

NHRS Board of Trustees

Minutes – July 12, 2022

Note: These minutes from the July 12, 2022 Public Session were approved and executed at the August 9, 2022 Board of Trustees' meeting.

Board of Trustees

July 12, 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, Germano Martins, Ken Merrifield, Monica Mezzapelle, and Scott Myers.*

Absent: *Trustees Robert Maloney, Andrew Martineau, and Don Roy.*

**This Trustee participated remotely because of meeting conflicts, as permitted under RSA 91-A:2. As a result, all votes, in which that trustee participated, were by roll call.*

Staff: *Jan Goodwin, Executive Director; Mark Cavanaugh, Associate Counsel and Compliance Officer; Larry Johansen, Director of Investments; Heather Fritzky, Interim Director of Finance; Frank Clough, Director of Information Technology; Marty Karlon, Director of Communications & Legislative Affairs; Nancy Miller, Director of Member Services; Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst; Matthew Dahl, IT Help Desk Technician; and Christine Rice, Administrative Assistant.*

Chair Lesko called the July 12, 2022, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the June 14, 2022, Board meeting. On a motion by Trustee Hart, seconded by Trustee Myers, the Board voted to approve the June 14, 2022, meeting minutes, with Trustees Christensen, Hannan and Merrifield abstaining. Trustee Coates joined the meeting remotely after the vote.

Trustee Mezzapelle opened with her report on the Audit Committee, which met immediately prior to today's Board meeting. The Committee discussed the status of internal audit activities and heard updates on the FY23 Audit Plan, including the Pension Recoupment Audit, which is in process with the expectation of its completion following the GASB audits. Trustee Mezzapelle closed her report, noting that internal auditors had completed all of the GASB audits which are now under review with Internal Audit.

On behalf of Trustee Roy, Mark Cavanaugh, Associate Counsel and Compliance Officer,

gave the Governance Committee report, noting it had met immediately following the June 14 Board meeting and discussed the annual renewal of cyber insurance coverage. Mr. Cavanaugh provided a detailed account of the various quotes from insurers, including from NHRS's incumbent carrier, Cross Insurance, whose premium came in slightly increased for the same level of coverage and provided a quote to expand the System's coverage from \$3 million to \$5 million for more protection because of the heightened risk of security breaches nationwide. Attorney Cavanaugh reported that the Committee reviewed five additional quotes, all of which were significantly higher. The Committee recommended approval of the policy from Tokio Marine. On a motion by Trustee Hannan, seconded by Trustee Hart, the Board unanimously voted to approve the recommendation of the Governance Committee to secure the cyber insurance policy from Tokio Marine with a \$5,000,000 coverage limit, a \$25,000 deductible, and a premium cost of \$40,370.85.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC, Committee), which met on June 24, with updates from Director of Investments Larry Johansen on investment returns through recent time-periods, asset allocation, and liquidity. Mr. Johansen also provided the status of NHRS' three Russian holdings, which remain suspended from trading. He then gave an update on the Work Plan, and noted the revised schedule of the 2022 IIC meetings, which would take place in the afternoon immediately following the Board meetings beginning in September. Trustee Kelliher noted the IIC voted to renew the following investment managers' two-year contracts: Artisan Partners (Artisan); Causeway; BlackRock; Boston Trust Walden; Segall Bryant & Hamill; and Wellington. The Committee deferred action on the Neuberger Berman contract renewal.

Trustee Myers delivered the Legislative Committee report, noting the Committee had not met since May. He turned the Board's attention to a letter from the System's actuary, GRS, on HB 1587, regarding the modified calculation for compensation over base paid to Group II members hired before July 1, 2011, and who had not become vested prior to January 1, 2012. Trustee Myers mentioned Director of Communications and Legislative Affairs Marty Karlon and staff would present legislative proposals to the Committee for review prior to the next Board meeting in August. Trustee Myers closed his report with a brief response to an inquiry related to the pre-funding of the actuarial cost of HB 1587, which will be paid to NHRS by the state.

