

**Note:** These minutes from the August 12, 2014, regular meeting were approved and executed at the September 9, 2014, Annual Meeting of the Board of Trustees.

**Regular Meeting  
Board of Trustees  
August 12, 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; George Walker; and Jack Wozmak.

*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*; 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*. Denise Call, *Director of Employer and Retiree Services*; Frank Clough, *Director of IT*, *absent*.

Chair Gustafson called the meeting to order 9:06 a.m. On a motion by Trustee Walker, seconded by Trustee Roy, the Board of Trustees unanimously approved the public and non-public minutes, as amended, of the July 8, 2014 Board of Trustees Meeting. A mistyped date on page three of the public minutes was corrected to read 2014.

Chair Gustafson began the Standing Committee Reports with Trustee Beardmore and the Audit Committee meeting which had immediately preceded the Board meeting. Trustee Beardmore began his remarks with the KPMG contract addendum to the NHRS engagement letter which identified an approximate increase in fees of \$170K if KPMG performed all the work associated with additional tasks related to GASB 67 & 68 implementation. He emphasized that the Committee had selected a second option ranging in cost from \$45K - \$64K through the utilization of NHRS staff in the projected work plan which significantly reduced total costs. He also stated that the auditing team reported that NHRS was “ahead of the curve” in the industry overall in its progressive work toward implementing GASB 67 & 68. KPMG auditors were expected to provide an update on GASB implementation at the October 14, 2014, Audit Committee meeting. Trustee Beardmore reported that the Committee had unanimously approved the revised Employer Withdrawal Policy, which was also on the Governance Committee’s agenda later that day. He closed his remarks with an acknowledgement and congratulatory statement to the NHRS Finance and PIO teams for GFOA awards for the 2013 CAFR and Summary CAFR. Larry Johansen, *Director of*

*Investments*, noted that a full Board vote on the Employer Withdrawal Policy was expected at the September 9, 2014 meeting.

Benefits Committee Chair Walker presented a recapitulation of the Committee's July 30<sup>th</sup> meeting, noting that medical subsidy payments were offsetting a \$20 medical insurance administration fee being charged by the City of Manchester on behalf of four retirees. He reported that Staff had contacted the City to inform them such practice was not permitted under statute. Regarding the City of Portsmouth and its City Manager's request to join NHRS after 17 years of service in his post, Trustee Walker reported that the requested change in retirement plans was not permitted under the IRS Code. He reported that Mr. Richard Welch had filed a \$5K reimbursement claim in Small Claims Court and that Atty. Schulman would be filing motions to dismiss based on the October 2013 Supreme Court ruling in Mr. Welch's suit against NHRS. He then asked George Lagos, *Executive Director*, to discuss Mr. Welch's petition for a Retirement Rule Change. Explaining the statutory response requirements for a rule change petition, because of the lack of time to formally evaluate Mr. Welch's suggested revisions, Mr. Lagos suggested the Board formally deny Mr. Welch's request with the stated intent to refer his request to the Benefits Committee for consideration. On a motion by Trustee McCrillis, seconded by Trustee Scaife, the Board unanimously voted to deny Mr. Richard Welch's request for a rule change and subsequently referred the request to the Benefits Committee for review and consideration.

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

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

*Nays:* None.

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

Trustee Roy presented a brief update of the Governance Committee's July meeting. He anticipated a final review and Committee vote on both the proposed revisions to rule Ret. 103.01 and the Employer Withdrawal Policy during its meeting scheduled immediately following the Board meeting.

Trustee Sosnoff presented the Investment report, stating that as of the end of FY 2014, funds held in trust totaled \$7.343 billion, representing a gain of \$122 million or 1.5% from May 31, 2014. Gains for FY 2014 were \$915 million, a 14% increase in the trust fund for the year. He stated that all asset classes were up for FYTD for one and three years. In a brief economic update, Trustee Sosnoff reported that the U.S. unemployment rate had increased marginally to 6.2%. He reported that the July IIC meeting had been focused on macro-economic discussions and presentations. The IIC had voted to move \$50 million from PIMCO to Double Line's Flexible Fixed Income Strategy. Mr. Johansen briefly discussed the regular Townsend real estate review in June and the NEPC private equity review in December, noting regular reports would be included in his reports to the Board in July and January. Mr. Johansen then

provided the Board a high-level review of the accomplishments of the real estate program for FY 2014 and the goals of the program for FY 2015.

Trustee Crombie provided a PPCC update from its meeting on August 11, 2014, that focused on HR recruitment efforts for the investment and auditing teams. Staff appraisals at three and six month intervals for new hires were to be implemented. The meeting had concluded with a non-public session focused on personnel issues.

Trustee Sosnoff asked that Marty Karlon, *Public Information Officer*, provide the final report on the 2014 legislative calendar. Mr. Karlon stated that HB 1494, the NHRS omnibus bill, had been signed by Governor Hassan shortly after the July Board meeting and was now law. He noted that NHRS had benefitted from its efforts to provide information to legislators about the System. Chair Gustafson formally commended Mr. Karlon for his outstanding work with the legislature over the past year for the benefit of all members and beneficiaries of NHRS. On behalf of the Board of Trustees, he thanked Mr. Karlon for his diligence in forming and keeping positive relationships with all constituents and the State House.

Chair Gustafson offered a brief report from the Real Estate Committee and its ongoing efforts to secure appropriate office space for NHRS. Both Committee members and senior staff had toured a potential site and he would provide updates as appropriate.

Following a five-minute break, on a motion by Trustee Walker, seconded by Trustee Sosnoff, the Board voted to enter into non-public session under RSA 91-A:3, II(e) to discuss current legal actions on a roll call vote, as follows:

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

*Nays:* None.

On a motion by Trustee Martins, seconded by Trustee Kelliher, the Board unanimously voted to conclude the non-public session.

On a motion by Trustee Dwyer, seconded by Trustee Roy, the Board unanimously voted to seal the minutes of the meeting's second non-public session under RSA 91-A:3, III, until the Board determined that unsealing the minutes would not render the proposed action ineffective.

Chair Gustafson then moved to staff reports, and Mr. Lagos opened the Operating Reports portion of the Agenda with a reminder to Trustees that employer rates for the 2016-17 biennium as recommended by the FY 2013 Valuation would be presented to and voted on by the Board at its September Annual meeting. He also stated that PIP II recommendations for Retiree Services were set for implementation in August.

In his Legal Update, Atty. Crutchfield, *Chief Legal Counsel*, stated that retirees working in excess of the 32-hour limit were very few, as evidenced by Atty. Mark Cavanaugh's work on HB 342 reporting requirements. He reminded Trustees to complete the Annual Ethics Standard of Conduct Questionnaire provided to them, which was a best-practice review for the benefit of Trustees and NHRS.

*Director of Finance* Jack Dianis presented the NHRS Statutory Budget for 2016-17, which represented the component of the NHRS total Trust Fund budget that was submitted to and was part of the State budget process. He explained that the preliminary budget had been prepared just as the State issued guidelines for budget benefit rates. Using the State guidelines, the benefit expense line would decrease and that reduction would be reflected in the final budget presented at the September Board meeting. In closing, he requested Trustees to contact him with any questions before the September meeting budget vote. The Board-approved Statutory Budget would be submitted to the State prior to the October 1, 2014 deadline.

Mr. Lagos presented the IT, Employer Services and Retiree Services updates for Frank Clough, *Director of IT*, and Denise Call, *Director of Employer and Retiree Services*, who were absent from the meeting attending to a PensionGold reporting problem. He stated that the NHRS IT strategic plan was being implemented and the replacement of the outdated telephone system would likely result in an RFP. He stated that Employer Services efforts were focused on PIP Phase I PG Build testing and implementation, and the final results of PIP II would be implemented in Retiree Services in August.

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

Chair Gustafson reminded the Board that following the Governance Committee meeting immediately following adjournment, Trustees and Staff would gather for lunch together outside in the designated area behind the NHRS building.

On a motion by Trustee Sosnoff, seconded by Trustee Crombie, the meeting adjourned at approximately 11:40 a.m.

*Respectfully submitted,*  
*Shannan Hudgins*