

NHRS Board of Trustees
Minutes - February 9, 2021

Note: These minutes from the February 9, 2021 Public Session were approved and executed at the March 9, 2021 Board of Trustees meeting.

**Board of Trustees
February 9, 2021**

Public Minutes

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

The NHRS office was closed to the public as a result of COVID-19, and the meeting was held via video conferencing, as authorized under Executive Order 2020-04. Pursuant to RSA 91-A, all votes were by roll call.

Participating: Trustees Tim Lesko, Chair; Melvin Friese, Sue Hannan, Bill Hart, Maureen Kelliher, Robert Maloney, Andrew Martineau, Monica Mezzapelle, Scott Myers, and Donald Roy. *Absent:* Scott Christensen, and Christopher Coates.

Staff: George Lagos, *Executive Director*; Tim Crutchfield, Esq., *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*; Mark Cavanaugh, Esq., *Associate Counsel & Compliance Officer*; Diana Crichton, Esq., *Hearings Examiner*; Nancy Cone, *Internal Auditor*; Cecile Merrill, *Project Manager*; Rosamond Cain, *Human Resources Manager*; Nina Calkins, *Contact Center and Administrative Manager*; and Christine Rice, *Administrative Assistant*.

Chair Lesko called the February 9, 2021 regular meeting of the NHRS Board of Trustees to order at 8:31 a.m. Having established a quorum, Chair Lesko called for a vote to approve the minutes of the January 12, 2021 Board meeting. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted unanimously to approve the minutes, as presented. Trustee Hannan was not present at this time, and joined the meeting at 8:40 a.m.

Trustee Mezzapelle presented the Audit Committee report, noting that the Committee met preceding today's Board meeting. The Committee reviewed the Audit Issues Tracking report, which had seven outstanding items, and the FY2021 Internal Audit Plan. Gerard Murphy, Director of Finance, then provided an overview of the June 30, 2020 GASB 68 & 75 audit reports from Plante Moran. The Committee voted unanimously to recommend the reports for Board approval today.

Trustee Kelliher motioned to accept the Audit Committee's recommendation to accept the June 30, 2020 GASB 68 & 75 reports, as presented, subject to receipt of an

unmodified opinion letter from Plante Moran. Trustee Hart seconded the motion, and the Board voted unanimously to approve the reports.

Trustee Mezzapelle mentioned that NHRS is awaiting feedback from consultants on staff's response on the draft Information Security Risk Reassessment Report.

Lastly, the Committee heard from PGV3 Project Manager Cecile Merrill, who indicated that the project is 35% complete, with Deliverable 3 at 32% complete. NHRS continues to work with LRS on change requests and incorporating them into the design documents, and extending the project plan. There are 14 open data conversion issues, of which four will be resolved in the near future.

Trustee Roy gave the Governance Committee report, noting that it had not met since its December 8, 2020 meeting, and that the Committee would meet next month.

Trustee Kelliher presented the Independent Investment Committee (IIC) report, noting that at the January IIC meeting, Mr. Johansen, Director of Investments, gave a review on investment returns over various time-periods; an update on the effects of the pandemic on asset allocation and cash flow; and discussed the Work Plan for the fourth quarter of FY21, which the Committee approved.

Next, the Committee discussed a letter it received from an NHRS member who requested divestment from fossil fuel, and the Committee asked Mr. Johansen to draft a response, which he has done.

The Committee then heard presentations from Fidelity, a Global, Multi-Sector Fixed Income Manager, and Segall, Bryant & Hamill, a non-U.S. Small-Cap Equity Manager, as part of a two-year contract renewal process. Callan also presented an overview of its capabilities and a review of NHRS's commitment pace for private equity and private debt opportunities in CY21. The Committee unanimously approved the strategic plan on private equity and private debt for CY21.

Mr. Johansen highlighted the smooth transition with Callan, and noted that Callan will present its capital market assumptions at the Committee's February meeting. He then reported on the System's total fund performance of 14.5% fiscal year-to-date through December 31, 2020, a dramatic improvement, in absolute and relative terms, since June 30, 2020. For the quarter performance, NHRS was in the top quartile, and for three, five, seven, and 10 years, it was in the second quartile. As of December 31, 2020, assets were over \$10 billion.

Mr. Myers updated the Board on the Legislative Committee, which had not met since its last meeting on January 11. He informed the Board that the House ED&A Committee held virtual public hearings on most of the FY21 bills, noting that it retained HB 619, which designates police and fire dispatchers under Group II of the benefit plan. He said the ED&A committee also held a public hearing on HB 390, the amortization extension of the System's unfunded liability, which the Board voted to oppose at its January meeting. Next, Mr. Karlton, Director of Communications and Legislative Affairs, gave a summary of the House ED&A hearing on HB 390, reporting that both he and Mr. Lagos spoke in opposition to the bill. He noted that the House ED&A Committee held an executive session on Friday and on an 18-1 vote, voted to recommend HB 390 as inexpedient to legislate.

Deputy Director and Chief Legal Counsel Tim Crutchfield gave the Benefits Committee report, stating it had not met since its last meeting in November 2020 and expects to meet before the March Board meeting.

Trustee Hart reported on the PPCC, which met January 13, 20, and 22, all dedicated toward interviewing candidates who applied for the Executive Director position. The PPCC also met on February 3, during which the Committee reviewed transition matters and the Executive Director interviews, noting that it narrowed down to two final candidates for the Board to interview today. Mr. Hart gave an overview of the protocols on the Board's interviewing process of the candidates.

Prior to the interviews, Mr. Lagos provided his Operating Report, and updated the Board on two contracts that he had approved, one regarding a firewall upgrade and the other regarding an addendum with PowerHouse, the consulting firm that helped develop the Contact Center.

Mr. Lagos shared that Ms. Merrill would continue to provide monthly project updates to the Audit Committee on the PGM3 project. He reported that, as of now, the project is about one-third complete and four to six months beyond the originally scheduled end date, due to adding several out-of-scope requirements. With respect to agenda time constraints, Mr. Lagos noted that the Executive Team's monthly operating reports are included in the Board meeting materials.

Chair Lesko then called for a Board vote to enter into a non-public session for both the Executive Director interviews and the Executive Director Evaluation, under RSA 91-A:3, II(b) and (c), respectively. On a motion by Trustee Maloney, seconded by Trustee Hart, the Board unanimously voted to enter into the non-public session.

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

In public session, the Board unanimously accepted to seal the minutes regarding the Executive Director discussion, under RSA 91-A:3, III, for thirty days.

Mr. Lagos presented his NHRS Retrospective presentation, outlining the System's achievements during his nine years as Executive Director. His observations referenced the Board's action in 2016 and 2020 of adjusting the System's assumed rate of return, improvement in the funded ratio, the commitment to superior service, including the website redesign, the upgrade to PGM3, and the new Contact Center, along with improved outreach to stakeholders and the Legislature.

Mr. Lagos expressed his gratitude to past and present Boards for their engagement, receptiveness, and responsibility for making hard decisions. He thanked the Management Team and staff, and provided a closing statement that it is never one person who gets the job done, "we all have to be rowing together in the same direction."

Chair Lesko asked if anyone had questions or comments. Trustee Hart thanked Mr. Lagos for his terrific leadership and stated he learned more in five years from him, with his calm, thoughtful approach, adding that he was glad he was in charge. Mr. Lagos thanked Trustee Hart.

Chair Lesko noted there would be time for more comments during the Board

Checkpoint Discussion.

He then brought forth the Consent Agenda. On a motion by Trustee Myers, seconded by Trustee Hart, the Board voted to approve the Consent Agenda, as presented, with Trustee Hannan abstaining on Item 9.

There were no travel reports or requests.

Mr. Lagos reported on the January 2021 Action Items, stating they are all on track.

Chair Lesko then called for the Checkpoint Discussion, noting that NHRS had recently received notice of a possible office-space opportunity. Mr. Lagos commented that it merited consideration and suggested reconstituting an ad-hoc Real Estate Committee for Trustees to evaluate the situation further.

Chair Lesko shared that this is Mr. Lagos's last Board meeting, remarking that it has been nine years and one day since his first Board meeting as Executive Director. He proceeded with a brief synopsis of the NHRS landscape a decade before Mr. Lagos took leadership. Mr. Lagos rose to the challenging climate, the same way he did with any challenge that arose over the past nine years, and that was with measured calm, disciplined deliberation, a coherent plan of action, and a compulsion to act in the best interests of NHRS, even if it meant taking a more difficult path. He set a tone and example of leadership that instrumentally shaped NHRS into the organization it is today, of providing secure retirement benefits and superior service.

Chair Lesko thanked Mr. Lagos, on behalf of the Board, the IIC, and staff, for his dedicated service to NHRS and wished him the best in retirement. He opened the floor for comments.

Trustee Kelliher stated it was a privilege to work with Mr. Lagos and to know him, adding that he more than made a difference with his leadership skills, and that he will be missed.

Mr. Lagos expressed gratitude to Ms. Kelliher, thanking her for her service as Independent Investment Committee Chair and for stepping in as Board Chair, as needed.

On behalf of the Board, the IIC, and staff, Mr. Crutchfield presented a granite statue of the State of New Hampshire, embossed with the State emblem and an engraved sentiment to Mr. Lagos for his service.

Mr. Lagos shared that he was fortunate to have had the opportunity to work with such an engaged and effective Board, and thanked the Executive Team and staff for their hard work.

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 11:57 a.m.

Respectfully submitted,

Christine Rice, Administrative Assistant