Trustee Coates presented the Benefits Committee report, noting the Committee met on June 29 to review the recommendation of actuarial assumptions, presented by GRS, for calculating the costs of service purchases of certain Group II members as provided under SB 363. The committee voted unanimously to recommend to the full Board that it adopt GRS's recommendation for the actuarial assumptions. Executive Director Goodwin explained that SB 363 requires that a member pay the full actuarial cost of the service being purchased and that GRS recommended conservative assumptions to factor for those costs. She then turned the floor to Heidi Barry of GRS to answer any questions. With no inquiries or further discussion, on a motion by Trustee Hart, seconded by Trustee Mezzapelle, the Board voted to approve the recommendation of the Benefits Committee to adopt the actuarial assumptions for the Group II service purchases, as presented.

Trustee Coates then noted that the Committee held a non-meeting to discuss a disability re-exam with legal counsel, and adjourned upon returning to its public meeting.

Trustee Hart gave the report of the PPCC, which met on June 27 during which Director

of Human Resources Rosamond Cain provided updates on recruitment efforts for various positions in multiple departments, with a focus on the candidates for the Director of Investments and the Director of Finance, with finalists for each position scheduled for interviews next week. At the meeting, Ms. Cain noted ongoing recruiting for three open positions in IT, an Information Security Administrator, IT Systems Support Specialist, and an Imaging Specialist. She reported that the recruitment for the added position in Finance of an Employer Reporting Specialist is under way. Trustee Hart stated the Committee went into non-public to discuss the FY 23 Non-Union Compensation Plan.

At 10:33 a.m., on a motion by Trustee Hannan, seconded by Trustee Hart, the Board voted unanimously to enter into 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 itself.

At 10:43 a.m., on a motion by Trustee Hannan, seconded by Trustee Hart, the Board voted unanimously to conclude the non-public session.

Chair Lesko turned the floor to Ms. Barry, who provided highlights from GRS's detailed presentation to the Board last month. She focused on the 2020 and 2021 investment returns noting they had the biggest impact on the employer contribution rate, adding that the smoothing method that GRS uses helped with the losses in market returns in FY 2020 and subsequently resulted in lower rates for FY 2024 & 2025.

Trustee Myers commented on the effects of the Fiscal Years 2022 and 2023 increase in the employer contribution rates, providing examples from the Lakes Region, and noting the significant dollars that are going back into communities as a result of the rate decreases in FY 24-25. On a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted to accept the Fiscal Year 2021 Valuation Report, as presented. Trustee Christensen abstained. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted to approve and certify the Employer Contribution Rates for Fiscal Years 2024 and 2025 based on the Fiscal Year 2021 GRS Actuarial Valuation Report, as presented. Trustee Christensen abstained.

Mr. Karlon mentioned that PIO would be posting the rates on the NHRS website, and sending out a press release to participating employers following the Board meeting. He commented that when the rates decrease, there is the misconception that they will keep decreasing. He informed the Board that PIO would address that misconception in the FAQs section on the System's website.

Chair Lesko then turned to Ms. Goodwin to commence the operating reports. She opened her Executive Report with the KPMs, which came in this month at 97.6%, and noted that the 12-month rolling average came in at 95.2%. She then gave a status report on the PGV3 project, which is 58% complete, noting continued work on Deliverable 5 (D5) with weekly design review meetings. She referred back to the KPMs, adding that she met all three Executive Director KPMs this month, and that Internal Audit missed one of seven KPMs, which was relative to executing and presenting a planned or unplanned Audit every two months to the Audit Committee. She explained the missed KPM was because of the review of the high volume of GASB reports. Ms. Goodwin noted, including Internal Audit, there were two missed KPMs agency-wide.

She mentioned the continued success of the Contact Center achieving its goals, commenting on its value to the System with helping to answer many queries from

members, and especially aiding them with completing retirement applications. She reviewed her monthly calls to members on NHRS's customer service, adding that those she had contacted provided positive feedback. In closing, Ms. Goodwin turned the Board's attention to her document on her vision for NHRS, which lists nine areas of focus. She gave a brief overview of each item, and in closing, encouraged communication and feedback. A brief discussion followed. She concluded her report with her FY 22 and FY 23 action plans.

Mr. Johansen opened his report on Investments with KPMs, noting his department met six of six applicable KPMs this month. In closing, he reported that his FY 22 Work Plan is on, or ahead, of schedule and any revisions to the FY 23 action plan would occur upon the hiring of his successor.

