

Note: These minutes from the December 8, 2015, regular meeting were approved and executed at the January 12, 2016 regular Meeting of the Board of Trustees.

**Board of Trustees
December 8, 2015**

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; Maureen Kelliher; Germano Martins; David McCrillis; Bruce Moorehead; Don Roy; Hershel Sosnoff; and George Walker. Dean Crombie, *absent*.

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

Guest: Jean-Pierre Aubry, Center for Retirement Research, Boston College

Chair Gustafson called the December meeting of the NHRS Board of Trustees to order at 9:08 a.m. On a motion by Trustee Roy, seconded by Trustee Griffin, the Board of Trustees unanimously voted to approve the public minutes, as amended, of the November 10, 2015 Regular Board Meeting.

Audit Committee Chair Beardmore opened his report with a formal farewell to John Browne, *Internal Auditor*, who would retire December 18, 2015. Trustee Beardmore read the following statement from former State Treasurer and NHRS Trustee Catherine Provencher:

As Audit Committee chair in October of 2008, I chaired the committee that hired John as the internal auditor during a very turbulent period for the System. John has been a steady and calming hand always willing to assist not only the Trustees on the Audit Committee, but also his coworkers through difficult topics by identifying weaknesses and suggesting mitigation strategies.

John has seen much change over his seven years with the System in terms of leadership, staffing, attitudes of members and retirees, and of policy makers. The System is stronger and more respected than it was when he joined the team. While many people had a hand in that transformation, John was one of

those people. He consistently has the best interest of the System in mind; the members and retirees have benefitted from that consistency. As a former auditor myself, I know firsthand that the benefit derived from the work frequently flies well under the radar, but without it the System would be open to untold risk. John is a true professional who recognizes the value of the work and is satisfied (and likely most comfortable) flying under the radar.

Please wish John well in his retirement and thank him for his service to the NH Retirement System.

George Lagos, *Executive Director*, expressed his appreciation for Mr. Browne's expertise and dedication to not only the System, but also to his colleagues and the success of their efforts. Chair Gustafson spoke for the entire Board of Trustees in thanking Mr. Browne for his years with NHRS, making particular note of his ability to provide solutions to the issues he identified in audits. In closing, he wished Mr. Browne a long and successful retirement.

Trustee Beardmore next introduced Nancy Cone, who was the System's next internal auditor and present that morning. He had been impressed with her background and experience during their interview and he formally welcomed her to the Audit Committee and NHRS.

On a motion by Trustee Beardmore, seconded by Trustee Roy, the Board unanimously voted to approve the Initial Proposal on the draft Employer Withdrawal Rule as recommended by the Audit and Governance Committees, thereby allowing Staff to proceed with the rulemaking process.

On a motion by Trustee Beardmore, seconded by Trustee Griffin, the Board unanimously voted to accept the recommendation of the Audit Committee to approve and accept the Comprehensive Annual Financial Report for Fiscal Year 2015.

Trustee Walker reported the Benefits Committee had met on Monday, December 7, 2015 to review a potential disability re-examination, to receive a Gainful Occupation update, and to consider two recoupment matters. Trustee Walker anticipated convening a Benefits Committee meeting before the January 12, 2016 Board of Trustees meeting.

Associate Counsel and Compliance Officer Mark Cavanaugh presented the annual report on gainful occupation filings for the calendar year, noting that sixteen disability recipients had excess earnings and fifty-three retirees were in non-compliance. On a motion by Trustee Dwyer, seconded by Trustee Sosnoff, the Board unanimously voted to accept the Gainful Occupation Compliance Report as presented.

Trustee Roy reported that the Governance Committee had met following the November meeting of the Board of Trustees to review and recommend Staff's Initial Proposal on the draft Employer Withdrawal Rule. He referenced the memorandum regarding fiduciary insurance negotiations in the Board materials, stating that the annual insurance renewal recommendation would come before the Board at its January meeting. He closed by noting the Committee would not convene following the day's meeting.

Trustee Sosnoff presented the Investment report, noting that funds held in trust as of October 31, 2015 totaled \$7.338 billion, representing a monthly gain of \$293 million. He noted that a total of 211,000 jobs had been added to the US economy in November, keeping the unemployment rate at 5%, which was generally considered as full employment and a positive aspect of the continued US economic recovery. Trustee Sosnoff reported that the US Dollar was strong relative to international currencies and made particular note of the expected move by the Federal Reserve to raise interest rates at its December meeting. Larry Johansen, *Director of Investments*, reported on the Investment Committee's actions at its November meeting. The IIC had entertained presentations from HarbourVest and Kayne Anderson. Mr. Johansen stated that market performance continued to be volatile, noting that oil continued to trade at less than \$40/barrel.

After a brief presentation, on a motion by Trustee McCrillis, seconded by Trustee Roy, the Board unanimously voted to approve and accept the Comprehensive Annual Investment Report for Fiscal Year 2015 as recommended and approved by the Independent Investment Committee.

Mr. Johansen then discussed the agreement with ISS and explained its proxy voting for NHRS. Following discussion, on a motion by Trustee Walker, seconded by Trustee Kelliher, the Board unanimously voted to approve and accept the recommendation of the Independent Investment Committee to extend the contract with ISS for three years, subject to satisfactory conclusion of contract terms.

The Board next discussed renewal of the agreement with NEPC, the investment consulting firm that worked closely with the IIC. Mr. Johansen stated that NEPC had been supportive during the internal Investment team's staffing changes and worked closely and well with the IIC. He noted that NHRS expected much from NEPC and that the collaboration had developed well. This contract was the first renewal for NEPC.

On a motion by Trustee Sosnoff, seconded by Trustee Roy, the Board unanimously voted to approve and accept the recommendation of the Independent Investment Committee to extend the contract with NEPC for three years, subject to satisfactory conclusion of contract terms.

Mr. Johansen announced that the next IIC meeting was scheduled for Friday, December 18, 2015, at 9:00 a.m. and that the focus of the meeting would be to review the six-month update on the Real Estate Work Plan and to undertake an in-depth review of the performance of private equity and debt limited partnership investments.

Marty Karlon, *Public Information Officer*, provided a Legislative update at the request of Trustee Sosnoff. He noted there were nine LSRs that referenced the NHRS in some manner, and that the text of some bills had recently been posted to the State Website. In closing, he noted that a Legislative Committee meeting would be convened early in January 2016 to discuss the upcoming legislative session.

In the absence of Committee Chair Crombie, Trustee Walker presented the update of the PPCC meeting held December 3, 2015. He reported that following the adjournment of the public meeting, the Committee had focused on developing an

update to the Board on the forthcoming CBA negotiations. On a motion by Trustee Roy, seconded by Trustee Walker, the Board unanimously voted to temporarily adjourn the meeting for the purpose of discussion collective bargaining strategy or negotiations under RSA 91-A:2, I(a). All staff and guests were excused, except Staff directly involved in bargaining matters.

On a motion by Trustee Dwyer, seconded by Trustee Kelliher, the Board unanimously voted to reconvene the meeting.

Following a ten-minute recess, Jean-Pierre Aubry, *Assistant Director of State and Local Research*, Center for Retirement Research at Boston College, offered the Board an overview of how New Hampshire's pension plan compared nationally and then focused on the State of Connecticut and recently proposed changes to its public pension plan which had been developed with assistance from the Center for Retirement Research. He explained that the Center monitored 150 public pension plans across the United States to compile informative, relative data for public information. Following a question and answer period, Chair Gustafson thanked him for his time and the information in his presentation.

Executive Director George Lagos offered a brief review of his report, noting that the lower KPM percentage reflected unusual, single events that were being addressed.

Tim Crutchfield, *Chief Legal Counsel*, also offered a brief update, noting that a responsive filing from the Petitioners in the HB2 Benefits suit was due in Superior Court within a day. He also reported that a retiree had recently filed suit in Merrimack County to have his retirement benefit recalculated from 2001.

Jack Dianis, *Director of Finance*, presented his Finance report, noting the system's net position of \$7.3375 billion on a fiscal year-to-date basis through October. He then offered comments on several favorable variances in the budget-to-actual performance.

Director of Information Technology Frank Clough briefly noted that the new helpdesk system had been put in place and was operating well. He reported on server room enhancements, noting that software matters would be resolved in the next week. He closed by reporting that the fax server had been replaced and back parking lot cameras would be installed December 21-22.

Nancy Miller, *Director of Member Services*, reported she had two new staff members who were in training. She reported that finalization of July retirements was complete, and her next initiative was to have employer-audit wage changes accomplished through PensionGold automation, which would generate significant time savings for staff. She closed by noting that the Judicial Retirement Plan COLAs had been completed.

Director of Employer Services, Denise Call provided the Trustees with an update to the LRS build that would allow employers to self-load insurance premium rate changes. Her next initiative was the automation of medical subsidy questionnaires.

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

NHRS Board of Trustees
December 8, 2015

On a motion by Trustee Walker, seconded by Trustee Beardmore, the Board unanimously voted to approve the travel request for Trustee Crombie as presented in the Board materials.

Chair Gustafson opened the floor for any discussion for the good of the order. Mr. Lagos reported that the landlord had very recently notified him of a cash offer to purchase 54 Regional Drive, with a closing date of January 27, 2016. He reminded the Board that NHRS had a right to first refusal under the current lease which afforded the opportunity to buy the property upon the same terms and conditions as those being offered. A meeting of the Real Estate Committee would be convened to review the situation and then report to the Board.

On a motion by Trustee McCrillis, seconded by Trustee Sosnoff, the meeting was adjourned at approximately 11:29 a.m.

Respectfully submitted,
Shannan Hudgins