

NHRS Board of Trustees

Minutes – February 8, 2022

Note: These minutes from the February 8, 2022 Public Session were executed and approved at the March 8, 2022 Board of Trustees’ meeting.

**Board of Trustees
February 8, 2022**

Public Minutes

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

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

**These Trustees participated remotely because of meeting conflicts and weather conditions, 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; Tracy Knight, Project Manager; Ann Stetson, Senior IT Business Analyst; David Hill, IT Support Specialist; and Christine Rice, Administrative Assistant.*

Chair Lesko called the February 8, 2022 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 January 11, 2022 Board meeting. On a motion by Trustee Martins, seconded by Trustee Maloney, the Board voted unanimously to approve the minutes, as amended.

Chair Lesko commenced the meeting with the Committee reports, turning the floor to Trustee Mezzapelle for her report on the Audit Committee, which met prior to today’s Board meeting. She gave an update on internal audit activities, including the recommendation for updated processes during death audits, and conducting a review of the services provided by Lexis Nexis, the new death audit provider. Trustee Mezzapelle noted this would become an additional item on the current Audit Plan. Next, she provided the status of several items on the Internal Audit Tracker.

Trustee Mezzapelle then noted that the Committee heard updates from Finance on the

FY21 GASB 68 & 75 Audit Reports, stating that Plante Moran audited the reports and that the Committee expects an unmodified opinion letter from the auditor. During its meeting, the Committee voted to recommend to the full Board to approve the two reports. She then turned to Director of Finance Gerard Murphy, who gave an overview of GASB 68 & 75, explaining that these reports allocate to participating employers their respective pension and other post-employment benefits (OPEB) liabilities.

On a motion by Trustee Kelliher, seconded by Trustee Hart, the Board voted unanimously to approve the recommendation of the Audit Committee to accept the June 30, 2021 GASB 68 & 75 Reports, as presented, subject to receipt of an unmodified opinion letter from Plante Moran.

Trustee Mezzapelle lastly noted that Mr. Murphy had presented the Committee with the draft FY21 Opportunities Letter from Plante Moran, which outlined recommendations for review. She noted the Audit Committee would receive progress updates regularly.

On behalf of Trustee Roy, Deputy Director and Chief Legal Counsel Tim Crutchfield gave the Governance Committee report, noting it had not met since the January Board meeting, but expects to meet in March for the annual Voluntary Compliance Program Policy review.

Next, Trustee Kelliher gave the report of the Independent Investment Committee (IIC), which met on January 21, 2022, and noted that Director of Investments Larry Johansen updated the IIC on investment returns through recent time-periods, as well as asset allocations and liquidity. He then presented a review of the Work Plan for the fourth quarter of FY22, which the Committee voted to approve.

Trustee Kelliher next gave a synopsis of the presentations on inflation and the impact of rising costs on the System's assets from three investment firms: AllianceBernstein, Neuberger Berman, and BlackRock. She mentioned that the Committee also heard and discussed a presentation from Callan, who gave a detailed account of the Total Fund Performance versus the Benchmarks. Lastly, she commented that in light of Mr. Johansen's scheduled retirement, Executive Director Jan Goodwin talked about future, potential models for the NHRS's Investment Division, and because of the broad scope of the topic, the Committee voted to hold a special public meeting on February 11, 2022.

Trustee Kelliher then turned to Mr. Johansen, who updated the Board on the Total Fund Performance through December 31, 2021, stating that NHRS is up 4.6% Fiscal Year to Date (YTD), 14.8% at three years, 11.3% at five years, and 10.3% at 10 years. Next, he reported that asset allocations were close to target and well within range, with assets, as of December 31st, at \$11.9 billion. He then referenced the System's Proxy Voting Policy, explaining that NHRS's proxy voting agent, Institutional Shareholder Services (ISS), performs an annual review of the Proxy Voting Policy and it did not have any recommended changes to the Policy. He reported that 100% of votes cast during 2021 were in compliance. Lastly, he concluded his report with an outline of the IIC's February regular meeting agenda.

Next, Trustee Myers provided the Legislative Committee update, noting that the Committee had not met since its meeting last month, and then proceeded to update the Board on Legislative activity. He reported on the status of several bills that could be impactful on NHRS as listed in the Legislative Tracker. Trustee Myers then turned to Marty Karlon, Director of Communications and Legislative Affairs, who provided an update on a pending

COLA bill, House Bill 1535, noting that a committee vote on this and possibly other bills is expected today. He then provided further explanation of the wording of the COLA bill and noted that the deadline for committees to act on bills in time for the February 16th and 17th House session is by Thursday of this week. In closing, Trustee Myers brought the Trustees' attention to the 2022 deadlines for the House and Senate in the Board Meeting materials.

Trustee Coates then gave a brief report of the Benefits Committee, which had not met since the last Board meeting.

Next, Trustee Hart gave the PPCC report, noting that the PPCC met last week and reviewed the process of the annual Executive Director Evaluation and explained that Trustees would receive evaluation forms by the end of February to fill out and return to Director of Human Resources Rosamond Cain by March 11th. He informed them that this evaluation process is the initial step in helping to identify objectives for defining the organizational Strategic Plan for FY 2023. Trustee Hart then noted the Committee reviewed and discussed four different proposals from executive search firms in relation to filling the Director of Investments position with Mr. Johansen's upcoming retirement, and chose one to recommend to the Board. Lastly, he noted the Committee went over potential models for the Investment Department, and reminded the Board of the IIC special meeting slated for Friday.

Chair Lesko then turned to Mr. Crutchfield who introduced attorneys Diana Crichton, NHRS Hearings Examiner, and Mark Cavanaugh, Associate Counsel and Compliance Officer, who collaboratively brought to the Board a slide presentation on the Disability Retirement Process. Ms. Crichton began by describing the two different types of disability retirements: Ordinary Disability Retirement (ODR), and Accidental Disability Retirement (ADR). She then gave an overview of the legal standards, covered statistics in relation to the number of disability applications that NHRS receives, the percentage of members applying who are awarded disability retirement, as well as the overall process and timelines associated with disability retirement. Ms. Crichton then turned the presentation over to Mr. Cavanaugh, who explained the compensation portion of ODR and ADR benefits. In closing, he described Gainful Occupation, which limits the total income that disabled retirees who are receiving a benefit can earn, as well as the re-examination process.

Next, Chair Lesko opened the floor to Ms. Goodwin, who gave her operating report. She reported on the KPMs, which came in at 95.29% this month, slightly above the 95% benchmark. She noted there were four missed KPMs, two in Finance, and two in Member Services. Ms. Goodwin indicated that one of the Finance KPMs was relative to employers not providing information in a timely manner, and commented on the proposed legislation that would impose penalties on such untimely employers. She then gave a PGV3 status report, noting the project is 51% complete, and announced that since the project is at the halfway point, a presentation would come before the Board next month, on the financial portion of PGV3 and the expectations for the duration of the project.

Ms. Goodwin next invited the Trustees to notify her if they would like to attend the special IIC meeting on Friday, and she would provide a link to attend virtually.

She noted that the Contact Center continues to achieve its goal of answering calls within two minutes, with a 5% abandon rate. She informed the Board that she had begun making member, retiree, and employer telephone calls again, something the previous

Executive Director had done, but had stopped at the beginning of the pandemic. She mentioned her pleasure to make these calls to receive feedback on the System and its customer service. She presented the quarterly Member Satisfaction Report, noting the positive responses. Lastly, she announced that her action plan is in process.

She then informed the Board of the request to hire EFL, an executive search firm to help recruit a replacement for a Director of Investments, with Mr. Johansen's impending retirement effective September 1, 2022.

On a motion by Trustee Myers, seconded by Trustee Martins, the Board voted unanimously to approve the request of the Executive Director that the Board select EFL to assist in the Director of Investments search. Trustee Maloney reminded the Board that NHRS had used EFL in its search for an Executive Director, and subsequently led to hiring Ms. Goodwin. He reported the PPCC found EFL to be efficient and decided to recommend the firm again.

