

**Note:** These minutes from the August 11, 2015, regular meeting were approved and executed at the September 8, 2015 Annual Meeting of the Board of Trustees.

**Board of Trustees  
August 11, 2015**

**The Public Minutes**

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

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

*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*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Nina Calkins, *Process Improvement Manager*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Christine Basha, *Public Information Specialist*; Shannan Hudgins, *Administrative Coordinator*. Denise Call, *Director of Employer Services*; Nancy Miller, *Director of Member Services*, *absent*.

Chair Gustafson called the August meeting of the NHRS Board of Trustees to order at 10:06 a.m. On a motion by Trustee McCrillis, seconded by Trustee Roy, the Board of Trustees unanimously voted to approve the public minutes of the July 14, 2015 Regular Board Meeting.

Chair Gustafson noted the new appointment of Bruce Moorehead to the Board of Trustees as the representative of the Association of Counties, and the reappointment of Trustees Beardmore, Griffin, Gustafson and Kelliher. He went on to express his appreciation for their willingness to serve and for their contributions to the Board.

Audit Committee Chair Beardmore reported that lacking any outstanding matters, the Committee had not met that morning. He noted that one item had been closed on the Audit Tracker. The Committee would next meet on Tuesday, September 8, 2015.

Trustee Walker reported the results of the Benefit Committee held that morning during which the Committee had reviewed disability reexamination process, followed by a discussion of pending disability reexaminations in a non-public session. He then provided the Trustees with explanations of the proposed revisions to the Recoupment and Hardship Policies as presented to the Board at its last meeting.

On a motion by Trustee Walker, seconded by Trustee McCrillis, the Board unanimously voted to accept the recommendation of the Benefits Committee to approve the revisions to the Recoupment and Hardship Policies.

Trustee Roy reported that although the Governance Committee had not met in July, the Committee had reviewed and approved Staff's proposed revisions to the Procurement Policy at its June 9, 2015 meeting. He explained that the revisions had been submitted to the Board for review at its July meeting with the intent of clarifying ambiguities and inconsistencies in the language, reporting requirements, and the sole source provisions in the current policy.

On a motion by Trustee Roy, seconded by Trustee Crombie, the Board unanimously voted to accept the recommendation of the Governance Committee that the Board approve the revisions to the Procurement Policy.

Larry Johansen, *Director of Investments*, presented the Investment update to the Board, in the absence of Trustee Sosnoff. Mr. Johansen stated that funds held in trust were up slightly over the fiscal year at \$7.458 billion, noting that all asset classes were near targets and well within their ranges. He reported that at its July meeting the IIC had approved the Investment work plan and approved contract renewals for NHRS fixed income Managers Brandywine and Loomis Sayles. In addition, the Committee heard presentations from Wellington Management on active and passive investing, Manulife on global interest rates and Neuberger Berman on the Chinese economy. At the August IIC meeting the Committee would hear presentations from Monroe, Gramercy, BlueBay and I&RM. Monroe and Gramercy were current NHRS Private Debt firms presenting their next fund. BlueBay was a potential new Private Debt firm, and IR&M was a current NHRS fixed income Manager presenting as part of the two-year renewal procedure.

Mr. Johansen next reviewed the June 30, 2015 preliminary performance data over various time periods. He explained that the immaturity of the recent Private Debt and Equity investments and the legacy Private Equity assets had contributed to the total fund underperforming the benchmark over three and five years, even though the marketable assets equaled or outperformed the benchmark over the same two periods. He made particular note of that morning's international economic news, stating that China's decision to devalue its currency without warning had created a negative reaction across global financial markets. He closed with a review of the time line over the next year for reviewing and adopting new actuarial assumptions, including the assumed rate of return.

Trustee Crombie stated that the Personnel, Performance and Compensation Committee (PPCC) had not met in July. He anticipated a Committee meeting would be convened before the September 8, 2015, Board of Trustees meeting.

In a Legislative Committee update, Marty Karlon, *Public Information Officer*, stated that the New Hampshire Legislature was not in session and the Special Pension Review Committee would not reconvene until after the Labor Day holiday.

