

**Note:** These minutes from the February 14, 2017, Regular Meeting were approved and executed at the March 21, 2017 regular Meeting of the Board of Trustees.

**Board of Trustees  
February 14, 2017**

**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; Bill Hart; Maureen Kelliher; Stephen Marro; Germano Martins; Don Roy; Hershel Sosnoff; and George Walker. David McCrillis, *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*; Nancy Miller, *Director of Member Services*; Nancy Cone, *Internal Auditor*; Heather Fritzky, *Controller*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Carolyn Johnson, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Christine Basha, *Public Information Specialist*; Christina Minervini, *Public Information*; and Shannan Hudgins, *Administrative Coordinator*.

*Guests:* Harold Janeway, David Jensen, and Patrick O'Donnell, *NHRS Independent Investment Committee*.

Chair Gustafson called the February 14, 2017 Regular Meeting of the NHRS Board of Trustees to order at 10:02 a.m. Having established a quorum, Chair Gustafson called for a motion on the January 10, 2017 minutes. On a motion by Trustee Roy, seconded by Trustee Walker, the Board voted to approve the public minutes of the January 10, 2017 meeting, as presented. Trustees Angwin and Beardmore abstained from the vote.

Trustee Beardmore presented the Audit Committee update from that morning's meeting, beginning with a brief discussion of the Succession Planning Audit. He reported that the appropriate process and procedures would be added to the PPM documentation system. Trustee Beardmore reported that the Committee had discussed the GASB 68 report and had voted to recommend Board action. *Director of Finance* Jack Dianis provided the Board with details of the report, noting the employer proportionate share amounts and grand total on page 11 and the summary of employer allocation amounts on page 20 provided in the Board materials. He explained that although the report was contingent upon final approval by the auditors, NHRS participating employers needed the information now to complete their fiscal year-end financial reports and prepare for town meetings next month. Mr. Dianis confirmed the information was for financial reporting only and did not affect employer rates.

On a motion by Trustee Dwyer, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Audit Committee to accept the June 30, 2016 GASB 68 Report subject to receipt of an unmodified opinion letter from KPMG.

Trustee Beardmore also reported the Committee had reviewed the Citizens Bank contract and the RFI for a new pension platform product as part of standard due diligence practice. He also noted that KPMG had concurred with NHRS staff and the Groom law firm that for purposes of financial reporting under GASB 74, it was reasonable to conclude that NHRS has and operates a single OPEB plan with four subtrusts, rather than four separate plans.

Trustee Walker presented the Benefits Committee update of its January 31<sup>st</sup> meeting in which the December 6, 2016 minutes had been approved, and Staff had reported its review of retroactive medical subsidy payments for a limited number of Nashua retirees. He noted that the Committee had also reviewed and acted upon one recoupment case.

Trustee Roy reported that although the Governance Committee had not met in the last month, the adoption of the Electronic Filing Rule was now before the Board for action.

On a motion by Trustee Roy, seconded by Trustee Beardmore, the Board unanimously voted to adopt the final proposal of the Electronic Filing Rule, approved by JLCAR at its January meeting, as presented today, thereby allowing staff to file it with the Office of Legislative Services with an expected effective date of Wednesday, February 15, 2017.

Trustee Sosnoff presented an Investment update, reporting funds held in trust as of December 31, 2016 totaled \$7.682 billion, realizing an increase of \$109 million for the month and \$331 million for the fiscal year-to-date. He stated that all asset classes were within their target ranges. In his macro-economic update, Trustee Sosnoff stated that new US administration policy initiatives included corporate tax cuts, a reduction in the capital gains tax, as well as illegal immigrant deportation initiatives and the building of a wall between Mexico and the United States, the threat of which would exert pressure on wages.

Larry Johansen, *Director of Investments*, reported that at the January 20, 2017 IIC meeting, the Committee had received presentations focused on the potential market influence of President Trump. AB had presented a positive economic impact of the President's intended initiatives, Manulife had presented a negative impact of Mr. Trump's projected policies, and Neuberger Berman had offered a neutral perspective of the new administration and its policy agenda with respect to economic growth and market returns. NEPC had then offered a summary and recommendations to the IIC.

Mr. Johansen stated that the Committee had voted \$50 million to Actis Energy 4. At the upcoming February 24<sup>th</sup> IIC meeting, Mr. Johansen stated the Committee would receive an update from Able/Noser on investment trading costs, as well as presentations from Edgewater and Top Tier. In closing, Mr. Johansen discussed the Proxy Voting Summary behind Tab 5 in the Board materials. A brief discussion of performance returns percentages over various time frames followed.

