

**Note:** These minutes from the June 9, 2015, regular meeting were approved and executed at the July 14, 2015, regular Meeting of the Board of Trustees.

**Board of Trustees  
June 9, 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; Maureen Kelliher; Germano Martins; David McCrillis; Hershel Sosnoff; and George Walker. Dean Crombie, Julia Griffin, and Don Roy, *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*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Nina Calkins, *Process Improvement Manager*; Carolyn Johnson, Esq., *Hearings Examiner*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Rosamond Cain, *Human Resources Manager*; Shannan Hudgins, *Administrative Coordinator*. Frank Clough, *Director of IT*, and Marty Karlon, *Public Information Officer*, *absent*.

Chair Gustafson called the June meeting of the NHRS Board of Trustees to order at 9:03 a.m. and publicly congratulated Trustee Walker on his recent promotion to Deputy Chief of the Nashua Fire Department.

On a motion by Trustee Kelliher, seconded by Trustee Sosnoff, the Board of Trustees unanimously voted to approve the public and non-public minutes of the May 12, 2015 Regular Board Meeting.

Audit Committee Chair Beardmore reported that at its meeting that morning, the Committee had opened with an update on the status of the GASB 68 implementation in a conference call with KPMG auditors. He anticipated the report would be ready for the July Audit Committee and Board of Trustees meetings. Trustee Beardmore also reported anticipated additional GASB changes to OPEB (other post-employment benefits) reporting, similar to the GASB 67 and 68 requirements applying to pension systems and employers. The Committee had reviewed the 2016 audit plan with John Browne, and had discussed the Tracker to which two items had been added and one closed. Trustee Beardmore closed his Committee update with a motion, seconded by Trustee McCrillis, that the Board accept the amended Employer Withdrawal Policy as vetted and approved by both the Governance and Audit Committees. The motion was unanimously approved.

Trustee Walker reported the results of the Benefit Committee held Friday, June 5, 2015, stating that a non-public session had been dedicated to pending legal matters. He explained that the Committee had discussed the few cases of retroactive Medicare eligibility approvals made without prior knowledge of the beneficiary, and that medical subsidy recoupments would not be pursued in those instances. Trustee Walker stated that Staff had offered draft revisions to the NHRS Recoupment and Hardship Policy for the Committee's consideration at its next meeting. He then reported that an additional non-public session had been held to review disability re-examination matters. In closing, Trustee Walker noted that Staff had formed an internal working group to review the impact of the two Supreme Court decisions of December 2014 and January 2015 on the definition and treatment of earnable compensation, with a goal to issue appropriate interpretive memoranda to employers.

In Governance Committee Chair Roy's absence, Trustee McCrillis reported on the May 12, 2015 meeting, stating that the Committee had reviewed and approved the Employer Withdrawal Policy and forwarded its findings to the Audit Committee for action and referral to the full Board. He stated the Committee had also reviewed the fee schedule for Ret. 103, which he presented for the Board's approval. On a motion by Trustee McCrillis, seconded by Trustee Dwyer, the Board unanimously voted to accept the recommendation of the Governance Committee to approve the fee schedule for copies under Ret. 103.01. Trustee McCrillis then provided the Trustees with a review of the Committee's research into the protections afforded by cyber security insurance coverage, including post-event response. He anticipated a recommendation would be brought before the Board at its July meeting.

