

Note: These minutes from the November 8, 2016, Regular Meeting were approved and executed at the December 13, 2016 regular Meeting of the Board of Trustees.

**Board of Trustees
November 8, 2016**

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; Bill Hart; Maureen Kelliher; Germano Martins; David McCrillis; Don Roy; Hershel Sosnoff; and George Walker. Julia Griffin, *telephonically*.

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, *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 November 8, 2016 Regular Meeting of the NHRS Board of Trustees to order at 9:34 a.m. Having established a quorum, Chair Gustafson explained, for the record, that Trustee Griffin was participating in the Board meeting by telephone. In accordance with RSA 91-A:2 III(a), he noted that she was not physically at the meeting because of her professional responsibilities in Hanover, New Hampshire, as Town Administrator on Federal Election Day.

On a motion by Trustee Roy, seconded by Trustee Martins, the Board voted to approve the public minutes of the October 11, 2016 meeting, as amended.

Trustee Beardmore presented the Audit Committee update, reporting that at the morning's meeting the System's external auditor, KPMG, had reported they anticipated returning an unmodified (clean) opinion on the NHRS audit. *Internal Auditor* Nancy Cone had reported removal of one item from the Audit Tracker. He stated that Frank Clough, *Director of IT*, had presented a positive report to the Committee on recently concluded penetration testing and related IT security issues. Trustee Beardmore then briefly discussed the Pension Administration System Evaluation proposal that the Committee had reviewed, emphasizing that the request was authorize the investigation of options with no pre-determined outcome.

On a motion by Trustee Martins, seconded by Trustee Sosnoff, the Board of Trustees unanimously voted to accept the recommendation of the Audit Committee and approved the Pension Administration System Evaluation Proposal and Action Plan, as presented.

Trustee Walker provided the Board with an update from the November 7, 2016 meeting of the Benefits Committee. He noted that after approving minutes from its October 4th meeting, the Committee had entered a non-public session to consider two matters. In public session the Committee had approved the Gainful Occupation Offset Waiver Policy, and reviewed but taken no action on the Office of Legislative Services suggested changes to Ret. 202.01. Once adjourned, the Committee had considered a recoupment case presented by Staff.

Trustee Roy reported that the Governance Committee had not met before the November meeting, but would do so in December to review changes to the Governance Manual and any issues presented by Staff.

In his Investment report, Trustee Sosnoff stated that funds held in trust as of September 30, 2016, totaled \$7.617 billion, up \$93 million, or 1% for the month, an all-time high point for the system. The fund has also increased \$156 million, or 2%, fiscal-year-to-date. He noted that all asset classes were within their assigned ranges. Trustee Sosnoff stated that US unemployment declined to 4.9%; Gross Domestic Product was up 2.9%; and that capital markets were responding to a potential Clinton presidency. In his IIC update, he stated that at its October 21st meeting, the Committee had committed \$50 million to Comvest, a private debt manager, and had also renewed investment management agreements with Causeway, Artisan, and LSV. Boston Trust and GAM had made presentations to the Committee and investment manager GMO had been replaced by SBH.

Director of Investments Larry Johansen stated that the Comprehensive Annual Investment Report (CAIR) was available to all Trustees through the link provided them in their materials. He stated that the Chairman's letter would be approved at the November IIC meeting and then presented to the full Board for approval at its December 13th meeting. He also reviewed total fund performance over various time periods as of September 30, 2016 and compared it to the total fund performance as of June 30, 2016.

For the Legislative Committee update, Marty Karlon, *Public Information Officer*, stated that he would have information following the election. He described the current bill titles being related to death benefits for first responders and COLAs for retirees, noting that a second bill title filing period for newly elected legislators would conclude on December 2nd. The Board briefly discussed the impact of increased employer rates on communities throughout the state. Mr. Karlon concluded his remarks by noting informational presentations he was giving throughout the state on this topic.

In her PPCC update, Trustee Griffin reported that the Committee had met October 27th to discuss staffing and CBA negotiations. Following the reorganization of Employer Services, remaining staff had been transitioned to Finance and Member Services. The Committee had also discussed succession planning and would consider details at its November 21st meeting. She then recommended a temporary adjournment to discuss matters related to the collective bargaining agreement.

On a motion by Trustee Dwyer, seconded by Trustee Hart, the Board of Trustees voted unanimously to temporarily adjourn the meeting for the purpose of discussion collective bargaining strategy or negotiations under RSA 91-A:2, I(a).

On a motion by Trustee Walker, seconded by Trustee Martins, the Board unanimously voted to reconvene the Board meeting.

At approximately 10:13 a.m., Chair Gustafson formally opened the Public Hearing for Ret. 202, noting that at the close of the hearing, pursuant to JLCAR process the record would remain open until 12:00 noon today for the submission of any materials to NHRS in writing, by email, or by facsimile. No testimony was offered and the Hearing was closed at 10:19 a.m.

Chair Gustafson next invited David Kausch and Heidi Barry, consulting actuaries from Gabriel, Roeder and Smith, to address current actuarial issues relating to NHRS. Ms. Barry opened with a review of GASB 74 and 75 Accounting Rules pertaining to OPEB benefits, commenting that the requirements were very similar to the GASB 67 & 68 enactments which applied to the pension plan. She next discussed funding policy and the amortization of the unfunded liability. She and Mr. Kausch described the concept of layered amortization as a mechanism that might be considered in order to mitigate volatility as the System approached its long-term goal of 100% funding at 2039. Mr. Kausch closed their presentation with a discussion of risk metrics, focusing on those which were most relevant to NHRS' current position. A brief question-and-answer period followed.

George Lagos, *Executive Director*, focused his operational report on the KPMs, noting that the 95% monthly performance target was exceeded once again and that each operation was performing well. He noted that his outreach to members and retirees continued to garner positive feedback.

Chief Legal Counsel Tim Crutchfield began his report with a review of Employer Audit activity, stating that the team had again exceeded its audit targets. Atty. Crutchfield then stated that with the recent HB2 decision from the Supreme Court, his litigation summary was reduced to reporting on one remaining administrative appeal to the NH Supreme Court. The NHRS reply brief had been filed on November 7th. He awaited a scheduling decision from the Court.

Jack Dianis, *Director of Finance*, began his update with reference to the Dashboard, stating the quarterly document had been revised with complete FY 2016 figures. Following a brief discussion of the Budget-to-Actual analysis, Mr. Dianis discussed the unaudited Comprehensive Annual Financial Report (CAFR), which had been made available via an electronic link, and its accompanying Chair's letter. He stated that the letter would be updated for the audited CAFR which would be presented to the Board for review and approval at the December meeting.

Director of Information Technology Frank Clough provided a brief update that was focused on the successful penetration testing of the NHRS outward facing systems. The team engaged to 'hack' into the System had been unsuccessful, and the single finding reported was categorized as low-risk. The results validated the extensive cyber-security measures which had been undertaken over the past twelve months.

Director of Member Services, Nancy Miller, noted that Employer Services data had been incorporated into her monthly Board report. She specifically noted retiree insurance

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deduction adjustment information that could be found on the second page of her update. She was very pleased to announce two significant enhancements for the benefit of NHRS members: the ability to file retirement applications online, and the availability of electronic direct deposit forms that offered up to three options for automatic monthly deposits.

Mr. Karlon offered a presentation to the Board on the upcoming 2017 Decennial Commission. He began with a history of the Decennial Commission, which was created in 2007 by HB 876. He detailed the membership of the 2007 Commission, as well as the updated membership for the 2017 Commission. He noted that the HB 876 Commission had been appropriated \$100K for expenses, but no appropriation had been made for the 2017 Commission. Mr. Karlon closed by indicating that the Board's Legislative Committee would be starting its preparations for the Decennial Committee at its meeting following today's Board meeting and that NHRS would be proactive in providing information and materials to aid the Commission in its review.

Trustee Angwin excused herself at approximately 11:53 a.m.

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

On a motion by Trustee Martins, seconded by Trustee Roy, the meeting was adjourned at approximately 11:59 a.m.

*Respectfully submitted,
Shannan Hudgins*