

NHRS Governance Committee Meeting  
April 11, 2012

These minutes were approved at the June 14, 2011 Committee meeting.

**Governance Committee  
of the  
Board of Trustees  
April 11, 2011**

**PUBLIC MINUTES**

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

*Committee Members:* Justin Cutting, *Chair*; Cathy Provencher; Rep. Hawkins. Sam Giarrusso, *absent*; Dean Crombie, *absent*.

*Trustees:* Kate McGovern; Danny O'Brien

*Staff:* Kim France, *Interim Executive Director*; Larry Johansen, *Director of Investments*; Tim Crutchfield, *Chief Legal Counsel*; Shannan Hudgins, *Administrative Coordinator*.

*Guest:* Nancy Williams, *Governance Consultant*

Trustee Cutting called the meeting to order at 10:02 a.m. On a motion by Trustee Provencher, seconded by Rep. Hawkins, the Committee unanimously approved the minutes from the March 8, 2011, Committee meeting.

Trustee Cutting asked for a synopsis of the Investment Accountability Matrix/Investment Policy history from Mr. Johansen, who explained the three sections of the Investment Manual originally presented to the full Board of Trustees at its December 14, 2010, meeting. The three sections consisted of: 1) Policies, 2) the Matrix, and 3) Asset Class Guidelines. He explained that at the December meeting, the Board adopted the Proxy Voting Policy, deferred action on the Statement of Investment Policy and the Securities Lending Policy, and referred the Accountability Matrix to the Governance Committee for review. In response to a question from Trustee Cutting, Mr. Johansen clarified that the policy statements were the responsibility of the Board of Trustees, but that the guidelines were the responsibility of the Independent Investment Committee (IIC). Noting that

the IIC had not reviewed the entire Investment Policy, Trustee Cutting confirmed that the present meeting was the appropriate venue for Trustees to present questions and commentary.

Trustee Cutting then asked for Trustee Danny O'Brien to address the Committee with his concerns and comments regarding the Investment Policy and the Accountability Matrix. Mr. O'Brien stated his concerns that the Policy was lacking in essential details and clarity, and he believed consultants to NHRS could provide Staff with best practice suggestions and alternatives.

Nancy Williams, Governance Consultant, gave her presentation for the Committee regarding the different responsibilities between the IIC, the Board, and staff. In addressing risk elements, Mr. Johansen explained that the investment Guidelines would detail IIC and staff responsibilities in managing fund allocations. Benchmarks for broad asset classes resided in the Board-approved-Policy, but manager-specific benchmarks were IIC decisions. In answer to Trustee Provencher's query, Mr. Johansen confirmed that the IIC had the development of asset class guidelines on its work plan. The plan had been for the Board to approve the Accountability Matrix and the IIC to then develop the asset class guidelines. He noted the IIC had devoted most of 2010 to addressing domestic equity issues.

In an extended discussion, the Committee addressed the roles of the IIC and the full Board of Trustees in setting benchmarks, asset allocations, prohibited transactions, and quarterly reporting. It was determined that Mr. Johansen would work with Atty. Williams and appropriate representatives from NEPC and/or other industry experts to review the Investment Policy with an eye toward including provisions addressing rebalancing; quarterly reporting to the Board; and permitted asset classes. Following a full review, the IIC would present its Policy recommendation to the Board for consideration and approval. Trustee Cutting clarified that broad benchmarks for asset classes would be part of the Board policy, but that benchmarks for individual managers would be part of the IIC guidelines.

Committee Chair Cutting asked Atty. Williams to address the potential of alternates on Board Committees. She reported that in her experience, the practice was disruptive to sitting members and that none of her clients across the country utilized committee alternates. Trustee O'Brien asked about a telephonic quorum, but Atty. Crutchfield confirmed that the statute required a physical quorum. Trustee Provencher stated that the Business Finance Authority did have statutory authority to have a quorum via telephone, and statutory reform might be warranted. Rep. Hawkins

NHRS Governance Committee Meeting  
April 11, 2012

acknowledged he would pursue the issue in legislation, once the issued had been vetted by the full Board of Trustees.

Atty. Crutchfield noted that he had received a request for payment pertaining to the recent indemnification policy and statutory review for IIC members. Trustee Cutting asked that the matter be placed on the next meeting's agenda.

On a motion by Rep. Hawkins, seconded by Ms. Provencher, the meeting adjourned at 10:57 a.m.

*Respectfully submitted,*  
*Shannan Hudgins*