

NOTE: These minutes from the September 30, 2014, Governance Committee meeting were approved and executed at the October 28, 2014 Committee Meeting.

**Audit and Governance Committees
Joint Meeting
Board of Trustees
September 30, 2014**

The Public Minutes

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

Audit Committee Members: John Beardmore, *Chair*; Bill Dwyer; Maureen Kelliher; and Jack Wozmak, *all telephonically*. Germano Martins, *absent*.

Governance Committee Members: Don Roy, *Chair*; Dick Gustafson, Ph.D.; and David McCrillis, *all telephonically*. Dean Crombie, *absent*.

Staff: George Lagos, *Executive Director*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Nancy Miller, *Director of Member Services*; Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; Shannan Hudgins, *Administrative Coordinator*.

Guest: Heidi Barry, *Gabriel Roeder Smith & Company, telephonically*.

Upon confirmation of a quorum for each Committee by Atty. Crutchfield, Audit Chair Beardmore called the meeting to order at 11:02 a.m.

Atty. Crutchfield introduced the proposed service purchase policy drafted by GRS to facilitate the implementation of statutory changes which became effective on July 1, 2014, following the passage of HB 1494. Mr. Johansen explained that the policy and the rationale in support of adopting a revised calculation methodology was to capture the true actuarial costs for prior service purchases. As an illustration, a calculation was estimated for a 40 year old member seeking to repurchase three years of service at a salary of \$45,000. Under prior law, the amount due from the member would have been approximately \$28,000. Under the revised law, the estimated purchase might be close to \$50,000, with much of the increase attributable to the interest rate used.

Questions were raised about the expected actuarial costs for making individual member calculations and who would be responsible for making those payments. Staff responded that pricing was still under negotiation with GRS, the NHRS consulting actuaries, and that at the outset, the system would cover the costs for the calculations. After discussion, it was agreed that staff would monitor service purchase activity between now and the end of the calendar year

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and report the number of requests received, the number of calculations completed, the costs of those calculations, and the number of service purchases entered into by members over that time frame. After the first of the year, the policy would be reviewed to determine whether it was operating effectively and whether consideration should be given to allocating a portion or all of the actuarial costs to the requesting member, as permitted by statute.

On a motion by Trustee Wozmak, seconded by Trustee Dwyer, the Audit Committee unanimously voted to recommend the proposed Service Purchase Policy to the Board of Trustees for approval.

On a motion by Trustee Roy, seconded by Trustee Gustafson, the Governance Committee unanimously voted to recommend the proposed Service Purchase Policy to the Board of Trustees for approval.

The meeting adjourned at approximately 11:21 a.m.

Respectfully submitted,
Shannan Hudgins