

NHRS Board of Trustees  
Minutes - April 13, 2021

**Note:** These minutes from the April 13, 2021 Public Session were approved and executed at the May 11, 2021 Board of Trustees meeting.

**Board of Trustees  
April 13, 2021**

**Public Minutes**

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

*The NHRS office was closed to the public as a result of COVID-19, and the meeting was held via video conferencing, as authorized under Executive Order 2020-04. Pursuant to RSA 91-A, all votes were by roll call.*

*Participating: Trustees Tim Lesko, Chair; Scott Christensen, Sue Hannan, Bill Hart, Maureen Kelliher, Robert Maloney, Andrew Martineau, Kenneth Merrifield, Monica Mezzapelle, Scott Myers, and Donald Roy.*

*Absent: Trustees Christopher Coates, and Melvin Friese.*

*Staff: Jan Goodwin, Executive Director; Tim Crutchfield, Deputy Director and Chief Legal Counsel; Larry Johansen, Director of Investments; Gerard Murphy, Director of Finance; Frank Clough, Director of Information Technology; Nancy Miller, Director of Member Services; Marty Karlon, Director of Communications & Legislative Affairs; Rosamond Cain, Director of Human Resources; Mark Cavanaugh, Esq., Associate Counsel & Compliance Officer; Diana Crichton, Esq., Hearings Examiner; Jay LaClair, Internal Auditor; Nancy Cone, Internal Auditor; Cecile Merrill, Project Manager; and Christine Rice, Administrative Assistant.*

*Guest: Keith Brainard, Research Director of the National Association of State Retirement Administrators (NASRA).*

Chair Lesko called the April 13, 2021 regular meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, Chair Lesko called for a vote to approve the public minutes of the Board of Trustees meeting on March 9, 2021. On a motion by Trustee Maloney, seconded by Trustee Hart, the Board voted to approve the minutes, as presented. Trustee Merrifield abstained.

Trustee Mezzapelle opened with the Audit Committee report, noting that the Committee had met preceding today's Board meeting. The Committee reviewed the FY21 Internal Audit Plan. Trustee Mezzapelle noted there were no new audits in quarters 2 and 3. Internal Auditor Jay LaClair is performing the PG Access Rights Audit. Internal Auditor Nancy Cone has been working with the System's external auditor, Plante

Moran, on the GASB audits. Next, the Committee reviewed the tracking report, with five audit issues that are outstanding, and staff continue to make progress. Finance is preparing a letter in response to Plante Moran's audit recommendations, and anticipates having an update for the Committee at next month's meeting. Trustee Mezzapelle provided the Board with progress on the PGV3 project, which is 38% complete, with Deliverable 3 at 51% complete. There were 17 open data conversion issues. Staff continue to review correspondence on Deliverable 3, involving imaging and QDROs, and assigned testers will work through specific scenarios.

Trustee Roy gave the Governance Committee report, noting it had met March 9, following the Board meeting. The Committee discussed the annual reviews of the VCP Policy and the fee schedule for copies of public records, and found no adjustments were necessary for either item.

Trustee Kelliher presented the report on the Independent Investment Committee (IIC), which met on March 19. Mr. Johansen, Director of Investments, gave a review on investment returns over various time-periods, discussed the Work Plan, and updated the Committee on asset allocations and liquidity, with an emphasis on pension and benefit funding over the next 30 to 90 days.

The Committee then voted to extend its Manulife contract, by two years. Manulife, a \$270 million Multi-Sector Global Fixed Income Investment Manager, had presented to the Committee in February.

As part of the two-year contract renewal process, the Committee heard a presentation in March from Walter Scott, a \$450 million Global Equity Investment Manager. The Committee will vote on the Walter Scott contract extension at its April meeting.

Callan's "2021 Asset-Liability Study and Asset Allocation Review" concluded that NHRS's Funding Policy denotes achieving a fully funded plan, over a reasonable time-period, and that there is no need for changes to the Investment Policy, as it meets current objectives.

Mr. Johansen updated the Board on the System's total fund performance, noting the continued, dramatic improvement since June 30, 2020. NHRS was up 16.1%, for fiscal year-to-date as of February 28, 2021; 16.8% over the last 12 months; 8.1%, at three years; and 10.5%, at five years. All asset classes are close to target and well within range, and as of February 28, 2021, assets are at \$10.4 billion.

Trustee Myers provided the Legislative Committee report, noting that it would meet after today's Board meeting. The House crossover day, the deadline for the House bills to go to the Senate, was April 9. Two bills passed, relative to NHRS. The first, HB 130, clarifies the order in which the System applies the medical subsidy for state retirees, or beneficiaries. The second, HB 141, allows counties to exempt their newly hired chief administrative officers from NHRS participation, and requires county and municipal employers to pay the unfunded liability portion of the employer contribution rate on the salaries of those chief administrative officers who elect not to join the system prospectively.

The House and Senate have already both adopted HB 173, which requires a quarterly report from the IIC, detailing investment fees, and the bill awaits the Governor's action.

Tim Crutchfield, Deputy Director and Chief Legal Counsel, filled in for Trustee Coates, and provided the Benefits Committee report, stating it had not met since March 2, and plans to meet on April 19.

Trustee Hart opened the PPCC report, stating it met on April 7. The meeting was mostly non-public to discuss issues involving personnel matters, and the extension of a contract on the leadership development program.

Trustee Christensen gave the Ad Hoc Real Estate Committee report, noting it is evaluating a proposed real estate opportunity for NHRS to move its offices. The Committee met on March 25 and discussed the existing space, of which the System is in a five-year lease. It will meet again on Thursday, April 15, to continue its due diligence, with assistance from Townsend, the System's Real Estate Investment Manager.

Chair Lesko introduced guest speaker, Keith Brainard, Research Director of NASRA, who had last presented to the Board in June 2018. Mr. Brainard gave a similar presentation today, with a comprehensive look at public pension plans in the U.S., and where NHRS fits in that landscape. His insight covered multiple topics, including pension reforms, employer contributions, COLAs, Social Security, and plan funding sources. Board discussion with Mr. Brainard followed his presentation.

Next, Executive Director Jan Goodwin provided her operating report, noting that the March KPM was 92.86%, below the 95% benchmark. Ms. Goodwin stated a need for a re-evaluation of the KPMs so that they reflect the seasonal influx of the System's business and other factors. Ms. Goodwin then brought the Board's attention to the FY22 Three-Year Strategic Plan, and addressed Trustees' inquiries, stating that she has reviewed and affirms the Plan.

On a motion by Trustee Hart, seconded by Trustee Mezzapelle, the Board voted to accept the FY22 Three-Year Strategic Plan, as presented. Trustee Merrifield abstained.

Ms. Goodwin then presented two contracts for Board consideration, with one at the request of Director of IT Frank Clough, for an upgrade to Microsoft Dynamics, a useful software program for Finance; and another, at HR Director Rosamond Cain's request, for extending the leadership development program.

On a motion by Trustee Myers, seconded by Trustee Hannan, the Board voted to accept the recommendation of the Executive Director that the Board approve the two contract proposals, as presented in the Board materials, subject to contract and legal review. Trustee Merrifield abstained.

Following Ms. Goodwin, Mr. Crutchfield presented his Legal report, noting there are two new employer auditors, since January, who came to the audit team as internal transfers. He commented that the GASB audits are going well in the early stages, noting that staff are working on the audit sample of 23 employers that Plante Moran provided, and those audits will be staff's primary focus over the next few months.

Next, Director of Finance Gerard Murphy gave his report, stating that the net position, fiscal year-to-date, for NHRS is at \$10.4 billion, and that cash flow is as expected. He noted cash flow for February 2021 is lower than in February 2020 because contributions received last February contained three-payrolls. He stated overall

spending in FY21 through February is below budget, and explained the negative variance in the External Investment category was due to stronger than expected investment performance, and the negative variance in the External Non-Investment category was a timing issue, with an expected reversal over the remainder of the fiscal year.

Finance missed one KPM last month, relating to employer reconciliation. Mr. Murphy shared that a few employers are undergoing staff turnover, resulting in timeliness issues with reporting. He explained that Finance is working with those employers to assist them with their monthly reporting.

Mr. Murphy continued his report, stating that Finance is working with Segal on the draft PGV3 Employer Reporting Rollout Strategy and expects to present it to the NHRS Executive Team and PGV3 implementation teams by the end of this month.

In closing, Mr. Murphy noted he and other senior staff would present the NHRS FY22-23 Statutory Administrative Budget to the Senate Finance Committee on April 19.

Mr. Clough updated the Board on IT matters, sharing that it received the hardware for the Enterprise Firewall project, which IT expects to complete in early- to mid-May. In addition, IT is also working on the WAF upgrade, another implementation to protect the System's network, and Akamai configuration is ahead of schedule, with completion expected this month. IT released the third of six monthly security awareness trainings for staff. He then reported on the successful setup with Calabrio, for recording the Contact Center phone calls in the cloud. Lastly, IT is working to move the PPM policy and procedures application to the cloud.

Mr. Clough ended his report with IT's KPM performance, noting it missed one, and had a Customer Satisfaction Score of 96%, explaining that, with staff working remotely, there is an increase of help desk tickets and the need for additional support.

Director of Member Services Nancy Miller presented her report, noting her department is carrying out the JRP external audit. Last month, NHRS sent the JRP annual statements to members of the plan. She stated that Member Services continues to process a limited number of 2020 July retirements for benefit finalization. Member Services also continues to work on Deliverable 3 of the PGV3 project, focusing on QDRO templates and benefit calculations. In addition to PGV3, Member Services is involved with a mail-imaging pilot project to enhance workflow. Lastly, Member Services missed one KPM, relative to the volume of July retiree benefit finalizations.

Marty Karlon, Director of Communications and Legislative Affairs, gave his PIO report, noting that his team is seeing increased interest in member education sessions and is working on virtual presentations, along with preparing an additional educational messaging, pertaining to the pre-selection benefit before retirement. A proposed revision to NHRS death benefits contained in Senate Bill 119, which is not expected to move forward this legislative session, was related to pre-selection.

He shared that there has been a recent increase in media mentions for NHRS compared to the previous year, and attributed that to the employer rate increase and related legislation. Lastly, PIO is working with Finance on the PGV3 Employer Education Rollout Strategy, and PIO's KPMs and action plan are on track.

Next, Rosamond Cain, Director of Human Resources, gave her report, beginning with her appreciation of the Board's contract approval of her request to continue the leadership development program. She then mentioned the American Rescue Plan Act, which allows for paid sick time related to COVID-19 vaccinations. The System is on track for July 1 to move into Phase II of its COVID-19 Transition Plan, in which 50% of its workforce will return to the office, but NHRS would only be permitting visitors on a limited basis. Ms. Cain also reported that Member Services has a full staff, and the Contact Center is doing well, with performance at or above expectations. In closing, Ms. Cain noted that HR plans to update the NHRS handbook, including language that reflects gender neutrality.

Chair Lesko presented the Consent Agenda. On a motion by Trustee Roy, seconded by Trustee Hart, the Board voted unanimously to approve the Consent Agenda, as presented.

There were no travel reports or requests.

Ms. Goodwin reported on the March 2021 Action Items, noting that they are completed, or in progress.

Chair Lesko then called for the Checkpoint Discussion, and welcomed new Trustee, Kenneth Merrifield. He reminded the Trustees to review the Committee Membership and Conference Resource lists in the Board packet.

Ms. Goodwin encouraged the Trustees to attend the National Institute on Retirement Security (NIRS) Annual Conference, and to join any, or all, of the three-day online sessions this week. Trustee Roy recommended distribution of the "NHRS: Past, Present, & Future" document for new Trustees, as a reference guide.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Hart, the Board voted unanimously to adjourn the meeting at 12:01 p.m.

Respectfully submitted,

Christine Rice,

Administrative Assistant