

NHRS Board of Trustees

Minutes – July 11, 2023

Note: These minutes from the July 11, 2023, Public Session were approved and executed at the August 8, 2023, Board of Trustees meeting.

Board of Trustees

July 11, 2023

Public Minutes

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

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

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Nancy Miller, Director of Member Services; John Laferriere, Director of IT; Rosamond Cain, Director of Human Resources; Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Guests: *Torsten Slok, Chief Economist, and Ria Nova, Partner, from Apollo Global Management.*

Chair Tim Lesko called the July 11, 2023, regular meeting of the NHRS Board of Trustees to order at 10:01 a.m., and after establishing a quorum, Chair Lesko called for a vote to approve the meeting minutes of the June 13, 2023, Board meeting. On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle reported on the Audit Committee, which met earlier this morning. The Committee heard updates from Internal Audit and Finance. The Census Data Audit is in process and there was one recommendation from the Proxy Voting Compliance Monitoring Policy Audit that Management accepted. The FY 23 Audit Plan is complete.

Trustee Roy reported on the Governance Committee, which met on July 3 for the annual review of the cyber insurance renewal. He reported that the broker reached out to 14 carriers and received only four quotes, including one from the System's incumbent carrier, Houston Casualty, which offered the same coverage of \$5 million, with a \$25,000 deductible at a premium of \$52,126. Trustee Roy noted it is a 29% increase, however, that is modest in comparison to others insured in this market. After discussion, the Committee voted unanimously to recommend to the Board that it accept the renewal cyber security insurance coverage through Houston Casualty.

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Governance Committee that the Board approve the renewal of cyber insurance coverage with Houston Casualty, as presented.

Trustee Kelliher reported on the June 13, 2023, Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque provided an update on investment returns through recent time-periods, referring to Callan's April 30, 2023 report. He gave updates on holdings within the NHRS portfolio, the rebalancing from domestic equities to fixed income, which is now within its target allocation range. Mr. Leveque also gave updates to the IIC on liquidity, Russian holdings, and the Work Plan. Trustee Kelliher reported the Committee reviewed an extension to the Custody Agreement with BNY Mellon, the Burgis Private Markets Transparency Service, which the Committee voted unanimously to accept for a two-year period, subject to contract and legal review. The IIC then voted on two five-year term contract renewals for the investment managers that presented at its May meeting, Brandywine and Loomis Sayles. The System's Real Estate Investment Manager, The Townsend Group, gave insight on the Real Estate Investment Plan for Calendar Year 2023. Callan provided a summary of the alternative investment portfolio, a market outlook, and plans for future alternative allocations.

Mr. Leveque reported on the NHRS performance as of May 31, 2023, noting the Total Fund return for the month was -1.16% versus the policy benchmark of -1.22%. He remarked on the calendar-year-to-date (CYTD) performance, reporting the plan is at 3.27% versus the benchmark of 5.12%. He noted for the past 12 months the policy benchmark is flat or 0% and the System's return was 1.21% for the period. He provided the total fund net performance fiscal year-to-date, which is at 4.84%, relative to the long-term actuarial rate of return target of 6.75%, adding that June had a positive performance, and he expects when the numbers become available for that month, the System will be close to its target. Lastly, Mr. Leveque gave an update by asset class. The performance for alternative investments is still reporting fourth quarter valuations, and the returns for 3-, 5-, and 10-year periods were as expected for the private investment asset classes. The Total Plan is at \$11.1 billion.

Trustee Merrifield reported the Legislative Committee plans to meet in July or August regarding the Retirement Benefits Study Commission created by House Bill (HB) 2. NHRS staff is working to implement new legislation. The most complicated change is with the Group I benefit recalculations relative to normal retirement age under Social Security, and the impact on the System's PGM3 project. Trustee Merrifield reported that HB 457 awaits the Governor's signature. That bill requires NHRS to report on a quarterly basis to the Office of Legislative Budget Assistant on compliance with the duty to make all investment decisions solely in the interest of the participants and beneficiaries. He noted the HB 2 Commission will meet this summer and the deadline for the Commission to complete its report is December 1. Lastly, he commented on the state appropriation of funds for a one-time \$500 payment to eligible retirees and beneficiaries as stated in HB 2.

On a motion by Trustee Frederick, seconded by Trustee Merrifield, the Board voted unanimously to certify to the Governor \$7.1 million, as the cost of the \$500 payment to eligible retirees and beneficiaries determined by GRS per HB 2 and for the Director of Finance to initiate a request for reimbursement, as presented.

Trustee Martins noted the Benefits Committee did not meet last month and is planning to

meet this month to review a pending recoupment matter.

Trustee Hannan reported on the PPCC, which met on June 5, and heard from Director of Human Resources Rosamond Cain on staffing updates, noting recruitment was underway for two open positions: an Imaging Specialist and an IT Infrastructure Engineer. She reported that the IT Infrastructure Manager position has since been filled with an internal candidate and NHRS hired one of the temporary employees to fill the Finance Accountant position. Trustee Hannan noted the Committee went into non-public session to discuss the non-union compensation recommendations for FY 24 and the PPCC heard from Ms. Cain and Executive Director Jan Goodwin regarding the management positions, annual appraisals, and recommended increases.

The Board meeting was running ahead of the agenda schedule and Chair Lesko called on Ms. Goodwin to begin the operating reports while waiting to temporarily adjourn to consult with legal counsel.

Ms. Goodwin opened her report with the KPMs, which were at 97.6% for the month, above the 95% benchmark. She provided a PGV3 status update, noting the project is 80% complete, with Deliverable 7 (My Account-Member Direct) at 50% complete. Ms. Goodwin summarized the staff activities associated with the project and reported that management and the PGV3 Team are planning for the mock parallel, which is next month and parallel processing in October and November. She mentioned the KPMs, noting there were two missed agencywide. She commented on the Contact Center and its continued success achieving its KPM goals. She reported on her monthly and most recent phone surveys to members, retirees, employers, and beneficiaries, noting the consistent positive feedback she receives on NHRS's customer service.

Ms. Goodwin then presented three contracts: the first, a sole-source contract from Investments for professional development for \$12,645.00; the second two from IT, one for new laptops/workstations and associated equipment from Dell for a total of \$139,221.54, and the other for a network hardware/firewall upgrade for \$79,989.73 with the System's existing vendor, Consolidated Communications. Some discussion ensued about the lifecycle of the new laptops and when the equipment would be replaced. Director of IT John Laferriere addressed the query noting IT is expected to receive the equipment in October and would implement them in early 2024 after PGV3 goes live.

Ms. Goodwin concluded her report by informing the Board that she approved a three-month contract on July 5 for cyber security consulting with GreenPages for \$5,022, which is under the \$10,000 threshold permitted under the Procurement Policy.

On a motion by Trustee Henry, seconded by Trustee Provost, the Board voted unanimously to accept the recommendation of the Executive Director that the Board approve the procurement of goods and services as presented in the Board materials, subject to contract and legal review.

Tim Crutchfield, Deputy Director and Chief Legal Counsel, provided an update on the electronic QDRO templates, which NHRS instituted a few months ago. Mr. Crutchfield reported that Legal met all seven of its applicable KPMs for the month. He gave an update on the private letter ruling (PLR), which the System's external legal counsel, Groom Law, submitted to the IRS relative to HB 2 from two years ago and the medical subsidy payment methodology. He noted an IRS decision on the PLR could take up to nine months. He reported his FY 23 action plan is complete, aside from an ongoing item regarding reviewing

the website for legal compliance and referred to his FY 24 action plan.

Mr. Karlon provided an update on the work his team continues to do on the PGV3 project, noting collaboration with several departments, including Finance on the Data Reporting System (DRS) employer training, putting together instructions and scheduling training sessions. He noted his team is simultaneously working on preparing background information for the Retirement Benefits Study Commission and implementing recently passed bills, such as the revision to the age 65 benefit recalculation, which will require PGV3 reprogramming and updating instructional materials. He announced filling the vacancy for a Communications Specialist on his team with an internal staff member. He reported PIO met all its KPMs and noted his action plans for FY 23 and FY 24.

At 10:19 a.m., Chair Lesko welcomed Attorney Cameron Shilling of McLane-Middleton, and called for a temporary adjournment of the meeting for the purpose of consulting with legal counsel under RSA 91-A:2, I (b). On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to temporarily adjourn.

At 10:37 a.m., on a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted unanimously to reconvene to the regular meeting of the Board of Trustees.

Chair Lesko turned to Director of Investments Raynald Leveque who welcomed guests from Apollo, with whom NHRS has private equity investments. He introduced Ria Nova, partner at Apollo, and Torsten Slok, Chief Economist at Apollo. Mr. Slok discussed his views and insights on the U.S. economic landscape, detailing market trends over the past three quarters, the projected economic growth as the Fed raises interest rates to settle inflation, and his perspective on the macroeconomy relative to the banking sector.

Mr. Laferriere, Director of IT, reported on cyber security awareness, noting IT did not perform a phishing test in June and is working on a new approach to the monthly phishing tests. He noted the metrics on that would be forthcoming. He commented on the recent appointment of a contracted service, GreenPages, to assess NHRS' security environment over the next few months. He reported on the firewall upgrade and the status of several other projects. He mentioned IT scored 100% on customer satisfaction and met all eight of its KPMs. He gave an update on the Teams videoconferencing, noting IT continues to make progress on installing the proof-of-concept systems to each of the conference rooms at NHRS. He gave an overview of upcoming projects and in closing, referred to his FY 23 and FY 24 action plans.

Mr. Leveque reported on Investments, noting his department met seven of the 10 KPMs, and that the others were not applicable this month. He provided an overview of the July IIC meeting, which will occur immediately after today's Board meeting. He then gave a synopsis of the real estate market, as provided by the System's Real Estate Investment Manager, The Townsend Group. Lastly, he referred to the FY 23 and FY 24 action plans for Investments.

Director of Member Services Nancy Miller opened her report with her department's continued work on preparations for PGV3 testing, training, and parallel, while simultaneously managing competing priorities in Member Services, including adjusting Pension Gold and the benefit calculation in association with recent legislation, and processing the July retirement filings. Ms. Miller gave a staffing update, mentioning the evaluation of positions to manage QDROs. She noted Member Services achieved all 21 of its KPMs. In closing, she noted her FY 23 and FY 24 action plans and commented on upcoming projects.

Director of Finance Marie Mullen reported on Finance, noting staff's extensive work on PGV3

with employer reporting and training. Finance achieved eight of its 13 KPMs; three KPMs did not have deliverables, and two were missed. One missed KPM was regarding bank reconciliation that was not achieved within the two days required because of a staffing transition and the other missed KPM, relative to producing and distributing the monthly actual-to-plan budget reports to the Executive Team within 10 business days from the end of the prior month, was not met because of PGM3 priorities. She informed the Board of some revisions to Finance KPMs, noting the removal of two and the rewording of another since these KPMs involved requirements outside of Finance's control.

Ms. Mullen reported on the net position year to date through December, noting an increase of \$66 million since June 30, 2022. She stated cash flows for May 2023 and the fiscal year-to-date were within the expected range and commented on the FYTD administrative expenses, noting some excess funds in several categories that will balance out accordingly. She noted that PGM3 project spending is below budget to date. Ms. Mullen concluded her report with upcoming projects and her FY 23 and FY 24 action plans.

Human Resources (HR) Director Rosamond Cain provided a staffing update, noting NHRS continues its recruiting efforts for two positions. She reported that NHRS is fully integrated with its payroll vendor, ADP, and can recruit through the system and obtain the employer report. She gave a status update on the System's position assessment process. She mentioned the annual Employee Appreciation Day will be held July 26. Lastly, she noted HR met all its KPMs for the month and presented her action plans for FY 23 and FY 24.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Hannan, 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 13, 2023, Board meeting, noting everything except Item 1 is completed and she expects to receive the data from the remaining municipality to complete Item 1 in the near future.

During the Board checkpoint, Chair Lesko praised staff for their ongoing efforts with the PGM3 project.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:44 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist