

**Note:** These minutes from the April 8, 2014, regular meeting were approved and executed at the May 13, 2014 Meeting of the Board of Trustees.

**Regular Meeting  
Board of Trustees  
April 8, 2014**

**The Public Minutes**

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

*Trustees:* Hershel Sosnoff, *Acting Chair*; John Beardmore; Dean Crombie; David McCrillis; Germano Martins; Don Roy; Guy Scaife; George Walker; and Jack Wozmak. Dick Gustafson, Ph.D., and Bill Dwyer, *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*; 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*; and Shannan Hudgins, *Administrative Coordinator*.

*Guests:* Kevin Leonard and Chris Levell, *Partners, NEPC*.

Trustee Sosnoff, serving as Chair for the April 8, 2014, Regular Board of Trustees Meeting, called the meeting to order at 9:13 a.m. Following a formal recognition of Trustee Beardmore's recent appointment as Audit Committee Chair, Trustee Sosnoff began the business of the meeting.

On a motion by Trustee Roy, seconded by Trustee Scaife, the public minutes from the March 11, 2014 Regular Board Meeting were unanimously approved.

Trustee Sosnoff then requested Committee reports as outlined in the agenda, beginning with the Audit Committee. Trustee Beardmore opened his report with the Business Continuity – Sole-Source Contract Proposal presented to the Committee by staff. Explaining that the proposed contract would utilize PensionGold (PG), the System's data management system, to backup data files, he stated that the Committee had voted to recommend to the full Board that it

authorize Staff to enter into a sole source contract with LRS to utilize its PG secure service. Mr. Lagos, *Executive Director*, stated that the recommendation would be presented to the Board at its May 13<sup>th</sup> meeting. Trustee Beardmore reported that a revisit of the IT audit by KPMG was underway to identify the current status of identified issues. Additional details would be presented at subsequent Audit Committee and Board meetings.

Trustee Sosnoff requested the Benefits Committee report. Trustee Walker provided a brief update of the Committee's March 14<sup>th</sup> meeting in which a Request for Proposals (RFP) for disability administration had been reviewed, Ret. 309 had been discussed, and recoupment actions had been made based on Staff recommendation and explanation. Trustee Walker moved the recommendation of the Benefits Committee that the full Board approve the proposed revisions to rule Ret. 309 and authorize staff to begin the JLCAR rulemaking process. Trustee McCrillis seconded the motion. On a motion by Trustee Beardmore, seconded by Trustee McCrillis, the Board unanimously voted to table the motion on the floor.

Trustee Roy offered an overview of the Legal RFP presentations before the Governance Committee on March 11<sup>th</sup> and the Committee's recommendation to the Board. On a motion by Trustee Scaife, seconded by Trustee Crombie, the Board unanimously accepted the recommendation of the Governance Committee that the full Board authorize staff to enter into agreements with: Attorney Foley for administrative matters; Attorney Schulman for litigation matters; Sulloway & Hollis for a one-year extension to its current contract with a review at that time; and, the McLane Law Firm on an as-needed basis, subject to contract and legal review.

Trustee Sosnoff presented the Investment report, stating that as of February 28, 2014, funds held in trust totaled \$7.07 billion, representing an increase of 3% from January 31, 2014. For the FYTD representing eight months, trust assets had increased \$640 million, a 10% increase. He included the following statistics in his macro-economic report: the 6.7% national unemployment rate continued, unabated; 8.9 million jobs had been created since the downturn in 2008; and, 8.8 million jobs were lost during the recession. He closed with an update of the March IIC meeting at which the Committee had allocated \$150 million to Standard Life, a large Scottish insurer, for their Global Absolute Return strategy. The IIC had continued its discussion of unconstrained fixed income and entertained presentations from two alternative investment managers, to whom they committed a total of \$200 million. Mr. Johansen reviewed the investment performance of marketable assets for various periods ending February 28, 2014.

Trustee Crombie provided an update from the PPCC, focusing on the PELRB ruling and the Committee's consensus to appeal a negative outcome to the NH

Supreme Court. He reported that staff had received compensation statements which delineated all benefits, salary, and taxes paid for every NHRS employee. Trustee Crombie stated that the time assessment studies being conducted as part of the PIP were instructive. He closed by stating that although the PIP program was moving slowly, the results were effective and positive.

Trustee Sosnoff requested the Legislative update from Marty Karlon, *Public Information Officer*, who noted that NHRS had a 66% success rate with suggested Legislation. He stated that the Legislature's reticence to provide clarification for consequences for exceeding the 32-hour working-after-retirement limit was of concern to both NHRS and its employers. Mr. Karlon reported seven bills "crossed over", and the affinity credit card bill had been presented to House Finance but no recommendation had been made. Mr. Lagos thanked the Legislative Committee for its diligence in addressing working-after-retirement issues, noting that it was important for employers and employees to have a clear understanding of the implications of post retirement employment.

