

NHRS Board of Trustees

Minutes – February 13, 2024

Note: These minutes from the February 13, 2024, Public Session were approved and executed at the April 9, 2024 Board of Trustees meeting.

Board of Trustees February 13, 2024

Public Minutes

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

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

* Participating remotely. Because some Trustees were participating remotely, all votes were by roll call.

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources; Marty Karlon, Director of Communications & Legislative Affairs; John Laferriere, Director of IT; Raynald Leveque, Chief Investment Officer; Nancy Miller, Director of Member Services; Marie Mullen, Director of Finance; Mark Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Greg Richard, Senior Investment Officer; Diana Crichton, Hearings Examiner; Jonathan Diaz, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Mariel Holdredge, Executive Assistant.*

Guest: *Dan Doonan, NIRS Executive Director.*

Chair Maureen Kelliher called the February 13, 2024, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Kelliher called for a vote to approve the minutes of the December 12, 2023, Board meeting. On a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted unanimously to approve the meeting minutes, with Trustee Maloney not present.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting. She stated the Committee heard internal audit updates and management resumed responding to all outstanding audit committee findings, following a postponement due to work on PensionGold Version 3 (PGV3) implementation. Many findings have been addressed and all outstanding items on the Audit Tracker continue to make progress. She reported that an audit of Form ADV and other regulatory disclosures required to be submitted to NHRS were audited with no audit findings. A test of the Business Continuity Plan will be conducted in March. An update on the status of the data security assessment was provided, finding that all issues have been addressed and improvements will continue to be implemented in PGV3. In closing, Trustee Mezzapelle noted that Finance

presented the results of the GASB 68 & 75 audits, which are reports on the schedule of employer allocations of pension amounts by each employer's proportionate share. The external auditors issued unmodified opinions for both reports, which the Committee voted unanimously to recommend the Board accept. On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Audit Committee to accept the June 30, 2023, GASB 68 & 75 Statement Reports as presented. Trustee Maloney was not present for the vote but arrived shortly thereafter.

Trustee Roy provided the report of the Governance Committee, which met on January 9, 2024, with four members participating, and discussed the annual Governance Manual review, and the System's annual fiduciary insurance renewal. He provided a review of the insurance renewal process, concluding that the Committee voted unanimously to renew its current coverage with the incumbent carrier, Hudson Insurance, with the same conditions and at the same premium as last year. The Committee also discussed the annual review of the Governance Manual updates, which the Committee voted unanimously to recommend to the Board. On a motion by Trustee Mezzapelle, seconded by Trustee Henry, the Board voted unanimously to accept the recommendation of the Governance Committee to approve the annual revisions to the Governance Manual, as presented.

Trustee Kelliher gave her report on the January 9, 2024, 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 November 30, 2023, review. He reported on holdings within the NHRS portfolio, and confirmed all asset allocations were in their approved ranges. Mr. Leveque next updated the Committee on total fund liquidity, the System's Russian holdings, and the Work Plan. The Committee unanimously voted to accept the Work Plan. The Committee heard a presentation from Callan regarding the System's Private Market Portfolio. They discussed performance over various periods, and the portfolio's current positioning. Representatives from Townsend, the System's real estate manager, then discussed the program's progress, including the portfolio's adherence to guideline guidance and the goals established at the beginning of calendar year (CY) 23.

Trustee Kelliher turned to Mr. Leveque who reported on the NHRS performance as of December 31, 2023. Mr. Leveque remarked on the long-term performance of the Total Fund for 3, 5, and 10 years, noting it continues to do well relative to the policy benchmark. He provided a calendar year-to-date overview of the System's portfolio performance, highlighting the positive returns in fixed income, real estate, private debt, and private equity. The Plan is currently at \$11.8 billion. A brief discussion ensued on portfolio allocation's impact on meeting targets for reported returns. Regarding the FY 23 proxy voting summary report, Mr. Leveque commented that NHRS had 14,833 proposals and the System aligned with its voting policy 100%, without issues, according to ISS (Institutional Shareholder Services), NHRS's third-party proxy voting service provider. Mr. Leveque mentioned in closing that the System has begun posting its proxy voting summary on the NHRS website under the Investments section, providing increased transparency to stakeholders and beneficiaries.

