

NHRS Board of Trustees

DRAFT Minutes – April 9, 2024

Note: These **draft** minutes from the April 9, 2024, Public Session are subject for approval at a subsequent Board of Trustees meeting.

**Board of Trustees
April 9, 2024**

DRAFT Public Minutes

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

Participating: *Trustees Maureen Kelliher, Chair; Jon Frederick, Sue Hannan, Jason Henry, Robert Maloney, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Joshua Quigley, and Don Roy.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources; Marty Karlon, Director of Communications & Legislative Affairs; John Laferriere, Director of IT; Raynald Leveque, Chief Investment Officer; Nancy Miller, Director of Member Services; Marie Mullen, Director of Finance; Mark Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Diana Crichton, Hearings Examiner; Jonathan Diaz, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Mariel Holdredge, Executive Assistant.*

Chair Maureen Kelliher called the April 9, 2024, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Kelliher called for a vote to approve the minutes of the February 13, 2024, Board meeting. On a motion by Trustee Hannan, seconded by Trustee Maloney, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting. She stated the Committee reviewed the outstanding internal audit findings. Many findings have been addressed and all outstanding items on the Audit Tracker have either been resolved or have new estimated completion dates. As part of the FY 24 Audit Plan, there was one more audit completed and presented, which was the review of the PensionGold system permissions. The results of the audit revealed some need for adjustments which were made. This review by internal audit will be performed on an annual basis, with ongoing review of permissions by the IT Department. The Draft FY 24 Risk Assessment, which is used to prepare the draft Audit Plan for FY 25. The Committee plans to finalize and approve the FY 25 Audit Plan at the next Audit Committee meeting. Trustee Mezzapelle noted the Committee also received a brief update from Finance which continues to work on audit findings from both the external and internal auditors.

Trustee Roy provided the report of the Governance Committee, which met on March 28, 2024, with four members participating virtually, and discussed the annual reviews of the

Voluntary Correction Program (VCP), and the fee schedule for copies. Attorney Cavanaugh confirmed the System's VCP compliance with IRS requirements for qualified plans and noted that revisions to the Policy were not recommended at this time by Groom Law, the System's external counsel for fiduciary and tax matters. The Legal staff then presented the annual review of the fee schedule for copies of NHRS public records, authorized under the NHRS administrative rule and compared with the costs charged by other NH public agencies. Staff concluded that fees remain reasonable, and no fee adjustments were recommended for the coming year. Staff proposed transitioning the fee schedule review to a biennial basis due to most record requests responses involving no-cost electronic document transmission, which was agreed to by the Committee.

Trustee Provost gave his report on the February 13, 2024, Independent Investment Committee (IIC, Committee) meeting, with four of the five members participating with one vacant position. The Committee heard from Chief Investment Officer Raynald Leveque, who provided an update on investment returns, holdings, and reported overall updates on the team's investment activities and work plan. The Committee then received an investment recommendation from investment staff and investment consultant, Callan, to invest \$50 million in the HIG Advantage private equity fund and \$50 million into the HIG Advantage co-investment fund, which the Committee unanimously endorsed, subject to contract and legal review. The Committee also heard from Callan representatives, who outlined the Calendar Year (CY) 24 Pacing Plan for Private Equity and Private Credit asset classes, and from Abel Noser, who provided an overview of trading cost analysis services for the System. Trustee Provost concluded his report by announcing Christine Clinton, an appointed member of the Committee, was nominated for, and unanimously elected as, Chair of the IIC, effective February 13, 2024.

Trustee Provost turned to Mr. Leveque who reported on the NHRS performance as of February 29, 2024. Mr. Leveque remarked on the long-term performance of the Total Fund for 3, 5, and 10 years, noting it continues to do well relative to the policy benchmark. He provided a calendar year-to-date overview of the System's portfolio performance, highlighting the positive returns in fixed income, real estate, private debt, and private equity. The Plan is currently at \$12 billion. A brief discussion ensued on the nature of portfolio managers' valuation reporting. Mr. Leveque provided an overview of NHRS' proxy voting vendor's recommendations, and proposed revisions to the NHRS Proxy Voting Policy around Social and Environmental Issues. On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to accept the proposed revisions to the Proxy Voting Policy, conditioned on the IIC's review and recommendation at its meeting immediately following the Board meeting.

