

NHRS Board of Trustees

Minutes – December 14, 2021

**Note:** These minutes from the December 14, 2021 Public Session were approved and executed at the January 11, 2022 Board of Trustees' meeting.

**Board of Trustees  
December 14, 2021**

**Public Minutes**

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

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

*\*These Trustees participated remotely because of meeting conflicts, as permitted under RSA 91-A:2. As a result, all votes were by roll call.*

*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; Diana Crichton, Esq., Hearings Examiner; Mark Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Ann Stetson, Senior IT Business Analyst; David Hill, IT Support Specialist; and Christine Rice, Administrative Assistant.*

Chair Lesko called the December 14, 2021 regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and the Chair called for a vote to approve the public minutes of the Board meeting on November 9, 2021. On a motion by Trustee Myers, seconded by Trustee Hannan, the Board voted to approve the minutes, as presented.

Next, Trustee Mezzapelle presented the Audit Committee report, noting the Committee met this morning prior to the Board meeting. She reported that Plante Moran presented the FY21 Audit, and stated it had not found any significant issues during the audit, and that it would issue a clean audit opinion. The auditors went over the required communications and reported to the Committee that there were no concerns. She stated that the Committee then went into non-public session, under RSA 91-A:3 II(c), with the auditors present. The Committee returned to its public session, during which it approved and accepted the FY21 Annual Comprehensive Financial Report (ACFR). Trustee

Mezzapelle then turned to Director of Finance Gerard Murphy, who presented the FY21 ACFR to the Board. Prior to presenting, Mr. Murphy noted the final audit opinion letter from Plante Moran would become available in the coming week.

Mr. Murphy then opened the ACFR presentation with an explanation of the recent name change to the report, noting that the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB) had recommended the change. He proceeded to give an overview of the ACFR, beginning with its structure, which follows set guidelines determined by the GFOA. He noted the report not only serves as an accounting document, but also provides a financial picture of the Plan as a whole during a particular time. Mr. Murphy then gave a thorough account of each section of the June 30, 2021 report, highlighting the year's investment return of 29.4%, a significant increase from last year, which was 1.1%; the net position held for benefits increased to \$11.574 billion, up from last year at \$9.134 billion. He then mentioned that the actuarial funded ratio for the pension plan was at 64.2%, up from 61% last year, while the funded ratio for the Other Post-Employment Benefits (OPEB) plan, i.e. the Medical Subsidy, was at 7.2%, up 5.8% from the previous year. He noted that there are two different funding measurements for these plans in the report: the actuarial funded ratio and the GASB funded ratio – which in FY21 was at 72.2% for the pension, 11.1% for OPEB – and explained how each funded ratio is calculated.

He then provided a brief description of each major section within the report: Introductory, Financial, Investment, Actuarial, and Statistical. He also brought the Board's attention to a slight change to the financial section of the report relating to the reporting of the alternative and real estate investment managers' fees in order to provide a more distinct and transparent look at such fees. During Mr. Murphy's description of the actuarial section of the report, he intermittently answered questions from Trustees. In closing, he provided an overview of the statistical section of the Plan.

Trustee Mezzapelle then requested, on behalf of the Audit Committee, that the Board accept and approve the FY21 ACFR. On a motion by Trustee Maloney, seconded by Trustee Hart, the Board voted unanimously to approve the recommendation of the Audit Committee to approve and accept the Annual Comprehensive Financial Report for Fiscal Year 2021, contingent on receipt of an unqualified opinion letter from Plante Moran.

Trustee Mezzapelle concluded her report with a status update on internal audit activities, as well as items on the Internal Audit Tracker.

Following Trustee Mezzapelle, Trustee Roy gave the report of the Governance Committee, which had not met since the November Board meeting. He said the Committee would meet to review the annual update to the Governance Manual and the renewal of the fiduciary insurance policy at its next meeting, before the January Board meeting.

Next, Trustee Kelliher gave the report of the Independent Investment Committee (IIC, Committee), which met on November 19, 2021, sharing that Director of Investments Larry Johansen introduced newly appointed IIC member Scott Hammond, who would officially begin his service in December. She stated Mr. Johansen then updated the Committee on investment returns through recent time-periods; gave a review of the Work Plan, and noted several initiatives, including the complete liquidation of the SB&H international small cap equity strategy, and funding about \$144 million, during November and December, in the Wellington International small cap equity strategy. Trustee Kelliher reported that the Committee approved its 2022 IIC meeting schedule,

followed by a presentation from private debt manager Atalaya. She reported that the Committee voted unanimously to commit \$50 million to Atalaya's Special Opportunities Fund VIII, subject to contract and legal review. In closing, she reported the Committee discussed, and unanimously approved, the FY21 Comprehensive Annual Investment Report (CAIR), and the recommendation for Board approval of it at the December Board meeting.

Trustee Kelliher then turned to Mr. Johansen who updated the Board on the total fund performance through October 31, 2021, stating that NHRS is up 13.1% at three years, 11.4% at five years, and 10% at 10 years. Next, he reported that asset allocations were close to target and well within range, noting cash was at \$145 million. Mr. Johansen then provided an overview of the agenda for the upcoming December 17, 2021 IIC meeting. He concluded his report, commenting on the CAIR and recommending it for Board approval.

On a motion by Trustee Hart, seconded by Trustee Christensen, the Board voted unanimously to approve and accept the Comprehensive Annual Investment Report for Fiscal Year 2021, as prepared and approved by the Independent Investment Committee.

Trustee Myers provided the Legislative Committee update, noting that the Committee had not met since its last meeting, and would meet following today's Board meeting. He brought the Board's attention to the list of Legislative Service Requests (LSRs), noting that two NHRS-related titles on the list have more detail, including a bill that proposes an increase in the number of hours an NHRS retiree could work for a participating employer in a calendar year. At present, an NHRS retiree who collects a benefit can work an average of 26 hours per week in a year, and the bill would propose to increase that to an average of 32 hours per week. The other LSR, which Trustee Myers mentioned NHRS had sought, proposes incurring penalties for employers who are in noncompliance with the System's reporting requirements. Trustee Myers continued to give an overview of several other LSRs concerning NHRS, including HB 1417 that proposes that the state contribute 7.5% on behalf of political subdivision employers, and HB 1535, which involves cost of living adjustments (COLAs).

Next, Trustee Coates gave a brief report of the Benefits Committee, which had not met since November's Board meeting, noting it plans to meet in January to discuss two Gainful Occupation cases.

Trustee Hart then gave the PPCC report, noting the Committee had not met since its meeting on November 4, 2021.

Following Trustee Hart's brief PPCC report, Chair Lesko introduced Nina Calkins, Contact Center and Administration Manager, who gave a presentation on the Contact Center in commemoration of its one-year anniversary on December 7, 2021. Ms. Calkins described what the Contact Center does and gave a short introduction of each of the staff who make up the team in the Contact Center, several of whom had worked in other departments within NHRS and who all assist members via phone and email, concerning a variety of requests about retirement benefits. She informed the Board of the Center's overall metrics in the past year, noting the Contact Center Representatives (CCRs) answered 32,862 phone calls and handled 30,797 of them, and transferred only 2,065, or 6% of the calls, to Subject Matter Experts (SMEs). She noted that the Contact Center has a KPM to transfer no more than 10% of the calls to SMEs.

Next, she mentioned the Contact Center's process improvements over the year, in

collaboration with other departments, such as developing a lunch-and-learn, a 30-minute live guide that helps members fill out retirement application paperwork. The Center also worked with Member Services and PIO on informational handouts for members.

Ms. Calkins then noted resources available on the Intranet, which Contact Supervisor Deanna Higgins implemented as a one-stop resource for the CCRs and any staff to refer to for obtaining System answers to FAQs. She mentioned that Ms. Higgins does monthly quality reviews on each of the CCRs by monitoring calls. Next, she gave the Board an overview of upcoming enhancements to Contact Center operations, and introduced Ms. Higgins, who had worked in several departments at NHRS prior to becoming the Contact Center Supervisor. Ms. Higgins informed the Board of some of the recent work that the Contact Center has conducted to support the back office, including processing enrollments and Medical Subsidy forms. In closing, Ms. Calkins gave appreciation to the many collaborators who helped shape the Contact Center.

Following the presentation, Executive Director Jan Goodwin gave her operating report, noting the System has engaged with its consultant, Fusion Cell, on the COVID Transition Plan in an effort to return safely to a 50% daily capacity of staff in the office. She noted this would be a topic of discussion at the upcoming All Staff meeting on Friday, December 17. She then commented on KPMs, noting this month's result of 96.4%, above the 95% benchmark. Ms. Goodwin updated the Board on PGV3, stating that the System was informed earlier in December that the Senior Project Manager at LRS resigned and a replacement had been appointed. She stated NHRS does not expect this change to delay the project's timeline. She then described next steps with PGV3 regarding parallel processing, which would involve staff entering information into both the old and new software systems, noting it is currently scheduled to begin in April 2023. She commented that NHRS would work with LRS to find another time to conduct the parallel processing, because of the extra duty required of staff during the seasonal influx of retirement applications for July.

Ms. Goodwin updated the Board on her Action Plan, noting everything was progressing well. She then brought the Board's attention regarding a contract request from Director of Human Resources Rosamond Cain to hire a new payroll vendor. Ms. Goodwin opened the floor for discussion and there was a brief question-answer session.

