

NHRS Board of Trustees

Minutes – August 9, 2022

Note: These minutes from the August 9, 2022, Public Session were approved and executed at the September 13, 2022, Board of Trustees meeting.

Board of Trustees

August 9, 2022

Public Minutes

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

Participating: *Trustees Tim Lesko, Chair; Scott Christensen, Maureen Kelliher, Robert Maloney*, Andrew Martineau, Germano Martins, Ken Merrifield, Scott Myers, and Don Roy.*

Absent: *Trustees Christopher Coates, Sue Hannan, and Monica Mezzapelle.*

**This Trustee participated remotely as permitted under RSA 91-A:2. As a result, all votes, in which that trustee participated, were by roll call.*

Staff: *Jan Goodwin, Executive Director; Mark F. Cavanaugh, Esq., Interim Chief Legal Counsel; Larry Johansen, Director of Investments; Frank Clough, Director of Information Technology; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst; Chris Murphy, IT System Administrator; and Christine Rice, Administrative Assistant.*

Guest: *Joshua Quigley, New Hampshire State Police Trooper*

Chair Lesko called the August 9, 2022, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the July 12, 2022, Board meeting. On a motion by Trustee Myers, seconded by Trustee Christensen, the Board voted to approve the July 12, 2022, meeting minutes, and the non-public meeting minutes, as amended, with Trustees Martineau and Roy abstaining. Trustee Maloney joined the meeting remotely after the vote.

On behalf of Trustee Mezzapelle, Chair Lesko opened the meeting with the report of the Audit Committee, which did not meet this morning, but noted it would meet next month immediately prior to the September Board meeting.

Trustee Roy gave the Governance Committee report, noting it had not met since the June Board meeting, but would meet next month to review the Governance Committee Charter among other matters.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC,

Committee), which met on July 22. She informed the Committee of the resignation of IIC member Scott Hammond. Director of Investments Larry Johansen proceeded to update the Committee on investment returns, asset allocation, and liquidity; and, noted that the final numbers for FY 22 would not be available until the private market valuations are finalized. Trustee Kelliher next noted that the IIC had voted to approve the Staff's recommendation to contract with BNY Mellon for its document management service, and that the Committee had gone into non-public session to interview the final candidates for the Director of Investments position. Trustee Kelliher also commented on the preliminary numbers for FY 22, the positive July market performance, the current economic outlook, and the expectations going forward. Lastly, Mr. Johansen updated the Board on the preliminary Total Fund Performance through June 30, 2022, and affirmed that there is ample cash flow to cover August and September expenses.

Trustee Myers delivered the Legislative Committee report. He reported that the Committee met on July 27, during which it reviewed its charter, with no recommended changes, and consulted with staff on the implementation of the legislation passed this year that effects NHRS, particularly SB 363, regarding non-qualified service credit purchases for select, active Group II Tier B members, which went into effect August 6. The Committee also reviewed proposed technical correction amendments to RSA 100-A prepared by staff, which the Committee voted 3-0 to recommend to the Board for its support "in order to better serve the members of the System," pursuant to RSA 100-A:15 VII, (d). Then, Trustee Myers turned to Interim Chief Legal Counsel Mark Cavanaugh for further explanation of the suggested technical corrections. On a motion by Trustee Roy, seconded by Trustee Martineau, the Board, on a roll-call vote, unanimously approved the recommendation of the Legislative Committee to endorse the draft legislation prepared by staff to make technical corrections to RSA 100-A and instruct staff to pursue this matter with the Legislature.

On behalf of Trustee Coates, Interim Chief Legal Counsel Cavanaugh presented the Benefits Committee report, noting the Committee had not met since the last Board meeting, but would meet at the next Board meeting in September to review the Committee's charter and other pertinent matters that may arise.