Trustee Sosnoff delivered the Investment report, stating that funds held in trust as of April 30, 2015 were \$7.527 billion, up \$50 million from the prior month, representing a 1 % gain for the month. He stated that funds were up \$113 million for the FYTD. In his macro-economic report, Trustee Sosnoff stated that the US economy was showing good growth following the weather-related downturn of the first quarter of the calendar year. He noted that wage growth continued at .3% and that labor participation rate continued to grow across the United States, albeit modestly. On the global economic front, China was reporting slowing growth coupled with inflation, which impacted all of Asia. He noted that financial instability in Greece continued to adversely influence the European market, as well as worldwide economic growth. Trustee Sosnoff then discussed the Independent Investment Committee (IIC) meeting of May 29, 2015, stating that presentations from Aberdeen, GMO and Wellington had been well received. The IIC had renewed the Walter Scott contract, manager of \$250 million dollars of global equity with good historic performance. He closed his report by stating that the IIC had completed its review of allocation ranges in the Investment Policy. On a motion by Trustee Sosnoff, seconded by Trustee Dwyer, the Board of Trustees unanimously voted to accept the recommendation of the Independent Investment Committee that it approve the revisions to the Investment Policy. Larry Johansen, *Director of Investments*, reviewed performance over various time intervals.

Mr. Lagos offered a PPCC update in Trustee Crombie's absence, explaining that in its recently issued PELRB decision, the NH Supreme Court had agreed with NHRS' legal argument that supervisory positions should not be included in the same bargaining unit as their employees and that the decision of the PELRB's hearing officer was incorrect as a matter of law. Mr. Lagos noted with appreciation the legal analysis and

recommendations of the System's outside counsel, Ed Kaplan, in the management of this successful appeal. He went on to explain that the PELRB was now required to issue an order to exclude the five management positions from the Collective Bargaining Unit and expressed his thanks to the PPCC and the Board for their support throughout the process.

Jack Dianis, *Director of Finance*, provided a Legislative update for Marty Karlon, *Public Information Officer*, who was attending a pension committee meeting at Boston College. He reported that after some negotiation, the section of HB 333 which included reference to NHRS had been removed by both the House and Senate. The bill would then be sent to the Governor for signature. SB 191, the former procurement bill, had been modified, all NHRS references removed, and would also be sent to the Governor for signature. Mr. Dianis stated that the Senate had passed the Budget. HB 2, the House budget bill, contained a change in insurance premiums for state retirees.

Chair Gustafson presented the final Ad Hoc Real Estate report, stating that the renewal letter had been mailed to and received by the landlord, but no reply had yet been received. Mr. Lagos stated that the System had provided timely notice to extend the current lease and that he would be in contact with the landlord to document the necessary lease amendment.

Denise Call, *Director of Employer Services*, excused herself at approximately 9:40 a.m.

Larry Johansen, *Director of Investments*, offered an educational presentation on NHRS asset allocation. He outlined the objectives for each asset class and described the individual investments included in each. Mr. Johansen responded to Trustee questions about investment performance, particularly in reference to fixed income, real estate and alternatives.

Following the presentation, Chair Gustafson called a ten-minute recess. The meeting reconvened at 10:37 a.m.

*Executive Director* George Lagos began his update with the Staff Action Plans, noting that FY 15 plans were being completed as of the end of June and the FY 16 plans had been finalized and would be included in the July Board materials. He addressed the telephone RFP, the recommendations of the consultant, and Staff's decision to modify the specifications to better accommodate the needs of the System. Mr. Lagos anticipated that Staff would submit a proposal for the Board's consideration at its July meeting.

Mr. Lagos next discussed two service contracts for NHRS. The Mailchimp contract for email marketing provided the best combination of tools and price for the NHRS listserv, flexibility of the mailing list, and effective online outreach. The imaging contract recommendation with LRS represented the most efficient solution to integrate an unsupported imaging application into the PensionGold core pension processing application. On a motion by Trustee Dwyer, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Executive Director to approve the LRS imaging solution subject to contract and legal review.

Tim Crutchfield, *Chief Legal Counsel*, began his update with a brief discussion of the last remaining NHRS-related lawsuit stemming from the 2011 legislative changes to RSA 100-A. On May 29, 2015, the State filed a motion to join the municipal employers in the HB 2 Benefits case in Hillsborough County. Atty. Crutchfield expressed his view that if the motion were to be successful, it was likely that representative associations would file any necessary responses on behalf of their member employers. He then reported that employer audit productivity had increased substantially with the work of three full-time field auditors. He closed with a Gainful Occupation update, explaining that the annual questionnaires had been produced through integration with the PensionGold data base and had been mailed to the 955 GO annuitants on Monday, June 8.

