

Note: These minutes from the March 11, 2014, regular meeting were approved and executed at the April 8, 2014, regular Meeting of the Board of Trustees.

**Regular Meeting
Board of Trustees
March 11, 2014**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; John Beardmore; Dean Crombie; David McCrillis; Germano Martins; Cathy Provencher; Don Roy; Guy Scaife; Hershel Sosnoff; and George Walker; and Jack Wozmak.

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*; Denise Call, *Director of Employer & Retiree 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*; Deb Gauthier, *Administrative Assistant*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the Regular Meeting of the NHRS Board of Trustees to order at 9:04 a.m., recognizing Trustee Provencher who addressed the public body. Trustee Provencher announced that she had accepted the position of Vice Chancellor of Finance for the University System of New Hampshire and that the Board meeting would be her final one. She introduced Bill Dwyer, Deputy State Treasurer, and stated that Governor Hassan expected to nominate him as Commissioner of Treasury to fill out the term of the Treasurer until the next election, according to statute. Trustee Provencher expressed her sense of pleasure and privilege she had enjoyed in the seven years she sat on the NHRS Board of Trustees, thanking her colleagues for their collective work on behalf on the System. She received an ovation. Chair Gustafson stated that formal recognition of Trustee Provencher would take place later in the meeting. He thanked her for her remarks and welcomed Mr. Dwyer.

On a motion by Trustee Provencher, seconded by Trustee Beardmore, the minutes of the February 11, 2014 Regular Board Meeting, as amended with the correct Valuation date of June 30, 2013, were unanimously approved.

Chair Gustafson next called for Committee reports as outlined in the agenda. Trustee Provencher presented the Audit report, noting the Audit Tracker for the Board's reference. Stating that the Committee had presented the Actuarial Funding Policy at the February meeting for the Board's review, she explained that the policy codified in more detail than is in statute, the actuarial assumptions used for rate setting. This was a GFOA recommended best practice and part of the new Government Accounting Standards Board (GASB) 67-68 requirements now that pension accounting financial reporting was separated from actuarial funding.

On a motion by Trustee McCrillis, seconded by Trustee Sosnoff, the Board unanimously accepted the recommendation of the Audit Committee and adopted the Actuarial Funding policy, as presented.

Trustee Walker stated the Benefits Committee had no items for Board consideration. He announced that the Committee would convene on Friday, March 14, 2014.

In Trustee Roy's absence at the February 11, 2014 Governance Committee meeting, Chair Gustafson had served as Chair and he discussed the Governance Committee item before the Board. In 1992, the Board had granted the Hearings Examiner position authority to perform the duties related to the hearings process, and with the recommendation from a recent internal audit, a reaffirmation of that authority was being presented to the Board for approval.

On a motion by Trustee Scaife, seconded by Trustee Beardmore, the Board unanimously approved the Delegation of Authority reaffirming the NHRS Hearings Examiner's authority to perform the duties related to the hearings process in accordance with prior practice and as recommended by the Governance Committee.

Trustee Sosnoff presented the Investment report, stating that funds held in trust as of January 31, 2014, totaled \$6.85 billion, evidencing a modest downturn of the market in January that had been reversed in February. He stated that the US continued slow recovery, noting that the System would not be affected by the unrest in the Ukraine. The February IIC meeting agenda had focused on alternative manager presentations, as well as the report from Abel Noser detailing NHRS' annual trading costs. Mr. Johansen, *Director of Investments*, directed the Board's attention to the final page of the Investment documents and a discussion of plan expenses, noting that NHRS experience was better than its peers.

Trustee Crombie discussed the conclusion of the PPCC's evaluation of the Executive Director, reporting that in recognition of his performance over the past twenty four months, the Executive Director was given a one-time payment of \$10,000 that was fully supported by the Board. Trustee Provencher expressed her appreciation of Mr. Lagos' leadership and guidance of NHRS in his first two years. Trustee Crombie closed by announcing the PPCC would meet on Friday, March 14, 2014.

Trustee Sosnoff asked that Marty Karlon, *Public Information Officer*, provide the Legislative update. Mr. Karlon presented an overview of hearings in the Legislature and noted the general unease of Legislators in addressing working after retirement. A discussion of the 32-hour law, HB 342 part-time reporting requirements, and the grey area of remedy for failure to comply with either of those two laws followed.

