

NHRS Board of Trustees

Minutes – June 13, 2023

Note: These minutes from the June 13, 2023, Public Session were approved and executed the July 11, 2023, Board of Trustees meeting.

Board of Trustees

June 13, 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, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Don Roy, and Joshua Quigley.*

Absent: *Trustee Andrew Martineau.*

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; Deanna Higgins, Contact Center Supervisor; 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, Administrative Assistant.*

Chair Tim Lesko called the June 13, 2023, regular meeting of the NHRS Board of Trustees to order at 10:31 a.m., and Executive Director Jan Goodwin welcomed recently appointed Trustee Jason Henry, Superintendent of Rockingham County of Corrections.

After establishing a quorum, Chair Lesko called for a vote to approve the meeting minutes of the May 9, 2023, Board meeting. On a motion by Trustee Kelliher, seconded by Trustee Frederick, the Board voted to approve the meeting minutes, with Trustee Henry abstaining.

Trustee Mezzapelle reported on the Audit Committee, which met earlier this morning, stating the Committee heard a presentation from the System's external auditor, Plante Moran, on its approach to the Fiscal Year (FY) 23 Audit and encouraged the Committee to bring forward any concerns. The Committee then reviewed the status of the Audit Tracker and the FY 23 Internal Audit Plan. Trustee Mezzapelle reported on updates the Committee heard from Internal Audit and Finance.

Trustee Roy reported on the Governance Committee, which had not met since the May Board meeting and plans to meet before the July Board meeting for the annual review of the cyber insurance renewal and to prepare a recommendation to the Board.

Trustee Kelliher reported on the May 9, 2023, 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 March 31, 2023, review. He gave updates on holdings within the NHRS portfolio, rebalancing, liquidity, Russian holdings and the Work Plan. Trustee Kelliher reported the Committee voted unanimously on two, five-year contract renewals from presentations the IIC heard at its April meeting. The first is with Walter Scott, who manages a global equity portfolio, and the second is with Wellington, who manages an emerging markets equity portfolio. The IIC heard a presentation from private equity manager American Industrial Partners (AIP), and the Committee voted unanimously to commit \$50 million to AIP Fund VIII, subject to contract and legal review. The Committee also heard a presentation from private equity manager Apollo and voted unanimously to commit \$40 million to its primary fund, Fund X and \$40 million to its Fund X co-investment vehicle, subject to contract and legal review. Lastly, Trustee Kelliher mentioned the Committee heard two other presentations as part of the contract renewal process from fixed income managers Brandywine and Loomis Sayles.

Trustee Kelliher turned to Mr. Leveque, who reported on the NHRS performance as of April 30, 2023, noting the Total Fund return for the month was 0.68% versus the policy benchmark of 1.58%. The fund is \$11.2 billion. He mentioned the calendar year-to-date (CYTD) performance, which is down by 194 basis points relative to its policy benchmark and attributed that to the volatility of the markets since 2022, beginning with the Ukraine War. NHRS's FY 23 total fund performance fiscal year-to-date (FYTD) is 6.07%, outperforming the policy benchmark by 50 basis points. He gave an update on portfolio performance by asset class and noted that cash currently yields 5.1% and commented that the numbers for alternative investments would be forthcoming, and stated returns for 3-, 5-, and 10-year periods were as expected. Mr. Leveque discussed the fixed income asset allocation rebalancing, which is now within range, noting the Investment Team implemented the rebalancing plan on May 11, after staff's recommendation to the IIC to use a U.S. Bond Fund Index. In closing, Mr. Leveque addressed a Trustee inquiry last month about the rebalancing and the current bond percentage allocation to the portfolio.

Trustee Merrifield began the report of the Legislative Committee, which had not met since the May Board meeting, and provided the latest on legislative activity, beginning with the House and Senate concurring on the two-year state budget in House Bill (HB) 2. He provided updates on the NHRS-related items in HB 2, including: a change to the recalculation of the Group I benefit to full retirement age under the Social Security system; a one-time \$500 COLA to eligible retirees; the creation of a commission to study retirement benefits and employee retention; funding for NHRS to administer the call firefighter death benefit; and the option for future community college employees, covered by collective bargaining, to enroll in the System or an alternative defined contribution plan. He reported on other NHRS-related bills included in the House version of HB 2 but removed by the Senate: HB 436, relative to removing the transition provisions of 2011 for Group II members who commenced service prior to July 1, 2011, but were not vested as of January 1, 2012; and HB 50, the one-time appropriation of \$50 million toward NHRS's unfunded liability in FY 23. He noted that two additional bills remained outstanding: HB 457, which would require NHRS to provide quarterly compliance reports to the Office of the Legislative Budget Assistant; and HB 461, which would create a committee to study the elimination by political subdivision employers of retirement system-eligible positions.

He concluded his report listing several bills that the Governor already signed into law: HB 193, the System's administrative clean-up bill; HB 278, which fixed an unintended repeal of an RSA-100 provision on annual employer reporting on retiree data; and HB 30, which allows county administrators to be exempted from mandatory membership.

Trustee Merrifield turned to Marty Karlon, Director of Communications and Legislative Affairs, for further comments. Mr. Karlon reported that the House just requested a committee of conference on HB 461. A short discussion followed about the budget and Group I and Group II bills, stemming from a Trustee question pertaining to a news article regarding House-proposed bills for those groups.

Trustee Martins delivered a brief update of the Benefits Committee, which did not meet last month and is planning to meet in July to review a pending recoupment matter.

Trustee Hannan reported on the PPCC, which met on June 5, and heard from Director of IT John Laferriere on plans to reorganize the IT department and gave a review of data security procedures and costs, which he and Ms. Goodwin will present to the Board at its July meeting. Trustee Hannan noted the Committee reviewed the NHRS Preserve, Achieve, and Avoid (PAA) document, part of the FY 24 Strategic Plan, and made one recommendation.

Executive Director Goodwin began the operating reports. The KPMs, were at 97.67% for the month, with two of 94 KPMs missed systemwide. The PGV3 project is at 79% complete overall, with Deliverable 7 (D7) (Member Direct-MyAccount) at 39% complete. Staff meetings with LRS on D7 design document review have concluded, and staff continue to work on testing XML files from employer and payroll providers. Ms. Goodwin remarked on the potential risks for the project, the largest risk was HB 436, the rollback of Group II benefits with certain provisions, which did not pass. She stated Finance is working on redeploying staff and temporary workers to ensure the System is on target in relation to employer reporting and PGV3. She reported LRS was at NHRS last week and will return next week for continued training on processes.

Ms. Goodwin apprised Trustees of a contract she approved under the Procurement Policy, for \$5,550 to use an outside contractor to help compile the Annual Comprehensive Fiscal Report (ACFR). She noted the 12-month rolling average for KPMs is above the 95% benchmark for the year. She gave an update on the Contact Center. She closed her report with her action plan, which is in progress.

Next, Ms. Goodwin presented the FY 24 Strategic Plan, which is a rolling three-year plan required for Board review annually as part of the Strategic Plan Policy. She referred to the revisions on the PAA document in the Board materials, noting that none of the changes affect the FY 24 Strategic Plan. On a motion by Trustee Frederick, seconded by Trustee Roy, the Board voted unanimously to accept the FY 24 Three-Year Strategic Plan, as presented.

Ms. Goodwin then presented the FY 24 Trust Fund Budget, noting she did not receive any budget questions or adjustments from Trustees and the budget appears as it did at the May Board meeting. On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted to approve the FY 24 Trust Fund Budget, as presented, with Trustee Henry abstaining.

At 11:04 a.m., Trustee Maloney left the Board meeting for an appointment.