Next, Member Services Director Nancy Miller presented her report, noting staff's extensive work in PGV3, particularly with D4 designs as they move into user acceptance training and testing. She announced the continued quest to fill two vacancies in Member Accounts, with second and third interviews underway. She then reported that work had begun with the new death audit provider, Lexis Nexis, but noted its delay with the PG file-upload and that Member Services expects Lexis Nexis will have the upload ready this month. Additionally, she mentioned that Lexis Nexis would now also handle nation-wide obituary searches, which NHRS staff used to do manually and only local to New England.

She mentioned the successful transition of the Judicial Retirement Plan to its new provider. Ms. Miller next reported that Member Services achieved 18 of its 20 monthly KPMs, explaining that the two missed KPMs, the first pertaining to July 21st benefit finalizations, and the second to estimates, were both attributable to staff leave-of-absence times. She noted the second missed KPM was also due to new employees handling record reviews, necessary for the estimate process.

Director of Finance Gerard Murphy opened his Finance report, noting the December 31, 2021 net position of \$12.01 billion, an increase of \$440 million in the first six months of FY22. He reported that cash flows for December 2021 were as expected and total spending through the first six months of FY22 was below budget. He stated that all of the main budget categories have positive variances for the first six months of FY22.

He then explained that his department missed two of its 12 applicable KPMs this month, one having to do with banking reconciliation, which his department was unable to meet because of a vacant position that Finance recently filled in January. He added that Finance would be on track to meet that KPM next month. The other missed KPM had to do with employer reconciliation and that was due to outstanding employer documentation. He mentioned by escalating the request for information to help expedite employer responses, Finance anticipates it would meet that KPM next month. In closing, he updated the Board on the progression of the employer reporting rollout project for PGV3, and the employer profile project.

Next Ms. Cain began her Human Resources report with a staffing update to the Board. She then reported on the NHRS COVID transition plan and the weekly updates to staff, noting that NHRS has up to 50% of staff in the office, and that currently 89% of all staff has been vaccinated, and 17% have had the booster. Lastly, Ms. Cain reported that, since

September, there have been no COVID cases attributable to in-office transmission.

Next, Director of IT Frank Clough presented his report, providing an update on the monthly Security Awareness Training for staff, noting there were no failures in January. He then reported on the status of the Firewall Audit, of which there were no findings. He then gave an update on the Vulnerability and Penetration Audit, which resulted in 14 findings, 10 of which IT has addressed, and is working on completing the remaining four. Mr. Clough then informed the Board that the candidate who filled the Network Administrator position would begin work on February 28th. He noted that recruiting is under way for the Information Systems Security Officer (ISSO) position that recently became vacant. Lastly, he announced that IT achieved all of its KPMs and 100% customer satisfaction.

Mr. Crutchfield presented his Legal report, noting the 445 annual Gainful Occupation requests have been mailed and 425 have been processed. Next, he informed the Board that updates to the 19 Statutory Interpretive Memoranda, which staff and external stakeholders use, is underway. He noted the February 15th deadline for employers to report the compensation and hours worked for any part-time NHRS retirees. He also apprised the Board on the status in the matter of the HB2 provision regarding the medical subsidy process for state retirees. In closing, Mr. Crutchfield noted that his action plan is in progress.

Next, Mr. Johansen gave his report on Investments, noting all projects are in process or ahead of schedule.

Mr. Karlon then presented his operating report, providing an update on legislative activity, and the work of his team, focusing on preparing PGV3 employer educational materials with Finance, and scheduling and promoting events. He mentioned a high response rate to upcoming webinars scheduled during February school vacation week. He expects with such interest, staff would offer these webinars again during April vacation.

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

There were no travel reports.

Next, Ms. Goodwin provided an update on Action Items from the January 11, 2022 meeting, noting all items would be complete at the close of today's Board meeting.

Chair Lesko opened the Checkpoint discussion, applauding the Board for its engagement.

With no further business to discuss, on a motion by Trustee Hart, seconded by Trustee Maloney, the Board voted unanimously to adjourn the meeting at 11:39 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant