

NHRS Board of Trustees

Minutes – December 13, 2022

Note: These minutes from the December 13, 2022, Public Session were approved and executed at the January 10, 2023, Board of Trustees meeting.

Board of Trustees

December 13, 2022

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

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

Absent: *Trustees Christopher Coates, and Andrew Martineau.*

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

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Frank Clough, Director of Information Technology; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Diana Crichton, Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst; Matthew Dahl, IT Help Desk Technician, and Christine (Rice) McKenney, Administrative Assistant.*

Guests: *David Levine, Groom Law Group*

Chair Lesko called the December 13, 2022, regular meeting of the NHRS Board of Trustees to order at 10:03 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the November 8, 2022, Board meeting. On a motion by Trustee Mezzapelle, seconded by Trustee Roy, the Board voted unanimously to approve the November 8, 2022, meeting minutes.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting, during which the Committee heard a presentation from the System's external auditor, Plante Moran, on the results of the FY 2022 Audit. She noted there were no significant issues and that Plante Moran would provide an unmodified opinion letter. She reported that the Committee approved and accepted the Annual Comprehensive Financial Report (ACFR). Trustee Mezzapelle turned the floor to

Director of Finance Marie Mullen, who gave the Board a high-level overview of the ACFR. Ms. Mullen first commended her department and all NHRS staff who helped complete this report. She described the structure of the report and the relationship of the Comprehensive Annual Investment Report (CAIR) to the ACFR. On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Audit Committee to approve and accept the Annual Comprehensive Financial Report, including the unmodified opinion letter from Plante Moran for FY 22.

Trustee Mezzapelle closed the Audit Committee report with an update on the Investment Portfolio Reconciliation Audit, noting its completion with no significant issues. Lastly, she gave a status report on internal audit activities and noted the progress of Audit Tracker items.

Trustee Kelliher gave her report on the November 8, 2022, Independent Investment Committee (IIC, Committee) meeting. The Committee heard from Chief Investment Officer Raynald Leveque, who provided an update on investment returns through recent time-periods, referring to Callan's monthly reviews for June 30, 2022, and September 30, 2022. He proceeded to report on cash flows, liquidity, and the status of Russian Assets. Mr. Leveque noted changes to the current Work Plan for the third quarter, and that the IIC voted unanimously to accept the revised FY 23 Work Plan. Mr. Leveque reported that the Committee voted unanimously to approve the 2023 IIC meeting schedule. The Committee then discussed the BlackRock presentation from the October meeting and voted unanimously to extend its contract through December 2024. Mr. Leveque presented a plan to rebalance the non-U.S. equity holdings and the Committee voted unanimously to approve the staff's recommendation to Blackrock's ex-U.S. equity passive vehicle to rebalance the non-U.S. equity holdings in NHRS's portfolio. The Committee also heard from Lazard Asset Management, who manages a non-U.S. equity strategy. Lastly, the IIC reviewed the FY 22 CAIR, which it conditionally voted to approve, subject to the addition of the ACFR.

Trustee Kelliher then turned the floor over to Mr. Leveque who reported on the NHRS performance as of October 31, 2022, noting the total Plan is at \$10.6 billion. He mentioned that the total fund Plan trailed the policy benchmark by 0.87% for the month of October, noting the flat returns from Alternatives due to the quarterly lag. Domestic equity as of October's end was at 8.79%, exceeding the benchmark of 8.20%. Non-U.S. equity posted an excess return of 1.57%, which is attributed to strong stock selection. Fixed income had a -0.82% return, which exceeded the benchmark return of -1.10%. Mr. Leveque commented on the long-term performance of the Total Fund for 3, 5, and 10 years in relation to the policy benchmarks, noting positive returns for all time-periods.

Chair Lesko called for a motion to approve the CAIR, and on a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to approve and accept the Comprehensive Annual Investment Report for Fiscal Year 2022 as prepared and approved by the Independent Investment Committee.

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to approve the 2023 IIC meeting schedule as approved by the IIC.

Trustee Roy provided the report of the Governance Committee, which had not met since its November meeting, but would meet prior to the January 2023 Board meeting to

conduct its annual review of updates to the Governance Manual and the renewal of NHRS's fiduciary insurance coverage, both of which will be brought before the Board in January.

Trustee Merrifield began the Legislative Committee report, stating it had not met since its November meeting, then referred to the Legislative Services Requests (LSRs), noting there are 16 LSRs relative to the System. He noted that the Senate filing period ends December 19 and that Director of Communication and Legislative Affairs Marty Karlon and Ms. Mullen met with the Governor's Office last month to discuss funding for the call firefighter benefit. Trustee Merrifield turned the floor to Mr. Karlon, who updated the Board on leadership positions in the Legislature following the November elections. A brief conversation occurred afterward regarding proposed legislation to dedicate some state surplus funds toward NHRS funding and the call firefighter benefit.

On behalf of Trustee Coates, Tim Crutchfield, Deputy Director, and Chief Legal Counsel, presented the report of the Benefits Committee, stating that it had not met since the November 8, 2022, Board meeting.

Trustee Hannan gave the PPCC report, which met on December 7, 2022, during which Director of Human Resources Rosamond Cain provided a staffing update. Ms. Cain noted the recruitment of two positions is underway: the Controller and the Director of IT. Trustee Hannan also reported that Member Services is building a hybrid job description that could span multiple positions in Member Services, and the Investment Department is creating an administrative assistant position. Lastly, NHRS will conduct an employee engagement survey later this week.

Following her report, Trustee Hannan requested a non-public session. On a motion by Trustee Maloney, seconded by Trustee Frederick, the Board voted unanimously by roll call to enter non-public session under RSA 91-A:3, II(c) to discuss matters which, if discussed in public, would likely adversely affect the reputation of a person other than a member of the public body. On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to conclude the non-public session. No action was taken in the non-public session.

Back in public session, Chair Lesko opened with the operating reports and turned to Executive Director Jan Goodwin to begin. Ms. Goodwin commenced with her gratitude for Finance and other staff who worked on the ACFR, then turned the Board's attention to the monthly Key Performance Measures (KPMs), which came in at 100%. She acknowledged management and staff for helping to achieve this goal, noting the importance of everyone's position at NHRS. Ms. Goodwin proceeded to provide an update on the PGM3 project, and commended Member Services and IT for working on a data conversion item that required extensive work. She mentioned parallel processing, which will begin in less than a year, during which staff will have to do data entry simultaneously into PGM2 and PGM3. Ms. Goodwin praised the Contact Center, noting the Center's timeliness with answering calls and knowledge for helping members. She then provided an update on her monthly calls to members, employers, and retirees, commenting on the continued positive feedback she receives.

She apprised Trustees of two contracts, the first of which she approved under the Board's Procurement Policy, to renew services with Akamai for Content Network Delivery in a Web Application Firewall. The second contract renewal required Board approval and is with SecureWorks, which provides services to detect and respond to malicious online

activity. 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 services as presented in the Board materials, subject to contract and legal review.

Director of Information Technology (IT) Frank Clough provided his operating report, with an update on cybersecurity awareness, noting IT conducted its monthly phishing test, adding that IT gave additional training to staff who failed. He then updated the Board on completed projects, including the Office 365 migration to the cloud, and the Dell Storage upgrade. He gave an overview of existing and upcoming projects and closed his report with his department's achievement of 99% customer satisfaction, and that IT met all its KPMs. Lastly, Mr. Clough noted his action plan is in progress.

Mr. Crutchfield opened his Legal operating report commenting on the value of the Supreme Court's recent opinion on the Lafasciano appeal. He stated that the Court upheld the Board's determination that the retiree could not terminate his ex-spouse's survivorship benefit. He also noted the Court's decision supported NHRS's ability to correct mistakes as far as practicable. Mr. Crutchfield then reported on the status of the Private Letter Ruling request with the IRS concerning the medical subsidy payment process as mandated in HB2 last summer. He stated that attorneys from Groom Law Group had a positive call with IRS representatives on December 9. In closing, Mr. Crutchfield reminded the Board that he will be sending out the annual request for the Trustees to complete an updated Statement of Financial Interests as required by statute.

Mr. Karlon provided his report on Legislative Affairs and PIO, commenting on the call firefighter benefit and the appropriation of the proposed funding from the state. He informed the Board that the proposed legislation also allows NHRS to be compensated for administering the benefit. He noted that, with the Board's passing of the ACFR and CAIR, his department would be working to update the NHRS website, presentations, and informational materials with FY 22 data. He gave an overview of upcoming projects, and lastly noted that PIO met all KPMs, or they were not applicable this month.

Mr. Leveque gave a brief update on Investments and proceeded to give an overview of the agenda for the IIC meeting, which immediately follows today's Board meeting. A short discussion on tax reclamations and class action lawsuits ensued. Mr. Leveque reported that the System reaped \$16.7 million in securities litigation this year and he noted that if any monies for class action lawsuits are owed to NHRS, the System's outside service provider, ISS, and the custodian bank, would submit the claims for NHRS.

Next, Director of Member Services Nancy Miller gave her report, noting the department continues to largely focus on PGV3. She reported on the success of implementing the new W-4P requirements into PGV2, with numbers adjusting correctly. She provided an update on staffing, noting she and HR are working on the recently approved hybrid position in Member Services. Ms. Miller concluded her report, reporting that Member Services met its KPMs for the month and then gave a preview of upcoming projects.

Ms. Mullen provided her Finance report, noting the ongoing work on PGV3, including staff's efforts on the general ledger and the 1099-Rs, and in obtaining test files from various participating employers, software companies, and school districts. She reported the results of the teacher contract survey for LRS to create an alternative for school districts that cannot report contract information in XML files. She provided an update on the GASB 68/75 Audits on the employer proportionate share reports, and the FY 22 Plante Moran opportunities

letter. She noted that Finance met its KPMs this month and that she expects the remaining 59 Employer Audit reconciliations to be completed and presented for certification at the January Board meeting. Staff continues to work on the FY 23 financial statements, which she plans to present the first quarter of FY 23 at next month's Board meeting. She reported that cash flows are in the expected range, and that FY 23 spending for the first four months of the fiscal year is below budget overall.

Ms. Cain gave a brief update on her Human Resources report, noting that there are two openings: the Director of IT, and Controller, both of which the System is actively recruiting. She informed the Board that this coming year NHRS would not provide the benefit allowed under the New Hampshire Paid Family Leave Act but noted that individual staff can opt-in via a payroll deduction. She gave an overview of year-end HR processes, and closed with the KPMs, which HR met all for the month.

Next, the System's longtime, external counsel David Levine, principal of Groom Law Group, provided the Board with a presentation on the importance of exercising their fiduciary duties as Trustees, and elaborating on the core requirements of prudence and loyalty.

Chair Lesko next presented the Consent Agenda, and on a motion by Trustee Maloney, seconded by Trustee Hannan, the Board voted unanimously to approve the Consent Agenda, as presented.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the November 8, 2022, Board meeting, commenting that all items except for one would be completed by the end of today's meeting. The one incomplete item is relative to seeking funding for the call firefighter benefits, which is in progress.

With no further business to discuss, on a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted unanimously to adjourn the meeting at 11:53 a.m.

Respectfully submitted,

Christine McKenney,
Administrative Assistant