Trustee Merrifield reported on the Legislative Committee, which met on January 26, 2024, with all members participating virtually. The Committee heard from the Director of Communications and Legislative Affairs Marty Karlon, who gave a high level summary of 2024 legislation, noting those bills relative to the System, including three Environmental, Social and Governance (ESG) bills requiring the Board's direct attention. He provided an overview of House Bill (HB) 1267, HB 1421 and Senate Bill (SB) 520. Following a review of the three bills and a brief discussion of staff's recommendation that the Board take a position

on these proposals, the Committee voted unanimously to recommend to the full Board that a formal opposition be taken to the forementioned bills, regardless of the bills' current status in the Legislature, as they could interfere with the System's fiduciary to act solely in the best interest of the membership at all times.

On a motion by Trustee Henry, seconded by Trustee Quigley, the Board voted to accept the recommendation of the Legislative Committee to formally oppose any bill that could interfere with the Board's fiduciary duty to make all decisions solely in the interests of its members and beneficiaries, as represented in the draft letter in today's materials. The motion passed 11-0, with Trustee Mezzapelle abstaining. Trustee Merrifield then turned the floor over to Marty Karlon who presented a brief overview of the other System-related LSRs and their status in the House and Senate. A robust discussion then ensued over the implications of the bills and possible effects on the System.

Trustee Martins delivered an update of the Benefits Committee, noting it met twice since the December 2023 Board meeting, on January 10, 2024, and February 6, 2024. At its January meeting, the Committee reviewed and approved six disability applications on the Consent Agenda. The Committee also heard from legal staff on a proposed draft RFP for Independent Medical Evaluations (IME) services due to a chronic shortage of individual physicians available to perform IMEs. The Committee voted to meet on the first Tuesday of every month for the remainder of CY 2024. At its February meeting, the Committee reviewed and approved six more disability applications. Staff then provided an update on the proposed RFP and the need for an internal group to discuss its potential impact on certain staff duties. The Committee is scheduled to meet next month on March 5, 2024.

Trustee Hannan gave the PPCC report, which met on February 2, 2024, noting the Committee heard a staffing update from Rosamond Cain, Director of Human Resources (HR), and that HR is currently interviewing for a financial analyst and an employer reporting specialist. The NHRS Employee Handbook has been updated, and the PPCC voted to recommend the Board approve the updated version. On a motion by Trustee Mezzapelle, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the PPCC to approve the proposed revisions to the Employee Handbook. Trustee Hannan also reported that the NHRS has completed the 2023 succession planning process and the PPCC has reviewed and approved the succession plans. Lastly, she noted that the Executive Director Annual Evaluation will be completed electronically later this month. The PPCC will then meet the week of March 18 to review the results of the evaluation and lead a non-public discussion at the April 9 Board meeting.

On a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted unanimously to enter into a non-public session.

On a motion by Trustee Henry, seconded by Trustee Quigley, the Board voted unanimously to conclude the non-public session. No action was taken in the non-public session.

Chair Kelliher turned to Ms. Goodwin who welcomed today's guest presenter, Dan Doonan, the Executive Director of the National Institute on Retirement Security (NIRS). Mr. Doonan provided an update of recent public retirement trends, issues, and legislation around the country, and where NHRS fits in the national landscape. There was discussion at the end of the presentation about retention trends on a national scale when states change their vesting periods from ten years to five.

The Executive Director Jan Goodwin began her operating report by reporting the Key

Performance Measures (KPMs) monthly scores for December and January, both of which were 100%. She noted many KPMs were suspended for these months because of staff's focus on PGV3. She proceeded to provide an update on PGV3, noting the project is 89% completed and is now in the third month of the 12-month warranty period. Ms. Goodwin reviewed the 12-month KPM rolling average, which is 98%, above the 95% benchmark. She reviewed the increased volume of calls through the System's Contact Center and mitigating action taken. She then reported that all of the Executive Director (ED) KPMs were achieved in December and January and provided an update on her monthly calls to members, employers, and retirees, commenting on the continued positive feedback she receives. Ms. Goodwin then provided an update on the contracts she has approved since June, three of which have been approved since the last Board meeting. Ms. Goodwin then discussed the Executive Team's (ETeam) work to develop the rolling three-year strategic plan for FY 25. She noted that this annual exercise has become more pro forma than substantive over the past three years. As a result, the ETeam has initiated an overview of the process and is soliciting quotes from consulting firms to assist in developing a new process in advance of the June Board meeting, when the three-year plan will come before the Board for action.

Mr. Karlon provided his report on Legislative Affairs and communications, noting his department's work on educational materials and seminars. Due to the transition to PGV3, the communications team has been heavily involved in the development of employer training materials and programs. This trend is continuing into the year with the introduction of the new version of MyAccount. Mr. Karlon concluded by stating the importance of the System's reputation through the rollouts of these new products and highlighted the need to remain vigilant, stay in front of potential issues, and be responsive to stakeholders to maintain a good reputation.

Mr. Laferriere presented the IT operating report, noting that IT conducted its monthly phishing tests and subsequently bolstered education as part of cybersecurity awareness. He reported that IT has met its eight KPMs and introduced 166 changes into the production environment over the last two months, 112 of which were PGV3 changes. Mr. Laferriere concluded by providing updates on ongoing projects including the rollout of new laptops, the movement of production backups into the cloud, and the implementation of a new document management system.

Mr. Leveque provided his operating report, noting Chair Kelliher's earlier report on the January IIC meeting and his earlier report on the plan's performance highlights for December. Eight of the ten KPMs were met, the remaining two were not applicable.

Director of Member Services Nancy Miller updated the Board on the latest activity in her department. This included successfully navigating the System's first two months of retiree benefit payroll processing solely in PGV3. Member Services has adjusted some of its KPMs to reflect the areas of expected delay in processing due to system issues and employer reporting challenges. She closed with a summary of upcoming plans and projects and noted the progress on action plan items continues to move forward.

Director of Finance Marie Mullen gave her Finance report, beginning with status updates on Finance PGV3 deliverables. Finance has moved to production in PGV3 and continues to monitor the system, identify enhancements, and work through identified issues. The department's attention continues to be on working with employers to ensure their reporting is submitted and posted, focusing on the employers that are delinquent. Ms. Mullen noted that, similar to other departments, some of Finance's monthly KPMs in December and

January were suspended, and others were without deliverables due to the PGV3 implementation. She shared a major achievement for January: issuing over 45,000 1099-Rs for retirees in the new system. She concluded her report with upcoming plans and projects and progress on action items.

Ms. Cain opened her Human Resources report with updates on recruiting and current projects, including drafting the NHRS Employee Engagement Survey and producing the 2023 W-2s and 1094-C/1095-C forms through ADP, the NHRS payroll provider. The department met all four KPMs for the last two months. Upcoming projects will include updating training manuals and position descriptions to reflect changes due to PGV3. She concluded by reporting that all action plan items are either completed or in process.

Mr. Crutchfield opened his Legal report thanking Trustees for the timely submission of their annual Statements of Financial Interests forms, which NHRS provided to the Secretary of State's Office prior to the January 19 statutory deadline. He reported that the Employer Auditors are winding down their assistance to the Finance Team. Over the past 12 months, the Employer Audit Team has completed 18 standard and 23 GASB audits. There are eight standard audits in process. Legal achieved seven of its eight KPMs in each of the last two months. The one missed was suspended due to the Employer Auditors assisting the Finance Team as noted above. Mr. Crutchfield concluded his report with upcoming plans and projects and progress on action items.

Chair Kelliher next presented the Consent Agenda which included a request to purchase prior service credit and a gainful occupation recommendation to not reduce a retiree's 2024 pension as agreed to by staff. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, 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 December 12, 2023, Board meeting, commenting that four of the five items are expected to be completed by the end of today's meeting and the fifth regarding Change Requests under the LSR contracts is part of a broader review of that contract.

During the Board checkpoint, Chair Kelliher announced that she will be reviewing Committee appointments over the next month in light of openings resulting from Tim Lesko's resignation.

With no further business to discuss, on a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted unanimously to adjourn the meeting at 12:08 p.m.

Respectfully submitted,

Mariel Holdrege,
Executive Assistant