

**NOTE:** These minutes of the May 14, 2013, Governance Committee meeting were approved at the June 11, 2013 Committee meeting.

**Governance Committee  
Board of Trustees  
May 14, 2013**

**Public Minutes**

**New Hampshire Retirement System  
54 Regional Drive  
Concord, NH 03301**

*Committee Members:* Don Roy, *Chair*; Dean Crombie; Dick Gustafson, Ph.D.; David McCrillis.

*Attending Trustee:* Guy Scaife.

*Staff:* George Lagos, *Executive Director*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Mark Cavanaugh, Esq., *Regulatory Compliance Officer*; Shannan Hudgins, *Administrative Coordinator*.

Chair Roy called the meeting to order at approximately 12:27 p.m. On a motion by Trustee Crombie, seconded by Trustee McCrillis, the minutes from the April 9, 2013, Committee meeting were approved.

Chair Roy next requested a discussion of the NCPERS' document titled "Best Governance Practices for Public Retirement Systems" in the meeting materials. Atty. Crutchfield stated that the report was informational and would be used as a reference in the review of the current NHRS Board Governance Manual. Mr. Lagos added that this best practices review included a format revision that would shift content that changed on a frequent basis, such as annual statistical data and/or providers to appendices and out of the body of the manual. Trustee Gustafson suggested that the Committee review the fully revised manual upon completion, much like the process for the proposed employee handbook.

Atty. Crutchfield introduced discussion of the Office of Foreign Assets Control (OFAC) and the compliance memorandum from Groom Law Group. Noting that the compliance issues were primarily focused on investments, staff discussed US bank due diligence efforts, custodial duties, and the automated list of blocked persons published by OFAC. Atty. Cavanaugh stated that a good risk-based compliance policy with appropriate procedures would help identify hidden ownership by blocked persons and mitigate enforcement penalties if a prohibited transaction occurs. A draft OFAC compliance policy would be written in the next month and presented to the Committee for review.

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Atty. Crutchfield briefly discussed the request-for-proposals (RFP) for legal counsel for investments, which he expected to be presented to the Committee by late summer and before the Board by September or October. In responding to questions regarding the current investment counsel, Foster Pepper from Seattle, WA, Mr. Johansen stated that the work has been very valuable. He emphasized Foster Pepper's experience with limited partnerships had served the system well and that the legal work required was primarily contract-related. He stated that \$250-\$300k was budgeted for investment counsel.

Proposed revisions to the Political Contributions Policy were discussed that addressed the difficulties of implementing the current quarterly reporting requirements even when there was nothing to report. On a motion by Trustee Crombie, seconded by Trustee McCrillis, the Committee unanimously voted to recommend to the full Board that political contributions reporting requirements be changed to reporting quarterly contributions only when there is something to report with an annual confirmation.

Trustee Roy scheduled the next Governance Committee to follow the June 11, 2013, Board of Trustees meeting.

On a motion by Trustee Gustafson, seconded by Trustee Crombie, the meeting adjourned at approximately 12:50 p.m.

*Respectfully submitted,*  
*Shannan Hudgins*