

Note: The minutes from the October 11, 2011, regular meeting were approved and executed at the November 8, 2011 Regular Meeting of the Board of Trustees.

**Regular Meeting
Board of Trustees
October 11, 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, Dick Gustafson, Ph.D., Kate McGovern, Ph.D., Cathy Provencher, Tara Reardon, Don Roy, and Jack Wozmak. Keith Hickey, Brian Morrissey, *absent*.

Staff: Kim France, *Interim Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Nancy Miller, *Director of Member Services*; Denise Call, *Director of Employer Services*; Christine Basha, *Public Information Specialist*; John Browne, *Internal Auditor*; Heather Fritzky, *Accounting & Finance Reporting Supervisor*; Tracey Horner, *Member Accounting Team Leader*; Carolyn Johnson, Esq., *Hearings Examiner*; Kristie Kathan, *Human Resources Coordinator*; Cecile Merrill, *Project Manager*; Christine Stoddard, *Retiree Services Team Leader*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: Lonie Hassel, Esq. and David Levine, Esq.*, Groom Law Group.
*telephonically

Dr. Lisa Shapiro, *Chair*, called the meeting to order at 9:20 a.m. and asked the members to introduce themselves. On a motion by Trustee O'Brien, seconded by Trustee Wozmak, **the Board unanimously approved the August 9, 2011, public and non-public Board minutes.**

On a motion by Trustee O'Brien, seconded by Trustee Reardon, **the Board unanimously approved the September 13, 2011, public and non-public Board minutes.**

On a motion by Trustee Provencher, seconded by Trustee O'Brien, **the Board voted unanimously to approve and officially release the**

September 13, 2011, sealed non-public Board minutes as the circumstances for sealing them no longer applied.

Dr. Shapiro next stated she would entertain a motion to approve the Consent Agenda with the exceptions of the Administrative Recommendations for Maureen Berger, Glenn Libby and Phyllis Ricker. **Moved by Trustee Wozmak and seconded by Trustee Roy, the Consent Agenda, as amended, was unanimously approved.**

Following a brief discussion period, the Board referred the Administrative Recommendation for Maureen Berger to the Benefits Committee for further review. **Moved by Trustee O'Brien and seconded by Trustee Roy, the Board unanimously voted to uphold the Hearings Examiner's recommendation for Glenn Libby.**

Moved by Trustee McGovern and seconded by Trustee Roy, the Board voted to uphold the Hearings Examiner's recommendation for Phyllis Ricker, as follows:

Ayes: Trustees Crombie, Gustafson, McGovern, Provencher, Reardon, Roy, and Wozmak.

Nays: Trustees Shapiro and O'Brien.

Moved by Trustee O'Brien and seconded by Trustee Crombie, the Board unanimously voted to temporarily adjourn the meeting to consult with legal counsel under RSA 91-A:2, I(b).

On a motion by Trustee Crombie, seconded by Trustee McGovern, the Board unanimously voted to reconvene the Board meeting.

Ms. France continued her report with the 2010 Gainful Occupation Compliance Report. **On a motion by Trustee Wozmak, seconded by Trustee Reardon, the Board unanimously accepted the 2010 Gainful Occupation Report.**

Moved by Trustee O'Brien and seconded by Trustee Reardon, the Board unanimously voted to enter into non-public session under RSA 91-A:3, II(e) to discuss a pending legal claim, as follows:

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

Nays: None.

Moved by Trustee Crombie, seconded by Trustee Provencher, the Board unanimously voted to conclude the non-public session.

Per the Board's authority under Ret. 314.10, Trustee Provencher moved that the Trustees waive any pending contribution adjustments to State of New Hampshire members impacted by the change in member contribution rates effective July 1, 2011 per HB 2 and provide full service credit for work performed in June 2011 for those members, and further, that the Board will proceed to act in accordance with its options under Ret. 314.01 and RSA 100-A. Seconded by Trustee McGovern, the motion passed unanimously.

In his finance update to the Board, Mr. Dianis, *Director of Finance*, provided details on the payment of the \$3.5 million in funds from the State, which had been allocated by NHRS staff and reported to the Board at its September meeting. He stated that electronic disbursements had been sent Tuesday, September 27, 2011, and that physical checks had been mailed on Wednesday, September 28, 2011. He noted that the distribution of funds had been relatively seamless.

Mr. Dianis then discussed the finance reports provided in the Board materials, noting that the Trustee budget, made up of budget classes Current Expense, In-State Travel and Out-of-State Travel, were only portions of those budget classes within the NHRS budget. In evaluating the Trustee catering line item, he reminded the Board that the July cookout for Staff and Trustees represented most of the expenses year-to-date for that item and that he believed there were sufficient funds budgeted for the rest of the fiscal year. In addressing the summary of legal fees, Mr. Dianis pointed out to the Board that line #63 represented expenses paid in the current fiscal year that had been incurred in the prior fiscal year. He stated that the FY '12 legal budget would be a challenge to meet given the number of legal issues before the Board.

In preparation for the Comprehensive Annual Financial Report (CAFR), Mr. Dianis reported that KPMG had finished its on-site work on October 6, 2011 (one day early), and that the completion of the unaudited report was due by October 31, 2011. The audited CAFR would in turn be delivered to the Audit Committee by December 1, 2011. He also spoke to proposed changes in the Government Accounting Standards Board (GASB) Pension Accounting Exposure Draft, stating that they were significant and would require substantial work for compliance, as well as a monumental education effort for NHRS and political subdivisions. Trustee Provencher also spoke to the changes in the unfunded liability reporting resulting from the GASB changes, as well as the likelihood of increased volatility and the resulting disquiet of NHRS employers.

Dr. Shapiro asked that Larry Johansen, *Director of Investments*, present the preliminary second quarter Investment Performance Analysis and his Investment Committee Report. Following a lively discussion of investment strategy, performance and reporting, Mr. Johansen next addressed the three Investment Policy related documents presented to the Board for consideration and approval. On advice from Dr. Shapiro, the Investment Policy Statement, the Securities Lending Policy, and the Accountability Matrix were referred to the Governance Committee for further review. Dr. Shapiro asked that the complete Investment Policy be forwarded to all Board members.

Following the Investment Report, the Chair made the following committee assignments:

Audit: Trustee Wozmak and Dr. Shapiro.
Governance: Trustees Gustafson, O'Brien (Committee Chair), and Roy.
Legislative: Trustee Gustafson.

In providing an Audit Committee report, Trustee Provencher briefly discussed the Audit Tracker, noting that the lack of a quorum had cancelled that morning's Audit Committee meeting. She stated that staff were making appropriate progress and that she had no significant items of concern to report. Trustee O'Brien asked for an update on IT issues, and Ms. France reported that despite the legislative changes and resulting internal work issues that had occupied her attention, she had been addressing pertinent IT issues with the consultant.

Following a brief break for lunch, the Board requested a report from the Legislative Committee Chair, Tara Reardon. **Trustee Reardon requested a motion to waive the Attorney-Client Privilege of Confidentiality on the September 23, 2011 memorandum from Atty. Schulman on HB 654. Moved by Trustee Provencher and seconded by Trustee O'Brien, the motion passed unanimously.**

Trustee Reardon then discussed the technical difficulties staff had identified in sections of HB 2 and requested action by the Board to empower staff to appropriately work with legislators to seek clarifying language in those sections. **On a motion by Trustee Provencher, seconded by Trustee Crombie, the Board unanimously voted to empower staff to seek technical corrections to sections of HB 2 through the appropriate legislative channels.**

In preparation for the Personnel, Performance, and Compensation (PPCC) report, **on a motion by Trustee Wozmak, seconded by Trustee Reardon, the Board voted to enter into non-public session under**

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RSA 91-A:3, II(b) to discuss the hiring of a public employee, as follows:

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

Nays: None.

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

On a motion by Trustee O'Brien, seconded by Trustee Wozmak, the Board unanimously approved the travel requests of Trustees Shapiro and Crombie.

Following a brief discussion of national association memberships, on a motion by Trustee Reardon, seconded by Trustee Roy, the meeting adjourned at approximately 2:25 p.m.

*Respectfully submitted,
Shannan Hudgins*