

Note: These minutes from the March 21, 2017, Regular Meeting were approved and executed at the April 11, 2017 regular Meeting of the Board of Trustees.

**Board of Trustees
March 21, 2017**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; Tonya Angwin; John Beardmore; Julia Griffin; Maureen Kelliher; Stephen Marro; Germano Martins; David McCrillis; and Hershel Sosnoff. Bill Dwyer, Bill Hart, Don Roy, and George Walker, *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*; Nancy Cone, *Internal Auditor*; Heather Fritzky, *Controller*; 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*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the March 21, 2017 Regular Meeting of the NHRS Board of Trustees to order at 10:32 a.m. Due to weather conditions, this meeting had been postponed from March 14, 2017.

Having established a quorum, Chair Gustafson called for a motion on the February 14, 2017 minutes. On a motion by Trustee Marro, seconded by Trustee Beardmore, the Board voted to approve the public minutes of the February 14, 2017 meeting, as presented. Trustee McCrillis abstained from the vote.

Trustee Beardmore presented the Audit Committee update from that morning's meeting. Nancy Cone, *Internal Auditor*, provided the Committee with a final report on a recently concluded PensionGold user access rights audit. Five items had been added to the Tracker, and the Committee had also reviewed the FY2017 Audit Plan. *Director of Finance* Jack Dianis discussed both GASB 68, employer pension liability reporting, and GASB 74, the first step in OPEB reporting. Trustee Beardmore noted that the Committee had discussed the RFI for the pension application software review. He closed with a brief update on the Committee's review of non-public meeting procedures.

In the absence of Trustees Walker and Roy, *Executive Director* George Lagos stated that neither the Benefits Committee nor the Governance Committee had met since the February meeting.

Trustee Sosnoff presented an Investment update, reporting funds held in trust as of January 31, 2017 totaled \$7.793 billion, realizing an increase of \$111 million for the month and \$332 million for the fiscal year-to-date. He stated that all asset classes were within their target ranges. In his macro-economic update, Trustee Sosnoff stated that the Federal Reserve had raised interest rates one-quarter of a point on March 15th. At its February meeting, the IIC had accepted Sen. Harold Janeway's resignation as IIC Chair and approved Trustee Maureen Kelliher as his successor. The Committee had received a presentation from Top Tier Capital and Able/Noser had presented a report on the System's annual trading costs.

Larry Johansen, *Director of Investments*, discussed expenses, noting that investment expenses are below the average for the NEPC and NCPERS peer groups and the administrative expenses are equal to or below the average in the same peer groups. Our administrative expenses would show even more favorably if the NHRS did not have a large UAAL. In response to an inquiry from the House Finance Committee, Staff did research with NEPC. The Independent Investment Committee (IIC) was established in January 2009. For the five, six and seven years ending June 30, 2009, before the establishment of the IIC, the NHRS total fund performance was in the third quartile of the NEPC peer universe. In other words, the NHRS underperformed more than half the plans in the universe. The underperformance of 40 basis points relative to the median plan in the universe represented approximately \$100 million. For the five, six and seven years ending June 30, 2016, after the establishment of the IIC, the NHRS total fund performance was in the top decile of the NEPC peer universe. In other words, the NHRS outperformed 90% of the plans in the universe. The outperformance of 150 basis points relative to the median plan in the universe represented approximately \$400 million. Mr. Johansen attributed the performance gains to the leadership and expertise imbedded in the IIC and its members. He announced that the IIC meeting slated for Friday, March 24, would include a discussion of the right-to-know request for access to records related to NHRS's Private Market Investments.

Trustee Griffin deferred to Marty Karlon, *Public Information Officer*, for the Legislative Committee update. He reported that of the 18 NHRS-related bills in the current Legislative Session, four had been adopted, seven defeated, and seven retained in committee. He focused his remarks on three bills: HB 294 addressed actuarial expenses; HB 405 concerned the Decennial Commission; and, HB 561 focused on working after retirement. A brief discussion followed.

George Lagos, *Executive Director*, provided a brief operational update focused on missed KPMs, explaining that two were investment-related, one legal, one concerned the employer contribution reimbursement backlog that was directly related to increased employer audits, and one was a PensionGold matter related to MyAccount access.

Mr. Lagos then conducted the Board's annual Preserve/Achieve/Avoid strategic planning exercise that included details gathered from five years of discussion and goal setting. The Board concurred that the upcoming Decennial Commission was one of the most important matters for Staff research and Board review in the next fiscal year.

Chief Legal Counsel Tim Crutchfield provided a brief legal update, noting that the employer audit team was well ahead of its required completion of eighteen audits per quarter. He stated that requests for, or returns of, contributions had boosted the number of appeals and represented a direct result of the increased number of employer audits. As a result, Atty. Crutchfield emphasized the need for increased training and information opportunities for NHRS participating employers.

Jack Dianis, *Director of Finance*, presented the Finance update, stating that the NHRS Statutory Budget presentation before the House Finance Division I Committee had been well-received and was approved immediately. He added that the NHRS Dashboard document had proved useful in providing the Committee with an overall view of NHRS.

Mr. Lagos presented the IT report on behalf of Mr. Clough, who was attending a PensionGold conference, announcing that the team was now fully staffed. Helpdesk Ticket administration was a principle part of the newest employee's tasks, which would benefit the entire agency. He also noted that with Mr. Dianis now in charge of employer reporting, a project to scan employer paper records into the NHRS database was under development.

Nancy Miller, *Director of Member Services*, focused her update on the ongoing efforts to automate various member services functions. She briefly described processes involved in benefit continuances, refund calculations, and online submission of employer report corrections.

On a motion by Trustee Beardmore, seconded by Trustee Martins, the Board of Trustees unanimously voted to refer the Administrative Recommendation matter of D. Bulkley/Allenstown to the Benefits Committee for review.

On a motion by Trustee Griffin, seconded by Trustee McCrillis, the Board unanimously voted to approve the Consent Agenda, as amended.

Chair Gustafson requested information relating to the investment right-to-know request, and Mr. Lagos and Mr. Johansen provided an outline of the request as well as an explanation of the proprietary nature of the information at issue.

On a motion by Trustee Angwin, seconded by Trustee Griffin, the meeting was adjourned at approximately 11:53 a.m.

Respectfully submitted,
Shannan Hudgins