

**Note:** These minutes from the August 8, 2017 Meeting were approved and executed at the September 12, 2017 regular Meeting of the Board of Trustees.

**Board of Trustees  
August 8, 2017**

**Public Minutes**

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

*Trustees:* David McCrillis, *Acting Chair*; Tonya Angwin; John Beardmore; Bill Dwyer; Bill Hart; Maureen Kelliher; Stephen Marro; Germano Martins; Don Roy; and George Walker. Dick Gustafson, Ph.D. and Julia Griffin, *absent*.

*Staff:* George Lagos, *Executive Director*; Heather Fritzky, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; Frank Clough, *Director of Information Technology*; Nancy Cone, *Internal Auditor*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Christine Basha, *Public Information Specialist*; and Shannan Hudgins, *Administrative Coordinator*.

Chair McCrillis called the August 8, 2017, Regular Meeting of the NHRS Board of Trustees to order at 11:00 a.m. Having established a quorum, Chair McCrillis called for a motion on the July 11, 2017 public and non-public meeting minutes, and the July 31, 2017 public meeting minutes. On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board unanimously voted to approve all minutes as presented.

Trustee Beardmore presented a report on the Audit Committee's meeting immediately prior to the Board meeting, noting that *Internal Auditor* Nancy Cone had given a status update on the FY18 audit plan to the Committee. *Director of Finance* Heather Fritzky had discussed particulars relating to the KPMG audit as well as the annual CAFR. George Lagos, *Executive Director*, had presented updates on the PASE project and system security.

Trustee Walker reported on the Benefits Committee, stating that the action items presented for today's board meeting had been introduced at the July 11, 2017 meeting. A brief discussion followed on the two matters.

On a motion by Trustee Roy, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Benefits Committee that the Board approve the current disability process indefinitely unless the facts and circumstances warrant a review.

On a motion by Trustee Dwyer, seconded by Trustee Martins, the Board unanimously voted to accept the recommendation of the Benefits Committee that the Board request that A.P. undergo a reexamination pursuant to the authority under RSA 100-A:6, III(a).

Trustee Roy presented a Governance Committee update, stating that the Committee would meet following the September 12, 2017 Annual Board meeting.

Trustee Kelliher presented the Investment update, stating that economic growth in the United States continued at 2-2.5%, and that global growth continued between 3-3.5%, which proved to help the US economy. The US equity market was strong, the international market was performing in double digits, and fixed income was also performing well. Trustee Kelliher noted that despite the “quiet” volatility of the market, the NHRS portfolio was doing very well.

Larry Johansen, *Director of Investments*, provided an Independent Investment Committee (IIC) update, stating that the preliminary FY 17 trust fund returns were currently at 12.7% and likely to edge up over 13.0% as year-end final asset values were completed. He emphasized that a higher annual rate of return was a positive investment result for this rate-setting year. He noted that US unemployment had dipped one-tenth of a percent in the last month. Mr. Johansen announced that the IIC would not meet in August; at its September meeting, the Committee anticipated presentations by one private equity manager and one private debt manager.

Trustee Martins provided a brief update on behalf of the Legislative Committee, stating there had been no new legislative activity since last month’s report and referencing the final Legislative Tracker in the Board materials. He also discussed the Decennial Commission, noting that seven seats were yet to be appointed. The Commission’s December 1<sup>st</sup> report deadline was a statutory requirement.

Trustee Beardmore requested *Executive Director* George Lagos provide the Real Estate update. Mr. Lagos stated that Staff had received the Townsend Group’s initial report and analysis regarding 54 Regional Drive. A revised version was forthcoming following staff’s initial call with Townsend. He noted that Townsend’s analysis did not present a compelling investment argument for a building purchase, and he anticipated a follow-up discussion with them.

In a PPCC update, Trustee Hart announced two new hires for open positions at NHRS: Carolyn Madden would assume her duties as *Controller* on August 28<sup>th</sup>, and Margaret Astles would begin on August 30<sup>th</sup> as *Executive Assistant*.

*Executive Director* George Lagos provided a brief operations update, focusing his remarks on the data incident identified by internal staff on July 21<sup>st</sup> and the remediation processes that management had undertaken since that date with regard to address change requests, electronic deposit requests and new account creation for My Account.

Tim Crutchfield, *Chief Legal Counsel*, provided the Board with an employer audit update focused on the required GASB audits. Of the thirty assigned audits, sixteen school employer audits had been completed and sent to KPMG. Of the remaining fourteen municipal audits, five were completed and the remaining nine were in process and expected to meet the August 31, 2017 completion deadline. Atty. Crutchfield requested that if Trustees had not yet completed the Annual Standard of Conduct Ethics Questionnaire, to please do so as soon as possible.

Heather Fritzky, *Director of Finance*, began her report by stating that she expected FY 17 year-end expense numbers to increase when all investment numbers had been finalized. She noted that increased contributions suggested that overall employer payroll had increased. Ms. Fritzky explained that the trust fund budget to be presented at the September meeting would represent a “true-up” of all FY 17 figures in the General Ledger. In a brief explanation, she stated that the footnote found in the Roll-Forward Detail page referred to the legislature’s authorization to carry forward any available funds from the first fiscal year of the budget into the second. The carry-forward process was exercisable within the biennium, and not across separate budget cycles.

*Director of Information Technology*, Frank Clough, provided a report on recently concluded internal vulnerability assessments and overall security measures. Mr. Clough provided an explanation of the Zix email encryption processes, and a brief discussion followed.

Nancy Miller, *Director of Member Services*, provided a brief update on the customer-service-related measures under review and revision by her division following the July data incident. She reported a total of 723 July 1 retirement applications that her Staff were finalizing. She closed with an update on the employer self-processing module for employer insurance rate changes, noting that Staff were available to assist employers in the automated process.

Chair McCrillis next addressed the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Roy, the Board unanimously voted to approve the Consent Agenda with the exception of Item #6.

On a motion by Trustee Dwyer, seconded by Trustee Beardmore, the Board voted to enter into non-public session under RSA 91-A:3, II(c), on a roll call vote, as follows:

*Ayes:* Trustees McCrillis, Angwin, Beardmore, Dwyer, Hart, Kelliher, Marro, Martins, Roy, and Walker.

*Nays:* None.

On a motion by Trustee Marro, seconded by Trustee Hart, the Board unanimously voted to conclude the non-public session. No votes were taken in the non-public session.

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On a motion by Trustee Dwyer, seconded by Trustee Hart, the Board unanimously voted to refer Item #6 on the August 8, 2017 Consent Agenda to the Benefits Committee for further review.

At the Checkpoint discussion, Mr. Lagos informed the Board that he and Mr. Johansen were working with Gabriel, Roeder, Smith & Company on the actuary's planned presentation on the payroll growth factor at the September Board meeting.

In recognition of her upcoming retirement from NHRS, Trustee McCrillis and Mr. Lagos offered congratulatory remarks on behalf of the Board to Shannan Hudgins, thanking her for dedicated service over seven years.

On a motion by Trustee Walker, seconded by Trustee Angwin, the meeting adjourned at approximately 12:15 p.m.

*Respectfully submitted,*  
*Shannan Hudgins*