

Note: These minutes from the July 8, 2014, regular meeting were approved and executed at the August 12, 2014 regular Meeting of the Board of Trustees.

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

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; John Beardmore; Dean Crombie; Bill Dwyer; Maureen Kelliher, David McCrillis; Germano Martins; Don Roy; Guy Scaife; Hershel Sosnoff; and George Walker. Jack Wozmak, *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 and 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*; Christine Basha, *Public Information Specialist*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: Attorney Andrew Schulman, *Getman, Schulthess, & Steere*, and David T. Kausch, *Gabriel, Roeder Smith & Company*

Chair Gustafson called the meeting to order 9:09 a.m. and thanked Trustee Sosnoff for serving in his stead as Chair at the June 10, 2014 Board Meeting. He then welcomed the NHRS Board's newest member, Maureen Kelliher from Dover, who had been appointed by the Governor and Council to fill the open Non-Member Trustee position. He also announced that he had appointed Ms. Kelliher to the Audit Committee and the Independent Investment Committee.

On a motion by Trustee Scaife, seconded by Trustee Sosnoff, the Board of Trustees unanimously approved the public and non-public minutes, as presented, of the June 10, 2014 Board of Trustees Meeting.

Chair Gustafson began the Standing Committee Reports with Trustee Beardmore and the Audit Committee meeting which had immediately preceded the Board meeting. Trustee Beardmore provided a brief summation of the topics discussed, first noting that the due date on one item on the Audit Tracker had been moved to October. No new items had been added. He reported the Committee had continued its discussion of the Employer Withdrawal Policy but taken no action pending additional changes under consideration. He anticipated an August approval by the Committee and

presentation of the policy to the full Board at the September meeting. The Committee had also received an update on the NHRS staff's and KPMG's continuing efforts with respect to implementation of GASB 67 and 68. The 2015 Audit Plan had been approved by the Committee. Trustee Beardmore closed his report by stating the Committee would next meet on August 12, 2014, at 8:15 a.m.

Noting that the Benefits Committee had not met before the Board meeting, Trustee Walker stated the Committee would convene before the August Board meeting.

Trustee Roy offered a brief report on the Governance Committee meeting, stating that there had been no substantive action taken at its June 10th meeting. Two Staff updates had been considered and he anticipated further discussion on the copying charges rule change and the proposed revisions to the Employer Withdrawal Policy at the Committee meeting scheduled that afternoon.

Trustee Sosnoff presented the Investment report, stating that as of May 31, 2014, funds held in trust totaled \$7.221 billion, representing a 12% increase for the FYTD (11 months), of \$793 million. He stated that all asset classes were up for FYTD, one and three years, but trailed the NHRS custom index. In a brief economic update, Trustee Sosnoff reported that the U.S. unemployment rate had dropped to 6.1% and he considered the continued drop a positive indicator for the overall domestic economy. He reported that at its June meeting the IIC continued to focus on the direction of the Fixed Income Portfolio and met with BlackRock and GAMS, two unconstrained fixed income managers. Mr. Johansen, *Director of Investments*, offered a brief follow-up, stating that the investment returns for the current fiscal year were strong and that the ten-year performance measure continued to show improvement. He announced that preliminary June 30, 2014 investment performance would be available in August and final marketable and non-marketable performance would be available in September. He closed by stating that the July IIC meeting would be focused on macro-economic matters, and he encouraged Trustees to attend.

Attorney Andrew Schulman entered at approximately 9:15 a.m.

Trustee Crombie provided an update on the PPCC, which had not met in June. At its morning meeting, the Committee had received a report from Rosamond Cain, *Human Resources Manager*, discussed the status of PIP II, and entered into a non-public session to discuss compensation matters and grievances. He noted that the Supreme Court had not ruled on the PELRB. Trustee Crombie closed with the announcement that a cookout for NHRS employees would take place following the Board meeting on Tuesday, August 12, 2014.

Trustee Sosnoff, Chair of the Legislative Committee, deferred to Marty Karlon, *Public Information Officer*, for the Committee update. Mr. Karlon stated that the NHRS omnibus bill HB 1494 was awaiting signature from the Governor, and he noted that a large number of bills had not yet moved through the Secretary of State's office to the Governor's Office. He had messaging ready for timely release when the bill was signed.

For the Ad Hoc Real Estate Committee, Board Chair Gustafson reported that Mr. Bill Norton, the System's real estate consultant, had presented the Committee with three

viable options for office space. With a lease renewal date of March 2016, Chair Gustafson stated that Mr. Norton's preparation was substantial and that he was both very familiar with the Concord commercial real estate market and well-attuned to the business requirements of NHRS.

On a motion by Trustee Beardmore, seconded by Trustee Walker, the Board voted to enter into non-public session under RSA 91-A:3, II(e) to discuss current legal actions with Atty. Schulman on a roll call vote, as follows:

Ayes: Trustees Gustafson, Crombie, Dwyer, Kelliher, McCrillis, Martins, Roy, Scaife, Sosnoff, and Walker.

