

These minutes from the September 10, 2013, regular meeting were approved and executed at the October 8, 2013, regular Meeting of the Board of Trustees.

**Annual Meeting
Board of Trustees
September 10, 2013**

The Public Minutes

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

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

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*; Denise Call, *Director of Employer & Retiree Services*; Frank Clough, *Director of IT*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Carolyn Johnson, Esq., *Hearings Examiner*; Mark Cavanaugh, Esq., *Regulatory Compliance Officer*; Rosamond Cain, *Human Resources Manager*; Marty Karlon, *Public Information Officer*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: Nancy Williams, *Principal*, Hewitt EnnisKnupp. Keith Brainard, *Research Director*, NASRA, *via WebEx*.

Newly appointed Chair Richard Gustafson, Ph.D., called the Annual Meeting of the NHRS Board of Trustees to order at 9:02 a.m. Publicly expressing his thanks to Governor Maggie Hassan for entrusting him with the leadership of the System, Dr. Gustafson stated that his acceptance of the chairmanship had been motivated by his appreciation of the talents and skills of his fellow board members and their collaborative work over the course of the previous year. He felt honored by the appointment. He then offered a synopsis of his objectives for board meetings, noting that he relied on committee structure for matters requiring additional review. Although he wished to conduct an efficient meeting with Trustees being recognized before speaking, Chair Gustafson was clear that his intent was to foster dialogue. He then began the Annual Meeting.

On a motion by Trustee Roy, seconded by Trustee Walker, the public and non-public minutes from the August 13, 2013, regular meeting of the Board of Trustees were approved. Trustees Beardmore and McCrillis abstained.

Executive Director Lagos introduced Governance Consultant Nancy Williams, of Hewitt EnnisKnupp, who was present to provide the Trustees with an educational review of fiduciary responsibility and board governance. In her presentation, Ms. Williams emphasized that fiduciaries are held to the highest legal standard under the law to all matters concerning a trust. She explained fiduciary responsibility, the duty of loyalty, and general trust law on prudence, and she provided specific guidance on conflict-of-interest matters. Ms. Williams encouraged an open exchange of questions and answers during her presentation. In closing, she stated that the NHRS Board scored well in the areas she regularly reviewed in board assessment, and that staff was providing the board with information and metrics which would enable it to meet its fiduciary duties.

Following a brief recess, Mr. Lagos then introduced Keith Brainard, Research Director of the National Association of State Retirement Administrators (NASRA), who offered the Trustees an overview of national pension issues and trends via WebEx. With an audio feed and a slide presentation, Mr. Brainard began with a comparison of private sector and public sector retirement benefits across the United States. He then focused his remarks on public pension issues, beginning with legislative changes to public plans in response to the financial crisis that began in 2008 and the subsequent legal challenges to those changes. In his review, Mr. Brainard offered detailed experiences of plans in many states, and he discussed pension reform efforts in Rhode Island and Utah in particular. He also provided Trustees with a national view of investment return assumptions, investment performance, and taxpayer spending on public pensions. He also commented on the new GASB rules and issues arising from the various steps taken by rating agencies which impact public perception of the health of pension systems. Mr. Brainard's presentation was informative and well-received.

Trustee Provencher provided a brief Audit Committee report, noting that the Committee had not met that morning. Of particular note was the inclusion of the FY 2014 Audit Plan, which had been approved at the August 13, 2013 Committee meeting.

Trustee Walker reported on the Benefits Committee's meeting on September, 5, 2013, beginning with its review of the disability reconsideration of J.B, which had been referred by the Board at its July meeting. He briefly discussed Staff's efforts to revise administrative Ret. 309 regarding the re-examination of disability retirees. He closed with reference in the Board materials to the *curriculum vitae* of the Independent Medical Examiners retained by NHRS and the annual review required by the Board.

On a motion by Trustee Walker, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Benefits Committee to approve the Hearings Examiner's recommendation in the matter of J.B.

Trustee Roy discussed the Governance Committee meeting held on August 13 following the Board meeting. The Legal RFP had garnered thirteen responses and staff had conducted telephone interviews and would present the results at that afternoon's meeting. He next discussed Phase I revisions to the Governance Manual, which the Committee had reviewed and approved.

On a motion by Trustee Roy, seconded by Trustee Scaife, the Board unanimously voted to accept the recommendation of the Governance Committee to approve the proposed Phase I revisions to the Governance Manual.

Chair Gustafson identified the 2014 Board Meeting Calendar included under the Governance Tab and requested Trustees review the dates. On a motion by Trustee McCrillis, seconded by Trustee Roy, the Board unanimously voted to approve the 2014 Board Meeting Calendar as presented.

Larry Johansen presented the Investment Committee report, stating that the IIC had not met in August. He reported that the books for FY 2013 had closed and that assets held in trust as of July 31, 2013 totaled \$6.6BN. He indicated that preliminary performance figures for the Fiscal year indicated a return in excess of 14% was expected, but would not be finalized until additional figures were received on certain alternative and real estate investments. He then offered a short tutorial on NHRS assets and liabilities to keep investment returns in context, explaining that the impact of short term investment performance would be mitigated by the five year actuarial smoothing technique utilized in the annual valuation. Mr. Johansen offered brief overviews of the September and October IIC meetings, and he closed by reporting that the shift of custodians had progressed with few difficulties. Mr. Lagos noted that once the fiscal year investment performance was finalized a press release would be issued.

Chair Gustafson reported there had been no meeting of the PPCC, but requested a general update from Mr. Lagos. Mr. Lagos offered a brief review of the PELRB hearing held September 3rd, stating that briefs were due from each party on September 17th, and that he anticipated a speedy decision. He also noted that the CBA mediation was scheduled for October 10, 2013 before Terry Schumacher.

Trustee Wozmak presented the Legislative Committee report with brief explanatory comments on the 17 pieces of potential legislation that were clarifying in nature for 100-A. The suggested legislative language revisions

included service purchases, member and employer definitions, working after retirement, and part-time limits. A lengthy discussion ensued focused primarily on the fiscal impact of suggested legislative changes, and Chair Gustafson asked that Staff review any fiscal impacts. Mr. Lagos stated that the process of statute review and recommendation had been in process for more than a year, and that both Staff and the Committee had vetted each item.

On a motion by Trustee McDonough, seconded by Trustee Scaife, the Board voted to accept the recommendation of the Legislative Committee to approve the proposed statutory revisions as presented and to seek legislative sponsorship, as follows:

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

Nays: Trustee Martins.

Mr. Lagos offered a brief executive report and noted that the PIP project had been delayed while Ms. Calkins had been out. He noted that the medical subsidy white paper would be introduced at the November Board meeting in conjunction with the GRS annual valuation.

Atty. Crutchfield next provided a legal update, noting that the Supreme Court hearing in the Welch matter was scheduled for Thursday, September 12th, and he did not anticipate receiving a decision for approximately three months.

Mr. Dianis briefly discussed the finance statement and then presented a report on the actuarial RFP. Trustee Beardmore reported that his participation in the vetting committee had been educational and rewarding, and that their recommendation to retain GRS was unanimous.

On a motion by Trustee Beardmore, seconded by Trustee Sosnoff, the Board unanimously voted to approve the *ad hoc* committee's recommendation to approve Gabriel Roeder Smith & Company for actuarial consultant services for the period January 1, 2014 – December 31, 2018, subject to completion of contract due diligence.

Ms. Miller excused herself from the meeting at approximately 12:10 p.m.

Ms. Call reported on behalf of Member Services and Retiree Services that employer survey responses had been low and she anticipated a review of delivery mechanisms would reveal potential improvements to the process. She also discussed her staff's efforts in encouraging all benefit recipients to utilize direct deposit. She closed by stating she was preparing for legislative changes that would become effective January 1, 2014.

Frank Clough, newly hired IT Director, introduced himself and stated he was pleased to join NHRS from his position as IT Director at the Federal Court in Concord.

Chair Gustafson next addressed the Consent Agenda and requested a motion for approval.

On a motion by Trustee Scaife, seconded by Trustee Provencher, the Board unanimously voted to approve the Consent Agenda, with the exceptions of disability recommendations concerning K.C., G.D., and AL.

On a motion by Trustee Beardmore, seconded by Trustee Wozmak, the Board voted to enter into non-public session under RSA 91-A:3, II(c) to discuss the disability matters of K.C., G.D., and A.L., on a roll call vote, as follows:

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

Nays: None.

Staff members Call, Browne, Fritzky, Johnson, Cavanaugh, Cain, and Karlon left the meeting with all public attendees.

On a motion by Trustee Martins, seconded by Trustee Roy, the Board unanimously voted to conclude the non-public session. Upon resumption of the public session, staff and public attendees returned.

On a motion by Trustee Provencher, seconded by Trustee Roy, the Board unanimously voted to approve the Hearings Examiner's recommendation in the Matter of K.C.

On a motion by Trustee McCrillis, seconded by Trustee Provencher, the Board approved the Hearings Examiner's recommendation in the Matter of G.D., as follows:

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

Nays: Trustee Beardmore.

On a motion by Trustee Scaife, seconded by Trustee Roy, the Board unanimously approved the Hearings Examiner's recommendation in the Matter of A.L., with a mandatory re-examination within two years.

Trustee Beardmore excused himself from the meeting at 12:40 p.m.

On a motion by Trustee Scaife, seconded by Trustee Sosnoff, the travel requests for Trustees Beardmore and Crombie were approved, as follows:

Ayes: Trustees Gustafson, McCrillis, McDonough, Martins, Provencher, Roy, Scaife, Sosnoff, Walker, and Wozmak.

Nays: None.

Abstentions: Trustee Crombie.

As part of his Checkpoint Discussion, Chair Gustafson stated that he would retain his seat on the PPCC, but Trustee Crombie would become Chair of that Committee. He then reminded Trustees that an open seat was available on both the Legislative Committee and the PPCC.

Following a brief general discussion, on a motion by Trustee Walker, seconded by Trustee Crombie, the meeting was adjourned at approximately 11:49 a.m.

Respectfully submitted,
Shannan Hudgins