On behalf of Committee Chairperson Hannan, staff liaison for the Committee, Rosamond Cain, Director of Human Resources, gave the report of the PPCC, which met on July 26. Ms. Cain proceeded to update the Board on the recruitment for the Director of Finance and Controller, noting that the new Director will begin September 19 and staff is reviewing applications for the Controller position. In closing, she noted the Committee will meet on Thursday, August 11, 2022.

Chair Lesko then turned to Ms. Goodwin to commence the operating reports. She opened her Executive Report with the KPMs, which came in at 96.39% this month, measurably above the 95% benchmark. She noted that there were three KPMs missed agencywide, including one in Internal Audit relevant to the presentation of a completed audit every two months to the Audit Committee for consideration. It was explained that this was due to the demands of the GASB audit reports.

Ms. Goodwin then gave a status report on the PGV3 project, which is 60% complete. She mentioned user acceptance testing for D5 begins the week of August 29, with LRS on site; however, with a recent increase in COVID cases among staff, management is monitoring the probability of in-person training.

Ms. Goodwin informed the Board that EFL, the Executive Search Firm hired to recruit for the Director of Investments, has made an offer to a candidate whom she, Rosamond Cain, and Trustee Kelliher would meet with later today. She mentioned the continued success of the Contact Center, acknowledging the experienced staff who are training the newly hired Contact Center Representatives, and managing the high volume of calls this past week, mostly in reference to the recent implementation of SB 363. She gave an overview of the Fiscal Year Satisfaction Survey, which NHRS scored above 90% for customer satisfaction. She proceeded to give an update on the monthly calls she makes to members and noted the quarterly survey. In closing, she mentioned the progress of her action plan. A question arose about the contract with LRS and the PGV3 timeline changes, and Attorney Cavanaugh provided a brief commentary. Ms. Goodwin then informed the Board of a sole-source contract, under the Procurement Policy, for the renewal of Microsoft Dynamics and Max Q software, which Finance uses for many of its processes. She noted the contract is for the same price as last year at \$2,895.07.

Ms. Goodwin next presented a report on behalf of Marty Karlon, Director of Communications and Legislative Affairs, noting that PIO has been collaborating with several departments on a variety of initiatives, including legislative implementation, the employer rollout for PGV3 and with live video presentations for employer training on filling out term forms. Staff worked with Legal to prepare proposed Legislation for 2023, and with IT and the Contact Center on providing a how-to message for members to send attachments without the use of the info@ email. Lastly, she reported that PIO met all seven of its KPMs this month.

Director of Member Services Nancy Miller provided her report noting the 700-plus July retirement applicants, which her department will focus on finalizing over the next few months. She updated the Board on the Employer Reporting webinars that staff has put together with PIO. Ms. Miller noted the internal recruitment to fill the vacant Benefit Specialist position. She announced Member Services met all 21 of its KPMs this month. Member Services continues to simultaneously do its daily work while committed to its role in the PGV3 project, with the upcoming UAT on D5 later this month, along with beginning design documents for D6. She also mentioned her team has been largely focused on the implementation of the newly enacted legislation, particularly the new process required to perform the calculation for the non-qualified service purchase for certain Group 2 members.

Ms. Goodwin gave the Finance operating report, beginning with the draft Statutory Administrative Budget for FY 24 and FY 25. She worked with Interim Director of Finance Heather Fritzky, all NHRS directors, and some staff to prepare a realistic budget for FY 24 and FY 25. She informed the Board that Plante Moran was at NHRS last month and would return in October to perform its year-end audit. Ms. Goodwin then provided the fiscal year net position as of June 30, 2022, of \$10.66 billion, \$469 million less than in June 2021. Ms. Goodwin stated cash flows for the fiscal year and in June were within budget and as expected, and FY 22 spending was below budget in total and within the major categories. She returned to the draft Statutory budget for FY 24 and FY 25, noting she had missed one line item, for temporary positions at \$25,000 each for FY24 and FY 25, adding that it would be on the final draft budget for Board action in September. She mentioned that the line item would not significantly change the dollar amount from one year to the next. She reported there is a 6.8% increase in FY 24 compared to the FY 23 budget, and in FY 25, a 4.8% increase against FY 24. She proceeded to describe the overall draft budget and noted the budget encompasses non-investment staff only and does not include the Investment staff budget, which the Board votes to approve separately.

A robust discussion ensued on the budgeted health insurance, and Ms. Goodwin explained

the projected numbers. Another Trustee inquired about the process of approval for the Statutory Budget, which the Legislature can only approve, without any changes, then it advances to the Governor. Further discussion occurred about budgeting for staff vacancies.

Ms. Cain opened her Human Resources report starting with an update on recruitment, announcing the hiring of a Director of Finance, and that the hiring of a new Director of Investments was anticipated soon. She reported that HR missed one of four of its KPMs this month, explaining the recruitment difficulties in filling the Information Security Administrator position. Lastly, she mentioned HR would be working with Paycor to begin electronic recruiting efforts with a goal to reduce administrative burdens and broaden recruitment opportunities.

Director of IT Frank Clough opened his report with updates on the monthly cyber security-awareness training, the CISA (Cybersecurity and Infrastructure Security Agency) Audit and noted the completion of the IT portion of the annual Plante Moran audit. He mentioned that the AirWatch iPad upgrade for Trustees is near completion and provided a progress update on the Office 365 upgrade and the need to move email into the cloud. Mr. Clough reported that IT is working with Dell on a storage upgrade and completed the project to discontinue the use of the info@ email for members to send attachments. IT continues to recruit for its open position of an Information Security Administrator. He reported that IT missed one of eight KPMs this month because of a battery back-up failure and noted IT replaced the dead battery to remedy the situation. In closing, he reported that IT achieved 100% customer satisfaction in July.

Mr. Cavanaugh provided the Legal report, updating the Board on Gainful Occupation, noting that retiree submissions are ahead of past years and Audit staff will send follow-up letters to members on October 15. On the advice of outside fiduciary counsel, Groom Law Group, NHRS will be resubmitting a request for a ruling from the IRS on the medical subsidy changes passed last summer under HB2. Lastly, Mr. Cavanaugh gave an overview of upcoming plans and projects, including the annual review of Committee charters. He encouraged Trustees to return their feedback to Committee chairs. In closing, he mentioned that he is working with Member Services on the recruitment for Independent Medical Examiners and updated the Board on the Annual Ethics Survey, reminding trustees to submit their responses promptly.

Mr. Johansen provided his operating report on Investments, beginning with KPMs, noting his department met seven of seven applicable KPMs this month. In closing, he reported that his action plan is on or ahead of schedule.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Roy, the Board voted to approve the Consent Agenda, with recusals by Trustee Merrifield on Item 3, and Trustee Martineau on Item 7.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the July 12 Board meeting, noting that everything would be complete at the close of today's meeting.

During the Checkpoint Discussion, Chair Lesko announced that today marked the last Board meeting for Trustee Myers, who served on the Board since 2018 and for most of that time, served as Chair of the Legislative Committee. Chair Lesko commended him on his professionalism and humor, and as a gesture of appreciation presented him with a

commemorative granite paperweight in the shape of the State of New Hampshire. Chair Lesko then mentioned that today also marked Trustee Christensen's last day on the Board and thanked him for his public service, noting that due to time constraints his paperweight was not yet available. Chairman Lesko then yielded the floor to Ms. Goodwin and Mr. Cavanaugh. Ms. Goodwin announced Mr. Johansen's retirement and commended him for his service as the Director of Investments and the work he has done for NHRS over the past 13 years and presented him with the Granite State paperweight. Mr. Cavanaugh then presented Mr. Johansen with a framed gift signed by the trustees, IIC members and staff. Mr. Johansen accepted the gifts and briefly reflected on his time with the Independent Investment Committee, noting he began a year after its fruition, and commended the Committee on its consistent good work. Chair of the IIC, Trustee Kelliher expressed her gratitude for Mr. Johansen, noting his style and grace of leadership.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:33 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant