

NHRS Board of Trustees  
October 9, 2012

**Note:** These minutes from the October 9, 2012, Regular Meeting were approved and executed at the November 13, 2012, regular Meeting of the Board of Trustees.

**Board of Trustees  
October 9, 2012**

**The Public Minutes**

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

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

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Nancy Miller, *Director of Member Services*; Denise Call, *Director of Employer Services*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Rosamond Cain, *Human Resources Manager*; Christine Stoddard, *Retiree Services Team Lead*; Nina Calkins, *PPM Manager*; and Shannan Hudgins, *Administrative Coordinator*.

*Guests:* Sen. Harold Janeway, *Chair, Independent Investment Committee (IIC)*; Patrick O'Donnell, *IIC member*. Ian Lanoff, Esq., *Groom Law Group*.

Chair Shapiro called the meeting of the NHRS Board of Trustees to order at approximately 9:00 a.m. and requested a motion to approve the public minutes from the September 11, 2012, Annual Board Meeting. On a motion by Trustee Gustafson, seconded by Trustee Sosnoff, the public minutes were approved unanimously.

Trustee Provencher provided a brief report from the Audit Committee, noting that the annual KPMG audit was proceeding as planned without incident.

Trustee McGovern presented the Benefits Committee report, focusing on the Recoupment Policy Recommendation that was before the Board for consideration. Mr. Lagos discussed the process Staff had used to develop the recommendation, noting it was best described as an internal

procedure that supplemented the Board Policy. On a motion by Trustee McGovern, seconded by Trustee Wozmak, the Board unanimously voted to accept the recommendation of the Benefits Committee to approve the Recoupment Policy Recommendation.

Trustee McGovern continued the Benefits Committee report with a brief discussion of the administrative appeal of Ann Marie Bouvier, which the Committee had reviewed. On a motion by Trustee McGovern, seconded by Trustee Wozmak, the Board unanimously voted to accept the recommendation of the Benefits Committee to approve the Hearings Examiner's recommendation in the matter of Ann Marie Bouvier.

Trustee McGovern next introduced the 2012 Gainful Occupation Compliance Report, and Ms. Stoddard offered a brief explanation of its purpose and answered Trustee questions. On a motion by Trustee McGovern, seconded by Trustee Roy, the Board unanimously accepted the 2012 Gainful Occupation Compliance Report.

Trustee Roy next presented the Governance Committee report, describing the Request for Proposal (RFP) process for legal services and the suggested schedule presented in the Board materials. Atty. Crutchfield explained that an additional RFP for local litigation representation should be included. On a motion by Trustee Roy, seconded by Trustee McGovern, the Board unanimously voted to accept the recommendation of the Governance Committee to initiate the RFP process for legal services as amended to include a local litigation category as part of the NH Counsel RFP.

Trustee Sosnoff presented the Quarterly report of the Independent Investment Committee (IIC), beginning with a discussion of the internal and external controls in place to protect NHRS assets. In his general summation of fund assets, he stated that for FY '13 at August 31, 2012, funds held in trust totaled \$5.915 billion, which represented an increase of \$140M, or more than 2% over the FY '12 position. He added that FY to date, all marketable asset classes were up. Reporting on the September 21, 2012, IIC meeting, he stated the IIC had discussed the completed Investment Manual, had reviewed fourth quarter and year-end performance, as well as met with four fund managers. Trustee Sosnoff also responded to several questions relating to monitoring the performance of individual investment managers as compared to their benchmarks.

Mr. Lagos provided the Legislative Committee update with a discussion of the NH House Defined Contribution Committee, of which he was an advisory member only. He reported that the draft of the Segal analysis

requested by the Committee generally supported the work previously done by GRS, the NHRS consulting actuaries. Mr. Lagos stated that the DC Committee report was due to the Speaker of the House by November 1, 2012. He also suggested that the NHRS Legislative Committee should meet within the next thirty days.

Mr. Lagos presented the Personnel, Performance, & Compensation Committee (PPCC) report by discussing the reorganization of Employer Services and Retiree Services to create a more efficient operation with clearer reporting lines. He indicated that Denise Call had been appointed as a member of the Executive Team and also introduced Rosamond Cain, Human Resources Manager, who joined the System in August. Mr. Lagos continued his report with a detailed discussion of his Business Plan document, its purpose and design, and the current status of development of the Key Performance Measures which were intended to improve productivity and service quality.

Mr. Lagos then reviewed the proposed draft letter to Executive Councilor Wheeler in response to the Councilor's request for valuation reports from the Retirement System. In keeping with prior responses to similar requests and referencing standard principles of trust law as well as the controlling statute for the System's expenditure of trust assets, , Mr. Lagos proposed that the Board vote to approve the draft letter as submitted. On a motion by Trustee Sosnoff, seconded by Trustee McGovern, the Board unanimously voted to authorize the Executive Director to respond in writing to Executive Councilor Wheeler's September 21, 2012, letter as presented.

A discussion of the NASRA comment letter to Moody's Investor Service regarding its proposed adjustments to state and local government reported pension data followed. On a motion by Trustee Scaife, seconded by Trustee Provencher, the Board unanimously voted to authorize the Executive Director to sign the NASRA letter on behalf of the NHRS.

Chief Legal Counsel Crutchfield provided the Board with additional commentary to his litigation update, specifically with regard to the two interlocutory appeals that the Supreme Court recently declined. Atty. Crutchfield stated that the unconstitutional contract impairment claim at the heart of the HB2 Benefits case was appearing in cases nationwide. He made note that Atty. Andrew Schulman would be invited to speak to the Board at its November meeting.

In the absence of Finance Director Jack Dianis, Mr. Lagos presented the finance report. Following a brief discussion, Mr. Johansen, Director of Investments presented his report. Specifically, he described the

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investment proxy voting process and the proposed recommended renewal of the Institutional Shareholder Services Inc. (ISS) contract. After a question-and-answer period, on a motion by Trustee Wozmak, seconded by Trustee McGovern, the Board unanimously voted to authorize the Executive Director or his designee to sign the ISS Proxy contract on behalf of the NHRS, based on the terms and conditions as presented, subject to legal review.

Chair Shapiro requested a short lunch break, and upon reconvening she introduced Ian Lanoff, Esq., of Groom Law Group, who gave a presentation on the fiduciary principles and responsibilities inherent in Board governance. Atty. Lanoff discussed the duty of loyalty, IRS prohibited transactions, and prudent oversight of the trust as the primary tasks of the Trustees. He offered examples from a number of pension funds across the nation, noting that the IIC in New Hampshire was a unique governance structure.

On a motion by Trustee Wozmak, seconded by Trustee Roy, the Board unanimously approved the Consent Agenda as submitted.

In the checkpoint discussion led by Chair Shapiro, Trustee Provencher asked if Staff were provided appropriate fiduciary education. Mr. Lagos stated that he would discuss the topic with the Executive Management Team to discern the level and depth of education System-wide that was appropriate.

On a motion by Trustee Wozmak, seconded by Trustee Roy, the meeting adjourned at approximately 12:16 p.m.

*Respectfully submitted,*  
*Shannan Hudgins*