

Note: These minutes from the July 11, 2017, Regular Meeting were approved and executed at the August 8, 2017, regular Meeting of the Board of Trustees.

**Board of Trustees
July 11, 2017**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; Tonya Angwin; John Beardmore; Bill Dwyer; Julia Griffin; Bill Hart; Maureen Kelliher; Stephen Marro; Germano Martins; David McCrillis; Don Roy; and, George Walker.

Staff: George Lagos, *Executive Director*; Heather Fritzky, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; Frank Clough, *Director of Information Technology*; Nancy Cone, *Internal Auditor*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Christine Basha, *Public Information Specialist*; Christina Minervini, *Public Information Specialist*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the July 11, 2017, Regular Meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, Chair Gustafson called for a motion on the June 13, 2017 meeting minutes. On a motion by Trustee Walker, seconded by Trustee Martins, the Board voted to approve the public minutes of the May 9, 2017 meeting as amended, and the non-public minutes. Trustees Beardmore and McCrillis abstained.

Chair Gustafson next congratulated Heather Fritzky on her promotion from *Controller* to *Director of Finance*, upon the retirement of Jack Dianis. He welcomed her to the Executive Team on behalf of the Board of Trustees.

In expressing his sorrow at the recent death of long-time Trustee Hershel Sosnoff, Chair Gustafson read the following tribute.

**THE BOARD OF TRUSTEES
OF THE
NEW HAMPSHIRE RETIREMENT SYSTEM
RESOLUTION – HERSHEL SOSNOFF**

Whereas, Hershel (“Hersh”) Sosnoff was appointed to the NHRS Board of Trustees (“Board”) by Governor John Lynch in 2011; and

Whereas, Hersh was appointed to the Independent Investment Committee (“IIC”) in 2012; and

Whereas, Hersh was a knowledgeable, energetic, and dedicated Trustee; and

Whereas, Hersh’s macro-economic reports to the Board were legendary for being as entertaining as they were insightful; and

Whereas, beyond his contributions to both the Board and the IIC, Hersh was a man of character, universally liked and respected as a gentleman and someone who could, and would, disagree without being disagreeable; and

Whereas, Hersh passed from this life on Saturday, July 1, 2017,

NOW THEREFORE BE IT RESOLVED that the Board of Trustees does hereby record in the minutes its gratitude and appreciation for the dedicated service and counsel provided to the New Hampshire Retirement System by their esteemed colleague, Hersh Sosnoff, on this Eleventh day of July, 2017.

On a motion by Trustee McCrillis, seconded by Trustee Dwyer, the Board unanimously voted to include the aforementioned tribute to Trustee Sosnoff in the permanent record.

Trustee Beardmore presented a report on the Audit Committee meeting immediately prior to the Board meeting, noting that the Committee had reviewed the final audit report from Nancy Cone, *Internal Auditor*, on the Governance Manual and Delegation-of-Authority. The Committee had also reviewed the 2017 Audit Plan, and he noted that all audits on the 2017 plan had been completed. He reported that the Committee had voted to approve the 2018 Audit Plan, to which seven new audits had been added for the coming fiscal year. GASB audit updates, as well as small-value contracts, had also been reviewed by the Committee.

Trustee Walker reported on the Benefits Committee meeting held July 5th, stating that in public session Committee members had received Staff updates on a service credit issue from the Gilford School District, Gainful Occupation proposed rule changes, as well as the one-year pilot project regarding administration of the disability applications process resulting from Chapter 49 of the Laws of 2016. He noted that the Board would consider approval of Staff recommendations on the disability applications process at its next meeting. In the non-public session, Committee members had reviewed a disability re-examination matter and also discussed with Staff their proposed method of correcting a survivor benefit. During a temporary adjournment, the Committee had met with Atty. Michael Delaney to discuss the Bulkley reconsideration matter. All NHRS Staff members were excused from the room during the adjournment.

On a motion by Trustee Beardmore, seconded by Trustee Walker, the Board unanimously voted to accept the recommendation of the Benefits Committee in the Bulkley matter to deny the Petitioners’ Joint Motion for Reconsideration and proceed with the Board’s action authorized on May 9, 2017, to schedule a new hearing before an alternative Hearings Examiner.

Trustee Roy presented the Governance Committee report, stating that following a careful review of the cyber insurance quotes from Cross Insurance at its June meeting, the Committee had voted to recommend that the Board renew its cyber insurance through its existing carrier, NAS/Lloyd's. On a motion by Trustee Beardmore, seconded by Trustee Hart, the Board unanimously voted to accept the recommendation of the Governance Committee that the Board approve the purchase of cyber insurance coverage as presented today. The Board noted its appreciation of the significant cost savings which had been achieved.

Trustee Kelliher presented the Investment update in which she stated that end-of-fiscal-year investment returns were anticipated to be double digits. She noted that the positive US jobs report in June – 222K jobs created – coupled with a strong global economic environment contributed to the positive economic outlook in the United States. She added that continued normalization of short-term interest rates by the Federal Reserve contributed to spur positive US economic growth. Trustee Kelliher reported that funds held in trust as of May 31, 2017, were \$8.1 billion, representing the largest holding of funds in the 50-year history of NHRS.

Larry Johansen, *Director of Investments*, provided an Independent Investment Committee (IIC) update, beginning with a comprehensive real estate review. Noting that in January 2010, NHRS possessed sixteen individual properties, all of which had been sold by June 2015 at an aggregate profit, Mr. Johansen detailed the IIC's strategic and systematic restructuring of the System's real estate portfolio through The Townsend Group. Referencing the Townsend report, Mr. Johansen stated that the real estate goals for FY 2017 had been fully achieved. Mr. Johansen also noted the very strong performance of the Private Debt and Equity portfolio for the commitments made by the IIC. He then offered a preview of the July IIC meeting, which would be devoted to macroeconomic presentations by four managers, with an extended discussion by IIC members anticipated. Mr. Johansen invited any interested Trustees to contact him for materials in advance of the July 21st meeting.

Trustee Griffin requested that Marty Karlon, *Public Information Officer*, provide the Legislative Committee update. Mr. Karlon stated that there had been no sweeping changes to NHRS during the 2017 Legislative Session, which had begun with eighteen NHRS-related bills introduced. He explained that the Decennial Commission had not yet convened as only five members had been named, noting that the Commission's deadline for issuing its report was December 1, 2017.

Chair Gustafson provided an update from the *ad hoc* Real Estate Committee, which had been reconvened to consider the most recent sale offer of the Regional Drive property. He stated that The Townsend Group had been available to conduct a walk-through of the property with the Committee and Senior Staff, and that Townsend's report would be submitted by week's end. Chair Gustafson stated that Staff would review the report with an evaluation and recommendation to the Real Estate Committee for its consideration.

In her PPCC update, Trustee Griffin stated that there were no public items to report. On a motion by Trustee Griffin, seconded by Trustee Hart, the Board unanimously voted to enter into non-public session under RSA 91-A:3, II(c) to discuss a matter

which could adversely impact the reputation of someone other than a member of this public body, on a roll call vote, as follows:

Ayes: Trustees Gustafson, Angwin, Beardmore, Dwyer, Griffin, Hart, Kelliher, Marro, Martins, McCrillis, Roy, and Walker.

Nays: None.

On a motion by Trustee Roy, seconded by Trustee Griffin, the Board unanimously voted to return to public session.

No votes were taken during the non-public session.

Associate Counsel and Compliance Officer Mark Cavanaugh offered a presentation entitled “Working After Retirement” to the Board, in which he detailed the statutory provisions in RSA 100-A from which NHRS reporting protocol had emerged. His presentation included retiree work hours and compensation data from the third and fourth quarters of 2014, and all of 2015 and 2016. His open discussion forum provided opportunities for questions and a number of suggestions were presented with respect to the presentation of the data and the level of detail provided in anticipation of the potential for a future presentation to the Decennial Commission on this topic.

Executive Director George Lagos provided a brief operations update, noting the finalization of Action Plans and meeting the Key Performance Measures. He then outlined a proposal for a sole-source contract to establish Cisco phone system redundancy at the NHRS colocation site in Massachusetts as a part of the System’s Disaster Recovery Plan.

On a motion by Trustee Griffin, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Executive Director and approved the Cisco telephone redundancy contract, subject to legal review.

Tim Crutchfield, *Chief Legal Counsel*, noted in his update that the twenty-nine GASB audits were the focus of the Employer Audit team. Audits of the SAUs (school administrative units) would be completed in July, with all other GASB audits completed in August.

Heather Fritzky, *Director of Finance*, thanked the Trustees for the opportunity to present her first Finance report. She began with the net position balance of \$8.128 billion as of May 31, 2017, which was an NHRS first-time achievement. Ms. Fritzky referenced a Finance Action Plan item moved from FY 17 to FY 18 Action Plan that entailed converting employers from check submissions to paying contributions electronically by ACH. She explained that securing a financially viable ACH option for small employers was an important objective and that it appeared that a viable vendor had been identified. She anticipated completing the Action Item in FY 18.

Director of Information Technology, Frank Clough, provided a brief update on security maintenance and priorities, stating that security initiatives begun in FY 17 would continue as priorities into FY 18.

Nancy Miller, *Director of Member Services*, reported a total of 726 July 1 retirement applications had been received, and her teams were actively processing the necessary paperwork to secure the retirees' placement on the annuity payroll.

Chair Gustafson next addressed the Consent Agenda. On a motion by Trustee Griffin, seconded by Trustee Martins, the Board unanimously voted to approve the Consent Agenda with the exception of Item #7. On a motion by Trustee Martins, seconded by Trustee Hart, the Board voted to approve Consent Agenda Item #7, as follows:

Ayes: Trustees Gustafson, Angwin, Beardmore, Dwyer, Hart, Kelliher, Marro, Martins, McCrillis, Roy, and Walker.

Nays: None.

Abstention: Trustee Griffin.

Following the conclusion of formal NHRS Board business, Chair Gustafson read Governor Sununu's recognition of the formation of the New Hampshire Retirement System in 1967 and its 50th anniversary.

A COMMENDATION

In the Year of our Lord Two Thousand and Seventeen

NEW HAMPSHIRE RETIREMENT SYSTEM 50TH ANNIVERSARY

WHEREAS, the New Hampshire Retirement System, which was created by legislation as a consolidation of separate retirement systems for state employees, teachers, police officers, and firefighters, is celebrating the 50th anniversary of its founding this year; and

WHEREAS, the New Hampshire Retirement System is a component unit of state government, governed by statute and overseen by a Board of Trustees consisting of members, employers, public members, and the state Treasurer, all of whom are fiduciaries bound by law to act solely in the interest of the participants and beneficiaries of the pension plan; and

WHEREAS, the New Hampshire Retirement System provides pension, disability, and death benefits for the full-time employees of more than 475 public employers and has paid out more than \$670 million dollars in pension benefits

in fiscal year 2016 to over 31,000 retirees and beneficiaries, most of whom continue to reside in New Hampshire; and

WHEREAS, the New Hampshire Retirement System has a large membership equating to 92,158 members in 2016, and its pension trust fund has grown to eight billion dollars, most of which comes from investment income; and

WHEREAS, the New Hampshire Retirement System provides stable, secure pension benefits to those who serve the citizens of New Hampshire;

NOW, THEREFORE, I, CHRISTOPHER T. SUNUNU, GOVERNOR of the State of New Hampshire, do hereby commend the **NEW HAMPSHIRE RETIREMENT SYSTEM** on celebrating its 50th Anniversary and wish you all the best in the future.

Mr. Lagos announced that the Staff Appreciation luncheon would be held inside because of inclement weather, noting that the meal would begin at noon, following a five-minute recess to rearrange the Board room.

On a motion by Trustee Walker, seconded by Trustee Hart, the meeting adjourned at approximately 11:52 a.m.

Respectfully submitted,
Shannan Hudgins