

Note: These minutes from the September 9, 2014, Annual Meeting were approved and executed at the October 14, 2014, regular Meeting of the Board of Trustees.

**Annual Meeting
Board of Trustees
September 9, 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*; M 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*; Rosamond Cain, *Human Resources Manager*; and Shannan Hudgins, *Administrative Coordinator*.

Guest: Nancy Williams, Hewitt EnnisKnupp, *Governance Consultant*

Chair Gustafson called the meeting to order 9:07 a.m. On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board of Trustees unanimously approved the public and non-public minutes of the August 12, 2014 Board of Trustees Meeting.

Trustee Beardmore, Chair of the Audit Committee, provided an update of that morning's meeting. The Committee had discussed the Surry Village Charter School withdrawal plan, as well as GASB 67 & 68 reporting requirements and Staff work with KPMG. He noted that the Committee had unanimously approved two items to bring before the Board of Trustees for consideration and approval.

On a motion by Trustee Scaife, seconded by Trustee Roy, the board of Trustees unanimously accepted the recommendations of the Audit and Governance Committees to approve the proposed revisions to the Employer Withdrawal Policy.

On a motion by Trustee McCrillis, seconded by Trustee Sosnoff, the Board of Trustees unanimously accepted the recommendation of the Audit Committee to approve the proposed single-source contract for Network Administration services with Systems Engineering, subject to the satisfactory conclusion of fee negotiations.

Benefits Committee Chair Trustee Walker stated the Committee had met on September 3, 2014, to discuss a recoupment matter. On a motion by Trustee Walker, seconded by Trustee Roy, the Board of Trustees 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 Martins, seconded by Trustee Beardmore, the Board unanimously voted to conclude the non-public session, at which no action had been taken.

On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board of Trustees voted to accept the recommendation of the Benefits Committee in the Gary Johnson recoupment matter, as follows:

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

Nays: None.

Abstention: Trustee Sosnoff.

Trustee Roy presented a brief update on the August Committee meeting, noting that both the Employer Withdrawal Policy and the recommendations from Staff to change NHRS administrative rule Ret. 103.01(d) had been approved by the Committee. On a motion by Trustee Roy, seconded by Trustee Beardmore, the Board of Trustees unanimously approved the 2015 Board Meeting Calendar.

Trustee Sosnoff presented the Investment report, stating that as of July 31, 2014, funds held in trust totaled \$7.23 billion, representing a loss of \$113 million or 1.5% for the month. He noted that as of June 30, 2014, NHRS ranked in the top quartile of funds for the year-to-date, three years, and ranked in the 12th percentile for the last five years. In his macroeconomic update, Trustee Sosnoff reported that Europe's economy had stalled, but that Britain's economy was growing nicely. He noted that the UK retained its currency, the Pound Sterling, and had never joined the Euro. He reported that at the August IIC meeting, the Committee had voted to terminate Windhaven and move the assets managed by Windhaven to Standard Life Investments. Following a presentation from HarbourVest and Alcentra the Committee voted to commit \$50 million to each of the General Partners. Larry Johansen, Director of Investments, discussed the performance of the marketable assets for various periods ending July 31, 2014.

In his Committee report, Trustee Crombie noted that the PPCC had not met since its August 11th meeting and he had no updates for the Board.

Trustee Sosnoff asked that Marty Karlon, *Public Information Officer*, provide any legislative updates. Mr. Karlon reported that the House's ED&A's *Ad Hoc* Pension Committee had met in August, with only five representatives in attendance. No decisions had been made, but the group reviewed the material from the Boston College presentation earlier in the summer. Mr. Karlon noted that the formal LSR period would begin following the November 4th election.

Chair Gustafson offered a brief report from the Real Estate Committee, indicating that there were a limited number of appropriate sites in the Concord market. He added that the Committee continued to work with Mr. Norton in evaluating a potential site on Foundry Street.

Chair Gustafson requested *Director of Finance*, Jack Dianis, present his report for the Board's consideration of the FY 2016-17 Employer Rates. Mr. Dianis briefly discussed the June 30, 2013 Actuarial Valuation Report and the employer contribution rates for the biennium as presented by GRS, the system's actuaries. Larry Johansen, *Director of Investments*, explained the smoothing calculation of the System's approximate \$106 million actuarial gain for the fiscal year, which results from distributing the investment gain or loss from each year ratably over a five year period.

On a motion by Trustee Martins, seconded by Trustee Sosnoff, the Board of Trustees unanimously approved the Employer Contribution Rates for Fiscal Years 2016 and 2017 based on the June 2013 actuarial valuation.

Following a five-minute break, Governance Consultant Nancy Williams, of Ennis HewittKnupp, presented a fiduciary education session to the Board of Trustees as part of the Annual Meeting. Ms. Williams outlined the requirements associated with the fiduciary duties of loyalty, prudence and the following of plan documents, with particular focus on the obligation for trustees to act solely in the best interest of the trust and its members and beneficiaries. She closed her presentation with a reminder about the concept of co-fiduciary liability and suggested that Trustees seek the guidance and assistance of the Chief Legal Counsel with any questions about their fiduciary responsibilities.

Chair Gustafson then moved to staff reports. Mr. Lagos opened the Operating Reports portion of the Agenda, beginning with the Key Performance Measures. Noting that the State of NH reporting issues had continued to adversely impact the percentage, he reported that State employee records were now up-to-date and reconciled, and the expectation is that future reporting would be timely. The State will be participating in the LEAN process improvement program with specific focus on NHRS reporting matters. The Retiree Services area had been restructured and the implementation was going well. He then noted that survey results from the past year were included in his report and he had *Public Information Officer*, Marty Karlon, discuss the report.

In his Legal Update, Atty. Crutchfield, *Chief Legal Counsel*, first thanked the Trustees for their timely completion of the Annual Ethics Standard of Conduct Questionnaire. He then stated that Atty. Schulman had filed the response brief in the HB 1645 suit, and that Atty. Foley had filed an objection in the Porelle suit, both in Supreme Court. Atty. Crutchfield closed his remarks with a Gainful Occupation update, stating that

only a small percentage of disability annuitants were non-compliant, and that the full report would be presented to the Board at its October 14th meeting.

Director of Finance Jack Dianis presented the NHRS Statutory Budget for 2016-17 for approval from the Board of Trustees, pointing out that the proposed level of expenditure for both fiscal years was less than that of FY 2015. He explained that this budget represented the component of the NHRS total Trust Fund budget that was submitted to and was part of the State budget process. Once approved, the Statutory Budget would be submitted to Administrative Services, from there it would proceed to the Governor's office and then to the Legislature, all prior to the October 1, 2014 State Budget submission deadline.

On a motion by Trustee Kelliher, seconded by Trustee McCrillis, the Board of Trustees unanimously approved the NHRS statutory administrative budget for Fiscal Years 2016 and 2017.

Frank Clough, *Director of IT*, presented a brief update of both facilities matters and technology issues. All HVAC work had been completed and he awaited the landlord's schedule for external landscaping and parking lot repairs. Mr. Clough reported that Systems Engineering would be evaluating the System's telephone system, and he noted that recent system patches to PensionGold had been successful.

Director of Member & Retiree Services, Nancy Miller, opened her update with PIP II changes, noting that the changes to Retiree Services were going well. She stated that a demonstration of four retirement documents for electronic submission had been prepared by LRS, and she closed by reporting that work had begun on the preparation of the annual member statements for distribution.

Denise Call, *Director of Employer Services*, began her update with the State of NH reconciliation difficulties that had been problematic for many months, but were finally resolved. In a follow-up to Atty. Crutchfield's statements about Gainful Occupation (GO), Ms. Call reported that 87 questionnaires remained outstanding, but she anticipated the December reduction of the state annuity portion of those annuitants' pensions would spur compliance. Because GO evaluation occurred annually, there was no recoupment provision required.

Following an explanation of the Prior Service Request process and documentation, on a motion by Trustee Scaife, seconded by Trustee Dwyer, the Board unanimously approved the Consent Agenda, as presented.

On a motion by Trustee Sosnoff, seconded by Trustee Martins, the Board of Trustees approved the travel request of Trustee Wozmak, as follows:

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

Nays: None.

Abstention: Trustee Wozmak.

NHRS Board of Trustees
September 9, 2014

Chair Gustafson formally expressed his appreciation and gratitude to Trustee Scaife, who was stepping down from the Board of Trustees in anticipation of his move out of state to assume a new professional challenge. Noting that in his term on the Board, Trustee Scaife had offered his professional expertise on three Committees – Governance, Legislative, and the PPCC – Chair Gustafson stated he would miss his insights and experience. On behalf of the Board and NHRS Staff, Chair Gustafson presented Trustee Scaife with a granite plaque honoring his years of service to NHRS.

On a motion by Trustee Scaife, seconded by Trustee Crombie, the meeting adjourned at approximately 11:57 a.m.

Respectfully submitted,
Shannan Hudgins