Nays: None.

On a motion by Trustee Walker, seconded by Trustee Dwyer, the Board unanimously voted to conclude the non-public session, at which no action had been taken.

Mr. David Kausch, Consulting Actuary from Gabriel Roeder Smith & Company, offered the Board of Trustees a detailed GASB presentation. He provided an overview of the new GASB 67 and 68 and explained the implications of each, noting that Statement 67 rules applied to Public Pension Plans and were effective June 30, 2014 for the NHRS. Statement 68 applied to participating employers and was to be implemented in the fiscal year beginning after June 15, 2014. Mr. Kausch addressed the proposed revisions to the Employer Withdrawal Policy, and explained the basis for utilizing a discount rate different from the actuarial valuation assumption. Mr. Kausch closed his presentation with an update on the potential impact of pending litigation on the 2016-2017 Rate Setting and answered questions from Trustees and Staff.

Chair Gustafson then requested operating reports, beginning with Mr. George Lagos, *Executive Director*. Mr. Lagos explained the ongoing reporting and reconciliation difficulties with Administrative Services at the State, which not only included unresolved payroll reporting problems but also the loss of key personnel. He referred Trustees to the FY 15 Action Plans of all his direct reports that were included in the Board materials. He concluded his update with Process Improvement Plan (PIP), explaining that efforts continued to be focused on Retirees Services.

Chief Legal Counsel Tim Crutchfield gave a brief update on outstanding legal matters, noting that a request for an extension of the filing date from Mr. Porelle regarding his administrative appeal had been partially granted by the Court. He reported that review of employer reporting for HB 342 continued but had not revealed widespread abuse of working-after-retirement regulations.

Jack Dianis, *Director of Finance*, briefly discussed the fiscal year budget reports. He then presented the recommendation for Citizens Bank as the NHRS new retiree payroll processing vendor, explaining that the internal staff committee had ranked it first of the six firms responding to the request for proposal (RFP) and that the proposal would result in both an improvement in customer service and reduced costs.

On a motion by Trustee Beardmore, seconded by Trustee Dwyer, the Board unanimously voted to approve staff's recommendation to enter into an agreement with

Citizens Bank for processing retiree payroll, subject to the satisfactory conclusion of fee negotiations.

Mr. Dianis then presented his recommendation for the 1099 Processing Contract, which had also been initiated through an RFP. Following a full review of the six respondents, the internal staff committee had ranked Thomson Reuters, the current vendor, number one for 1099 processing.

On a motion by Trustee Martins, seconded by Trustee McCrillis, the Board unanimously voted to approve staff's recommendation to enter into an agreement with Thomson Reuters for processing annual 1099's, subject to the satisfactory conclusion of fee negotiations.

Frank Clough, *Director of IT*, gave a brief update focused primarily on PensionGold and the updates installed to the system. He announced that he and the PIO team would be visiting the website firm SilverTech following the conclusion of the Board meeting regarding the upcoming website improvement project.

Nancy Miller, *Director of Member Services*, provided an update on processing of the almost 700 new retirees scheduled to be added to the annuity payroll for July 1 retirement. She stated that fewer than 70 had outstanding paperwork and she was confident all files would be completed in a timely manner. She noted that all online forms were under review for ease-of-use and understanding by constituents.

Director of Employer and Retiree Services Denise Call reported that July represented the busiest month of the year for both departments with the large number of insurance rate changes for employers and the addition of the largest number of new retirees in the year. Continuing projects included Gainful Occupation and Medical Subsidy Questionnaires, as well as monitoring late reporting penalties.

On a motion by Trustee Scaife, seconded by Trustee Sosnoff, the Board of Trustees unanimously approved the Consent Agenda without the recommendations for Disability Applications G.L. and M.O.

On a motion by Trustee Martins, seconded by Trustee Roy, the Board approved the recommendation of the Hearings Examiner in the Disability Application of G.L., as follows:

Ayes: Trustees Gustafson, Beardmore, Crombie, Dwyer, Kelliher, McCrillis, Roy, Scaife, Sosnoff and Walker.

Nays: Trustee Martins.

On a Motion by Trustee Beardmore, seconded by Trustee Roy, the Board approved the recommendation of the Hearings Examiner in the Disability Application of M.O., as follows:

Ayes: Trustees Gustafson, Beardmore, Crombie, Dwyer, Kelliher, McCrillis, Roy, Scaife, Sosnoff and Walker.

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Nays: Trustee Martins.

As part of the review of Action Items from the June Board meeting, Mr. Lagos advised the Board that the Surry Village Charter School has filed its intention to withdraw as an employer from NHRS and he anticipated the matter would be presented to the Board for its consideration at its August or September meeting.

Following a brief general discussion, on a motion by Trustee Martins, seconded by Trustee Roy, the meeting adjourned at approximately 11:43 a.m.

Respectfully submitted,
Shannan Hudgins