Mr. Karlson presented his operating report, commenting that his department has been working with Member Services, Legal, LRS, and GRS in preparation of the implementation of the seven bills related to NHRS enacted in 2022. Over the next two months, PIO will be holding a new employer education webinar with Member Services on termination forms, to help employers with finalizing benefits.

Director of Member Services Nancy Miller provided her report beginning with her department's work of entering 750 plus new retirees onto payroll, and the continued simultaneous involvement in PGV3 work on D5. In addition, she noted her department's involvement with addressing the complex changes that would come with the implementation of new legislation. In closing, she noted Member Services would be assisting PIO with employer trainings, and lastly, she updated the Board on recruiting for a Benefits Specialist.

Heather Fritzky, Interim Director of Finance, presented her operating report, and provided the fiscal year net position, as of May 31, 2022, of \$11.116 billion, noting it was \$11.046 billion a year ago. Ms. Fritzky stated cash flows were as expected for the month and for year-to-date. She proceeded to discuss the budget vs. actual, noting spending is below budget in total and within each of the major categories. She reported that Finance met all of its applicable KPMs this month, and closed with upcoming plans, noting Finance would be proposing the draft Statutory Administrative Budget at the August Board meeting, with anticipation of Board approval in September.

On behalf of Ms. Cain, Ms. Goodwin presented the Human Resources report, starting with an update on recruitment of the Director of Investments, announcing there would be third interviews for the position held during a non-public session at next week's IIC meeting. She reported that HR met three of four KPMs, missing the one KPM in reference to recruiting, noting the inability to fill the third Imaging Specialist and Data Security Administrator positions within the set timeframe. In closing, she mentioned the smooth transition of the new payroll provider and reviewed upcoming HR plans.

Director of IT Frank Clough began his report with updates on the monthly cyber security-awareness training, the CISA (Cybersecurity and Infrastructure Security Agency) Audit, as well as the annual Plante Moran Audit, which is under way. He noted the status of the annual Pension Gold Audit, and the completion of the Bitsight Audit, performed as part of the cyber insurance renewal. He noted the AirWatch iPad upgrade for Trustees is in process, and provided a progress update on the Office 365 upgrade and the need to move email into the cloud. IT continues to recruit for its open positions of an Information Security Administrator and an IT System Support Specialist. He reported that IT met all eight of its KPMs and achieved 100% customer satisfaction in June. Lastly, he noted his upcoming

projects, and mentioned his FY 23 action plan is available for review.

On behalf of Tim Crutchfield, Deputy Director and Chief Legal Counsel, Mr. Cavanaugh provided the Legal report, updating the Board on Employer Audit activities, with GASB audits completed and three of six department goals achieved. He noted work continues on processing gainful occupation forms. Mr. Cavanaugh then referred Trustees to the annual report for FY 2021 regarding those working after retirement for participating employers. He noted that for half of the year, NHRS was not counting hours because the Governor's emergency order was still in place. He added there were no penalties to those who worked over the hours allowed during that time-period. He concluded that this past year, there were fewer people working more hours.

He gave an update on disability re-exams. He reported that Legal achieved all eight of its KPMS this month. In closing, he announced that NHRS has received the legal interpretation letter from the Attorney General's (AG) Office on the medical subsidy changes passed last summer under HB2, noting this letter will help the process move forward with the private letter ruling.

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

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the June 14 Board meeting, noting that everything would be complete at the close of today's meeting.

During the Checkpoint Discussion, Chair Lesko announced that today marked Trustee Hart's last Board meeting and commended him on his professionalism, dedication and affable character, noting he was the third longest serving member of the Board of Trustees, with his term beginning in August 2016. As a gesture of appreciation for Trustee Hart's service on the Board and for his role as president of the PPCC, Chair Lesko presented him with a commemorative granite plaque in the shape of the state of New Hampshire. Trustee Hart accepted the memento and proceeded to commend the Board for its meaningful and vital work in assuring a future in retirement. He expressed how honored he was to have served with the Board of Trustees.

With no further business to discuss, on a motion by Trustee Hart, seconded by Trustee Mezzapelle, the Board voted unanimously to adjourn the meeting at 11:43 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant