

Note: These minutes from the September 8, 2015, Annual meeting were approved and executed at the October 13, 2015 regular Meeting of the Board of Trustees.

**Board of Trustees
September 8, 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; Maureen Kelliher; Germano Martins; David McCrillis; Bruce Moorehead; Don Roy; and George Walker. Julia Griffin, *telephonically*. Hershel Sosnoff, *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*; John Browne, *Internal Auditor*; Rosamond Cain, *Human Resources Manager*; Nina Calkins, *Process Improvement Manager*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the September Annual meeting of the NHRS Board of Trustees to order at 10:01 a.m. On a motion by Trustee Roy, seconded by Trustee Kelliher, the Board of Trustees unanimously voted to approve the public minutes of the August 11, 2015 Regular Board Meeting, as follows:

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

Nays: None.

Abstention: Trustee Dwyer.

Audit Committee Chair Beardmore reported that at its meeting earlier that morning, Jack Dianis, *Director of Finance*, reported that an RFP for audit services was being finalized and would be issued shortly. Mark Cavanaugh and Tamre McCrea made a presentation to the Committee on the employer audit process. Staff auditor, John Browne had reviewed the criteria for prioritizing internal operational audits as per the suggestion of the Committee.

Trustee Walker reported the Benefit Committee had not convened since the August Board meeting but a Committee meeting would be scheduled before the October 13th Board of Trustees Meeting.

Trustee Roy reported that the Governance Committee had not met in August, but was convening immediately following the full Board meeting. He then referred Trustees to the proposed 2016 Meeting Schedule behind Tab 4, which required Board approval.

On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board unanimously voted to approve the 2016 Board Meeting Calendar as presented.

Larry Johansen, *Director of Investments*, presented the Investment update to the Board in the absence of Trustee Sosnoff. Mr. Johansen began with general remarks concerning the recent market downturn, market volatility triggered by China's unannounced devaluing of its currency, a national jobs report reflecting less than anticipated growth contrasted with an unemployment rate reduced from 5.3% to 5.1%, and the continuing debate regarding when the Federal Reserve will increase interest rates. Mr. Johansen reported that August performance was negative and that early September returns are thus far volatile. He made note that despite recent market activity, NHRS was doing well over longer time periods. He reviewed performance over various time periods on an absolute and relative perspective. He then summarized the August IIC meeting, stating that the Committee had renewed a two-year contract with IR&M and made \$50 million commitments to Monroe, Gramercy, and BlueBay. The September IIC meeting will have presentations from Industry Ventures Partnership Holdings, 400 Capital and Warburg Pincus. Industry Ventures Partnership Holdings is a venture capital secondary manager, to whom the Committee made a \$20 million commitment in September 2013. 400 Capital is a structured debt manager. Warburg Pincus is a global multi-sector private equity manager.

Trustee Crombie provided a brief Personnel, Performance and Compensation Committee (PPCC) update from its August meeting, noting that a general year-end review of NHRS HR activities had been the Committee's focus. In a non-public session, the PPCC had discussed personnel matters, collective bargaining issues, and potential healthcare cost increases. He stated that Rosamond Cain, *Human Resources Manager*, would present her annual report at the next PPCC meeting.

Marty Karlon, *Public Information Officer*, stated that the Legislative Committee would meet in late September to discuss legislation to be considered in the upcoming legislative session. He also announced that Jean-Pierre Aubrey, *Assistant Director of Local and State Research*, Center for Retirement Research at Boston College, would offer a presentation to the Board at its November 10 meeting.

Executive Director George Lagos began his update with a review of the KPM report, stating that the instrument had been revised and refined to better represent the System's operations. He noted that 2016 Action Plans for each Executive Manager were included with each operating report and he reviewed those plans at the end of every month in his one-on-one meetings with his direct reports. Mr. Lagos announced a staff member had joined Cecile Merrill as a business analyst to facilitate the increased work with LRS resulting from the PIP reviews. He noted a continued positive response to his weekly customer satisfaction survey telephone calls to NHRS

members and retirees. He noted two IT contracts included at Tab 9 which did not require Board approval because of their monetary amounts, the first being for new helpdesk software and the second being an update to the current fax software. He explained the rationale for each.

Trustees Beardmore and Dwyer excused themselves at 10:30 a.m.

