State of New Hampshire
Deferred Compensation Commission

Minutes of the Meeting of December 9, 2011

The meeting was called to order at 9:05 A.M. in the State House Annex, Room 411, 25 Capitol Street, Concord, New Hampshire.

The following Commission members were present:

Craig Downing, Interim Chairperson
Barry Glennon
Michael Brown
Linda Hodgdon
Bill Dwyer, Chairperson
David Sky

The audience included Frank Picarelli and Rafik Ghazarian of Segal Advisors; Karl Kroner, Great-West Retirement Services. Mr. Perry Christie appeared at the meeting via telephone conference from Denver.

With the resignation of Mr. Manning from the Commission, Mr. Downing was appointed by Chairman Manning prior to his retirement date to open the meeting and facilitate the election of a new Chairperson.

Agenda:

1. Review and action on minutes of the October 7, 2011 meeting:

   - Mr. Downing commented on the minutes and asked for a motion to approve the minutes of the October 7, 2011 meeting as presented.
   - A motion to accept the minutes from the October 7, 2011 meeting as written was offered by Mr. Glennon
   - The motion was seconded by Mr. Dwyer; the motion passed.

Mr. Downing announced that he had been contacted by Mr. Brent Neese, Vice President, GWRS and told that Ms. Amy Heyel had been appointed his successor in the recent reorganization. Ms. Heyel was formerly with Segal Advisors in a role similar to...
Mr. Picarelli. Mr. Picarelli commented on her and spoke very highly of her experience and knowledge that she would bring to the relationship with the Commission. Mr. Neese was looking to introduce Ms. Heyel on January 11, 2012. Mr. Downing also commented on his reservations about the reorganization with GWRS.

2. **Nomination and Selection - Commission Chairperson**
   - Mr. Downing opened the floor for nominations for Chairperson
   - Ms. Hodgdon nominated Mr. William Dwyer
   - Mr. Brown seconded the motion. Mr. Dwyer accepted the nomination.
   - Hearing no further nominations, Mr. Downing closed the nominations and called for a vote. All voted in favor.
   - As an accompanying item, Mr. Downing explained the procedure for adding an “authorized plan signor”. The Plan needs two signors. Mr. Downing requested a motion to add Mr. Dwyer as a signor as the new Chairman.
   - Ms. Hodgdon made the motion to add Chairman Dwyer.
   - Mr. Glennon seconded the motion. All voted in favor.
   - Mr. Dwyer assumed the Chair for the rest of the meeting

3. **Discussion of Commission Vacancies**
   - Both Ms. Hodgdon and Mr. Downing were able to comment on the 2 current vacancies and noted that even with requests no new information or nominees had been offered. Ms. Hodgdon would continue to press for the selection of persons to fill the vacancies.

4. **Great-West Plan Demographic Performance Report - Karl Kroner**
   - The plan assets have fallen back below $200 million assets due to market conditions.
   - The plan continues to have a positive cash flow of greater inflows than outflows. This is in spite of the fact that the Plan now has more non active accounts than active participating accounts.
   - The largest investment remains the Stable Value with a slight increase, with Target Date funds continuing to grow.
   - The Plan has had an increase in participation from outside entities, particularly with increased contributions from the City of Portsmouth
   - Plan participants have decreased with the loss of the Community College System.
   - NH participants compare favorably with the other NH states in the amount of investment options they choose. Perry Christie reports that nationwide,
participants are simplifying or reducing the numbers of options they have with
the selection of Target Date funds.

- Discussion was extended on efforts to stem the flow of plan rollouts at the
time of retirement and into annuity products.

- The biggest challenge for the Plan remains new enrollments and increase
contributions.

- The Plan continues to generate above the .24 bps with nearly $ 70 thousand in
the plan account in excess funds.

- The loan program opened on November 18, 2011 and the participants that the
Commission knew were facing a hardship were processed and have received
their loan proceeds with no problems noted as of this date.

5. Segal Advisors – Investment Report and Fund Selection - Mr. Picarelli

- Mr. Picarelli noted the drastic drop in the markets and subsequent recovery in
the overall U.S. market during the quarter.

- The financial sector lost the most value and utilities were the only sector
gaining in the 3rd quarter.

- Major outflows continued from equity mutual funds into bond funds.

- Stable Value had an inflow of $ 1.8 million in the quarter.

- Mr. Picarelli again reviewed the fund performance compared to our
Investment Policy Statement.

- Each individual fund was discussed by Mr. Picarelli, including risk and
returns of funds in depth.

- Mr. Sky requested that the benchmarks be consistent among the fund
comparison pages. Those changes if possible will be incorporated in the next
series of reports.

Fund Selection Discussion - Mr. Ghazarian and Mr. Picarelli

Per the prior meeting discussions Davis NY Venture, Janus Twenty and Artio
International Equity were all up for a decision as a result of the October 7, 2011
votes.

International Fund Search

- The Commission had already determined to change out the Artio International
Equity fund. The discussion centered on the replacement for the fund.

- It was determined that American Funds had significant fund overlap with the
current Global offering and was deemed inferior to MFS International
Diversification I. MFS was also a fund of fund arrangement and met the
performance and diversification benchmarks. MFS also contributed to the revenue sharing requirement.

- After a thorough review of all the selections that had been screened by Segal, MFS International Diversification I was determined to be the best choice.
- Ms. Hodgdon made the motion to replace Artio Equity International with MFS International Diversification I.
- Motion seconded by Mr. Sky. All voted in favor.

**Large Cap Core / Blend Fund Search**

- The Commission had determined to conduct a search to see if a better fund could be found for the Davis NY Venture fund. Segal recommended a change due to the sector concentration in the financial sector. It was noted that participants were already voting by withdrawing monies from the fund.
- The choices presented by Segal were Vanguard Dividend Growth, TRowe Price Dividend Growth and American Funds Fundamental R5.
- Recent performance in the American funds group and overlap with the other two American funds in the current lineup was negatives.
- Overlap with the TRowe Price Equity Income and the Target Date funds.
- After additional research from the last meeting, Segal recommended the Commission adopt the Vanguard Dividend Growth fund with an additional fee added to keep the revenue sharing more or less stable with the loss of revenue from the Davis NY Venture fund. The other option presented was to keep the Davis NY Venture in the fund list, while adding the Vanguard fund.
- Mr. David Sky made the motion to replace the Davis NY Venture fund with the Vanguard Dividend Growth fund, with an amendment for an additional .25 bps fee added.
- Mr. Brown seconded the motion. All voted in favor.

**Large Cap Growth Fund Search**

- Based on Commission action at the last meeting, a discussion was held on whether action would be taken on the Janus Twenty fund.
- Additional analysis since the last meeting revealed that the Rainier Large Cap Equity Institutional Fund no longer met the performance benchmarks that caused the Plan to choose the fund for inclusion. Mr. Sky made the point that Rainier fund underperformed Janus Twenty on every time period and did not have a large number of assets in the fund.
- Further, with the option of an additional fund move, the Fidelity Contrafund was discussed as a serious option to add to the line up of funds.
- The major negative was the high concentration of the Janus Twenty fund with only 39 holdings. The Fidelity Contrafund has a respected manager and 453 holdings. With additional discussion the consensus built that these 2 funds would compliment themselves in the Plan.
- The Commission felt that the Janus Twenty fund had been a long-term holding and good long-term performer and the consensus was to retain the fund in the
Plan. Both Ms. Hodgdon and Mr. Downing spoke in favor of keeping the fund in the line up.

- Mr. Picarelli stated that even with the outflows that Janus the company was stable and Segal did not see a problem on a corporate level. Mr. Downing which had brought the matter up with Segal was satisfied with the Segal analysis on the company.
- With the decision to keep Janus Twenty discuss was held on the replacement for Rainier. Segal recommended the Fidelity fund as a good compliment, if the Commission was comfortable with the style box drift that might occur.
- Discussion was held on either Harbor Capital or Fidelity Contra Fund. The consensus eventually centered on choosing a fund with more holdings.
- Mr. Sky made the motion to eliminate Rainier Large Cap Equity Inst Fund and replace it with Fidelity Contra Fund
- Ms. Hodgdon seconded the motion. All voted in favor.

6. 1st Quarter 2012 Custom Stable Value Rate Set - Deferred as data not yet available

- The Rate Set meeting was scheduled for December 21, 2011 @ 3:30 pm

7. Loan and Roth Updates - Deferred due to time

8. IRS Update - Deferred due to time

9. Compliance Audit Discussion -

- In response to the last meeting Mr. Downing found the Plan that has won the NAGDCA award for a Compliance audit.
- Mr. Downing introduced a proposal from SST Consulting, who did the Compliance audit for the City of Honolulu. The cost was $25,000.00 which was in line with estimates.
- Mr. Downing recommended that the Compliance audit take place in the 3rd Quarter of 2012 and that a subcommittee be established.
- Mr. Picarelli advised that a Financial Audit should take place yearly and discussion of both were deferred to the next meeting.

Adjournment: There being no further business Ms. Hodgdon moved to adjourn, Mr. Sky seconded the motion. There was no discussion. All members voted in favor. The motion was adopted and the Commission adjourned.