

Note: These minutes from the April 9, 2013, regular meeting were approved and executed at the May 14, 2013, regular Meeting of the Board of Trustees.

**Regular Meeting
Board of Trustees
April 9, 2013**

The Public Minutes

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

Trustees: Lisa Shapiro, Ph.D., Chair; John Beardmore; Dean Crombie; David McCrillis; Cathy Provencher; Hershel Sosnoff; Karen McDonough; Don Roy; Guy Scaife; George Walker; Jack Wozmak. Dick Gustafson, Ph.D., *absent*.

Staff: George Lagos, *Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Carolyn Johnson, Esq., *Hearings Examiner*; Nina Calkins, *PPM Manager*; Marty Karlon, *Public Information Officer*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Shapiro called the regular meeting of the NHRS Board of Trustees to order at 9:10 a.m. and requested a motion to approve the public and non-public minutes from the March 12, 2103, regular meeting. On a motion by Trustee Walker, seconded by Trustee Roy, the minutes were approved unanimously.

Chair Shapiro next addressed the Benefits Committee and requested an update from Executive Director Lagos. He began by announcing that Trustee Kate McGovern had been promoted within the Division of Personnel at the Department of Administrative Services. Because her new position was not in the bargaining unit, she had formally resigned from the Board when she was confirmed by the Governor and Council on April 3, 2013.

Mr. Lagos opened the discussion of actuarial option factors and asked Tim Crutchfield, *Chief Legal Counsel*, to review his memorandum as well as the GRS letter found in the Board materials. Following a brief discussion, Mr. Lagos confirmed that that the options subject to change were those used to calculate benefit options; that the revisions would result in reduced benefits; and the proposed factors would be applied prospectively as of July 1, 2013, so

there would not be any impact on members with pending retirement applications.

On a motion by Trustee McCrillis, seconded by Trustee Scaife, the Board unanimously voted to adopt the actuarial option factors as presented in the March 18, 2013, GRS letter.

Chair Shapiro requested the Audit Committee report, and Trustee Provencher began with a review of the Tracker, noting that staff efforts to focus on pertinent issues for review and resolution were exceptional. She indicated that the increased number of issues were JRP-related and were being managed by Nancy Miller, *Director of Member Services*. Trustee Provencher stated that the next project on schedule was an internal audit of the administration of post-retirement insurance. She announced that system auditors KPMG would attend the May Audit Committee meeting to discuss the FY 13 audit. In reference to the alternative investment audit comment, she stated that KPMG had approved of staff's proposed approach to conducting and documenting due diligence of alternative investments. Jack Dianis, *Director of Finance*, stated that the KPMG letter validated the NHRS process which was now in place.

Trustee Roy presented the Governance Committee update, stating that no action items had resulted from its March meeting. He reminded the Board that two interviews had been scheduled for the afternoon with two finalist firms that had responded to the legal RFP. Trustee Roy anticipated that a Committee recommendation would be brought to the full Board at its May meeting.

Trustee Sosnoff opened his remarks on behalf of the Independent Investment Committee (IIC) by stating that funds held in trust as of February 28, 2013, were \$6.266 billion, up \$492 million, or 8.5% fiscal year-to-date. Trustee Sosnoff offered general comments on both US and worldwide economic developments that included the continued low risk of inflation; Japanese monetary goals that could result in downward pressure on the yen; the potential floating of Chinese currency within two-to-three years; and the negative credibility suffered by the Euro as a result of the European Union's actions in Cyprus. Trustee Sosnoff provided an overview of the March IIC meeting, noting that the Investment Staff was closely monitoring Loomis Sayles and its portfolio management changes in the last quarter of 2012.

As Chair of the Legislative Committee, Trustee Sosnoff stated that the session had been relatively quiet with only three House Bills crossing over to the Senate. He commented on proposed federal legislation of concern and indicated that he anticipated a Committee meeting for Friday, April 19, 2013, immediately following the IIC. The meeting would focus on reviewing proposed federal legislation, HR 567, which would require state and local government sponsors of public pension plans to provide specific funding information to the

US Treasury Department or face certain penalties. Trustee Sosnoff anticipated the Committee would discuss whether to recommend that the Board reach out to the NH congressional delegation on this issue.

On a motion by Trustee Sosnoff, seconded by Trustee Provencher, the Board entered into non-public session under RSA 91-A:3, II(c) to discuss a personnel matter, by a roll call vote, as follows:

Ayes: Trustees Shapiro, Beardmore, Crombie, McCrillis, McDonough, Provencher, Roy, Scaife, Sosnoff, Walker, and Wozmak.

Nays: None.

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

Upon re-entering public session, Mr. Lagos proposed entering into an IT consulting arrangement with Paul Zahensky, describing the terms of the proposal and confirming that it was in accordance with current Board Procurement Policy. On a motion by Trustee Scaife, seconded by Trustee Walker, the Board unanimously voted to authorize the Executive Director to enter into a consulting agreement with Mr. Zahensky for a period of up to six months at a monthly fee of no more than \$6,250, subject to the review and approval of the specific terms and conditions of the proposed agreement by the Personnel, Performance and Compensation Committee (PPCC). Mr. Lagos confirmed that recruitment for Mr. Zahensky's replacement as Director of IT would begin immediately.

Mr. Lagos continued with his operational update by referring to the three year strategic plan found behind Tab 8 in the Board materials. He anticipated presenting the proposal for adoption by the Board at its May meeting and requested commentary, questions, or suggestions. Mr. Lagos emphasized that the Process Improvement Plan (PIP) was the most important initiative underway and noted that the project plan would be set by mid-year. He explained that employer reporting and reconciliation were of the highest priority within the PIP. Mr. Lagos referenced Key Performance Measures (KPMs) in his Board materials, explaining that a re-evaluation of the metrics would occur in two months. He reported that the score continued to range between 85% and 90% and that he monitored each performance area carefully. He concluded with a discussion of the 2014 Action Plans which were in near-final form, pending approval of the three year strategic plan, anticipating the Board would see them at the May meeting.

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

Ayes: Trustees Shapiro, Beardmore, Crombie, McCrillis, McDonough, Provencher, Roy, Scaife, Sosnoff, Walker, and Wozmak.

Nays: None.

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

Following a brief discussion and the removal of items #5 and #10, on a motion by Trustee Roy, seconded by Trustee McCrillis, the Board unanimously approved the Consent Agenda.

On a motion by Trustee Walker, seconded by Trustee Sosnoff, the Board entered into non-public session under RSA 91-A:3, II(c) to discuss a disability application, by a roll call vote, as follows:

Ayes: Trustees Shapiro, Beardmore, Crombie, McCrillis, McDonough, Provencher, Roy, Scaife, Sosnoff, Walker, and Wozmak.

Nays: None.

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

On a motion by Trustee Sosnoff, seconded by Trustee Roy, the Board unanimously approved the disability application of J.L., with a required medical reexamination and reevaluation in three years. Upon consensus of the Board, the Administrative Recommendation for H. Colter was referred to the Benefits Committee for consideration, review and recommendation.

On a motion by Trustee Sosnoff, seconded by Trustee Roy, the Board unanimously approved the travel request for Trustee Walker as presented in the Board materials.

On a motion by Trustee Walker, seconded by Trustee Beardmore, the Board unanimously voted to temporarily adjourn the meeting to discuss collective bargaining strategy and negotiations under RSA 91-A:2, I(a).

On a motion by Trustee Roy, seconded by Trustee Walker, the Board unanimously voted to reconvene the meeting.

NHRS Board of Trustees
April 9, 2013

The Board engaged in a discussion of the Board's effectiveness as a part of a self-evaluation exercise led by its governance consultant, Nancy Williams of Hewitt EnnisKnupp.

Chair Shapiro requested that the minutes reflect the Board's formal acknowledgement and appreciation of former Trustee Kate McGovern and her dedicated service on the NHRS Board of Trustees and its Benefits, Governance, and Legislative Committees.

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

Respectfully submitted,
Shannan Hudgins