Trustee Merrifield reported on the Legislative Committee, which has not met since the last Board meeting. He updated the Board that crossover, which is the deadline for the House and the Senate to act on bills that have originated in their respective chambers, begins on April 11. He provided a high-level summary of 2024 legislation, noting those bills relative to the System, including House Bill (HB) 1279, HB 1451, HB 436, and Senate Bill (SB) 309 and SB 134. A brief discussion followed on SB 309 which would reduce vesting from ten years to five years and the intended purpose of the bill.

Trustee Martins delivered an update of the Benefits Committee, noting it met twice since the last Board meeting, on March 5, 2024, and April 2, 2024. At its March meeting, the Committee reviewed and approved three disability applications on the Consent Agenda. The Committee heard from legal staff on a member's waiver request on a minimum participation requirement to receive service credit due to an admitted error by her employer. The

Committee unanimously voted to recommend that the Board approve the waiver request on the condition that the employer agree to pay the final calculation cost of the reporting error from GRS. Legal staff also presented a proposed draft of an RFP for Independent Medical Evaluations (IME) services due to a chronic shortage of individual physicians available to perform IMEs. The Committee voted unanimously to recommend the RFP to the Board.

At its meeting last week, the Committee reviewed and approved three more disability applications. It also revisited the waiver request regarding the minimum participation standards because NHRS had received a final calculation from GRS on the cost of the reporting error as \$94,234.00 and written confirmation from the employer that it will pay that cost. As a result, the Committee voted unanimously, without condition, to recommend to the Board that it grant the rule waiver as requested.

Chair Kelliher entertained a motion to accept the recommendation of the Benefits Committee to authorize staff to issue an RFP for IME services in substantially the same form as presented. Trustee Quigley motioned, seconded by Trustee Hannan. Prior to the Board voting, there was a brief discussion clarifying the classification of exams. Following the discussion the Board voted unanimously to accept the recommendation to authorize staff to issue an RFP for IME services. The Board proceeded to vote on the rule waiver request. Trustee Merrifield moved to accept the recommendation of the Benefits Committee, which was seconded by Trustee Mezzapelle, and approved unanimously.

Trustee Hannan gave the PPCC report, which met virtually on March 21, noting the Committee heard a staffing update from Rosamond Cain, Director of Human Resources (HR). HR is currently recruiting for employer specialists. The finance analyst started mid-March, and HR is working with IT to make some changes to certain job descriptions. The results of the Executive Director Annual Evaluation Survey were reviewed at the recent Committee meeting and Trustee Hannan asked to enter into non-public session to share those results with the Board.

On a motion by Trustee Henry, seconded by Trustee Martins, the Board voted unanimously to enter into a non-public session.

On a motion by Trustee Maloney, seconded by Trustee Henry, the Board voted unanimously to conclude the non-public session. No action was taken in the non-public session.

Chair Kelliher turned to Ms. Goodwin, who delivered an overview of the draft Statement of Beliefs and Guiding Principles (Statement) for the Board's consideration, emphasizing that most of the principles were either implicitly or explicitly adopted by NHRS as standard operating procedures. However, she did note that five statements in the Plan Design section of the Statement represented departures from past practice and not all ETeam members were in agreement. Therefore, she hoped the Statement would encourage an open discussion among the Trustees. A number of Board members expressed concern with changing some of the Board's longstanding positions on certain issues. Chair Kelliher then tasked the Governance Committee with reviewing the document and presenting its recommendations to the Board in the near future.

Executive Director Goodwin began her operating report by reporting the Key Performance Measures (KPMs) monthly scores for February and March, which were 98.44% and 98.39%, respectively. She proceeded to provide an update on PGV3, noting the project is 89% completed and is now in the fifth month of the 12-month warranty period. Ms. Goodwin reviewed the 12-month KPM rolling average, which is 98%, above the 95% benchmark. She

then reported that all of the Executive Director (ED) KPMs were achieved in February and March and provided an update on her monthly calls to members, employers, and retirees, commenting on the continued positive feedback she receives. She reported that the ETeam continues its work on the annual Five-Year Strategic Plan and provided an update on current progress. She concluded by noting staff expects to bring the Plan to the Board for action at its June meeting.

Director of Information Technology (IT) John Laferriere presented the IT operating report, noting that IT continues to conduct monthly phishing tests and completed the deployment of the System's web application protection services for all internet-facing web applications. He reported that IT has met its eight KPMs and introduced 86 changes into the production environment over the last two months, 64 of which were PGM3 changes. Phase I of the document management system project has been completed. Mr. Laferriere concluded by providing updates on ongoing projects including the laptop refresh, the complete shutdown of the colocation backup center, and finalization of the cloud migration plan.

Mr. Leveque presented his Investment operating report, noting Trustee Provost's earlier report on the February IIC meeting and his earlier report on the plan's performance highlights for February. January's performance was emailed to Trustees, along with a summary of the macroeconomic environment. Seven of the ten KPMs were achieved and three were not applicable. Mr. Leveque concluded his presentation by highlighting the Investment Team's achievements, including their collaboration with a third-party consultant to review the draft Investment Office Strategic Plan developed by the team.

Director of Member Services Nancy Miller updated the Board on the latest activity in her department. The retirement application filing window for July 1 opened April 2, and 550 – 700 teachers are expected to file before the June 1 deadline. The issuance of the \$500 TSA (temporary supplemental allowance) to all qualifying retirees and beneficiaries is another focus of the department. Ms. Miller closed with a summary of upcoming plans and projects and noted the progress continues on action plan items.

Director of Finance Marie Mullen gave her Finance report, beginning with status updates on PGM3 deliverables, highlighting several significant developments and priority issues. These included a review of position descriptions and needs due to the PGM3 implementation and audits, resulting in the establishment of a Financial Analyst position and restructuring of the Employer Reporting Specialist positions. Ms. Mullen discussed focusing on improved customer service for employers, resolving software issues, and planned enhancements. She reviewed current month highlights, KPM statuses for the past two months, and the System's below budget spending for the first eight months of FY 24. Her report concluded with upcoming plans and projects and progress on action items.

Director of Human Resources (HR) Rosamond Cain opened her report with updates on recruiting and current projects. Efforts are underway to update position descriptions to better meet department needs. Additionally, the ETeam is leading a communication project. HR has obtained results from the Employee Engagement Survey, and plans for the first all-staff training since the pandemic are scheduled for April 15 and 17. She concluded by reporting that all action plan items are either completed or in process.

At this juncture, a Trustee suggested that space options be on the June 2024 Board meeting agenda. Trustee Maloney then excused himself from the meeting and was subsequently absent for the remainder of the session.

Deputy Director and Chief Legal Counsel Timothy Crutchfield gave his Legal report, beginning with the significant development with the filing of briefs with the NH Supreme Court in the Keene School District compensation matter and the anticipation of a possible oral argument. He reviewed the achievement of seven out of eight KPMs for the last two months, and the possibility of revising the eighth KPM regarding the number of completed employer audits on a 12-month rolling basis, as it is, and will remain, unattainable, in the current V3 transition. Mr. Crutchfield concluded his report with upcoming plans and projects and progress on action items.

Mr. Karlon provided his report on Legislative Affairs and Communications, noting his department's work on educational materials and seminars. Due to the transition to PGV3, the Communications team has been heavily involved in the development of employer training materials and programs. This trend will continue into FY 25 with the introduction of the new version of MyAccount. Mr. Karlon closed by noting the upcoming projects such as the legislative implementations from last year.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the February 13, 2024, Board meeting, commenting that all five items have been completed.

During the Board Checkpoint Discussion, Chair Kelliher announced she will be on the PPCC Committee. She also informed the Board that she is in the process of reviewing Committee appointments to fill remaining openings and expects to finalize appointments as soon as possible but that is impacted by the open Trustee position.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Henry, the Board voted unanimously to adjourn the meeting at 11:40 a.m.

Respectfully submitted,

Mariel Holdrege,
Executive Assistant