

Note: These minutes from the December 10, 2013, regular meeting were approved and executed at the January 14, 2014 regular Meeting of the Board of Trustees.

**Regular Meeting
Board of Trustees
December 10, 2013**

Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; John Beardmore; Dean Crombie; David McCrillis; Germano Martins; Cathy Provencher; Don Roy; Guy Scaife; Hershel Sosnoff; George Walker; and Jack Wozmak. Karen McDonough, *absent*.

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

Chair Gustafson called the Regular Meeting of the NHRS Board of Trustees to order at 9:02 a.m. On a motion by Trustee Roy, seconded by Trustee Sosnoff, the public and non-public minutes of the November 12, 2013, Regular meeting of the Board of Trustees were unanimously approved.

Chair Gustafson then called for Committee reports as outlined in the agenda. Trustee Provencher presented the Audit report, beginning with the morning's Committee meeting. On a motion by Trustee Provencher, seconded by Trustee Roy, the annual ethics survey scorecard as presented was unanimously approved by the Board.

She next discussed the Comprehensive Annual Financial Report (CAFR), noting that the independent auditor's letter would be finalized and dated December 10, 2013. Trustee Provencher then asked Jack Dianis, Director of Finance, to provide an overview of the CAFR for the Trustees. Mr. Dianis explained the layout of the Table of Contents and highlighted sections of the CAFR for

Trustees' particular focus. Chair Gustafson thanked Mr. Dianis and his finance team for its award-winning efforts in producing the annual report.

On a motion by Trustee Provencher, seconded by Trustee Scaife, the Board unanimously approved and accepted the Comprehensive Annual Financial Report for Fiscal Year 2013.

Trustee Provencher announced that the Audit Committee had voted to extend the KPMG contract through 2014, noting that fees would be held at 2013 levels. She noted that the Committee expected to receive a draft Actuarial Funding Policy at its January 14th meeting, explaining it was best practice and recommended by the Government Finance Officers Association (GFOA) given the separation of funding from financial reporting in the new statements 67 and 68 of the Government Accounting Standards Board. She concluded her update with a brief review of the Audit Tracker.

Trustee Walker reported that the Benefits Committee had convened on December 4th to discuss return-to-work matters, school district employers using third party hiring agencies, revisions to the disability reexamination rules and medical subsidy details. Staff were also preparing retirement applications to be completed on the NHRS website, as well as member statements. Noting that the Committee had not made any recommendations for the Board to consider, Trustee Walker stated that the Committee would likely reconvene in January 2014.

Trustee Roy discussed the brief Governance Committee meeting of November 12th, noting the Committee had considered Governance Manual revisions, received an update from Staff on the IRS Cycle C filing, and had discussed the reduced retainer provision of the system's contract with its Governance Consultant, Nancy Williams. Mr. Lagos reported that Ms. Williams had been amenable in the contract adjustment. Trustee Roy closed by announcing the Committee would convene immediately following the adjournment of the Board meeting.

Trustee Sosnoff began his investment remarks by stating that funds held in trust as of October 31, 2103, were \$6.844 billion, which represented an increase of 6.5% for fiscal year-to-date. He stated that all asset classes were up for both the month and the fiscal year-to-date. He then presented results from the first quarter of FY 2014, noting that the total fund composite return was 4.9%, which placed the NHRS in the 36th percentile of its peers. In his review of the IIC meeting of November 22nd, Trustee Sosnoff noted that the Committee had reviewed, and with few changes, approved its Proxy Voting Policy. The IIC had agreed to invite Standard Life Insurance Company to appear before it and had discussed macro-economic topics for the January

meeting. He closed by stating the Committee had approved the Comprehensive Annual Investment Report (CAIR) for presentation to the Board.

Larry Johansen, Director of Investments, discussed the statutory requirements of the CAIR and how the report satisfies those requirements. He referred the Trustees to the Statement of Objectives in the document, and he particularly noted Appendix B and the description of reasonableness of the rate of return written by the NHRS consulting actuaries. The IIC approved the CAIR with a recommendation for the Board to also approve it.

On a motion by Trustee Sosnoff, seconded by Trustee McCrillis, the CAIR was unanimously approved by the Board.

Trustee Sosnoff then asked Mr. Johansen to discuss the IIC's recommendation of the Proxy Voting Policy to the Board. Following a brief explanation of the changes in the Policy, on a motion by Trustee Scaife, seconded by Trustee Roy, the Board accepted the Proxy Voting Policy as revised and recommended by the IIC.

Trustee Crombie presented the PPCC report from its December 4th meeting, stating that a decision from the September 13, 2013 PELRB hearing had not yet been issued. He reported that the Process Improvement Program (PIP) was progressing well and producing system-wide, positive workflow results. He noted that Rosamond Cain, Human Resources Manager, had offered the Committee an extensive, positive report of staff matters. Mr. Lagos stated that the SEA requested that fact-finding be postponed and asked that mediation be scheduled. It has been agreed to hold a half-day mediation session, scheduled for December 18, 2013. Trustee Crombie finished his update with an explanation of the scheduled Executive Director evaluation, which would utilize the form from 2012. Once received, he asked that Trustees complete and return the evaluations by late January. An Executive Session for review with Mr. Lagos would be scheduled for the February 11, 2014 Board meeting.

Trustee Sosnoff requested the brief Legislative report from Staff. Mr. Dianis stated that the last fiscal note for retirement related LSRs had been delivered December 6th. Staff were now awaiting the actual bills which would not be released until late December or early January. Marty Karlon, Public Information Officer, outlined the particular care that had been taken with the death-records Legislative Services Request (LSR) to gain appropriate and necessary access to Vital Records while safeguarding privacy concerns in the NH Legislature.

Mr. Karlon and Christine Basha, Public Information Specialist, then provided the Trustees with an NHJRS Member Benefits Overview Presentation. The 45-minute education session was structured to combine the Group I and Group II

member presentations offered periodically to all NHRS members statewide. Noting that over one thousand members had attended an education session in 2013, Mr. Karlon and Ms. Basha explained the group-specific retirement requirements as outlined in both RSA 100-A and the Ret. 309 rules. Chair Gustafson thanked them for their comprehensive review of the retirement process. He then called a brief recess.

Following the resumption of the meeting, Mr. Lagos presented his Executive report. The monthly KPMs had dropped below the 95% target goal, and he and staff would focus on those areas requiring attention. He reported that Medical Subsidy matters were of particular importance for the next three months. A lengthy discussion of survey efforts followed, and Trustees offered suggestions for alternative venues and options to fully discern how appropriately and well the System was meeting the needs of its constituents. Mr. Lagos closed his remarks with a review of the current office location, the lease-renewal option in March 2015, and the office space options he was interested in pursuing. He asked Trustees to consider forming a small *ad hoc* committee to review office location options, stating that as a matter of due diligence he wished to fully review the current environment as well as investigate alternative office space in Concord.

Atty. Crutchfield provided a legal update, beginning with the Supreme Court decision in the Carrier matter. The Court had rendered its ruling in support of NHRS in an unprecedented timeframe (30 days), and he stated that the endorsement of NHRS' long-standing interpretation of mandatory Group II participation served as an affirmation for staff and provided clear guidance for any future questions of NHRS-retirement requirements. He reported that the HB 1645 suit filed in 2009 was the longest-standing current lawsuit for NHRS and an appeal to the Supreme Court had been filed by the State.

Atty. Crutchfield next discussed the fiduciary insurance policy, which would be on the January Agenda for action. He reported that the current carriers, Chubb and Chartis, had submitted renewal terms for total coverage of \$20 million with a \$150,000 deductible. Trustee McCrillis stated that these quotes provided a reasonable renewal scenario given the narrow market for this type of insurance. He suggested that an expanded scenario framework be considered in 2014 for 2015 insurance coverages. Atty. Crutchfield closed his remarks with a reminder to all Trustees that a new Statement of Financial Assets was due to the Secretary of State by January 17, 2014, and he would appreciate receiving a copy of each Trustee's filing prior to the due date.

Mr. Dianis presented a brief finance update, emphasizing the increase in net assets year-to-date. He stated that the draft June 20, 2013 rate-setting valuation had been distributed to the Board in the December materials for their

review in preparation for the GRS presentation at the January 14, 2014 meeting.

Director of IT, Frank Clough, highlighted a few IT items in his Board report, particularly his work with the Employer Services team and the PensionGold software upgrades for implementation of HB 342. He closed his remarks with a brief review of co-location matters, stating that additional options were under consideration.

Nancy Miller, Director of Member Services, highlighted the HB 2 unwind preparation her team had been developing in anticipation of a Supreme Court decision that may reverse the 2011 HB 2 increases to member contribution rates. She briefly discussed development of online member services, explaining that the short-term website goals focused on creating retirement forms to be completed on the website. She referenced her full memorandum for the additional detail. She noted that January was a busy retirement number month.

In her update, Director of Employer and Retiree Services Denise Call briefly discussed employer reporting deadlines for HB 342 (post retirement employment), and that employer education opportunities had been successful, particularly the webinars. She noted that the project to accept electronic insurance premium rate changes from employers and vendors through Health Trust was working well. She closed her update with a gainful occupation update, stating that 38 retirees would have their benefits reduced beginning in December 2013 for non-compliance with NHRS-required questionnaire data.

On a motion by Trustee Roy, seconded by Trustee Wozmak, the Consent Agenda was unanimously approved, as presented.

Following a brief, general discussion, on a motion by Trustee Martins, seconded by Trustee Walker, the meeting adjourned at approximately 11:49 a.m.

*Respectfully submitted,
Shannan Hudgins*