Trustee Sosnoff next provided a Legislative Committee update from the meeting of January 31, 2017. He stated that 21 NH Retirement System bills had been reviewed by the Committee, which had identified three bills to strongly oppose. Trustee Sosnoff explained that the bills were not in the interest of NHRS members and beneficiaries. He noted that HB 369 would extend the UAAL amortization by ten years, at a cost of \$4 billion to the trust fund. HB 425 would change the assumed rate of return back to 7.75%, a rate the Board of Trustees had judiciously reduced to 7.25% in May 2016. SB 140 was specific to the IIC and its membership qualifications and terms of office. Staff indicated its support of the Board's formal opposition to HB 369 and HB 425. However, *Executive Director* George Lagos respectfully stated that Staff believed that the issues addressed in SB 140 were matters of policy within the Legislature's purview and did not have the same fiduciary duty implications as the other two bills. He suggested that in the alternative, it would be appropriate to provide information to the Legislature with respect to the considerations and concerns with the potential impact and consequences of the changes proposed in SB 140. Following a lengthy discussion of the merits and issues of the proposed IIC bill, the Board took the following actions:

On a motion by Trustee Sosnoff, seconded by Trustee Dwyer, the Board unanimously voted to adopt the recommendation of the Legislative Committee to oppose HB 369.

On a motion by Trustee Roy, seconded by Trustee Hart, the Board unanimously voted to adopt the recommendation of the Legislative Committee to oppose HB 425.

On a motion by Trustee Sosnoff, seconded by Trustee Hart, the Board voted *not* to adopt the recommendation of the Legislative Committee to oppose SB 140, as follows:

*Ayes:* Trustees Sosnoff, Angwin, Hart, Kelliher and Marro.

*Nays:* Trustees Beardmore, Griffin, Gustafson, Martins, Roy and Walker.

*Abstention:* Trustee Dwyer.

Following the vote on the NHRS-related legislation, Chair Gustafson called a ten-minute recess. At approximately 10:50 a.m., IIC members Harold Janeway, David Jensen, and Patrick O'Donnell joined the meeting. Staff members Christine Basha and Christina Minervini joined the meeting.

Keith Brainard, *Research Director* for the National Association of State Retirement Administrators, offered a comprehensive presentation entitled "A National Perspective of State and Local Pensions." Via telephone conference, Mr. Brainard provided a comparison of retirement benefits between private and public sectors, and he identified the differences in plan participation between the sectors. He also discussed Social Security participation and its impact on public sector employees, one-quarter of whom do not have access to the federal program. Mr. Brainard explained actuarial funding ratios and the implications of their use in evaluating a pension plan's financial condition, noting that it should be considered only a snap-shot. He provided a number of statistical charts and graphs which provided context for the Trustees with respect to the relative position of NHRS as compared to other public pension plans. He also described various trends with respect to plan design, contribution rates,

legislative enactments reducing benefits, legal issues, litigation, and pension challenges facing state and local governments. The presentation was thoughtful, informative, and well-received by the Trustees and IIC members.

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

On a motion by Trustee Griffin, seconded by Trustee Kelliher, the Board entered 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, Sosnoff, Martins, Griffin, Hart, Marro, Beardmore, Kelliher, Roy, Walker, and Dwyer.

*Nays:* None.

On a motion by Trustee Hart, seconded by Trustee Martins, the Board unanimously voted to conclude the non-public session. No votes were taken in the non-public session.

George Lagos, *Executive Director*, provided an abbreviated operational update in the interest of time. He suggested that the Board's annual Preserve/Achieve/Avoid strategic planning exercise take place at the March meeting. He then discussed two contracts for operational matters that required Board approval.

On a motion by Trustee Roy, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Executive Director that the Board approve the Janitorial Services Contract subject to legal review.

On a motion by Trustee Hart, seconded by Trustee Griffin, the Board unanimously voted to accept the recommendation of the Executive Director that the Board approve the Fairpoint Bandwidth Contract subject to legal review.

On a motion by Trustee Beardmore, seconded by Trustee Griffin, the Board of Trustees unanimously voted to approve the Consent Agenda, as presented. Following that vote, on a motion by Trustee Walker, seconded by Trustee Roy, the Board entered into non-public session under RSA 91-A:3, II(c) to discuss a disability application on a roll call vote, as follows:

*Ayes:* Trustees Gustafson, Sosnoff, Martins, Griffin, Hart, Marro, Beardmore, Kelliher, Roy, Walker, and Dwyer.

*Nays:* None.

Trustees Beardmore and Kelliher excused themselves at 12:30 p.m.

On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board unanimously voted to conclude the non-public session. No votes were taken in the non-public session.

NHRS Board of Trustees  
February 14, 2017

Following an update on the Action Items stemming from the January Board meeting, on a motion by Trustee Hart, seconded by Trustee Griffin, the meeting was adjourned at approximately 12:38 p.m.

*Respectfully submitted,*  
*Shannan Hudgins*