

Note: These minutes from the June 13, 2017, Regular Meeting were approved and executed at the July 11, 2017 regular Meeting of the Board of Trustees.

**Board of Trustees
June 13, 2017**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; Tonya Angwin; Bill Dwyer; Julia Griffin; Bill Hart; Maureen Kelliher; Stephen Marro; Germano Martins; Don Roy; Hershel Sosnoff; and, George Walker. John Beardmore; David McCrillis, *absent*.

Staff: George Lagos, *Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; Frank Clough, *Director of Information Technology*; 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*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the June 13, 2017, Regular Meeting of the NHRS Board of Trustees to order at 10:35 a.m. Having established a quorum, Chair Gustafson called for a motion on the May 9, 2017 meeting minutes. On a motion by Trustee Marro, seconded by Trustee Roy, the Board voted to approve the public minutes of the May 9, 2017 meeting. Trustee Angwin abstained.

Starting the Committee reports, Trustee Dwyer presented a brief Audit Committee update, noting that the Committee did not meet this month and would next meet on July 11th, preceding the Board meeting. He referred the Trustees to the Audit Issues Tracker for review and discussed the Gainful Occupation items.

Trustee Walker reported the Benefits Committee had not met since the May Board meeting. He provided an update on the Bulkley matter; stating that as a result of subsequent reconsideration filings, and with a recommendation from external counsel Michael Delaney, he was requesting the matter be referred to the Benefits Committee. On a motion by Trustee Roy, seconded by Trustee Marro, the Board voted unanimously to refer the Motion for Reconsideration and the Objection to the Motion to the Benefits Committee for review and to make a recommendation to the Board of Trustees regarding those motions.

Trustee Roy presented the Governance Committee report, stating that at its May 9th meeting the Committee had reviewed the Revised Procurement Policy. On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board unanimously voted to accept the

recommendation of the Governance Committee that the Board approve the proposed revisions to the Procurement Policy, as presented.

Trustee Roy next discussed the Committee's review of the Private Markets Disclosure Policy at its June 8th meeting, following review by the Independent Investment Committee (IIC) at its May 19th meeting. He noted that only one change had been suggested by the IIC: to include the Board's consultation with the IIC prior to any public disclosure of confidential investment information. On a motion by Trustee Marro, seconded by Trustee Roy, the Board unanimously voted to accept the recommendation of the Governance Committee that the Board approve the proposed revisions to the Private Markets Disclosure Policy.

Trustee Roy also reported that the annual review of the cyber insurance policy had resulted in a considerable premium savings from last year and Board action would be requested at the July meeting.

Leading off the Investment report, Trustee Sosnoff noted that as of April 30, 2017, funds held in trust totaled \$8.072 billion dollars, representing an increase of 2.4% over one month, and 7.9% FYTD. All assets were within their target ranges. Trustee Sosnoff emphasized that the US unemployment rate was at a record low of 4.3%. He reported that at its May 19th meeting, the IIC had renewed contracts with Standard Life and Walter Scott and heard presentations from Crescent Capital, Brandywine and Loomis Sayles. The Committee also carefully reviewed the Private Markets Disclosure Policy.

Larry Johansen, *Director of Investments*, reported that May had been a very positive investment return month and he was hopeful the market would maintain its positive performance through the June 30th fiscal year end. He announced that the next IIC meeting would be held on Friday, June 16th. The Committee would vote on renewal of investment management contracts for Brandywine and Loomis Sayles and a commitment to Crescent Capital. It would also discuss the private debt and private equity portfolio as well as the real estate program. Mr. Johansen stated that the July IIC meeting would focus on macroeconomic topics and invited interested Trustees to attend.

Trustee Sosnoff opened the Legislative Committee report by stating that the morning's meeting had been devoted to discussion of the Decennial Commission. The only Commission member known at this time is NHRS Chair Gustafson, but in discussion with the Governor's office, *Executive Director* George Lagos had learned appointments were anticipated in the next week or so. Staff had compiled a comprehensive collection of documents in order to familiarize the Commission members with the System, its RSA, and various related matters.

