

Note: These minutes from the May 12, 2015, regular meeting were approved and executed at the June 9, 2015, regular Meeting of the Board of Trustees.

**Board of Trustees
May 12, 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; Bill Dwyer; Julia Griffin; Maureen Kelliher; Germano Martins; David McCrillis; Don Roy; Hershel Sosnoff; and George Walker.

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*, Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Denise Call, *Director of Employer Services*; Nancy Miller, *Director of Member Services*; Frank Clough, *Director of IT*; Marty Karlon, *Public Information Officer*; 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*; Christine Basha, *Public Information Specialist*; Krysta Smith, *Benefits Specialist*; Shari Crawford, Jr. *Investment Officer*; Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the May meeting of the NHRS Board of Trustees to order at 9:02 a.m. and publicly acknowledged and thanked Trustee Sosnoff for his adept service in chairing the April Board of Trustees meeting.

On a motion by Trustee Dwyer, seconded by Trustee Roy, the Board of Trustees unanimously voted to approve the April 14, 2015 Regular Board Meeting minutes, as amended.

Audit Committee Chair Beardmore reported that at its meeting that morning, the Committee had reviewed the Audit Tracker, as well as Staff recommendations to amend the Employer Withdrawal Policy. The amendment allocates the cost for actuarial calculations inherent in any employer withdrawal application to the employer so that those costs are not subsidized by the pension trust. The Committee had approved the suggested revisions with one clarifying amendment. Trustee Beardmore stated that the revised policy would be presented to the full Board for action at the June 9, 2015 meeting. He stated that the Committee received brief updates about GASB 68, IT security initiatives, and the audit of member refund practices in Member Services. He anticipated that the Committee would next convene the morning of the June 9, 2015 Board meeting.

Trustee Walker reported that the Committee had not met since the April Trustees meeting, but he anticipated convening the Committee before the June 9, 2015 regular Board of Trustees meeting.

Governance Committee Chair Roy stated that at its April 14, 2015 meeting, the Committee had reviewed and approved the amended Employer Withdrawal Policy and forwarded its findings to the Audit Committee. He stated the Committee would convene immediately following the Board meeting to review the subsequently updated version of the Employer Withdrawal Policy, the proposed fee schedule for Ret. 103, and begin a review of the Procurement Policy.

Trustee Sosnoff delivered the Investment report, stating that funds held in trust as of March 31, 2015 were \$7.475 billion, down \$30 million from the prior month and representing a .5% decline for the month. He stated that funds were up \$59 million for the FYTD. In his macro-economic report, Trustee Sosnoff stated that the US unemployment rate was 5.4% for April 2015, which was generally considered full employment. He noted that wage growth and the labor participation rate had grown modestly across the United States, and that the Federal Reserve was expected to begin raising interest rates in or around September 2015. On the global economic front, financial instability in Greece continued to influence the European market, as well as worldwide economic growth. Trustee Sosnoff then discussed the Independent Investment Committee (IIC) meeting of April 24, 2015, stating that presentations from Collier Capital and Walter Scott had been well received. Additionally, the annual report from Abel Noser revealed NHRS traded approximately 79 million shares, with a cost savings below the median of almost \$300,000. The IIC had also continued its review of the Investment Policy and adopted changes to certain benchmarks as well as permissible investment ranges so as to protect against the possibility of technical non-compliance with the Policy in the event of precipitous changes in the market value of liquid assets. Mr. Johansen noted that the proposals would come before the Board for adoption at the June meeting.

Trustee Crombie, Chair of the Personnel, Performance & Compensation Committee (PPCC), provided an update of the Committee's most recent meeting held on Tuesday, May 5th, reporting that personnel matters as reviewed by HR Manager Rosamond Cain were going well. He stated that the primary focus of the Committee meeting had been the evaluation of the Executive Director, held in non-public session. Trustee Crombie then requested that the Board of Trustees enter into a non-public session to review the Committee's conclusions and recommendations.

On a motion by Trustee Sosnoff, seconded by Trustee Crombie, the Board of Trustees voted to enter into non-public session under RSA 91-A:3, II(c) to discuss a matter which could adversely impact the reputation of someone other than a member of the Board, on a roll call vote, as follows:

Ayes: Trustees Gustafson, Angwin, Beardmore, Crombie, Dwyer, Griffin, Kelliher, Martins, McCrillis, Roy, Sosnoff and Walker.

Nays: None.

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

On a motion by Trustee Crombie, seconded by Trustee Roy, the Board of Trustees unanimously voted to recognize the positive contributions of the Executive Director over the past year by accepting the compensation recommendation of the PPCC, as amended.

Trustee Sosnoff opened the Legislative Committee report and requested Legislative updates from Marty Karlon, *Public Information Officer*. Mr. Karlon reported that the Legislative session had proved to be a particularly quiet one for retirement matters. He stated that the Special Pension Committee was convening on Monday.

