

**Note:** These minutes from the May 13, 2014, regular meeting were approved and executed at the June 10, 2014, regular Meeting of the Board of Trustees.

**Regular Meeting  
Board of Trustees  
May 13, 2014**

**The Public Minutes**

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

*Trustees:* Dick Gustafson, Ph.D., *Chair*; John Beardmore; Dean Crombie; Bill Dwyer; David McCrillis; Germano Martins; Don Roy; Guy Scaife; Hershel Sosnoff; 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*; 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*; Melissa Pettingill, *Benefits Specialist*; Christine Basha, *Public Information Specialist*; Rosamond Cain, *Human Resources Manager*; and Shannan Hudgins, *Administrative Coordinator*.

Chair Gustafson called the May 13, 2014, Regular Meeting of the NHRS Board of Trustees to order at 9:06 a.m. On a motion by Trustee Roy, seconded by Trustee Walker, the Board of Trustees unanimously approved the public minutes, as amended, and the non-public minutes, as presented, of the April 8, 2014, Board of Trustees Meeting. The public minutes were amended on page two, to reflect that “8.8 million jobs were lost during the recession.”

Chair of the Audit Committee, John Beardmore, began his update of that morning’s meeting with a brief discussion of GASB matters. The Committee had agreed to a third-party review of the 2010 KMPG Audit findings in the IT department that would include evaluations made by former IT Director Paul Zahensky and current IT Director Frank Clough’s assessment of the audit findings. Trustee Beardmore emphasized the importance of external review, and Executive Director Lagos concurred. The Committee had discussed the actuarial implications of a potential charter school withdrawal and further information would be provided by Staff following its work with GRS. Trustee Beardmore then briefly discussed the Business Continuity contract matter that had been presented to the Board in April and that the Committee was recommending for approval.

On a motion by Trustee McCrillis, seconded by Trustee Beardmore, the Board unanimously voted to accept the recommendation of the Audit Committee and approved the “PG Secure” Business Continuity Sole Source Contract Proposal.

George Walker, Chair of the Benefits Committee, gave a brief report noting that the Committee had met on May 6<sup>th</sup> to preview the Disability Benefits Presentation that the Board would entertain that morning. The Committee made no material decisions at its meeting.

Governance Committee Chair Don Roy announced that the Committee would convene following the full Board meeting. There had not been an April meeting and he anticipated a short but substantive discussion at the afternoon's meeting.

Trustee Sosnoff presented the Investment report, stating that as of March 31, 2014, funds held in trust totaled \$7.118 billion, representing an increase of 1% in one month. For the FYTD representing nine months, trust assets had increased \$690 million, an 11% increase. He noted that since the June 30, 2013 actuarial valuation report, funds were up \$1.344 billion. In his macroeconomic report, Trustee Sosnoff reported that U.S. economic growth for the first quarter of 2014 had been sluggish, attributed to severe winter weather by many economic forecasters. He noted that the second quarter had begun with good job growth, with unemployment down to 6.3%. International markets, however, continued to report subdued growth. He provided a brief update of the April 25, 2014, IIC meeting at which the Committee had discussed non-U.S. equity managers and heard presentations from Thornburgh and Fischer. Another group of non-U.S. equity managers would offer presentations to the Committee at its May 23, 2014 meeting. Mr. Johansen reviewed the performance of marketable assets for periods ending March 31, 2014 and commented on the controversy surrounding High frequency Trading.

PPCC Committee Chair Dean Crombie discussed the Committee's April 6, 2014 meeting, which had included staffing updates, the PIP plan, and the PELRB ruling.

Trustee Crombie moved to enter into non-public session under RSA 91-A:3, II(e) to discuss current legal actions concerning the PELRB.; seconded by Trustee Scaife. Trustee Martins objected to the motion on the grounds that he believed that the purpose of the discussion did not meet the statutory exemption. After discussion, Trustee Scaife called the question, which required a roll call vote, as follows:

*Ayes:* Trustees Gustafson, Beardmore, Crombie, Dwyer, McCrillis, Roy, Scaife, Sosnoff, Walker and Wozmak.

*Nays:* Trustee Martins.

Mr. Lagos, Mr. Johansen, Atty. Crutchfield, and Atty. Cavanaugh remained in the non-public meeting. All other staff left the meeting with all public attendees.

On a motion by Trustee Scaife, seconded by Trustee Beardmore, the Board unanimously voted to conclude the non-public session in which no action was taken. Upon resumption of the public session, staff and public attendees returned.

Immediately following the conclusion of the non-public session, Trustee Beardmore moved to accept the recommendation of the PPCC that the full Board authorize

counsel to file an appeal with the NH Supreme Court in the PELRB matter, which was seconded by Trustee Scaife.

Trustee Martins moved a friendly amendment to limit the expenditure to one dollar. The motion failed by lack of a second. The original motion passed upon the following vote:

*Ayes:* Trustees Gustafson, Beardmore, Crombie, Dwyer, McCrillis, Roy, Scaife, Sosnoff and Wozmak.

*Nays:* Trustees Martins and Walker.

