

Note: These public minutes from the November 7, 2011 Legislative Committee meeting were approved and executed at the December 5, 2011 Committee meeting.

**Legislative Committee
of the
Board of Trustees
November 7, 2011**

OF THE PUBLIC MINUTES

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

Committee Members: Tara Reardon, *Chair*; Dr. Dick Gustafson; Dr. Kate McGovern; Jack Wozmak.

Staff: Kim France; Larry Johansen; Jack Dianis; Tim Crutchfield; Nancy Miller; Marty Karlon; Bill Spead; and Shannan Hudgins.

Chair Reardon called the meeting to order at 2:05 p.m., stating that she would entertain a motion on the October 10, 2011, Committee minutes. On a motion from Trustee McGovern, seconded by Trustee Wozmak, the minutes were unanimously approved.

Chair Reardon next asked Ms. France to discuss the Legislative Study Committee on a Defined Contribution Plan for public employees. Referencing the copy of LSR 12-2876.00 in the meeting materials, Ms. France discussed the Senate Bill Draft 2 10/25 as made public in the Legislative Committee hearings, noting details the Committee might wish to further investigate: all new hires as of November 1, 2012, would be required to participate in the Defined Contribution (DC) Plan, eliminating new entrants to the Defined Benefit (DB) Plan; impact on funding of DB plan with input from the consulting actuary; external administration of the DC plan; and III.(c) that would put out to bid the management and administration of NHRS. Additionally, Ms. France suggested that fiduciary counsel would likely encourage the Board to carefully review any legislation that would adversely affect the funding of the Trust, which would involve more than a fiscal note worksheet (FNW). She

continued by stating that a request for an FNW had been received and was in process with the actuary.

A lengthy discussion ensued that included concerns about the unfunded liability of the Trust Fund, as well as the Committee's goal of eliminating future risk for the state; its commitment to creating a comparable benefit; federal regulations of DC plans; interest rate returns; and management of the NHRS. Committee consensus was that the consulting actuaries, Gabriel Roeder & Smith (GRS), would be asked for information above and beyond details for a FNW, to enable the Committee and the full Board to review carefully the DC legislation and its ramifications. Additionally, Mr. Johansen stated he would share the concerns of the Committee regarding the statutory requirements of the IIC and the shift in investment goals that might be triggered by a potential run down of the DB plan at its November 18, 2011 meeting.

Trustee Reardon asked for a discussion of House Bill 654 and the GRS supplemental actuarial valuation to measure the financial effects of HB 654. Ms. France stated that although the isolated effect of the State's reduced contribution payment was not material, she was concerned that the accumulated effect could negatively impact the Fund. The House had acted on the bill and it was awaiting Senate committee review in January. She stated that the Board had voted to oppose the bill; review and action by the Senate were the next steps.

Item 4. on the Agenda addressed the Employer Spiking Estimator on the NHRS website, created to assist employers in estimating retirement payouts to pending retirees whose AFC calculations were considered to include inflated end-of-career payments. Ms. France explained that the current estimator did not distinguish between additional income earned over a twenty-year period from that earned over the final three years of an employee's career. She suggested that Staff and GRS could collaborate and create an appropriate formula to best represent career extra pay.

On a motion by Trustee Wozmak, seconded by Trustee McGovern, the Committee unanimously voted to recommend to the full Board that Staff work with the consulting actuary to create a simple approximation formula to differentiate career extra pay from final three years of pay to assess employers for genuine spiking.

In the HB2 Implementation update, Ms. France and Mr. Karlon had been working with Senator Groen on technical corrections to HB2, which would be expected in a forthcoming LSR. Ms. France stated that the law

was quite comprehensive and that implementing all of its provisions was time consuming and complicated.

Trustee Wozmak asked how Staff was handling the Supreme Court decision requiring the NHRS to release pension amounts connected to recipients. Ms. France stated that multiple requests had followed the ruling, and that a program had been written to create the requested report. Ms. Miller confirmed that the mandated report would be released no later than the following day. Additionally, Ms. France stated that the type of requests had expanded to include the type of someone's annuity, for example. Executive Staff was working closely with Atty. Edward Kaplan to provide appropriate response to the plethora of requests.

By Committee consensus, the next Legislative Committee was scheduled for Monday, December 12, 2011, at 2:00 p.m. at the NHRS offices.

On a motion by Trustee Wozmak, seconded by Trustee McGovern, the meeting was adjourned at approximately 3:36 p.m.

Respectfully submitted,
Shannan Hudgins