Minutes of the Meeting of December 21, 2011

The meeting was called to order at 3:30 P.M. in the State House Annex, Room 425, 25 Capitol Street, Concord, New Hampshire.

The following Commission members were present:

Bill Dwyer, Chair
Craig Downing
Michael Brown
Linda Hodgdon
David Sky

Others in attendance included Frank Picarelli and Rafik Ghazarian of Segal Advisors via telephonic conference call; Al Cunningham, AAG via teleconference, and Karl Kroner, Great-West Retirement Services in person. Ms. Grondin was present from Administrative Services.

Agenda:

1. 1st Quarter 2012 Custom Stable Value Fund Rate Setting:

   - Mr. Cunningham advised that the fund has had increased inflows of funds from participants and has had to purchase an increased volume of lower interest securities.
   - Mr. Cunningham explained that we are currently experiencing “pre-payment risk” on the mortgage bonds due to refinancing of home loans at the current lower interest rates.
   - Finally, a third party pricing service that AAG must use for audit purposes has indicated that pre-payments may increase and advised that the interest crediting rate should be adjusted downward to account for this possibility.
   - Mr. Cunningham and Mr. Picarelli discussed that even with the drop in interest rates that the NH SVF is still paying well above average rates and paying a higher rate than other government stable value funds.
   - Mr. Cunningham recommended a 1st Quarter crediting rate of 3.90%
   - Mr. Sky moved to set the rate at 3.90%.
   - Ms. Hodgdon seconded the motion
   - Motion passed with a unanimous vote.
   - Mr. Cunningham left the call at this time after thanks from the Commission.
2. **Roth Update**

- Mr. Downing reported that with final approval from Central Payroll the Roth option was open for 2012 deferrals beginning with the first payroll period of 2012. The only administration remaining was notification to the Towns and Counties.
- While it was hoped that the option would open in 2011, the Roth option was delayed as Payroll instituted a new payroll form to guard against the over deferral problem identified by the recent IRS audit.
- Mr. Downing thanked Karin Grondin for all her help in getting this plan option open. There was a lot of work by Mr. Greg Levesque and Bill Weaver of Central Payroll to get the Roth open with the new form by the first of 2012.
- Mr. Downing also mentioned that recent national survey results have shown that the introduction of a Roth causes contributions to increase, rather than causing a reduction in the standard deduction.

3. **IRS Update**

- Ms. Grondin reported that the IRS audit wrap up was drawing to a close. As of today she received an indication from Tom Manning that the 403(b) details were resolved. The letters to participants would go out in the first quarter of 2012 and Mr. Manning would both mail those and communicate with affected participants regarding any questions.
- Regarding the 457(b) excess withdrawal problems there seems to 78 participants affected. This is down from nearly 300. Any tax consequences would be in the 2012 tax year so individuals would have time to mitigate or compensate for the additional taxes.
- Ms. Grondin also believed that the new payroll form, the changes to the existing payroll system and the new payroll system coming online in January 2013 would serve as evidence that the State and Plan was taking corrective action due to the results of the IRS Audit.
- Ms. Grondin explained that starting from a group of 134 participants at the outset, there are now only 15 participants who do not have paperwork in. All but 5 of the active employees have filed documentation. As for the participants who have retired, there are still 10 participants who need to submit the forms. Ms. Hodgdon expressed concern that going forward the forms have to match. Mr. Downing advised that in 2012, the forms will have to match or the deferral will not take place due to the new payroll form.
- A motion was made by Ms. Hodgdon, seconded by Mr. Sky to direct GWRS to issue 1099 forms to participants who had not completed the required forms.
by the end of the year, as soon as possible after January 1, 2012. Motion passed.

4. Compliance Audit

- Mr. Downing advised that the Commission should form a subcommittee to draw up an RFP for a Compliance audit that would begin Third Qtr. 2012. The Commission would issue the RFP and after a successful bid, draw up a contract with the consulting company for presentation to the Governor and Council.
- The anticipated cost is $25,000.00. The Plan has sufficient funds for the audit. It is anticipated this type of audit would only be done every 10 – 15 years.
- Mr. Downing brought up the question of Segal Advisors participating in the bid for the Compliance Audit, given the fact that their own processes would be reviewed by such an audit. After discussion it was determined that Segal Advisors would not be allowed to bid on the audit due to conflict of interest concerns.
- Ms. Hodgdon and Mr. Brown volunteered for the subcommittee and Mr. Glennon, who was not present at the meeting, would be requested to join the subcommittee.
- A financial audit would be done on a yearly basis going forward beginning with calendar year 2010, given that ING has paid for the audits up through 2009. Segal Advisors confirmed that a financial audit should be done yearly. Segal Advisors also explained that they do not perform these types of audits, but that they would provide a sample RFP for the Commission to review.
- After discussion among members including Mr. Downing, Mr. Sky, Mr. Brown, Ms. Hodgdon and Mr. Picarelli it was determined that GWRS should generate reports monitoring the amount of deferrals participants are making earlier in the year to avoid this same late year action to collect information for participants that have over-deferred by mistake or intent.
- Motion was made by Mr. Sky, seconded by Ms. Hodgdon to require GWRS to run a deferral report beginning July 1 and periodically thereafter to flag participants that are in danger of going over before the end of the year based on current deferral amounts. Such a report will be given to Administrative services in the case of State Employees and local government payroll contacts in regard to the political subdivisions for monitoring and follow up. The Commission requests a summary report by GWRS at quarterly meetings of only the number of participants in each category who have been identified by GWRS. Motion passed.

5. Set 2012 Meeting Dates
The Commission discussed the 2012 Quarterly meeting dates of March 2, May 18, August 17, and November 16 as set out in the email from Mr. Downing. The dates are open for Mr. Picarelli to travel to NH for the meetings.

There was discussion started by Mr. Downing on the need to move the dates closer to the end of the Quarters for relevancy and not to delay the meeting to the end of the following quarter to accommodate the rate set. This was discussed at length by the members. This would require 2 formal meetings per quarter.

The Motion was made by Mr. Brown, seconded by Mr. Downing to set the dates consistent with the above dates. Motion passed.

Mr. Sky requested the dates for the rate set meetings soon for scheduling purposes. Mr. Brown and Ms. Hodgdon discussed the possibility of a member being able to call in, if a quorum was present. Mr. Brown would look into it.

6. NAGDCA Dues

The Chair offered the 2012 annual NAGDCA dues of $600.00 for payment out of Plan funds. After discussion among the members, Ms. Hodgdon requested that the money be drawn from monies held by GWRS for the Plan as accounts needed to be updated at DAS for Commission use.

Mr. Downing made the motion that the Commission authorizes him to arrange with Steve Kohlts in GWRS Denver to pay the dues out of Plan fund held by GWRS. Ms. Hodgdon seconded the motion. All voted in favor. Motion passed.

7. Discussion of Municipal and County entities joining the Plan

Ms. Brown discussed his concern with the Commission on the Joiner agreement that is currently in place. Mr. Brown suggested a subcommittee to work on changes. Mr. Dwyer and Mr. Downing volunteered. The new Governance subcommittee was established and would meet on January 15, 2012.

Ms. Hodgdon thought the Joiner agreement should be reviewed or an MOU or checklist be executed to prevent new joiner towns from rolling problems into the Plan. Discussion ended with a need to review the documents.

8. Other – Commission Vacancies
Mr. Dwyer inquired whether there had been any progress in obtaining appointments to the 2 open slots on the Commission. Ms. Hodgdon described a high level staff change in the House, which might impact any appointment for the Legislative vacancy. However, the Governor’s office advised her that they have a nominee in mind and would be moving forward with that individual.

9. Other - Secure Foundation Product Review

Mr. Dwyer asked Mr. Picarelli to have Segal Advisors conduct a product review of the Secure Foundation product by GWRS. This action had been suggested in December 2010 when Mr. Picarelli indicated the product needed more study. The issue was tabled at that time. The review of the product was included in the cost of the contract that was subsequently signed by the State and Segal Advisors.

Mr. Dwyer made the formal motion to ask for the product review, seconded by Mr. Brown. All voted in favor. Motion passed with the report due for the March 2012 meeting date.

Adjournment – Being no further business and time was growing short; Ms. Hodgdon moved to adjourn, seconded by Mr. Downing. All voted in favor. Motion passed.