

NHRS Board of Trustees

Minutes – August 8, 2023

Note: These minutes from the August 8, 2023, Public Session were approved and executed at the September 12, 2023, Board of Trustees meeting.

Board of Trustees

August 8, 2023

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

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

**This Trustee participated remotely; therefore, all votes were by roll call.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Raynald Leveque, Chief Investment Officer; John Laferriere, Director of IT; Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Tracy Knight, Project Manager; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Chair Tim Lesko called the August 8, 2023, regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. and after establishing a quorum, he called for a vote to approve the meeting minutes of the July 11, 2023, Board meeting. On a motion by Trustee Henry, seconded by Trustee Provost, the Board voted to approve the meeting minutes, as amended.

Trustee Mezzapelle gave a report on the Audit Committee, which met earlier this morning. The Committee heard updates from Internal Audit, including the status of items on the Fiscal Year (FY) 24 Audit Plan. She noted the progress of the GASB Census Data Audits, stating the System has reviewed 21 of the 23 employers selected by NHRS' external auditor, Plante Moran. In closing, Trustee Mezzapelle mentioned the Committee reviewed the Audit Policy and its charter, which the Committee expects to finalize next month for the Board's consideration.

Trustee Roy gave an update on the Governance Committee, which had not met since its July meeting. The Committee plans to meet prior to the September Board meeting to review its charter and staff compliance with the Office of Foreign Asset Control (OFAC) Policy, as well as discussing the 2024 schedule for the Board meetings.

Trustee Kelliher reported on the July 11, 2023, Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque provided an update on

investment returns through recent time-periods, referring to Callan's May 31, 2023 report. He gave updates on holdings within the NHRS portfolio, the rebalancing from domestic equities to fixed income, which is within its mandated allocation range. Mr. Leveque also gave updates to the IIC on liquidity and Russian holdings. He presented the second quarter, or Q2, of the FY 24 Work Plan, noting staff continues to work on the total plan analysis, including a strategic asset allocation update. The Committee voted to approve Q2 of the FY 24 Work Plan. Trustee Kelliher reported the Committee then heard macroeconomic presentations from two of the System's investment managers, JP Morgan and BlackRock.

Mr. Leveque reported on the preliminary performance for NHRS as of June 30, 2023, noting the Total Fund net return for the fiscal year-to-date (FYTD) period was 7.98%, 48 basis points above the policy benchmark of 7.50%. He remarked on the importance of looking at the long-term performance, noting the returns at the 10-year period are at 7.85%, above the actuarial rate of return of 6.75%. He commented on total plan performance for three- and five-year periods. He reviewed the FYTD performance for the asset classes, noting the recovery of non-U.S. equity assets and the positive returns for fixed income and cash. It was noted that these preliminary numbers do not include updated Q2 valuations for real estate, private equity, and private credit investments, and the final, audited FY 23 returns won't be available until the fall. The total Plan assets stood at \$11.39 billion.

Trustee Merrifield gave an update on the Legislative Committee, which met August 4. The committee heard from Marty Karlon, Director of Communications and Legislative Affairs, who gave an overview of the implementation of five NHRS-related bills that became law. The Committee reviewed its charter and voted to make minor changes and expects to present it to the Board for approval next month. Trustee Merrifield referred to House Bill (HB) 2 and the Retirement Benefits Commission (Commission) that developed from it. He reported the Commission met last week and appointed a chairperson but because the chosen chair was not in attendance, the Commission concluded its meeting and is scheduled to meet August 17. In closing, Trustee Merrifield noted the filing period for FY 24 legislation begins next month.

Trustee Martins reported the Benefits Committee met July 18, and approved its May 8 meeting minutes during its public session prior to entering into a non-meeting under RSA 91-A to consult with legal counsel on a recoupment matter. The Committee plans to meet before the September Board meeting to review its charter and the Independent Medical Examiner (IME) Policy.

Trustee Hannan reported on the PPCC, which met on August 7, with only Trustees to discuss compensation for the Executive Director and at approximately 10:45 a.m., Trustee Hannan requested the Board go into a non-public session.

On a motion by Trustee Frederick, seconded by Trustee Mezzapelle, the Board voted unanimously to enter into a non-public session to discuss a personnel matter, under RSA 91-A:3, II(c).

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to return to the public session of the Board meeting at approximately 11 a.m.

On a motion by Trustee Hannan, seconded by Trustee Provost, the Board voted unanimously to approve the recommendation of the PPCC regarding the Executive Director's

compensation.

Next, Chair Lesko turned to Executive Director Goodwin for her operating report. She began by noting the KPMs were at 97.44% for the month. She provided a PGMV3 status update, noting testing on Deliverable 7 (My Account-Member Direct) is going smoothly. Ms. Goodwin commented on mock parallel, which began this week, with Finance and Member Services testing a broad range of the PGMV3 programming. LRS will be on site next week to assist with the mock parallel. She mentioned that she and Deputy Director and Chief Legal Counsel Tim Crutchfield have been working to obtain XML test files from employers to assist Finance in preparation for the testing.

Ms. Goodwin gave an update on PBI Research Services (PBI) and its recent data incident, which involved a vulnerability in its data transfer application, MOVEit, but the incident did not compromise NHRS' system or network. PBI recently notified the NHRS retirees and beneficiaries in a letter of the potential effect of the incident and NHRS provided information on its website.

Ms. Goodwin next referred to the 12-month KPM average, noting it is above the 95% benchmark. She commented on the Contact Center's continued success of answering calls with less than a 5% abandoned rate. She reported on her monthly phone surveys on NHRS' customer service to members, retirees, employers, and beneficiaries, noting that any negative feedback she receives is mostly out of NHRS's control and has to do with health insurance issues, which is handled through the State's Department of Administrative Services, and the length of time for processing refunds, for which NHRS relies on employers' contribution reporting to calculate the total refund. Ms. Goodwin commented on the annual phone survey results and the summary of the FY 23 results, which have been positive and consistent with other time-periods.

Ms. Goodwin then presented three contracts from IT for Board action. The first is for a three-year agreement with Green Pages for outsourcing and security monitoring and remediation services for an annual cost of \$126,818.52. The outsourcing would replace the need for a full-time in-house Information System Security Officer, which has been a difficult position for NHRS to fill and retain. The second is for a two-year contract with LexisNexis, a current provider, as part of PGMV3 to authenticate members for use of MyAccount for an estimated total of \$210,000.00. The third contract is a three-year contract for a cloud-based phone service through Fusion Connect for an annual cost of \$33,169.32. She noted the cost-effectiveness of the third contract, mentioning that NHRS would no longer need the \$15,000 contract for services at its disaster recovery co-location. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted unanimously to accept the recommendation of the Executive Director that the Board approve the procurement of goods and services as presented in the Board materials, subject to contract and legal review.

Ms. Goodwin concluded her report by informing the Board of her approval of two additional contracts within the Executive Director's authority under the Procurement Policy. The first contract, which she approved for \$7,194, is with MOVEit, for secure data transmission on behalf of NHRS. The second is an amendment to the copier contract, which added a color copier, for a five-year total of \$15,000, or \$3,000 annually. Lastly, she noted her action plan is progressing, and on behalf of Director of Finance Marie Mullen, she presented the monthly Dashboard.

Mr. Karlson provided an update on the three items his team has been focused on: the PGMV3 Data Reporting System (DRS) training for employers, the Retirement Benefits Commission,

and implementation of 2023 legislative changes. He reported on the status of the DRS training, noting PIO held about six sessions with the assistance of NHRS Employer Reporting Manager Joy Tardif. He noted the positive feedback received through the surveys and the implementation of some of the suggestions from the sessions. A Trustee inquired about the legislation relative to investment reporting, which will require NHRS to report quarterly to the Legislative Budget Administration (LBA) that the System is investing in the best interest of its members and beneficiaries. Mr. Karlon reported that the law goes into effect August 29, and NHRS will prepare a letter to the LBA for submission October 1.

John Laferriere, Director of IT, reported on cyber security awareness, noting IT continues to work with Green Pages on phishing tests and conducted a security review that resulted in no issues. He mentioned IT scored 100% on customer satisfaction and met all eight of its KPMs. He gave an update on several projects, noting the internet connectivity project is complete, along with the proof-of-concept of the new phone system. He reported that NHRS received its new generator, which was installed and tested last week. In closing, Mr. Laferriere gave an overview of upcoming projects and referred to his action plan.

On behalf of Director of Human Resources (HR) Rosamond Cain, Ms. Goodwin presented the HR operating report, noting there are two current staff openings, and the new Imaging Specialist begins August 21. She reported that the NHRS XML test file is nearly complete for PGV3 and provided some insight on upcoming plans and projects, including all staff training planned for CY 24 and lastly, noted her action plan.

Mr. Leveque gave a brief update on the Investment team, reporting on six of the 10 KPMs his department achieved, adding that two were missed and two were not applicable this month. He mentioned the vacant position for an Investment Officer and that he is working with HR to fill the position. He provided an overview of the August IIC meeting, which will occur immediately after today's Board meeting, and in closing, referred to his action plan.

Mr. Crutchfield presented his legal report, beginning with the annual Ethics Survey, requesting the Trustees to complete and return it as soon as possible. He commended Communications Specialist Christine McKenney and Mr. Karlon on improving the process by issuing it through Survey Monkey, which has received positive feedback from service providers and managers on the new process. He provided a status update on the Private Letter Ruling request that was filed in June, noting the IRS had additional questions on the medical subsidy process. NHRS worked on responses with Groom Law and they were submitted last week to the IRS. He reported on KPMs, noting his department met all seven. Lastly, he gave an overview of upcoming plans and projects, including suggested revisions to all committee charters to reflect RSA 100-A compliance.

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 Trustee Frederick abstaining from Item 2, and Trustee Hannan abstaining from Item 7.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the July 11, 2023, Board meeting, noting everything except Item 1 is completed. She provided an update on Item 1, stating Finance has completed reconciliations for the Town of Hudson but is waiting for funds from the Town before it can certify its contributions to the State Treasurer. She expects Item 1 will be complete by next month's Board meeting.

During the Board checkpoint, Chair Lesko discussed the possibility to change the Board of Trustees meeting schedule to something less than monthly. A robust discussion ensued on several timely and budgetary items that could possibly be delegated to subcommittees. Ms. Goodwin suggested the discussion continue with the Governance Committee and mentioned all Trustees can attend the Governance Committee meeting to be heard. Mr. Crutchfield commented on staff's current review of the Procurement Policy relative to the current spending thresholds under the Executive Director's discretion that have not been revised since 2008.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to adjourn the meeting at 11:42 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist