

Note: These minutes from the June 14, 2016, regular meeting were approved and executed at the July 12, 2016, regular Meeting of the Board of Trustees.

**Board of Trustees
June 14, 2016**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; Bill Dwyer; Julia Griffin; Maureen Kelliher; David McCrillis; Don Roy; Hershel Sosnoff; and George Walker. Tonya Angwin, John Beardmore, Germano Martins, and Bruce Moorehead, *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*; Cyndi Peterson, *Member Services Account Manager*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: Michael Delaney, Esq., Samantha Elliot, Esq., and Peter Foley, Esq.

Chair Gustafson called the June 14, 2016 Regular Meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, on a motion by Trustee Roy, seconded by Trustee Walker, the Board unanimously voted to approve the May 10, 2016, Regular Board Meeting public and non-public minutes, as amended.

Trustee Dwyer presented the Audit Committee update, stating that the Committee had not met that morning, but would convene before the July 12th Board meeting. He referred Trustees to the Audit Tracker in the meeting materials, noting that five audit issues had been removed since the May Board meeting, leaving five outstanding. He briefly discussed the draft Fraud Policy included in the materials, stating that not only would the Governance Committee review the policy at its afternoon meeting following the Board meeting, but also that the Audit Committee would formally review the draft policy in July. Trustee Dwyer anticipated the Fraud Policy would then be presented to the full Board for acceptance.

Trustee Walker reported that the Benefits Committee had met June 6, 2016, and dispatched a full agenda which had included a non-public meeting on pending disability issues. The Committee had also reviewed working after retirement issues for both NHRS employers and retirees, particularly in regard to HB 342 compliance. He made note of the two-part informational draft white paper for NHRS stakeholders from *Executive Director* George Lagos. The Benefits Committee had unanimously voted to

include the documents in the June Board materials for the full Board's review in anticipation of a July vote on releasing the documents.

On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board of Trustees unanimously voted to accept the recommendation of the Benefits Committee to obtain an external Hearings Examiner for the reconsideration of the O'Day matter.

On a motion by Trustee McCrillis, seconded by Trustee Walker, the Board of Trustees unanimously voted to accept the recommendation of the Benefits Committee to approve the Hearings Examiner's recommendation in the New Ipswich matter.

Trustee Roy announced that the Governance Committee would be meeting following that morning's Regular Board meeting to discuss cyber-insurance policy renewal and the Fraud Policy included in the Audit Committee materials.

Trustee Sosnoff presented the Investment Committee report, stating that funds held in trust as of April 30, 2016, were \$7.368 billion, representing a total fund increase of 1% for the month but a 2% decline in the Fiscal-Year-to-Date figure. He reported that all asset classes were within their target ranges. In his macro-economic report, Trustee Sosnoff noted that the May jobs report was weak, although wages were holding steady and the unemployment rate was 4.7%. Mr. Johansen, *Director of Investments*, stated that the May 20th IIC meeting had included presentations from Fischer and BlackRock and discussion of the long-term effects of longer and lower global interest rates. He stated that the June IIC meeting would include a real estate update, a review of the 2016 real estate work plan, and a six-month update on the Private Equity/Debt portfolio.

On a motion by Trustee Sosnoff, seconded by Trustee Griffin, the Board of Trustees unanimously voted to accept the recommendation of the Independent Investment Committee and approved the revisions to the Investment Policy to reflect the change to the NHRS Assumed Rate of Return from 7.75% to 7.25%.

Trustee Sosnoff asked that *Public Information Officer* Marty Karlon present the Legislative update. Mr. Karlon reported that most NHRS-related legislation had been resolved. Senate Bill 129 (renunciation of a survivorship option after 120 days in limited circumstances) was scheduled to be enrolled within the week and then sent to the Governor for signature.

In her PPCC update, Committee Chair Griffin reported that the Committee had met on June 6, 2016, and approved the April 29, 2016 public and non-public minutes. She then discussed changes to the Employee Handbook that were reviewed and approved by the Committee. She also noted that the Committee had reviewed the status of negotiations on the soon-to-expire collective bargaining agreement.

On a motion by Trustee Kelliher, seconded by Trustee Griffin, the Board of Trustees unanimously voted to accept the recommendation of the PPCC and thereby approved the revisions to the Employee Handbook as presented.

On a motion by Trustee Kelliher, seconded by Trustee Dwyer, the Board of Trustees 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 Roy, seconded by Trustee McCrillis, the Board of Trustees unanimously voted to reconvene the meeting.

A brief, four-minute recess followed.

An Administrative Hearing in the Matter of Dixon Leslie was conducted in accordance with the January 12, 2016, decision of the Board of Trustees to permit Mr. Leslie's legal counsel an opportunity to make an oral presentation to the full Board regarding his request for reconsideration of the Board's decision to reject his untimely petition for an adjudicative proceeding that was filed after the close of business on the final day to file. Board Chair Gustafson outlined the process which would be followed. External counsel Attorney Michael Delaney was present to assist with the proceedings, which granted each attorney fifteen minutes to address the Board of Trustees. The hearing opened at 10:43 a.m.

Attorney Samantha Elliot, representing Dixon Leslie, gave oral argument supporting email filing as timely in the matter before the Board, asserting that NHRS did not have a rule which governed electronic email filings and that such filings ought to be treated similarly to those submitted by mail.

Attorney Peter Foley, representing NHRS, gave oral argument addressing the 45-day filing requirement allowed in Ret. 204.01(b), asserting that the Board of Trustees had the legal authority to interpret its own rules.

Following an opportunity for Trustees to address questions to counsel, the Chair closed the hearing at 11:15 a.m.

On a motion by Trustee Kelliher, seconded by Trustee Walker, the Board of Trustees unanimously voted to temporarily adjourn the meeting for the purpose of consulting with legal counsel under RSA 91-A:2, I(b).

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

On a motion by Trustee Griffin, seconded by Trustee Kelliher, the Board of Trustees unanimously voted to accept the factual findings in the Dixon Leslie matter represented in the two prior recommendations of the Hearings Examiner but found that good cause existed under rule Ret. 201.10 and, therefore, the Board should accept the Petitioner's May 4, 2015 appeal filing as timely, and that staff be directed to enter into the rule making process to clarify submission of electronic filings.

Trustee Kelliher excused herself at approximately 11:46 a.m.

In his Executive update, Mr. Lagos noted that Key Performance Measures continued to score above 95%, which he considered a positive indicator of Staff performance. He reported that new tenants would be moving into the vacant office space between NHRS

and Comcast on or about September 1st, and that the building owner was in negotiations with a possible tenant for space on the other side of NHRS. Mr. Lagos offered brief remarks about the NCTR conference he had attended in Ohio, which he had found instructive and informative.

Chief Legal Counsel Tim Crutchfield reported that the Petitioner's Appeal in the HB2 Benefits case had been accepted by the Supreme Court. The Petitioners had invoked their right to an automatic fifteen-day extension to file briefs, so the filing dates were now July 25th for the Petitioners and August 23rd for the State of New Hampshire. He anticipated oral argument would be scheduled for later in 2016.

Jack Dianis, *Director of Finance*, presented a brief review of the FY 16 budget, to which there were no questions posed. He then discussed the FY 17 proposed Trust Fund Budget, explaining that its \$35.756 million was 5.2% less than the FY 16 budget. The only change made to the draft budget presented at the May Board meeting was to investment fees, which had been recalculated to reflect the 7.25% ARR, thereby lowering the budget by \$130,000.

On a motion by Trustee McCrillis, seconded by Trustee Dwyer, the Board of Trustees unanimously voted to approve the Fiscal Year 2017 Trust Fund Budget as presented.

Director of Information Technology Frank Clough explained the vulnerabilities statistics on his IT report, noting that he had confirmed the items were low-risk and potentially false positive readings. He was working with Systems Engineering to remove them from the report. He explained that multi-factoring security protocols had been instituted for VPN security. Mr. Clough closed with a brief update of ongoing preparations of the co-location site in Massachusetts, which were progressing well.

Nancy Miller, *Director of Member Services*, reported that a total of 722 retirement applications had been filed for July 1. Of the 722, approximately 470 had been calculated. She noted the number of applications was particularly high. She closed by stating her department was now fully staffed.

Director of Employer Services Denise Call stated that the large number of July retirees would also impact medical subsidy authorizations processed by her Staff. She emphasized that insurance rate changes would be made by the individual vendors and employers utilizing the on-line capabilities which had recently been made available to them, with support from ES staff if needed.

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

Chair Gustafson announced that the annual Board of Trustees staff appreciation cookout was scheduled following the July 12, 2016 Board meeting.

On a motion by Trustee Roy, seconded by Trustee Walker, the meeting was adjourned at approximately 12:02 p.m.

Respectfully submitted,
Shannan Hudgins