

**Note:** These minutes from the January 10, 2017, Regular Meeting were approved and executed at the February 14, 2107 regular Meeting of the Board of Trustees.

**Board of Trustees  
January 10, 2017**

**The Public Minutes**

**New Hampshire Retirement System  
54 Regional Drive  
Concord, New Hampshire**

*Trustees:* Dick Gustafson, Ph.D., *Chair*; Bill Dwyer; Julia Griffin; Bill Hart; Maureen Kelliher; Stephen Marro; Germano Martins; David McCrillis; Don Roy; Hershel Sosnoff; and George Walker. Tonya Angwin and John Beardmore, *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*; Christina Minervini, *Public Information Specialist*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; and Shannan Hudgins, *Administrative Coordinator*.

*Guest:* Sean Gill, NEPC

Chair Gustafson called the January 10, 2017 Regular Meeting of the NHRS Board of Trustees to order at 10:33 a.m. Having established a quorum, Chair Gustafson formally introduced and welcomed the newest NHRS Trustee, Stephen A. Marro, *Merrimack County Administrator*, to the Board.

On a motion by Trustee Hart, seconded by Trustee Roy, the Board voted to approve the public minutes of the December 13, 2016 meeting, as presented.

In the absence of Trustee Beardmore, Trustee Dwyer presented the Audit Committee update, noting that the Committee had reviewed the nine outstanding items listed on the Open Audit Issues Tracking report. Three items had been closed, target dates had been revised for three items, and four items had been added. Mr. Dwyer reported that the June 30, 2016 CAFR was complete and available on the NHRS website. He noted that the GASB 68 audit allocating the NHRS unfunded liability to the Employers was in progress, and that staff was working with KPMG to resolve issues related to the pending implementation of GASB 74 regarding Other Post-Employment Benefits (OPEB). It was further noted that consideration was being given to conducting an actuarial audit sometime in the next fiscal year.

Trustee Walker presented the Benefits Committee update, noting that the Committee had not convened since its December 6, 2016 meeting. He stated the Gainful Occupation Offset Waiver Policy presented for review at the Board's December meeting

was ready for a Board vote if Trustees had no questions or suggested alterations to the policy.

On a motion by Trustee Walker, seconded by Trustee McCrillis, the Board of Trustees unanimously voted to accept the recommendation of the Benefits Committee to approve the Gainful Occupation Offset Waiver Policy.

Trustee Walker next presented Benefit Committee matters concerning the suspension of two Retirement System rules that the Committee proposed as appropriate to the unique circumstances of each case.

On a motion by Trustee Roy, seconded by Trustee Martins, the Board of Trustees unanimously voted to accept the recommendation of the Benefits Committee to suspend rule Ret. 302.05 pursuant to rule Ret. 314 in the Ackerman matter.

On a motion by Trustee Hart, seconded by Trustee Griffin, the Board of Trustees unanimously voted to accept the recommendation of the Benefits Committee to suspend rule Ret. 309.01(f) pursuant to rule Ret. 314 in the Mudgett matter.

Trustee Roy reported that the Governance Committee had met following the December Board meeting to conduct its annual review of the NHRS Governance Manual, noting that the proposed revisions were not substantive in nature. On a motion by Trustee Roy, seconded by Trustee Griffin, the Board of Trustees unanimously voted to accept the recommendation of the Governance Committee to approve the revised Governance Manual.

Trustee Sosnoff presented an Investment update, reporting funds held in trust as of November 30, 2016 totaled \$7.573 billion, up \$59 million for the month, and up \$112 million for the fiscal year-to-date. He stated that all asset classes were within their target ranges. He reported little change to the world macro-economic report, noting that the U.S. president-elect would assume office on January 20, 2017. He reported that at its December 15<sup>th</sup> meeting, the Independent Investment Committee (IIC) had added Pavilion, a company founded by former BNY staff, as an approved NHRS transition manager. The IIC had renewed investment management contracts with AB, DoubleLine, TS&W and Wellington, and had entertained informative presentations from HarbourVest, to whom the IIC had committed \$50 million to its Fund VIII and Townsend Real Estate, which was producing top quartile results.

Larry Johansen, *Director of Investments*, reported that at its January 20, 2017 IIC meeting, the Committee would engage in a broad economic discussion with economists from AB, Manulife, NeubergerBerman, and NEPC. He encouraged any Trustee interested in attending the meeting to request materials in advance.

Trustee Sosnoff requested a Legislative update from Marty Karlon, *Public Information Officer*, who provided a current review of LSRs from the NH Legislature that were directly related to NHRS. On a motion by Trustee Griffin, seconded by Trustee Sosnoff, the Board of Trustees unanimously voted to approve Staff's recommendation regarding a 50-50 split of actuarial expenses up to a total of \$100,000 for work generated by the Decennial Commission, provided that such expenditures were deemed to be in

compliance with the exclusive benefit rule and other applicable principles of fiduciary duty.

Trustee Griffin reported that the PPCC had approved the CBA contract, which had been officially signed on Monday, January 9, 2017, and would be in effect through June 30, 2019. She then discussed the annual Executive Director evaluation and the documents each Trustee had been given, asking that the forms be completed and returned to her by January 20<sup>th</sup> so that she could compile the results and present them at the February 14, 2017, Board meeting.

Sean Gill, *Partner and Director of Private Market Research*, at NEPC, offered an informational presentation focused on Private Equity/Private Debt and a review of the NHRS investment portfolio. Mr. Gill explained the function of private equity and debt (PE/PD) as a “return enhancer” in an investment portfolio, noting that the NHRS investment program did not include hedge funds. He emphasized that the most important message for the Board was that the program was performing well and better than originally anticipated given that it was still in its early stages. He explained the “J-curve” and the impact of management fees, which were paid on commitment dollars drawn down over a specified period of time. A brief period of questions followed, and Mr. Gill concluded his presentation to the Board.

George Lagos, *Executive Director*, began his update with the KPM report, stating that one additional missed target had moved the percentage to just below the targeted 95% for the month, while the rolling twelve month average was still above 96%. He reported that the IT team had gained a new employee but lost another staff member and that recruiting had begun. Mr. Lagos reported that a suggested audit of GRS, the System’s consulting actuary, had been proposed at the morning’s Audit Committee meeting but would not be added to the Audit Plan until the next budget cycle. He closed with a PASE update, stating that the anticipated Request for Information related to the pension administration platform was under development.

*Chief Legal Counsel* Tim Crutchfield began his report with a review of internal administrative appeals, explaining that of the six new appeals, three were related to contribution adjustments and the resulting assessment of interest according to the applicable administrative rule. He stated that two Gainful Occupation appeals had been filed, as well as a medical subsidy eligibility appeal. In closing, Atty. Crutchfield reminded Trustees that the required RSA 15-A Statement of Financial Interests form due date was January 20, 2017.

Jack Dianis, *Director of Finance*, began his update with a brief review of the revised layout of his financial report exhibits. Year-to-year net position of assets revealed a gain, and he reported that the annual audit had been completed and the CAFR and CAIR had been distributed in accordance with statutory requirements.

Frank Clough, *Director of IT*, began his report with the vulnerabilities statistics, which remained unchanged. Upgrades to MyAccount were being made to enhance end user capabilities and experience with online account access. He explained that during a recent virus exposure, the ProofPoint software had performed its quarantine functions and NHRS data had not been accessed or compromised. He closed with a brief update

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on an upcoming presentation to review expanding non-PensionGold imaging capabilities for the entire agency.

*Director of Member Services*, Nancy Miller, provided retirement statistics for January, reporting that 150 retirement applications had been received. Completion of the automated insurance authorization process through employers was targeted for March, and she closed with a brief update on the complete automation of employer refunds, which included moving monies and calculating interest amounts.

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

Chair Gustafson encouraged all Trustees to read the Year-in-Review document prepared by staff in order to gain an appreciation for and perspective of accomplishments made at NHRS during 2016.

On a motion by Trustee Walker, seconded by Trustee Hart, the meeting was adjourned at approximately 11:42 a.m.

*Respectfully submitted,*  
*Shannan Hudgins*