Following a brief recess, Marty Karlon, *Public Information Officer*, offered an informational slide presentation on the disability benefits and process at NHRS. His discussion covered all aspects of ordinary and accidental disability benefits and process, beginning with a member's initial inquiry, required documentation, necessary Independent Medical Examiner (IME) reports, the Hearing Examiner's report to the Board of Trustees, and the Trustees' ruling procedures. Mr. Karlon addressed disability benefit tax laws, the rules governing Gainful Occupation reporting, and closed his presentation with five years of statistical data. Board members asked questions throughout the presentation, specifically regarding the timing of applications, internal tracking mechanisms, and safeguards to protect an applicant's status when awaiting medical documentation. Mr. Lagos asked that Board members send comments and questions about the presentation to him for cataloging so that issues which might need further attention could be reviewed with Staff and the Board at a future date.

Chair Gustafson then requested the Operating Reports, beginning with Mr. Lagos, who noted that the KPM statistics continued to be adversely influenced by the State of NH data reporting issues. He emphasized the importance of the PIP II process, its continued positive results and estimated completion by the fall of 2014. He then discussed the FY 2015 Strategic Plan and the individual business sector action plans that served as both the framework for the plan as well as its implementation. He described the action plan process as a mechanism to document operational plans, track their progress, and manage and report on results.

On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board unanimously voted to approve the FY 2015 Strategic Plan.

Trustee Wozmak excused himself from the meeting at approximately 11:30 a.m.

Attorney Crutchfield opened his report stating that three NHRS cases were scheduled to be heard by the NH Supreme Court over eight days in May. Noting that the Eskeland case had been heard on May 8<sup>th</sup>, he said that both the 32-hour suit and the HB2 Contributions case would be heard Thursday, May 15<sup>th</sup>, beginning at 10:00 a.m. In response to Trustee Beardmore's question regarding the HB2 Benefits case in Hillsborough Superior Court, Atty. Crutchfield explained that action in that suit had been stayed pending Supreme Court resolution of the Contributions lawsuit. He noted that any decisions would be unlikely before early fall. Trustee McCrillis asked if the lawsuits' outcomes would affect the State's bond rating, and both Staff and Trustee

Dwyer, *Commissioner of the Treasury*, suggested the Supreme Court's rulings were significant for the State, NHRS and all public employees.

Chair Gustafson turned to the Finance Report and *Director of Finance* Jack Dianis presented the Statement of Net Position and the Budget vs. Actual statement. After a brief discussion, Mr. Dianis, Mr. Johansen and Mr. Lagos presented the FY 15 Preliminary Trust Fund Budget for discussion and review. Mr. Lagos provided additional budget explanation to delineate the biennial NHRS statutory budget figures from the annual Trust Fund Budget. Trustees requested additional reporting formats for ease of comparison in the final budget presentation scheduled for approval at the June 10, 2014, Board meeting.

Trustee Beardmore excused himself from the meeting at approximately 11:42 a.m.

Mr. Lagos presented the IT report for Frank Clough, *Director of Information Technology* who was attending a national IT conference. He noted that additional builds to the PensionGold system had been made to utilize the data platform's capabilities to support the System. He closed by stating that the pending independent IT review by Systems Engineering would prove a useful assessment tool in evaluating the status of the technology structure and operation of NHRS and the resolution of previously identified issues.

*Director of Member Services* Nancy Miller presented a brief update that focused on the July 1 retirement date and staff efforts to meet the resulting increased scheduling calendar and processing deadlines. She also stated she was working closely with the website RFP team.

In *Director of Employer & Retiree Services* Denise Call's absence, Mr. Lagos reported that work was continuing to expand automated insurance rate load availability to employers which would significantly reduce staff time devoted to this process. He also reported that PIP II changes to Retiree Services would be implemented once the June/July workload increases triggered by increased numbers of retirees had waned.

On a motion by Trustee Sosnoff, seconded by Trustee Scaife, the Board voted to approve the Consent Agenda, with the exceptions of Items S.M. and J.S.

On a motion by Trustee Sosnoff, seconded by Trustee Roy, the Board 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, Crombie, McCrillis, Martins, Roy, Scaife, Sosnoff and Walker.

*Nays:* None.

Mr. Lagos, Mr. Johansen, Atty. Crutchfield, Atty. Johnson, Atty. Cavanaugh, and Ms. Hudgins remained in the non-public meeting. All other staff left the meeting with all public attendees.

NHRS Board of Trustees  
May 13, 2014

On a motion by Trustee Martins, seconded by Trustee Walker, the Board unanimously voted to conclude the non-public session in which no action was taken. Upon resumption of the public session, staff and public attendees returned.

Immediately following the conclusion of the non-public session, on a motion by Trustee Martins, seconded by Trustee Walker, the Board unanimously voted to approve the recommendation of the Hearings Examiner in the Disability Application of S.M.

On a motion by Trustee Dwyer, seconded by Trustee Scaife, the Board voted to approve the recommendation of the Hearings Examiner in the Disability application of J.S., as follows:

*Ayes:* Trustees Gustafson, Dwyer, Crombie, McCrillis, Roy, Scaife, Sosnoff and Walker.

*Nays:* Trustee Martins.

Following a brief review of the April Action Items, on a motion by Trustee McCrillis, seconded by Trustee Martins, the meeting was adjourned at approximately 12:25 p.m.

*Respectfully submitted,*  
*Shannan Hudgins*