

NHRS Regular Board of Trustees Meeting

**Note:** These minutes from the January 11, 2011, regular meeting approved and executed at the February 8, 2011, regular meeting of the Board of Trustees.

**Regular Meeting  
Board of Trustees  
January 11, 2011**

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

*Trustees:* Lisa Shapiro, *Chair, presiding*, Danny O'Brien, *Vice Chair*, Justin Cutting, Sam Giarrusso, Sen. Jeb Bradley, Rep. Ken Hawkins, Germano Martins, Brian Morrissey, Cathy Provencher, Keith Hickey, Jill Rockey, Mike Macri. *Absent:* Dean Crombie.

*Staff:* Kim France, *Interim Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Nancy Miller, *Director of Member Services*; Tim Crutchfield, Esq., *Chief Legal Counsel*; John Browne, *Internal Auditor*; Heather Fritzky, *Accounting & Finance Reporting Supervisor*; Carolyn Johnson, Esq., *Hearings Examiner*; Bill Spead, *Regulation Compliance Officer*; Kristie Kathan, *Human Resources Coordinator*; Marty Karlon, *Public Information Officer*; and Shannan Hudgins, *Administrative Coordinator*.

Dr. Lisa Shapiro, Chair of the Board, called the meeting to order at 10:03 a.m., stating she would entertain a motion to enter into non-public session under RSA 91-A:3, II(a) to discuss the promotion or compensation of a public employee. Trustee O'Brien moved, Rep. Hawkins provided the second, and a roll call vote was taken, as follows:

*Ayes:* Dr. Shapiro, Mr. O'Brien, Sen. Bradley, Mr. Cutting, Mr. Giarrusso, Rep. Hawkins, Mr. Hickey, Mr. Macri, Mr. Martins, Mr. Morrissey, Ms. Provencher, Ms. Rockey.

*Nays:* none.

The Chair requested a motion to conclude the non-public session. Trustee Hickey moved, Trustee O'Brien provided a second and the called vote was unanimous.

Having ended the non-public session, the Chair stated she would entertain a motion to appoint Kim France as Interim Executive Director.

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Moved by Trustee Martins and seconded by Trustee Hickey, the motion carried by unanimous vote. Dr. Shapiro welcomed Ms. France to the table, thanked her for her willingness to serve, and turned her attention to the Agenda.

Following a discussion for appropriate wording of a legal issue on page six of the December public minutes, Trustee O'Brien moved to approve the December 14, 2010 public and non-public minutes as amended by the Board. Seconded by Trustee Hickey, the Chair called the vote and the motion passed.

On a motion by Mr. Morrissey, seconded by Mr. Cutting, the Consent Agenda was approved, with the removal of the disability application of L.T. for more discussion as requested by Vice Chair O'Brien.

Dr. Shapiro stated she would entertain a motion to enter into non-public session under RSA 91-A:3, II(c) to discuss a disability application. Trustee Rockey moved, Trustee Hickey provided the second, and a roll call vote was taken, as follows:

*Ayes:* Dr. Shapiro, Mr. O'Brien, Sen. Bradley, Mr. Cutting, Mr. Giarrusso, Rep. Hawkins, Mr. Hickey, Mr. Macri, Mr. Martins, Mr. Morrissey, Ms. Provencher, Ms. Rockey.

*Nays:* none.

On a motion by Mr. Giarrusso, seconded by Mr. O'Brien, the Board of Trustees concluded the non-public session.

On a motion by Mr. Giarrusso, seconded by Mr. Martins, the Board of Trustees approved the Hearings Examiner's recommendation in the Matter of L.T., as follows:

*Ayes:* Dr. Shapiro, Sen. Bradley, Mr. Cutting, Mr. Giarrusso, Rep. Hawkins, Mr. Hickey, Mr. Macri, Mr. Martins, Mr. Morrissey, Ms. Provencher, Ms. Rockey.

*Nays:* Mr. O'Brien.

The Chair asked Interim Executive Director Kim France to present the Executive Director's report. Ms. France introduced Jack Dianis, the newly hired Director of Finance, stating he would present a "Budget 101" explanation of the State budget process, NHRS responsibilities in that process, the current status, and answer any questions related to the budget building process. Ms. France stated that a recrafted financial

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highlights memorandum would be part of the Board materials package for February.

Following the Budget discussion, Ms. France addressed the Fiduciary Insurance Proposals and asked Attorney Crutchfield to present Staff's proposed revisions to the Indemnification Policy to the Governance Committee for expedited review. Dr. Shapiro provided additional details that the proposed revisions are intended to clarify that the Independent Investment Committee members are covered to the same extent under the Policy as the Board members. She asked that Mr. Cutting, as Governance Committee Chair, be prepared to present the Committee's recommendation at the February Board Meeting, without the typical one-month consideration period. Rep. Hawkins requested a speedy recommendation because of the legislative consequences. Dr. Shapiro charged the Governance Committee to address both Governance and Legislative issues, inviting any Legislative Committee member to join the Governance meeting.

In addressing the Fiduciary Insurance renewal proposal, Atty. Crutchfield discussed the additional quote memo provided to Board members at the beginning of the Board meeting as a result of a late-arriving quote. He emphasized that the amount of insurance was a matter of Board comfort, not a prescribed formula.

Mr. O'Brien moved, seconded by Mr. Hickey, that the Board of Trustees engage Chubb Insurance Company for \$20 million of coverage for the premium of \$160,423, making certain that tail coverage was in place. Following discussion regarding the improved rates and assurance of tail coverage, the Board of Trustees approved the motion as follows:

*Ayes:* Dr. Shapiro, Sen. Bradley, Mr. Giarrusso, Rep. Hawkins, Mr. Hickey, Mr. Macri, Mr. Morrissey, Mr. O'Brien, Ms. Provencher, Ms. Rockey.

*Nays:* Mr. Cutting, Mr. Martins.

Ms. Provencher, as Chair of the Audit Committee, addressed the Management Letter that would be presented to the Board at the February meeting. She turned to the Audit Tracker, requesting that Internal Auditor John Browne discuss the outstanding issues. Regarding the disability review issues, Director of Member Services Nancy Miller stated that in her discussions with the former Executive Director, the target dates had been moved to February and March. Ms. Provencher asked Ms. France to work with Staff to establish realistic completion dates for the Audit Tracker, recognizing the shift in leadership had caused a disruption in work flow.

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Dr. Shapiro requested a timeline for the IRS compliance rule submission from Atty. Crutchfield and asked that any draft rules be submitted to the Audit Committee for review. Atty. Crutchfield commented that the pending plan corrections related to the VCP have to be completed by the close of the 2012 legislative session. The Chair then asked Ms. France to address the Legislative Update plan for the upcoming Session. Ms. France described the plan for weekly legislative updates to the Board, the System team structure to manage the Legislative calendar, and distributed copies of a PowerPoint presentation for the Legislature to be used by Staff in meetings before legislators.

Following the lunch break, the Chair asked Mr. Johansen for the Investment Committee report. In his remarks, Mr. Johansen addressed the securities lending issues, noting that the final exit was expected to be complete by the end of January 2011. He stated that equity markets ended the calendar year 2010 positively, emphasizing that the S&P 500 closed on December 31, 2010 at 1275.64, up almost 13% for the calendar year and up over 20% for the six months ending December 31<sup>st</sup>. He remarked that the economy continued to struggle with employers increasing payrolls by only 103,000 in December, when approximately 200,000 new jobs each month were needed for a sustained economic recovery. He referenced the December Investment Committee highlights memorandum and the overview of the January Investment Committee, noting that the Work Plan and supporting documents could be found under Tab 8.

Dr. Shapiro requested the Legal Update from Atty. Crutchfield. He was asked to draft a fact sheet for outreach purposes on pending lawsuits in a more summary form than the monthly update provided to the Board. Ms. Provencher suggested that litigation summaries used in the State's bond disclosure statements might be helpful.

Dr. Shapiro made the following committee assignments: Rep. Hawkins to Audit & Legislative Committees; Sen. Bradley to Audit Committee; Ms. Provencher as Trustee member on the IIC. On a motion by Mr. O'Brien, seconded by Mr. Crombie, her appointment of Mr. Giarrusso as Chair of the Legislative Committee was unanimously approved by Board vote.

On a motion by Mr. Hickey, seconded by Mr. Morrissey, the meeting adjourned at 2:00 p.m.

*Respectfully submitted,  
Shannan Hudgins*