Keith Brainard, *Research Director*, National Association of State Retirement Administrators (NASRA), offered a national pension system review presentation via Webinar. In his remarks, Mr. Brainard presented both broad details of public pensions in the United States as well as state-specific data which offered Trustees and Staff a view of public pensions and where NHRS ranked in a variety of measures. Public Pensions in the U.S. totaled \$3.7 trillion in assets, included 14 million working participants – approximately 13 percent of the nation’s workforce – and provided \$240 billion annually in benefits to 9 million retirees and their survivors. Mr. Brainard presented statistics from the 126 plans he regularly reviewed, noting that he measured by median rather than average to avoid any skews caused by outliers. He reviewed pension system funding, stating that New Hampshire always paid the Actuarially Required Contribution (ARC), and while legislative changes were enacted to secure the future stability of the trust fund, the plan was currently significantly underfunded. Mr. Brainard discussed distribution of investment return assumptions across the nation from FY 01 to the present, and then presented median annualized public pension fund investment returns for one, three, five, ten, twenty and twenty-five years. ~~at 7.75%.~~ He also discussed average asset allocations over fourteen years, as well as average and median inflation assumptions. To conclude his public pension overview, Mr. Brainard offered comments about recent legislative pension enactments and identified states that had considered or adopted hybrid plans, combination hybrid plans, and cash balance plans. His presentation was thorough, informative and provided NHRS Trustees with substantive information about the nation’s public pension funds.

Trustee Griffin excused herself from the meeting at approximately 11:33 a.m.

Mr. Lagos concluded his updates with a discussion of the letter to the membership sent the prior week, stating he had received both email and telephone responses. Most of the reports were positive, with questions about insurance, medical subsidies, and the lack of COLAs the primary concern of retirees.

Tim Crutchfield, *Chief Legal Counsel*, reported that the hearing on the State’s Motion to Join Necessary Parties in the HB 2 Benefits case had occurred on Wednesday, August 26th, and both he and Atty. Cavanaugh had been in attendance. Judge Abramson denied the State’s motion to add all 474 employers. Following the order on the motion, the State filed an assented-to motion to extend filing deadlines due to its recent change in attorneys. He also reported that all GASB audits had been completed for the year, and that the Gainful Occupation report would most likely be presented at the October meeting.

Jack Dianis, *Director of Finance*, presented his Finance report, noting that August was a month in transition as the Finance Team worked to finalize June 30, 2015 alternative and real estate investment values and management fees in order to close

the General Ledger for the 2015 fiscal year. He also described a prospective change in the presentation of the Budget vs. Actual report so that lines 14-Investment Management Fees, 16-BNY Mellon Master Custody Fees and 17-General Investment Consultant Fees would be adjusted quarterly to synchronize the budgeted amounts to when payments were actually made in order to provide a more comparative financial picture.

Director of Information Technology Frank Clough focused his update on the Telephone System implementation preparation, stating the project plan was unfolding on target with all departments represented on an implementation team to make certain all agency needs were met. He continued to work through the details of the Disaster Recovery plan to move the co-location site from Dallas, Texas to Massachusetts. He closed with a brief explanation of both the Helpdesk and Facsimile contracts which were previously discussed.

Nancy Miller, *Director of Member Services*, reported that annual member statements would be distributed electronically through MyAccount, except for those members and retirees who had previously requested paper statements. Her team was also focused on finalizing the 700-plus July 1 retirement applications. Ms. Miller announced that with the multiple email lists cleansing and consolidation, the NHRS email distribution list had grown to over 32,000. She closed her update with a discussion of electronic registration for new members, noting that a new hire packet available to employers was forthcoming.

Director of Employer Services, Denise Call provided the Trustees with an update to the PIP changes to the employer portal, emphasizing the alterations were limited to the appearance of the employer home page and not substantive. She also noted that all insurance payouts to employers and vendors were now being done through electronic deposit and that paper checks were no longer being issued. Work was beginning on similarly changing the system for receiving employer contribution payments to eliminate receipt of checks either directly or via lock box. Ms. Call closed by reporting that FY 15 employer records had been reconciled and finalized to allow for preparation of member statements and the closing of the General Ledger.

Trustee Angwin excused herself from the meeting at approximately 11:55 a.m.

On a motion by Trustee Roy, seconded by Trustee Walker, the Board of Trustees unanimously voted to approve the Consent Agenda as presented.

On a motion by Trustee Martins, seconded by Trustee Walker, the meeting was adjourned at approximately 12:05 p.m.

Respectfully submitted,
Shannan Hudgins