

Note: These minutes from the December 13, 2016, Regular Meeting were approved and executed at the January 10, 2017, regular Meeting of the Board of Trustees.

**Board of Trustees
December 13, 2016**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; Tonya Angwin; John Beardmore; Bill Dwyer; Julia Griffin; Bill Hart; Maureen Kelliher; Germano Martins; David McCrillis; Don Roy; Hershel Sosnoff; and George Walker.

Staff: George Lagos, *Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Frank Clough, *Director of IT*; Nancy Miller, *Director of Member Services*; Nancy Cone, *Internal Auditor*; Heather Fritzky, *Controller*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the December 13, 2016 Regular Meeting of the NHRS Board of Trustees to order at 10:33 a.m. Having established a quorum, Chair Gustafson formally congratulated NH Treasurer Bill Dwyer on his reelection to the office.

On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board voted to approve the public minutes of the November 8, 2016 meeting, as amended.

Trustee Beardmore presented the Audit Committee update from its meeting that morning, noting that two long-term items had been removed from the Tracker with no new items added. The Committee had received GASB updates from Jack Dianis, *Director of Finance*, including the determination that NHRS maintained one OPEB (other post-employment benefits) account with four subgroups. He stated that *Director of Information Technology* Frank Clough had reported a successful disaster recovery test through the PGSecure system, confirming the ability to issue benefits checks in the event of business interruption. Trustee Beardmore then discussed the Comprehensive Annual Finance Report (CAFR) that Mr. Dianis and *Controller* Heather Fritzky had presented in final form that morning. Mr. Dianis offered an overview of the report for Trustees, noting the addition of GASB fair value reporting requirements. A brief discussion followed.

On a motion by Trustee Beardmore, seconded by Trustee Sosnoff, the Board of Trustees unanimously voted to accept the recommendation of the Audit Committee to approve and accept the Comprehensive Annual Financial Report for Fiscal Year 2016.

On a motion by Trustee Beardmore, seconded by Trustee Dwyer, the Board of Trustees unanimously voted to accept the recommendation of the Audit Committee to approve the annual ethics survey scorecard as presented.

Trustee Walker presented the Benefits Committee update, stating that at its meeting on December 6th, the Committee had reviewed recoupment matters in a non-public session, followed by a public review of the application of gainful occupation requirements to a limited number of split benefit recipients and an update on an ongoing medical subsidy reimbursement review for several retired Nashua police officers. Trustee Walker noted that a newly developed Gainful Offset Waiver Policy had been presented by Staff for the Committee's review. Additionally, the draft Ret. 202 JLCAR rule revision had been reviewed by the Committee with no suggested edits from its previous iteration.

On a motion by Trustee Walker, seconded by Trustee McCrillis, the Board of Trustees unanimously voted to accept the recommendation of the Benefits Committee to approve the final proposal text on Ret. 202.01 to permit electronic filing for appeals, thereby allowing Staff to continue with the rulemaking process.

Trustee Roy reported that the Governance Committee had not met since the last Board meeting, but would convene after this morning's meeting to review the annual updates to the Governance Manual and any issues presented by Staff.

Trustee Sosnoff presented an Investment update, reporting funds held in trust as of October 31, 2016 totaled \$7.514 billion. He stated that all asset allocations were within their target ranges. In a macro-economic report, Trustee Sosnoff stated that the strength of the U.S. dollar was due in large part to the growth of the U.S. economy as compared to the rest of the developed world and that the Federal Reserve was expected to raise interest rates at its meeting later in the week. He reported that at its November 18th meeting, the Independent Investment Committee (IIC) had set its 2017 meeting schedule and had voted to renew two-year investment management agreements with Boston Trust, GAM, and Segall Bryant & Hamill. The IIC had also heard presentations from AB, Thompson, Siegel & Walmsley, Wellington Management, and DoubleLine. The IIC had reviewed and unanimously voted to recommend the Comprehensive Annual Investment Report (CAIR) to the full Board for its acceptance and approval.

On a motion by Trustee Sosnoff, seconded by Trustee Roy, the Board of Trustees unanimously voted to approve and accept the Comprehensive Annual Investment Report for Fiscal Year 2016 as prepared and approved by the Independent Investment Committee.

Larry Johansen, *Director of Investments*, reported that at its January 20, 2017 IIC meeting the Committee would engage in a broad macro-economic discussion with economists from AB, Manulife, and NeubergerBerman.

Trustee Sosnoff presented a brief update of the Legislative Committee's meeting on November 18th, noting the Committee had reviewed the list of 2017 LSRs and staff's recommendations with respect to the upcoming Decennial Commission.

Trustee Griffin reported that the PPCC had met on November 21st to review a follow-up report of the Employer Services reorganization. The Committee had also discussed succession planning for senior staff, noting that NHRS was a lean operating unit with a flat management structure, which although efficient and productive, was not ideal in terms of succession planning. The Committee had also begun its preparations for the annual Executive Director's review, agreeing to follow the evaluation process which had been used in prior years.

On a motion by Trustee Kelliher, seconded by Trustee Griffin, the Board of Trustees unanimously voted to temporarily adjourn the meeting for the purpose of discussing collective bargaining strategy or negotiations under RSA 91-A:2, I (a).

On a motion by Trustee Walker, seconded by Trustee Griffin, the Board of Trustees unanimously voted to reconvene the Board meeting.

On a motion by Trustee Griffin, seconded by Trustee Roy, the Board of Trustees unanimously voted to adopt the tentative Collective Bargaining Agreement between the SEA and the NHRS, as presented, and authorized the Executive Director or his designee to sign the contract.

George Lagos, *Executive Director*, focused his operational report on the successful integration of Staff into other departments following the October reorganization of the Employer Services operation. He thanked the bargaining team for its year-long diligent efforts on behalf of NHRS. Mr. Lagos explained that Staff were currently developing a Request for Information (RFI) for the System's database administration platform in anticipation of exploring the capabilities of alternative systems currently in use by other pension systems.

Chief Legal Counsel Tim Crutchfield began his report with a review of Employer Audit activity, stating that the first State audit of the Department of Education had gone well. The auditing team was now working on the State Department of Information Technology, which had more employees and a broader range of types of compensation to review. He also reminded Trustees that RSA 15-A required that a Statement of Financial Interests be filed with the Secretary of State by January 20th. He thanked them in advance for their compliance with this annual filing.

Jack Dianis began his Finance update with a brief discussion of the Budget-to-Actual analysis. There were no material variances to report.

Frank Clough provided a brief review of the PGSecure disaster recovery annual test that had proceeded smoothly, with no incidents. This exercise confirmed that NHRS would be able to recover its pension data and issue retirement benefit checks in the event of business interruption. He reported that MyAccount design updates had been completed and the SQL update had been implemented after five-months of preparation.

Director of Member Services, Nancy Miller, provided operating details that lay behind the statistics of her report, noting that several recent PG automation builds would significantly expedite processing of employer refunds. She also reported that with the

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availability of on-line forms, 3500 submissions had been received via the electronic MyAccount portal.

On a motion by Trustee Dwyer, seconded by Trustee Martins, the Board of Trustees unanimously voted to approve the Consent Agenda, as presented.

Following a review of actions items from last month's Board meeting, on a motion by Trustee Walker, seconded by Trustee Hart, the meeting was adjourned at approximately 11:42 a.m.

Respectfully submitted,
Shannan Hudgins