

Note: These minutes from the November 10, 2015, regular meeting were approved and executed at the December 8, 2015, regular Meeting of the Board of Trustees.

**Board of Trustees
November 10, 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. Bruce Moorehead, *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 Fritzky, *Controller*; John Browne, *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*.

Chair Gustafson called the November meeting of the NHRS Board of Trustees to order at 9:32 a.m. On a motion by Trustee Roy, seconded by Trustee Griffin, the Board of Trustees unanimously voted to approve the non-public minutes and the public minutes, as amended, of the October 13, 2015 Regular Board Meeting.

Audit Committee Chair Beardmore reported that at its meeting that morning, the Committee had reviewed the unaudited Comprehensive Annual Financial Report (CAFR), which had been completed by the statutory deadline of October 31, 2015. He stated that the audited CAFR would be presented to the Audit Committee and the full Board on December 8, 2015. Trustee Beardmore reported that the Committee had approved a two-year contract with a third-year option with for auditing services with KPMG, subject to fee negotiations. He also stated that the Committee had recommended changes to the Employer Withdrawal Policy that had also been approved by the Governance Committee at its October 13, 2015 meeting and that the proposed Employer Withdrawal Rule will be recommended to the Board for approval in December.

On a motion by Trustee McCrillis, seconded by Trustee Sosnoff, the Board unanimously voted to accept the recommendations of the Audit and Governance Committees to approve the revisions to the Employer Withdrawal Policy.

In closing, Trustee Beardmore stated that *Internal Auditor* John Browne had delivered his report of audit findings and progress in the last month. Mr. Browne also had announced his expected retirement from NHRS in December of 2015.

Trustee Walker reported the Benefits Committee had not met since the October Board meeting, but would convene in advance of the December 8, 2015 Trustees Meeting.

Trustee Roy reported that the Governance Committee had met following the October meeting of the Board of Trustees and discussed its charter, as well as the Employer Withdrawal Policy. He stated that the Committee would convene following the full Board meeting to review the proposed Employer Withdrawal administrative rule under development

On a motion by Trustee Roy, seconded by Trustee McCrillis, the Board unanimously voted to accept the recommendation of the Governance Committee to approve the proposed revisions to its Charter.

Trustee Sosnoff presented the Investment report, beginning with funds held in trust as of September 30, 2015, totaling \$7.045 billion, representing a loss of \$175 million for the month. He noted that NHRS had recovered fiscal year-to-date investment losses in the latest uptick in the market. A total of 271,000 jobs had been added to the US economy, bringing the unemployment rate down to 5%, which was generally considered a full employment and a positive aspect of the continued US economic recovery. Trustee Sosnoff reported that the Independent Investment Committee at its October meeting had discussed the Comprehensive Annual Investment Report (CAIR), emerging markets and current market conditions. He noted that the next IIC meeting was scheduled for Friday, November 20, 2015, at 9:00 a.m.

Trustee Griffin arrived at 9:49 a.m.

Trustee Crombie provided a brief Personnel, Performance and Compensation Committee (PPCC) update from its October 30th meeting, which had been dedicated to preparation for the collective bargaining contract negotiations for the agreement due to expire June 30, 2016. He stated that all proposals would be presented to the Board before the beginning of contract negotiations.

There was a brief discussion of the proposed changes to the Legislative Committee Charter. On a motion by Trustee Martins, seconded by Trustee Sosnoff, the Board unanimously voted to accept the recommendation of the Legislative Committee to approve the proposed revisions to its Charter.

Marty Karlon, *Public Information Officer*, provided a Legislative update at the request of Trustee Sosnoff. Referring to the Board materials, Mr. Karlon explained stacked hybrid retirement plans, stating that such plans offered lower wage earners the protection of a defined benefit plan, and provided higher wage earners the benefit of a defined contribution plan. He briefly discussed the cash balance plan, employer penalty, and retiree healthcare LSRs submitted by legislators for the 2016 Legislative Session.

Heidi Barry and David Kausch, NHRS consulting actuaries from Gabriel Roeder Smith and Company presented a detailed review of their CAFR and GASB 67 report as of June 30, 2015. In addition, they described the five-year experience study and its timeline. The June 30, 2015 actuarial valuation with the new actuarial assumptions adopted by the Board next spring will be the basis for the employer rate-setting that the Trustees will certify in September 2016. Also included in their presentation were explanations of the purposes of the valuation, an overview of methodology, pension plan experience, and details concerning GASB No. 67 and 68. Both Ms. Barry and Mr. Kausch answered questions throughout their presentation.

Following a ten-minute recess, *Executive Director* George Lagos offered his report, reviewing the historical results on Key Performance Measures. Mr. Lagos commented on his ongoing initiative of calling members and retirees, noting that the calls were informative and the favorable feedback was substantially similar to that received via written surveys. He concluded his update with remarks concerning the successful implementation of the Cisco phone system and three contracts which had been undertaken in the last month: security cameras in the back parking lot, Liebert controls for the IT server room, and the SMART Board purchase.

Tim Crutchfield, *Chief Legal Counsel*, opened his update with a Gainful Occupation report, noting that 125 disability benefit recipients had yet to respond to the annual questionnaire. He anticipated providing the annual GO report to the Board at its December 8, 2015 meeting. He briefly discussed the HB2 suit, noting that the State had filed a Motion to Dismiss with the Court on the basis that the Supreme Court had essentially settled the underlying question in its decisions in the HB2 contributions case and the AFT benefits case earlier this year.

Jack Dianis, *Director of Finance*, presented his Finance report, beginning with the unaudited CAFR, which the Board had received in its November materials. Mr. Dianis reported that the report and its contents were fairly straightforward, and the final, audited CAFR would be presented at the December meeting. He briefly discussed the financial reports, making note that the audit fee variance on the budget-to-actual report was the result of timing as these payments were front loaded in the first months of the fiscal year and not paid on a pro rata 1/12 basis per month.

Director of Information Technology Frank Clough reported on the server room climate control enhancements, noting that working with the System's management firm, Foxfire had resulted in a cost-effective and efficient plan to maintain an appropriate operating environment. A brief discussion of system protection initiatives and progress on addressing critical vulnerabilities followed.

Nancy Miller, *Director of Member Services*, reported she and her staff continued to focus on the automation of member and retiree calculations, specifically in support of the requirement to reallocate wages based on employer auditing results. She confirmed that My Account updating applied to all accounts in NHRS, whether in-service, retired, or funds left in the System when someone departed public service.

Director of Employer Services, Denise Call provided the Trustees with an update to the Insurance PIP, noting that testing of the new premium rate build had been completed.

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She reported that a new build request for LRS would be requested to enable the automation of the medical subsidy questionnaire process.

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

Trustee Griffin commented on her report on attending the CAPPP session, an intensive four-day program which she strongly recommended as an education opportunity for all Trustees.

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

Respectfully submitted,
Shannan Hudgins