For the *ad hoc* Real Estate Committee, Chair Gustafson stated the Committee would meet Friday, March 14, 2014, and review the three proposals submitted in response to the extended RFP. He anticipated that a recommendation would be presented at the April Board meeting.

Mr. Johansen conducted an "Actuarial 101" presentation for benefit of the Board and Staff. He defined actuarial terms, explained the actuarial equation of balance, and provided an overview of actuarial methods used to appropriately fund a defined benefit retirement plan. Mr. Johansen explained the funding details of NHRS with a focus on the unfunded actuarial accrued liability (UAAL) and the existing plan to fully fund NHRS.

Following a ten-minute recess, Chair Gustafson requested staff reports, beginning with the Executive Director. Mr. Lagos expressed his thanks for his recognition, noting that he believed the positive working relationship with the Board was the foundation of his success in achieving set goals in the past two years.

Mr. Lagos thanked the Trustees for their support of the legislative agenda which had been presented to the legislature this session. He commented that staff would continue its efforts to encourage the legislature to address working after retirement issues and the ambiguities inherent in the current statutory provisions.

He noted that the 91.95% score for Key Performance Measures was directly related to four negative KPM responses attributable to the State of New Hampshire's eleven-month data-reporting delay that was outside the System's ability to correct and would not be resolved quickly. He added that staff from NHRS and Administrative Services continued to work on resolving the data-

reporting issue. Mr. Lagos next addressed Phase II of the Process Improvement Plan (PIP), carefully explaining the process of work review, flowcharting, and evaluation of efficient processes. He stated he was acting as the facilitator of the project team.

Chief Legal Counsel Tim Crutchfield reported on the status of suits involving NHRS, noting that all briefs had been filed in the 32-Hour Retiree case and he would forward the State's response brief in the HB-2 Contributions case, which was due to be filed on Monday, March 10, 2014. He reminded the Trustees that Employer Audit and Education details could be found in the Legal Update.

In his report, *Director of Finance* Jack Dianis stated that despite the late arrival of guidelines, GASB implementation was underway. He expected the GRS project related to GASB 67 & 68 would be available in April. A brief discussion of net assets and the financial statements followed.

Frank Clough, *Director of IT*, presented details for the statistics in his report, as well as a historical review and explanation of the increasing number of PensionGold builds. He closed with an update on the website redesign project.

Nancy Miller, *Director of Member Benefits*, discussed progress in online retirement application use, noting that the webpage had received over one thousand visitors in three weeks. The effort to develop MyAccount access for member statements was progressing well.

Director of Employer & Retiree Services Denise Call provided details on HB342 implementation, stating that 421 employers had successfully reported part-time employee data. Team members were making calls to the 59 employers who had failed to report. She noted that the data did not include the State of New Hampshire.

On a motion by Trustee Sosnoff, seconded by Trustee Beardmore, the Board unanimously approved the Consent Agenda as presented.

On a motion by Trustee Sosnoff, seconded by Trustee Beardmore, the Board voted unanimously to approve the travel requests for Trustees McCrillis and Wozmak as presented in the Board materials.

Chair Gustafson formally acknowledged the departure of Trustee Provencher and read a Proclamation from Governor Maggie Hassan that commended her for her dedication to NHRS in her role as State Treasurer for the last seven years. Trustee Crombie added his own comments in recognition of Trustee Provencher's service to the Board. Trustee Provencher thanked the Chair and her fellow Board members for a rewarding tenure at NHRS.

NHRS Board of Trustees
March 11, 2014

In his closing remarks, Chair Gustafson noted that Trustee Karen McDonough had tendered her resignation from the NHRS Board of Trustees. He expressed his appreciation for her dedication on behalf of the NH Education Association and the members and beneficiaries of the Retirement System and thanked her for her service on the Board and the Audit Committee beginning December 2011.

On a motion by Trustee Scaife, seconded by Trustee Martins, the meeting adjourned at approximately 11:38 a.m.

Respectfully submitted,
Shannan Hudgins