Chair Gustafson presented a brief Real Estate report and update, stating that the building owners of 54 Regional Drive had again listed the property for sale. Noting that Townsend, the System's real estate investment manager, would evaluate the property on June 15th, Chair Gustafson explained that a potential ownership opportunity could be explored based on the Townsend assessment. No action would be taken without full Board approval.

Trustee Griffin presented the PPCC report from the Committee's meeting on June 8th. She stated that the Committee had reviewed the *Director of Finance* position, had received an update on workplace culture activities from Rosamond Cain, *Human Resources Manager*, and had moved into non-public session to discuss compensation matters. On a motion by Trustee Hart, seconded by Trustee Roy, the Board unanimously voted to enter into non-public session under RSA 91-A:3, II(a) for the purpose of considering or acting upon the compensation of a public employee and 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, Dwyer, Griffin, Hart, Kelliher, Marro, Martins, Roy, Sosnoff, and Walker.

Nays: None.

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

On a motion by Trustee Griffin, seconded by Trustee Hart, the Board voted unanimously to recognize the positive contributions of the Executive Director over the past year by accepting the compensation recommendation of the PPCC, as presented.

Mr. Johansen then offered the Board a tutorial focused on private markets in which he focused on the economics of private equity and debt investments and how these investments can lead to higher returns. He explained that "fees" paid under these arrangements functioned as loans, a percentage of the dollars committed or invested that was returned to the limited partners at the end of the commitment period. He provided a ten-year investment example to explain private investment financial returns. A broad discussion followed.

Trustee Angwin excused herself at 11:50 a.m.

At the request of the Chair, operational reports were brief and highlighted pertinent matters. Mr. Lagos noted that the KPMs continued at or above 95%. Atty. Tim Crutchfield, *Chief Legal Counsel*, explained that the Department of Corrections had been selected as the third state agency to be audited and it would be the largest agency in the State payroll audit process to date.

Director of Finance, Jack Dianis, began with a brief statement concerning the NHRS Statutory Budget, and then moved to the Trust Fund Budget. On a motion by Trustee Kelliher, seconded by Trustee Dwyer, the Board unanimously approved the Fiscal Year 2018 Trust Fund Budget as presented. Mr. Dianis announced that NHRS had once again received the GFOA award for both the 2016 CAFR and the Summary CAFR, and he expressed his appreciation and thanks for the efforts of Heather Fritzky and Marty Karlon.

Frank Clough, *Director of Information Technology*, focused his update on Systems Engineering (SE) and the resolution of recent service issues. Mr. Lagos stated that following constructive negotiations, NHRS had been issued a \$14K credit by SE toward future expenditures.

Nancy Miller, *Director of Member Services*, announced 724 July retirement applications had been received, 37 filed via MyAccount.

Trustee Kelliher excused herself at 12:15 p.m.

On a motion by Trustee Martins, seconded by Trustee Walker, the Board voted unanimously to approve the Consent Agenda, with the exceptions of Items #6 and #9.

On a motion by Trustee Dwyer, seconded by Trustee Griffin, the Board unanimously voted to enter into non-public session under RSA 91-A:3, II(c) to discuss disability applications, on a roll call vote, as follows:

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

Nays: None.

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

On a motion by Trustee Dwyer, seconded by Trustee Roy, the Board unanimously voted to approve Consent Agenda item #6.

On a motion by Trustee Sosnoff, seconded by Trustee Martins, the Board unanimously voted to approve Consent Agenda item #9, as amended.

With Board consensus, Chair Gustafson announced that the Staff Appreciation cookout would take place following the July 11th Board meeting.

Mr. Lagos then congratulated Mr. Dianis for his thirty years of dedicated service to the state of New Hampshire, the last six and a half of those at NHRS. He noted Mr. Dianis' steady approach and calm demeanor to his work and his colleagues, but particularly his expertise in finance. A great benefit Mr. Dianis brought to his tenure at NHRS was his positive working relationships with the Legislative Budget Office and colleagues at the State House. Chair Gustafson read a proclamation from Governor Sununu and congratulated him on his retirement. Mr. Dianis addressed the assembly, expressing his gratitude and appreciation for NHRS and its mission.

On a motion by Trustee Roy, seconded by Trustee Hart, the meeting was adjourned at approximately 12:34 p.m.

Respectfully submitted,
Shannan Hudgins