Mr. Dianis presented his Finance report, beginning with the announcement that NHRS had posted unclaimed contributions on the webpage in an effort to locate former members whose funds were available to them. He noted that appropriate communication had been made through the Public Information Office. In reviewing the 2016 Trust Fund Budget, Mr. Dianis explained that the largest increase was in investment management fees. Following a brief discussion, on a motion by Trustee Beardmore, seconded by Trustee Sosnoff, the Board unanimously approved the Fiscal Year 2016 Trust Fund Budget. Mr. Dianis next discussed the FY 14 Interim Actuarial Valuation, highlighting that it was *not* a rate-setting valuation, but rather an informational document. On a motion by Trustee Martins, seconded by Trustee Beardmore, the Board unanimously voted to accept the FY 14 Interim Actuarial Valuation.

Mr. Dianis reported that pension funds were being scrutinized by GASB and that the Board might well anticipate additional statements in the near future. Noting that Trustees had received the June 30, 2014 GASB 67 report earlier in the year, he entertained a brief question period. On a motion by Trustee Beardmore, seconded by Trustee Kelliher, the Board unanimously voted to accept the June 30, 2014 GASB 67 Report.

In *Director of Information Technology* Frank Clough's absence, Mr. Lagos noted that ZIX email encryption was working well and had garnered no adverse feedback from members, retirees, or employers receiving newly encrypted email correspondence from NHRS. He emphasized Zix was an integral part of the System's intensified security program. Mr. Lagos also discussed SE Event Watch, a remote-monitoring program designed to identify and protect against intrusions. He also indicated that an agreement had been entered into with SE for system security testing and training, to assure staff was well equipped to protect system data and information..

Nancy Miller, *Director of Member Services*, reported that 736 July retirement applications were being processed, although the final number was subject to changes received throughout the month. She stated that member statements were no longer routinely mailed, and less than 400 members had requested receipt of a traditional paper statement. She closed with an automation update related to processing of member/retiree deaths. Called a 'death wizard,' the PG mechanism was programmed to process all the record and benefit changes necessary in the event of the death of a member or retiree of NHRS.

NHRS Board of Trustees  
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Mr. Lagos presented an update for the *Director of Employer Services* Denise Call. He stated that the medical subsidy questionnaire project had been completed, with few errors uncovered. The Insurance PIP was still pending, and he explained that the primary objective was to automate what is currently a highly manual process. He noted that staff was gearing up for the month of July which is the highest volume month for insurance authorizations and rate changes. The work required has been reduced to a degree by the automation of approximately 80% of employer insurance rate changes.

On a motion by Trustee McCrillis, seconded by Trustee Kelliher, the Board of Trustees unanimously voted to approve the Consent Agenda Recommendation Numbers 1 – 5 and 7 - 11.

On a motion by Trustee Walker, seconded by Trustee McCrillis, the Board unanimously voted to refer Consent Agenda Recommendation #6 to the Benefits Committee for additional review.

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

In his checkpoint discussion, Chair Gustafson stated that a Trustee-Staff cookout would be coordinated by Staff for either the July or August Board meeting. He also requested each Trustee whose term was near expiration and wished to remain on the Board to contact the Governor or his or her nominating body in order to begin the necessary process that culminated in re-appointment by the Governor and Council. Atty. Crutchfield stated that holdover status applied to any Trustee whose term might expire while the process unfolded.

On a motion by Trustee Beardmore, seconded by Trustee Kelliher, the meeting was adjourned at approximately 11:21 a.m.

*Respectfully submitted,*  
*Shannan Hudgins*