On a motion by Trustee Hart, seconded by Trustee Kelliher, the Board voted to accept the recommendation of the Executive Director that the Board approve the procurement of services as presented in the Board materials, subject to contract and legal review.

Mr. Johansen next opened his Investment Operating Report with the KPMs, noting Investments met seven of eight, and explained the reasoning behind the one missed KPM. He noted that all projects in his Action Plan were on schedule, or ahead of it.

Following Investments, Director of Communications and Legislative Affairs Marty Karlon gave his Public Information Office (PIO) and Legislative Report, stating that PIO is updating the NHRS website, handouts, legislative materials, and reports with FY21 data, and also scheduling its 2022 member and employer education events.

He mentioned that PIO would be working with the Contact Center to offer webinars during February school vacation to help teachers with the Group I retirement applications, and also present an overview of the Plan to Group I members. He noted PIO would also offer additional webinars in April, prior to July teacher retirement season. In closing, he reported

that PIO met all of its KPMs.

Next, Ms. Miller, Director of Member Services, gave her report, noting that the JRP data transfer to BPAS, the new third-party administrator, is underway and expected to be complete by the end of this month, as scheduled. She reported on PGM3 and the completion of D3 User Acceptance Testing (UAT). Ms. Miller informed the Board that staff had reviewed vendor candidates for death-audit services and would present its recommendation to the Board in January. She then updated the Board on staffing changes, and closed by commenting on the KPMs, noting that the department missed one that had to do with July 2021 retirement finalizations.

Mr. Murphy next gave his Finance report, opening with the net position, which was at \$11.74 billion as of October 31, 2021, an increase of \$166 million in the first four months of FY22. He then stated that cash flows were as expected and that spending was below budget in the initial four months of FY22. He noted the interim monthly financial statements, and commented on the bank reconciliation KPM, which Finance met this month. He reported that the one KPM missed concerned employer penalty notification.

Mr. Murphy announced that the department filled the Finance Accountant position, and the staff member would begin in that role in January. In closing, he reported that his Action Plan was progressing, and that Finance would be working on the PGM3 employer rollout, putting a process in place for employers and payroll vendors to submit XML files for NHRS staff to test.

Next, Ms. Cain delivered her HR report, and updated the Board on staffing, noting that the System hired a Member Accounts Specialist internally, and mentioned that NHRS promoted 10 staff members this year. She reported HR is in the process of recruiting for a Member Accounts Technician and an Imaging Specialist. She noted HR met all of its monthly KPMs. Lastly, she reported that NHRS has 22 staff members who have been with the System for 10 years or more, and that they received their longevity checks last pay period.

Next, Director of IT Frank Clough presented his report, providing an update on the monthly Security Awareness Training, and mentioned the recent all staff, annual cyber security training. Mr. Clough then gave the statuses on the firewall audit and the vulnerability and penetration audit, which are both in progress, and he expects reports by the end of December. He informed the Board of several projects that are underway, and noted that IT is awaiting a cost estimate for the Airwatch upgrade, which would provide new software features for better management of iPads. He closed his report, stating that IT met all of its KPMs, customer satisfaction was 100%, and that his Action Plan was in process.

Following Mr. Clough, Deputy Director and Chief Legal Counsel Tim Crutchfield gave his Legal operating report, providing an update on the annual fiduciary insurance renewal process, noting that NHRS had just received a quote from its current provider. He explained that for the past six years, the System has been able to maintain its premium at \$123,000 per year, with \$20 million in coverage. He mentioned the quote this year came in at \$144,000 for the same coverage, and that the provider attributed the premium increase to the significant rise in fiduciary claims nationally. Mr. Crutchfield stated the Governance Committee would review the fiduciary insurance information and present its recommendation to the Board in January. Next, he reminded Trustees of the annual requirement to submit their Statement of Financial Interest forms in advance of the due date of January 21, 2022, for filing with the Secretary of State. In closing, Mr. Crutchfield noted that his department met all of its KPMs for the month. Following his report, a few Trustees

made inquiries related to fiduciary insurance, and a brief discussion followed.

Chair Lesko next presented the Consent Agenda, and on a motion by Trustee Maloney, seconded by Trustee Hannan, the Board voted unanimously to accept the Consent Agenda as presented, with Trustee Hart abstaining from Item 3.

There were no travel reports.

Next, Ms. Goodwin gave Trustees an update on Action Items from the November 9, 2021 meeting, noting all items would be complete at the close of today's Board meeting.

Chair Lesko opened the Checkpoint discussion, sharing his holiday wishes to the Board.

With no further business to discuss, on a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted unanimously to adjourn the meeting at 11:28 a.m.

Respectfully submitted,

Christine Rice,  
Administrative Assistant