*Executive Director* George Lagos began his update with the KPM report, stating that the score had fallen just under the targeted success ratio of 95%. He noted that selection

of support personnel for the newly established Business Analyst position had been narrowed to two candidates, and he anticipated a decision would be made soon. Mr. Lagos announced that the telephone contract negotiations were concluded favorably at a slightly reduced cost from the original contract proposal as presented, and approved at the July Board meeting. The project implementation was scheduled to begin at the end of August.

Tim Crutchfield, *Chief Legal Counsel*, reported that the hearing on the State's Motion to Join Necessary Parties in the HB 2 Benefits case had been scheduled for Wednesday, August 26<sup>th</sup>. Atty. Crutchfield noted that the PensionGold platform had been programmed to generate four Gainful Occupation ("GO") notification letters which were previously produced manually, and he anticipated additional automation of the GO annual review process. He closed by confirming that the purchase of a cyber-insurance liability policy authorized by the Board at its July 14<sup>th</sup> meeting had taken place, with coverage effective July 15, 2015.

Trustee Griffin excused herself from the meeting at approximately 10:45 a.m.

*Director of Information Technology* Frank Clough and Mr. Karlon presented a tutorial entitled, *NHRS Online Analytics*, in which they explained the many business-analysis tools being used to monitor and manage the effectiveness of the new NHRS website. Mr. Karlon emphasized that the focus was on improving member utilization of the site, and measuring activity to optimize communication and outreach efforts. He identified four principle areas of investigation: the NHRS website, MyAccount, the Employer Reporting System, and the recently implemented Mailchimp email system. Mr. Clough then presented the data the IT and PIO teams were evaluating, which included how users found the NHRS site, what devices they employed, and the kinds of information they sought, with a goal to evaluate what system efforts were proving most effective. To provide a detailed review of the web page and email statistics, Mr. Clough and Mr. Karlon demonstrated a live view of the analytics program. The data indicated that utilization was increasing and that members were finding it easier to access the information they were seeking.

Jack Dianis, *Director of Finance*, presented his Finance report, noting that net position of the trust was \$7.458 billion as of June 30, 2015, as compared to \$7.414 billion as of June 30, 2014. He reported that the NHRS Statutory Administrative Budget was still in the Legislative process but operations had not been hampered by the continuing resolution. Supplementing Mr. Dianis' report, Mr. Lagos commented on the FY 2015 administrative expense as compared to budget, noting that the actual expense for FY 15 was \$1.2 million under plan. He also noted that, as compared to the prior two fiscal years, expenditures were essentially the same as both FY 2014 and FY 2013, while spending had been refocused to better meet priorities.

*Director of Information Technology* Frank Clough provided an overview of the recently initiated SE EventWatch system which monitored system vulnerabilities. He explained that SE provided a monthly report on all system vulnerabilities and that there was a mandate for responding to critical vulnerabilities within ten minutes of notification. Work continued with the development of co-location facilities, although it was noted that redundancy protection was already in place for the Pension Gold administration system, and all financial assets were separately administered and protected through a

custodial arrangement with BNY Mellon. Mr. Clough closed by reporting that new wireless routers had been installed and operational throughout the building.

Mr. Lagos presented the Member Services update, stating that over 700 new retirements had been processed in July, primarily attributable to summer retirements of teachers and school administrators. He commended the staff for once again doing a very good job of managing the spike in activity. He noted that the electronic delivery of annual member statements would be coordinated with the telephone upgrade to ensure optimum customer service during a period of expected increased call volume. He concluded his remarks with an update on the ongoing effort to automate the processing of death benefits through the PensionGold platform.

Mr. Lagos then presented the Employer Services update, stating that the insurance authorization adjustment number was the most meaningful statistic in the report. He explained that the number of annual employer insurance reauthorizations was highest in July, and the 809 insurance adjustments had more than doubled the typical activity. Because of the automation of the process to input premium rate increases and other process improvements, staff were able to effectively manage the increase in activity.

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

On a motion by Trustee McCrillis, seconded by Trustee Walker, the travel requests for Trustees Beardmore, Griffin, and Roy were approved as follows:

*Ayes:* Trustees Gustafson, Angwin, Crombie, Kelliher, Martins, McCrillis, Roy, and Walker.

*Nays:* None.

*Abstention:* Trustee Beardmore.

On a motion by Trustee Walker, seconded by Trustee Roy, the meeting was adjourned at approximately 11:47 a.m.

*Respectfully submitted,*  
*Shannan Hudgins*