

Note: The minutes from the August 4, 2011, special meeting were approved and executed at the September 13, 2011, Annual Meeting of the Board of Trustees.

**Special Meeting
Board of Trustees
August 4, 2011**

Public Minutes

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

Trustees: Lisa Shapiro, Ph.D., *Chair, presiding*, Danny O'Brien, *Vice Chair*, Dean Crombie, Keith Hickey, Kate McGovern, Ph.D., Cathy Provencher, Tara Reardon, Jack Wozmak. Brian Morrissey, Don Roy, *absent*.

Staff: Kim France, *Interim Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Nancy Miller, *Director of Member Services*; Denise Call, *Director of Employer Services*; Marty Karlon, *Public Information Officer*; John Browne, *Internal Auditor*; Christine Basha, *Public Information Specialist*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: David Kausch, *Gabriel, Roeder Smith*; Lonie Hassel, *Groom Law Group*. Ian Lanoff, *Groom Law Group*, telephonically.

Dr. Shapiro called the meeting to order at 1:00 p.m., welcomed everyone, particularly the new Trustees that were in attendance, and asked that the assembled group introduce themselves. Dr. Shapiro presented an overview of the Special Meeting, emphasizing that she had called it for the sole purpose of recertification of employer contribution rates as required by section 188 of House Bill 2 (HB2) passed by the New Hampshire Legislature as Chapter 224 of the 2011 Session Laws. She introduced David T. Kausch, consulting actuary from Gabriel Roeder Smith (GRS), and asked him to present an overview of the rate-setting process in preparation for the rate-setting decision before the Board.

Mr. Kausch gave a detailed presentation of the valuation process, its purpose, and the standard cycle for NHRS and the State's two-year budget cycle. He noted that even-year valuations provided an interim

measurement of the financial status of the plan and were useful in preparing the annual Comprehensive Annual Financial Report (CAFR), assisted in estimated future biennial budgets, and provided a more current baseline for legislative studies. He added that GRS had performed interim valuations for NHRS in 2008 and 2010. The odd-year valuations were used in certifying rates, which were set in the future, beginning two years after the valuation date.

He detailed the standard cycle by stating that the June 30, 2011 Valuation Report would be delivered in December 2011. The Board would consider the information up to September 2012, by which time the rates had to be set for the 2014-2015 biennium. Mr. Kausch discussed actuarial considerations in measuring plan obligations, emphasizing that in allocating costs it was important to determine a contribution rate that would fund benefits as well as give employers a steady cost determination and provide intergenerational equity for taxpayers.

Mr. Kausch spoke directly to the implementation of HB2, noting that section 188 specified that the demographic and economic assumptions originally used in setting the FY 2012/2013 last September were to be used in the recertification of employer rates. The changes to plan benefits would result in a decrease in employer contribution rates of approximately 3%. He also discussed the \$3.5 M one-time cost-sharing from the State and the allocation of those funds across employer groups. He emphasized that the detailed rates presented in the GRS letter of July 14, 2011, would apply until October 1, 2011.

Following Mr. Kausch's presentation, Dr. Shapiro asked Jack Dianis, Director of Finance, to discuss his summary reports: Exhibit D-Timeline of Employer Rates for FY 2010-2015 and Exhibit E-Summary of Recalculated Employer Contributions Rates as Recommended by the Consulting Actuary. He explained state group rates and political subdivision rates from FY 2010 through FY 2015, carefully identifying report dates and effective timelines, and illustrated FY 2012-13 total employer contributions, by employer group, based on the GRS July 14, 2011 actuary valuation. He then presented the NHRS staff proposal that the actual FY 2011 data reported to NHRS by political subdivisions be used as the allocation base to determine the pro rata portion of the \$3.5 million that will be paid out to each eligible employer.

An extended discussion ensued, after which Dr. Shapiro stated she would entertain a motion to temporarily adjourn the meeting to consult with legal counsel under RSA 91-A:2, I(b). Moved by Trustee O'Brien, seconded by Trustee Hickey, the motion passed on a roll call vote as follows:

Ayes: Trustees Shapiro, O'Brien, Crombie, Reardon, McGovern, Wozmak, Provencher, and Hickey.

Nays: None.

On a motion to reconvene the Board meeting by Trustee Crombie, seconded by Trustee Hickey, the Trustees voted unanimously to reconvene at 2:50 p.m.

On a motion by Trustee Provencher, seconded by Trustee O'Brien, the Trustees unanimously voted to waive attorney-client privilege on the August 1, 2011, memorandum from Groom Law Group, pending concurrence with local counsel. Atty. Crutchfield was asked to certify such action would not impair Atty. Andrew Schulman's lawsuit on behalf of the NHRS and upon Atty. Schulman's commentary, the memorandum would be released.

Dr. Shapiro stated she would entertain a motion to approved the recertification of the employer contribution rates, as required under section 188 of Chapter 224, Laws of 2011, effective from August 1, 2011 through June 30, 2013 based on the rates presented in the GRS July 14, 2011 supplemental valuation. Moved by Trustee Hickey, seconded by Trustee O'Brien, the motion passed as follows:

Ayes: Trustees Hickey, Reardon, Provencher, O'Brien, Shapiro, and Crombie.

Nays: Trustees McGovern and Wozmak.

Dr. Shapiro asked Mr. Dianis to discuss further the Staff allocation proposal for the State's \$3.5 million toward political subdivision employer contributions for Teacher, Police and Fire members in FY 2012. Mr. Dianis stated that Staff had used a pro rata concept and that details were provided in Exhibit F. Trustee Provencher stated that once her office received the allocation detail, the funds would be disbursed by the State.

On a motion by Trustee Provencher, seconded by Trustee O'Brien, the Board unanimously voted to grant authority to NHRS Staff to prepare allocation detail for the State's one-time contribution of \$3.5 million toward political subdivision employer contributions for Teacher, Police and Fire members in FY 2012.

On a motion by Trustee Provencher, seconded by Trustee Hickey, the meeting adjourned at 3:02 p.m.

NHRS Board of Trustees
August 4, 2011

Respectfully submitted,
Shannan Hudgins