins*