

Note: These minutes from the November 13, 2012, regular meeting were approved and executed at the December 11, 2012, regular Meeting of the Board of Trustees.

**Regular Meeting
Board of Trustees
November 13, 2012**

The Public Minutes

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

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

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Nancy Miller, *Director of Member Services*; Paul Zahensky, *Director of Information Technology*; John Browne, *Internal Auditor*; Heather Fritzky, *Accounting & Finance Reporting Supervisor*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Rosamond Cain, *HR Manager*; Nina Calkins, *PPM Manager*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: David T. Kausch, *Chief Actuary*, and Randy Dziubek, Gabriel Roeder Smith & Company; Andrew Schulman, Esq., Getman Schulthess & Steere.

Chair Shapiro called the regular meeting of the NHRS Board of Trustees to order at 9:10 a.m. and requested a motion to approve the public minutes from the October 9, 2012, regular meeting. On a motion by Trustee Provencher, seconded by Trustee Sosnoff, the public minutes were approved unanimously.

Trustee Provencher provided a report from the Audit Committee that focused on KPMG's unqualified audit opinion, describing it as a clean report. She noted that two items identified in the draft Management Letter were forward looking in the report: specifically, that NHRS be proactive in documenting its review of alternative investments for financial reporting purposes; and, that the System's real estate advisors and consultant continue to provide timely valuations for individual real estate investments for financial reporting purposes.

In discussion of the unaudited Comprehensive Annual Financial Report (CAFR), Trustee Sosnoff suggested a change in language on page 19 to read "including changes in net asset values."

Trustee McGovern presented the Benefits Committee report with a brief description of the Committee's review of the administrative hearings process and the recoupment review process. Atty. Crutchfield discussed the staff's work that informed the Committee's discussion of the topics.

On a motion by Trustee McGovern, seconded by Trustee Gustafson, the Board unanimously voted to accept the recommendation of the Benefits Committee that the full Board approve the Hearings Examiner's recommendation in the matter of Kathleen Valliere. Following its review, the Benefits Committee had unanimously upheld NHRS staff's determination that Petitioner Valliere had not been eligible for membership in the NH Retirement System since February 7, 2009.

Trustee Roy presented the Governance Committee report, stating that at its last meeting the Committee had focused its discussion on the Travel Policy revisions that would include IIC members in its provisions.

On a motion by Trustee Provencher, seconded by Trustee McGovern, the Board unanimously accepted the recommendation of the Governance Committee and approved the proposed revisions to the Travel Policy.

As Chair of the Legislative Committee, Trustee Sosnoff, with Finance Director Jack Dianis and Public Information Office Marty Karlon, discussed three issues that Staff had identified as needing technical correction review by the NH Legislature, and one issue for corrective review. A brief discussion followed which included an update on the work of the House Defined Contribution Committee from Executive Director George Lagos.

On a motion by Trustee Sosnoff, seconded by Trustee Scaife, the Board unanimously approved NHRS staff's request to initiate high-level discussions with legislators on four identified items provided in the Board packet. The approved discussion items were: Working after retirement under 100-A:1, XXXIV; Earnable Compensation/Extracurricular and Instructional Activities under 100-A, XVII; Membership under 100-A:3; and Interest Penalty under 100-A:16, V.

Trustee Gustafson discussed the meeting of the Personnel, Performance, and Compensation Committee on October 26, 2012. He noted that the organizational chart presented a flatter structure that well-supported the System's business goals. Trustee Gustafson also described the development of pertinent job descriptions, upcoming training for managers, as well as preliminary plans for the performance review of the Executive Director. The review was planned for January/February, but he stated that the review instrument and the process of the review would be presented to the full Board at its December meeting.

Trustee Sosnoff presented a brief investment report, noting that investment gains of \$200 million represented a 3% increase in total fund assets. He clarified that all asset classes were up for the period ending September 30, 2012. A lengthy discussion followed that included active and passive asset management, benchmarks, short and long-term risk, alternative investment, real estate holdings, and investment fees. Mr. Johansen drew the Board's attention to the draft Comprehensive Annual Investment

Report (CAIR) and indicated that the Investment Committee would make any final changes at the November meeting and approve it, with a recommendation for the Board to approve it at its December meeting.

Executive Director Lagos offered his operating report and focused his remarks on the Key Performance Measures (KPMs) presented in the Board materials. He expected to present finalized KPMs at the December Board meeting and explained that these clearly defined measurements were supplemental to executive staff action plans.

He discussed recent process redesign work which was underway in the organization, particularly in Employer Services, that aimed to identify redundant processes and opportunities for improvement. Mr. Lagos noted that a select group of Staff would be visiting the Maine Retirement System during the first week in December to review and evaluate their processes and procedures.

With the arrival of Atty. Andrew Schulman, Chair Shapiro stated she would entertain a motion to enter into non-public session under RSA 91-A:3, II(e) to discuss the current legal actions referenced on the agenda. On a motion by Trustee Crombie, seconded by Trustee Gustafson, the motion passed unanimously on a roll call vote, as follows:

Ayes: Trustees Shapiro, Crombie, McCrillis, McGovern, Wozmak, Gustafson, Sosnoff, McDonough, Scaife, Roy, and Provencher.

Nays: None.

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

On a motion by Trustee McCrillis, seconded by Trustee Roy, the Board voted unanimously to seal the non-public minutes under RSA 91-A:3,III, as divulgence of the information could render the proposed action discussed in non-public session ineffective.

On a motion by Trustee Provencher, seconded by Trustee Crombie, the Board unanimously voted to temporarily adjourn the meeting to discuss collective bargaining strategy or negotiations under RSA 91-A:2, I(a).

On motion by Trustee Provencher, seconded by Trustee Roy, the Board unanimously voted to reconvene the regular Board meeting.

Chair Shapiro introduced David Kausch and Randy Dziubek, consulting actuaries from Gabriel Roeder Smith & Company, who began a detailed presentation of the Draft Actuarial Valuation Report as of June 30, 2012. The discussion included measurements of the System's funding progress; estimates of the employer contribution rate for fiscal Years 2016 and 2017; as well as details of active member experience. Mr. Kausch noted that the Draft Valuation revealed a slower-than-expected pay growth, overall member headcounts were down, while average age and service had increased slightly. These factors contributed to an overall lower payroll, which in turn triggered a higher employer contribution rate. A lengthy discussion

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followed that included medical subsidy payments and special account status for all retirement groups.

Mr. Dianis briefly discussed the NHRS State administrative budget, noting that agency-wide hearings with the Governor's office were likely to begin in December.

On a motion by Trustee Scaife, seconded by Trustee McCrillis, the Board unanimously approved the Consent Agenda *without* Item #7. A discussion of the Matter of Leon Forcier ensued, and with full agreement the matter was referred to the Benefits Committee.

On a motion by Trustee Sosnoff, seconded by Trustee McDonough, the Board voted to approve Trustee Crombie's travel request as follows:

Ayes: Trustees Shapiro, McCrillis, McGovern, Wozmak, Gustafson, Sosnoff, Scaife, McDonough, Roy and Provencher.

Nays: None.

Abstention: Trustee Crombie.

On a motion by Trustee Scaife, seconded by Trustee Roy, the meeting adjourned at approximately 1:25 p.m.

Respectfully submitted,
Shannan Hudgins