

Note: These minutes from the November 12, 2013, regular meeting were approved and executed at the December 10, 2013 regular Meeting of the Board of Trustees.

**Regular Meeting
Board of Trustees
November 12, 2013**

The Public Minutes

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

Trustees: Dick Gustafson, Ph.D., *Chair*; John Beardmore; Dean Crombie; David McCrillis; Karen McDonough; Germano Martins; Cathy Provencher; Don Roy; Guy Scaife; Hershel Sosnoff; George Walker; and Jack Wozmak.

Staff: George Lagos, *Executive Director*; Jack Dianis, *Director of Finance*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Nancy Miller, *Director of Member Services*; Denise Call, *Director of Employer & Retiree Services*; Frank Clough, *Director of IT*; John Browne, *Internal Auditor*; Heather Fritzky, *Controller*; Nina Calkins, *Process Improvement Manager*; Carolyn Johnson, Esq., *Hearings Examiner*; Mark Cavanaugh, Esq., *Regulatory Compliance Officer*; Rosamond Cain, *Human Resources Manager*; Marty Karlon, *Public Information Officer*; and Shannan Hudgins, *Administrative Coordinator*.

Guests: David Kausch, Randall Dziubek, and Heidi Barry, *Gabriel Roeder Smith & Company, Consulting Actuaries*

Chair Gustafson called the Regular Meeting of the NHRS Board of Trustees to order at 9:04 a.m. On a motion by Trustee McDonough, seconded by Trustee Roy, the public and non-public minutes of the October 8, 2013, Regular meeting of the Board of Trustees were unanimously approved.

Chair Gustafson welcomed the actuaries from Gabriel Roeder Smith & Company, David Kausch, Randall Dziubek, and Heidi Barry, who presented a detailed review of the June 30, 2013, draft actuarial valuation. Mr. Dziubek remarks were dedicated to an overview and explanation of the methods and purposes of the valuation. Ms. Barry provided an in-depth explanation of the numbers contained in the pension valuation, and Mr. Kausch discussed the rate implications of the valuation, focusing on the four medical subsidy sub-trust accounts. An extended discussion ensued with respect to alternative

methods for funding the medical subsidy accounts. On a motion by Trustee McCrillis, seconded by Trustee Scaife, the Board unanimously voted to implement Approach A, to increase the margin in the medical subsidy accounts by June 30, 2016.

Chair Gustafson called a ten minute recess.

Upon resumption of the Board meeting, Chair Gustafson began the Committee reports section of the agenda. Trustee Provencher presented the Audit report, beginning with the morning's Committee meeting with the auditors from KPMG. She highlighted the auditor's unmodified opinion, adding there were no audit adjustments, and NHRS would not receive a management letter this year. The Committee had approved its revised Charter. She noted that the Ethics Survey Scorecard to date had been presented to the Committee and would be approved at the December meeting.

Trustee Walker reported that the Benefits Committee had convened on October 31st to discuss revisions to the disability reexamination rules and school district employers using third party hiring agencies. Staff were also preparing to provide fillable retirement applications on the NHRS website, as well as member statements.

Trustee Roy discussed the Governance Committee meeting of October 8 and its recommendation of Foster Pepper as Investment Counsel, subject to successful fee negotiations by Staff. On a motion by Trustee Roy, seconded by Trustee Sosnoff, the Board unanimously approved the appointment of Foster Pepper as Investment Counsel for NHRS for a three year term.

Trustee Roy next moved that the Board accept the respective revisions to the Charters of the five NHRS Board Committees. Seconded by Trustee Walker, the motion passed unanimously.

Trustee Roy continued with a brief update on the Voluntary Compliance Program (VCP) with the IRS regarding required minimum distributions (RMDs), noting that the IRS had accepted the correction plan submitted by the NHRS. Mr. Lagos offered a brief explanation of contract negotiations with Nancy Williams, NHRS Governance Counsel, stating that he was discussing a shift in the contract from the current annual retainer to a reduced retainer with a time-and-expense clause. He expected to provide additional details to the Board at its December meeting.

Trustee Sosnoff began his investment remarks by stating that funds held in trust as of September 30, 2013, were \$6.68 billion, which represented an increase of 4% for fiscal year-to-date. He stated that all asset classes were up and within their allocated ranges. The U.S. economy continued to recover,

although at a lackluster pace, and he stated that core Eurozone countries appeared to be emerging from recession. The IIC meeting of October 18th had included a presentation by Pine Brook, a private equity firm, and the IIC had committed \$50 million to them. The Committee had reviewed the preliminary CAIR, which would be presented for approval at the December Board meeting.

Trustee Crombie presented the PPCC report, stating that a decision from the September 13, 2013 PELRB hearing had not yet been issued. All Charter revisions had been housekeeping matters and approved unanimously. He also reported that the Employee Handbook had been released and was in use. Mr. Lagos stated that CBA mediation, which had moved to fact-finding, had been reopened by the SEA and a half-day mediation session was scheduled for December 18, 2013.

Trustee Sosnoff provided a brief Legislative report, and Mr. Karlon stated that all proposed legislation was in LSR status. Mr. Dianis stated that staff were preparing fiscal notes, but that the actual bills would not be released until late December or early January.

Mr. Lagos presented his Executive report, beginning with a 96.4% rating on the KPMs. He stated that four project plans had been developed from the PIP process, which had also served as an educational forum for staff to learn how the departments within NHRS operated. He focused the rest of his remarks on the medical subsidy white paper included in the Board materials, extending his thanks to Atty. Mark Cavanaugh and his extensive efforts to summarize the history of the program. An extended discussion ensued, with particular interest expressed in the married couple double subsidy.

Atty. Crutchfield provided a legal update in which he noted that an order from Judge McNamara in the HB 1645 suit was expected before the end of the calendar year. He stated that he and legal staff had attended the Supreme Court hearing in the Carrier appeal on November 7th and the parties were now awaiting a ruling. He noted that the appeals database had proved instrumental in the management of and disposition of cases, reporting that the pending cases now numbered 19, down from 42 in April 2012.

Mr. Dianis presented a brief finance update that focused on the unaudited Comprehensive Annual Financial Report (CAFR) that was included in the Board materials. He thanked Heather Fritsky for her efforts in producing the document, noting that statute required an October 31 unaudited CAFR, with the audited document due no later than December 31, 2013.

Mr. Clough highlighted a few IT items in his Board report, focusing on the PensionGold software upgrades. A discussion regarding security and right-to-

know concerns about using a personal device for work matters followed. Further review would come before the Board at its next meeting.

Ms. Miller discussed online member services, explaining that the short-term website goals focused on creating fillable retirement forms. The mid-term goal would expand the current capacity of MyAccount for member usage, and the long-term objective would result in the option for members to submit electronic applications and forms. She noted that review of notarization requirements was ongoing with the legal department.

Trustee Wozmak excused himself at 11:45 a.m.

Ms. Call reported that February 15, 2014 was the first reporting deadline for employers for HB 342 (post retirement employment), and that employer education opportunities had been expanded to all employers. She noted that a project was underway to accept electronic insurance rate changes from employers and vendors with a goal to substantially reduce the need for manual data input.

On a motion by Trustee Roy, seconded by Trustee McDonough, the Consent Agenda was unanimously approved, with the exclusion of the Matters of M.G., P. Parker, and W. Alexander.

On a motion by Trustee McCrillis, seconded by Trustee Roy, the Board voted to enter into non-public session under RSA 91-A:3, II(c) to discuss the disability matter of M.G., on a roll call vote, as follows:

Ayes: Trustees Gustafson, Beardmore, Crombie, McCrillis, McDonough, Martins, Provencher, Roy, Scaife, Sosnoff, and Walker.

Nays: None.

Staff members Call, Clough, Browne, Fritzky, Cain, Calkins, Miller, Dianis, and Karlon left the meeting with all public attendees.

On a motion by Trustee Beardmore, seconded by Trustee Walker, the Board unanimously voted to conclude the non-public session. Upon resumption of the public session, staff and public attendees returned.

On a motion by Trustee Scaife, seconded by Trustee McCrillis, the Disability Application of M.G. was approved, as follows:

Ayes: Trustees Gustafson, Beardmore, Crombie, McCrillis, McDonough, Provencher, Roy, Scaife, Sosnoff, and Walker.

Nays: Trustee Martins.

On a motion by Trustee Roy, seconded by Trustee Beardmore, the Administrative Recommendation for P. Parker was approved, as follows:

Ayes: Trustees Gustafson, Beardmore, Crombie, McCrillis, McDonough, Provencher, Roy, Scaife, Sosnoff, and Walker.

Nays: Trustee Martins.

On a motion by Trustee Scaife, seconded by Trustee Provencher, the Administrative Reconsideration of W. Alexander was approved, as follows:

Ayes: Trustees Gustafson, Beardmore, Crombie, McCrillis, McDonough, Provencher, Roy, Scaife, Sosnoff, and Walker.

Nays: Trustee Martins.

Following a brief, general discussion, on a motion by Trustee Roy, seconded by Trustee Walker, the meeting adjourned at 12:34 p.m.

Respectfully submitted,
Shannan Hudgins