

NHRS Board of Trustees
Minutes-February 12, 2019

Note: These minutes from the February 12, 2019 Public Session were approved and executed at the March 12, 2019 regular meeting of the Board of Trustees.

**Board of Trustees
February 12, 2019
Public Minutes**

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

Trustees: Richard Gustafson, Chair; Bill Dwyer, Bill Hart, Maureen Kelliher, Tim Lesko, Bob Maloney, Michael Milligan, Scott Myers, and George Walker. *Telephonically:* Christopher Coates. *Absent:* Trustees Melvin Friese, Sue Hannan, and Don Roy.

Staff: George Lagos, *Executive Director*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Nancy Miller, *Director of Member Services*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Frank Clough, *IT Director*; Mark Cavanaugh, Esq., *Associate Counsel & Compliance Officer*; Diana Crichton, Esq., *Hearings Examiner*; Marty Karlon, *Public Information Officer*; Nancy Cone, *Internal Auditor*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; Deb Tasker, *Member Services Manager*; and Margaret Astles, *Executive Assistant*.

Chair Gustafson called the February 12, 2019 regular meeting of the NHRS Board of Trustees to order at 10:31 a.m. Having established a quorum, Chair Gustafson called for a motion to approve the January 8, 2019 public Board of Trustees meeting minutes.

On a motion by Trustee Dwyer, seconded by Trustee Kelliher, the Board unanimously voted to approve the minutes, as presented.

Trustee Dwyer presented the Audit Committee update, recapping that morning's meeting. He began by noting that the Committee had an opportunity to review Nancy Cone's most recently completed audit of IT's role in documenting new hires to the System, as well as disabling access for employees who have left NHRS. Trustee Dwyer commented that the audit showed that the process is well managed and thorough, with no remediation required and, as a result, this audit will not appear on the Audit Tracker.

Mr. Dwyer noted that this month's Audit Tracker has four items remaining and it is expected that all four will be remediated in March.

The Audit Committee reviewed the 2019 Audit Plan. The next item to be addressed relates to System User Access Rights, and preliminary work on this audit has begun. The Committee also reviewed the status of the Data Security Remediation efforts and Trustee Dwyer reported that 64% of the identified items are complete. It is expected that eight or nine more of the remaining items will be resolved in March.

Trustee Dwyer reported that most of the process enhancement recommendations provided by Plante Moran have been addressed. Lastly, he noted that the Committee has received an update from Gerard Murphy, Director of Finance, on the actuarial audit of GRS by Segal. Segal and GRS have been exchanging information and a draft report from Segal is expected in late April.

Chair Gustafson reporting for Trustee Roy of the Governance Committee noted that the Committee last met on January 8th and discussed the RFI, which was issued to five providers for paperless Board meetings. Legal staff will review the two responses received.

He also noted that the Governance Committee discussed the adoption of a Data Security Policy, as recommended in the Data Risk Assessment Project Plan.

Trustee Kelliher reported that the Independent Investment Committee (IIC) met on January 25th. Investment returns were reviewed, and a work plan was approved for the 4th quarter. The IIC heard from Megan Greene of Manulife on global macroeconomic topics, and NEPC provided a presentation on Capital Market Assumptions. The IIC also reviewed and discussed the structure of the Public Markets portfolio.

Trustee Kelliher noted that after the capital markets bottomed on December 24, 2018, the markets have rebounded and have done exceptionally well. Since the beginning of the calendar year, the S&P 500 is up more than 8%, and international markets are trailing a bit but still in a positive position, with continuing improvement.

Director of Investments Larry Johansen reported that performance for the fiscal year to date was down -4.3% as of 12/31/18, but noted that S&P 500 is presently up over 8%, non-US equity is up over 7%, and Fixed Income is up over 1%. He then reported on positive news regarding the Plan's rankings relative to peers. For the fiscal year to date through 12/31/18, NHRS ranks in the top quartile; and for 1-, 3-, 5- and 10-year time periods, NHRS ranks in the top decile and ahead of 85% of NHRS' peers for 20 and 25 years.

Mr. Johansen reported that the first calendar quarter for the IIC would be very busy because they are working with NEPC on an asset liability study and a liquidity analysis, with the preliminary results being very positive. In March, the IIC will be working with NEPC to provide any suggested changes to the asset allocation targets and ranges. Mr. Johansen noted that he is not expecting any changes at the asset class level, although the IIC may make adjustments below the asset class level.

Trustee Myers provided the Legislative Committee report, highlighting the February 7th Legislative Committee meeting, and noting that Public Information Officer Marty Karlon gave the Committee the latest update on the Legislative Tracker as of February 5th. Trustee Myers commented on several bills relative to NHRS, including HB 110, HB 116, HB 497, HB 616, HB 675, and SB 28.

Mr. Karlon added that the House Executive Departments and Administration Committee scheduled Executive Sessions this week on HB 418, HB 616, HB 629, and HB 675. He reported that the Senate is scheduled to vote on SB 28, the IIC composition bill, on February 14th, and that the House will be voting on HB 110, HB 116, and HB 497 the same day.

Trustee Walker reported on the February 8th Benefits Committee meeting. During public session, the Committee received an update from Attorney Crutchfield on the status of the salary continuance review process. This discussion stemmed from the Scaglione matter that the Board considered in November 2018. Attorney Crutchfield noted that staff was able to create a search of imaged records through Pension Gold for any member for whom a salary continuance form had been submitted, since the law changed effective July 1, 2014. That search identified 1,128 such records. Staff is now auditing the accuracy of those imaged data records to determine possible next steps.

Next, Trustee Walker reported that in non-public session, the Benefits Committee had reviewed two disability re-examination situations and a recoupment matter.

Once back in public session, the Benefits Committee voted unanimously to recommend to the full Board that it waive any further re-examinations for J.M. and M.C.

On a motion by Trustee Walker, seconded by Trustee Hart, the Board unanimously voted to enter into non-public session, under RSA 91-A:3, II(c), to discuss both a disability matter, under the Benefits Committee report, and a personnel matter, under review by the PPCC. A roll call vote was taken.

On a motion by Trustee Walker, seconded by Trustee Hart, the Board unanimously voted to conclude the non-public session.

No action was taken during the non-public session.

On a motion by Trustee Walker, seconded by Trustee Hart, the Board unanimously voted to accept the Benefits Committee's recommendation to waive any further re-examinations for J.M. and M.C.

Trustee Hart reported on the PPCC meeting held February 5th, noting that the primary discussion regarded the Executive Director's annual performance evaluation. In addition, the PPCC received an update on PGV3 staffing.

Executive Director Lagos gave his Executive Report, noting that staff scored 95.50% on key performance measures this past month. He also noted that staff and the Board are about to develop the 3-year rolling strategic plan for Fiscal Year 2020 and beyond. At the next Board meeting, he will present the "Preserve, Achieve, and Avoid" exercise, which categorizes actions or activities that NHRS wishes to continue; those it wishes to achieve; and those that NHRS wishes to avoid.

Executive Director Lagos then turned the Board's attention to the quarterly report for NHRS' Member Satisfaction Survey Summary and noted that the summary provides a high-level overview of survey results for Member Services. NHRS strives to meet a goal of 95%, and Mr. Lagos added that NHRS staff excels in its personal interactions with members and retirees.

Project Manager Cecile Merrill, reported the PGV3 Project kick-off meeting was held on January 24th in two sessions, so that all staff could attend. LRS and LRWL were on site and multiple LRS representatives presented the different phases of the project for staff.

Ms. Merrill reported that currently, the PGV3 Team is working on project plan documents and that out of seven, five were approved, and two are under review, with the expectation of having those approved by February 15th.

Ms. Merrill reported that the PGV3 team is still in the interview process for the System Business Analyst, with one candidate moving to the next level. The Data Conversion project has one issue remaining. LRS is running a script to fix a portion of the records, and is researching the remaining records to determine the next steps.

Ms. Merrill reported that the first round of the Requirements Definition Process meetings would be scheduled from February 19th to February 22nd, with LRS and LRWL on site.

Lastly, she reported on change management, noting that a PGV3 display board with updated information has been created and is located in a common staff area. In addition, PGV3 updates will be distributed to staff on a weekly basis.

Executive Director Lagos added that the utilization of LRWL, who is NHRS' outsourced and part-time project management partner, is working out very well so far. LRWL is very experienced and has worked with LRS on multiple implementations, which has proven beneficial in the early phases of the project.

Chief Legal Counsel Tim Crutchfield reported further on the possible transition to paperless Board meetings, noting that staff will review the two RFI responses. Legal staff is also in the process of reviewing and scoring the responses for fiduciary, tax and benefit, and legislative counsel.

Director of Finance Gerard Murphy reported that the actuarial peer audit is in full swing, with weekly status update calls from Segal. As of February 11th, the audit is on schedule for a final report expected at the May or June Board meeting.

Mr. Murphy replied to questions regarding how Segal will audit GRS' work. He noted that Segal will take data, provided by NHRS, and re-calculate it since GRS would have calculated it, to ensure that the calculations are sound and the assumptions are reasonable.

Mr. Murphy noted that on January 25th, the System's 1099-R forms were sent to retirees and Finance and Member Services have been busy fielding phone questions on those forms.

Mr. Murphy reviewed this month's financial report, noting that it is the first time that expenses associated with the PGV3 project are shown in the monthly Budget vs Actual analysis.

Director of IT Frank Clough reported that for quite a few years NHRS has been using a product called File Upload, which is how the Board received its electronic meeting materials each month. Recently, IT received word that File Upload has reached its end-of-life and was flagged with a number of vulnerabilities. NHRS is now moving to Citrix Fileshare, which will be deployed later in the week. Instructions on how to use the product will be provided to all Trustees, and staff will be prepared to assist with any issues, which may arise.

A new Information Systems Security Officer (ISSO) has recently been hired. One of the ISSO's first duties will be to remediate the Security Audit findings, which scans all systems within NHRS. The first priority from that audit will be to resolve and remediate all critical findings. Executive Director Lagos noted that he is very pleased with the new hire, noting the importance of directing additional resources to system security issues.

Lastly, Mr. Clough reported on improving email redundancy by having back-up capability at our COLA site, if anything should happen to our email server within the building.

Member Services Director Nancy Miller reported on the remaining July 2018 retirements, noting that out of the 743 retirements to process for that month, only 14 still need to be finalized. The key to this year's improvement for this process is that Member Services had received most of the termination forms from employers in a much more timely manner.

The filing period for July 2019 retirements has begun with Member Services staff filling appointment slots, starting in April.

Concerning PGV3 staffing, Ms. Miller noted that Deb Tasker has been hired as the Member Services Manager and there are ongoing efforts to backfill a benefits coordinator position, prior to the July filing period.

On a motion by Trustee Myers, seconded by Trustee Dwyer, the Board unanimously voted to approve the Consent Agenda, as presented.

Executive Director Lagos reported that the Action Items from the January 8, 2019 meeting are moving along well.

With no further business to discuss, on a motion by Trustee Milligan, seconded by Trustee Hart, the Board unanimously voted to adjourn.

Respectfully submitted,

Margaret M. Astles
Executive Assistant