Trustee Beardmore discussed the work of the *ad hoc* Real Estate Committee, which had entertained presentations from all three firms that responded to the Real Estate RFP. On a motion by Trustee Beardmore, seconded by Trustee Roy, the Board unanimously voted to accept the recommendation of the Ad Hoc Real Estate Committee that the full Board authorize staff to enter into an agreement with Norton Asset Management, subject to the satisfactory conclusion of due diligence, contract and legal review.

Trustee Wozmak excused himself from the meeting at approximately 9:45 a.m.

Trustee Sosnoff moved to the Operating Reports on the Agenda, beginning with the Executive Director Report. Mr. Lagos first addressed the KPM of 93.41%, stating that of the six missing measures, five were directly related to the State of NH data reporting issues. Staff were working directly with Administrative Services to close the reporting gaps that impacted new State retirees and terminated employees requesting refunds. Mr. Lagos focused his remarks on the Three-Year Strategic Plan and the department goals that had been developed from the Board's Preserve/Achieve/Avoid exercise in February. He stated that action plans of all his direct reports would be presented to the Board for approval at the May Board meeting.

Tim Crutchfield, *Chief Legal Counsel*, gave a brief update of pending legal matters, noting that a scheduling order in the AFT case before the Supreme Court had been received. The System's brief was due in July. He closed with the Eskeland case, which had been docketed for oral argument on May 8, 2014, at 10:00 a.m.

Jack Dianis, *Director of Finance*, began his remarks with GASB 68 and reporting that the requested delay in implementation had been denied by the Government Accounting Standards Board (GASB). He was working with Mr. Karlon to craft effective communication materials. He briefly reviewed financial statements and explained investment income details, noting that the figures also included unrealized gains.

*Director of IT* Frank Clough discussed the website RFP and his collaboration with Mr. Karlon. He concluded with a Blackberry update, stating that replacement units would be deployed in the next two weeks.

Nancy Miller, *Director of Member Services*, stated that retirement forms were available on the NHRS website. She was working with PIO to ensure that the MyAccount page mirrored the website, although it was supported by PensionGold. She closed with a report on the Judicial Retirement Plan audit that she expected to conclude by the end of the month.

Denise Call, *Director of Employer Services and Retiree Services*, stated that the automated employer insurance rate changes had radically reduced dedicated staff time and she was pleased with its success. She reported that 34 employers reporting part time earnings for January in accordance with HB342 had used invalid employer numbers, a number of employers had missed the reporting deadline for February, and Staff were focused on assisting employers to meet statutory reporting requirements.

Following the operating reports, Trustee Sosnoff called for a ten-minute recess.

*Director of Investment*, Larry Johansen, introduced the trustee investment education session and Kevin Leonard and Chris Levell of NEPC. Mr. Levell announced his intention to “step the Trustees through the market as we view it,” and he and Mr. Leonard offered a broad but detailed information session of investment theory and practice, specifically tailored to NHRS. The presentation focused on the NEPC recommendations for clients and how the NHRS has responded to those recommendations. In addition, the presentation addressed current capital and economic conditions and how those conditions were recognized in the development of the NEPC capital market assumptions. Finally, the presentation reviewed how the NEPC capital market assumptions were used with the NHRS target asset allocations to develop long-term expected returns for the portfolio. The presentation concluded at approximately 11:38 a.m.

Trustee Sosnoff thanked them for the presentation and 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 exceptions of Items Number 2 and Number 4.

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

*Ayes:* Trustees Sosnoff, Beardmore, Crombie, McCrillis, Martins, Roy, Scaife and Walker.

*Nays:* None.

Staff members Call, Clough, Browne, Fritzky, Cain, Calkins, Karlon, Miller, and Dianis left the meeting with all public attendees.

On a motion by Trustee Walker, seconded by Trustee McCrillis, the Board unanimously voted to conclude the non-public session. No action was taken in non-public session. Upon resumption of the public session, staff and public attendees returned.

On a motion by Trustee Beardmore, seconded by Trustee McCrillis, the Board voted to approve the recommendation of the Hearings Examiner in the Disability Application of S.C., as follows:

*Ayes:* Trustees Sosnoff, Beardmore, Crombie, McCrillis, Scaife, and Walker.

*Nays:* Trustees Martins and Roy.

On a motion by Trustee Beardmore, seconded by Trustee Martins, the Board unanimously voted to table the Disability Reconsideration of L.L.

Following brief discussion, on a motion by Trustee McCrillis, seconded by Trustee Martins, the meeting was adjourned at approximately 12:10 p.m.

*Respectfully submitted,*  
*Shannan Hudgins*