Chair Gustafson, Chair of the Ad Hoc Real Estate Committee presented a culminating report on the efforts and ultimate findings of this Committee that was charged with evaluating, assessing, and potentially securing an alternative business location for NHRS. After a thorough review of 16 Foundry Street, in Concord with Bill Norton and Executive Staff, that ultimately determined that the space was not suitable to meet the System's current and potential future needs, the Committee concluded that the current lease at 54 Regional Drive should be renewed for a five-year term. On a motion by Trustee Martins, seconded by Trustee Dwyer, the Board unanimously voted to accept the recommendation of the Ad Hoc Real Estate Committee, that, pursuant to Article XIII of the lease agreement between BerCar LLC and the New Hampshire Retirement System, the Executive Director was hereby authorized to exercise the option to extend the current lease for the 54 Regional Drive office space for an additional five year period, expiring on March 31, 2021.

Marty Karlon, *Public Information Officer*, presented an in-depth explanation of the 2007 report issued by the HB 876 Commission and the Decennial Commission which is set to convene in 2017 to review and ensure the long-term viability of the Retirement System. Mr. Karlon discussed the issues and recommendations of the HB 876 Commission, including the long-term funding history of NHRS, the use of gain-sharing to fund the Special Account, the funding of COLA's, spiking, Medical Subsidy matters, increases to employer contributions, and changes related to Government Accounting Standards Board (GASB) rules. It was an informative and instructive presentation that provided an historical framework for understanding the origin of various pension related statutory enactments as well as a frame of reference for the upcoming Decennial Commission.

Trustee Beardmore excused himself from the meeting at approximately 10:35 a.m.

Executive Director George Lagos began his update with the telephone system RFP, stating that both Frank Clough, *Director of Information Technology* and Nina Calkins, *Process Improvement Manager*, were working with the IT working group and an external consultant, Powerhouse Consulting, in reviewing the proposals and evaluating submissions for consideration. He next addressed the Strategic Plan and the accompanying staff Action Plans that were focused on long-range goals rather than day-to-day operational matters. On a motion by Trustee McCrillis, seconded by Trustee Dwyer, the Board of Trustees unanimously accepted the FY 2016 Strategic Plan, as presented.

Tim Crutchfield, *Chief Legal Counsel*, briefly discussed the structuring conference that had been held for the HB 2 Benefits suit, currently in Hillsborough County Superior Court. He stated that at issue were the number of claims plaintiffs might be allowed to pursue in light of the two related Supreme Court decisions handed down this winter and whether the constitutional claim issues might be bifurcated and answered separately. Atty. Crutchfield closed with an update on the employer auditing operation, commenting on the positive impact of expanding the audit team and stating that each of the three full-time auditors had already completed six audits this month, thereby reaching the KPM for the quarter.

Jack Dianis, *Director of Finance*, presented his Finance report, beginning with the NHRS Statutory Administrative Budget that was currently in the Senate phase of the legislative process, with no changes to date. He stated that GASB 68 audit and actuarial work continued with the express goal to distribute appropriate data to employers whose year-end financial reports will be revised by GASB 68 rules. Mr. Dianis then offered a brief discussion of the Call Fire Reconciliation Report, which would be issued annually in October going forward.

In preparation for the FY 16 Preliminary Trust Fund Budget discussion, Mr. Lagos presented a high level comparison of FY 15 Budget, FY 15 Actual, and the FY 16 Budget. Following a detailed review of anticipated investment legal costs presented by Larry Johansen, *Director of Investments*, Mr. Dianis offered a comprehensive review of the budget as contrasted with the prior budget and actual expenditures fiscal year-to-date and responded to Trustees' questions. In closing, Mr. Lagos stated that the FY 16 Preliminary Budget would be presented to the Board of Trustees for action at its June 9, 2015, meeting.

Mr. Dianis distributed to the Board the June 30, 2014 Actuarial Valuation, a non-rate setting interim valuation that staff will request Board acceptance along with the June 30, 2014 GASB 67 report at the June 9th Board meeting.

Mr. Clough, *Director of Information Technology*, discussed the upcoming telephone system upgrade and the status of the RFP, stating that May 22, 2015, was the deadline set for submission of supplemental material which had been requested from the vendors under consideration. He noted that the initiative to improve systems and data security was progressing well. ZIX email encryption was to be implemented on May 19th and the first steps were being taken to initiate the SE EventWatch program.

Trustee Angwin excused herself from the meeting at approximately 11:45 a.m.

Nancy Miller, *Director of Member Services*, noted that appointment and retirement statistics were comparable to 2014, noting that 305 July retirement applications had been received to date. She discussed progress with fillable, online forms, stating that teams were testing both retirement applications and direct deposit requests. To date, from the inception of availability in January of this year, over 1300 electronic forms had been received and were equally distributed between current members and retirees, evidencing the benefit which direct access provides. She closed with a brief discussion of the improved automation of death benefit procedures, a significant

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operational enhancement under development which would soon be delivered by LRS for testing.

Director of Employer Services Denise Call discussed the Insurance PIP and its priority for her team. The group was meeting twice weekly in an effort to accelerate the process in advance of the annual July insurance processing surge which will require department resources. She closed with the medical subsidy project, stating it had been successfully completed and a preliminary wrap-up report could be found at the end of Tab 15.

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

On a motion by Trustee Roy, seconded by Trustee Crombie, the meeting was adjourned at approximately 11:52 a.m.

Respectfully submitted,
Shannan Hudgins