Human Resources (HR) Director Rosamond Cain provided a staffing update, noting NHRS promoted from within to fill the IT Infrastructure Manager position, and an announcement will be posted soon for the vacant IT Infrastructure Support position. HR will hold a third round of interviews on Friday for the open Communications Specialist position; HR filled the Finance Account position with one of the System's temporary workers. She reported on the status of two other vacancies, one in IT for an Imaging Specialist, which is on hold, and the other in Finance for a Generalist, noting tasks for that position are under review. She provided a status update on the System's position assessment process. Plans are under way for the annual Employee Appreciation Day. HR is working with the payroll system vendor ADP on obtaining employer reports. A Trustee inquired about ADP and Work Force Now and Ms. Cain confirmed the joint usage.

Deputy Director and Chief Legal Counsel Tim Crutchfield noted that the Employer Audit team has prepared a Top 10 list of common reporting mistakes. The list is intended to help inform employers on how to accurately report earnable compensation and service credit. He updated the Board on GASB audits, noting that 23 are in process. Legal met seven of its applicable KPMs for the month. He spoke about the Private Letter Ruling (PLR), reporting that NHRS and the Department of Administrative Services are collaborating to submit the letter to the IRS regarding how to implement the medical subsidy relative to HB 2 passed in 2021. He closed his report commenting on the cyber insurance renewal process.

Mr. Karlson reported on the activities of the Public Information Office (PIO), noting it will be meeting with other departments to discuss the affects legislation would have on PGV3 to develop a communications plan. He reported that PIO performed a test presentation on PGV3 employer training and received positive feedback. He mentioned PIO will offer multiple training presentations from July through September. Lastly, he noted PIO met with LRS last week in preparation of PGV3 training materials.

A Trustee asked if presentations could be provided on thumb drives for employers who were unable to access YouTube for security purposes and Mr. Karlson stated that he would research alternatives for providing presentation materials.

John Laferriere, Director of IT, reported on cyber security awareness and the monthly phishing tests: there were no staff failures in May. He commented on the open position for an Information Security Officer, and that he is seeking to outsource the security functions of that position and will provide a report to the Board at its July meeting.

Mr. Laferriere noted IT scored 99% on customer satisfaction and met all eight of its KPMs. He gave an update on the Teams videoconferencing, noting IT installed two of the proof-of-concept systems and the project encompasses all conference rooms at NHRS. He provided status updates on several other IT projects. In closing, he gave an overview of upcoming projects and referred to his action plan, which is on schedule.

Mr. Leveque reported on Investments, noting his department met seven of the 10 KPMs, and the other three were not applicable this month. He updated the Board on his new staff member who joined as an Investment Operations Analyst. Mr. Leveque then provided an overview of the June IIC meeting, which will occur immediately after today's Board meeting.

Director of Member Services Nancy Miller noted her department's continued work on PGV3 and a site visit LRS made last week, which helped advance insurance reporting, noting the creation of a new web-based portal for the System's insurance providers. She gave an

overview of previous difficulties with other processes in Member Services, commenting on backlogs of enrollment and termination forms, which will be automated through employer reporting in PGV3. Member Services will work with LRS next week on other processes and mock parallel in August.

Ms. Miller provided a staffing update, mentioning the need for two more hybrid positions in her department to absorb the responsibilities previously performed by the recently retired QDRO Specialist, with the probability of the Legal Department managing some responsibilities. Member Services achieved all 21 of its KPMs. She reported on upcoming projects on legislation and PGV3, training documents, and July filing. There were fewer retirement applications for July 1 this year than in 2022. She concluded her report with her action plan. A robust discussion regarding MyAccount and preserving security followed Ms. Miller's report.

Director of Finance Marie Mullen reported on finance, noting the primary focus is on PGV3, and staff are testing XML files to ensure accuracy of employer reports prior to going live with PGV3 in December. She noted her team achieved 10 of the 15 KPMs, adding that three KPMs did not have deliverables and the two missed KPMs were ones previously unmet because of staffing changes and an outstanding report from an employer. With the recent hire of a new finance accountant, Ms. Mullen stated she expects to meet next month's KPM relative to the bank reconciliation, and the other KPM regarding employer reporting, adding that Finance is diligently requesting the unreported information from the employer.

She mentioned cash flows are within the expected range FYTD and noted the \$42.9 million that was certified at the April Board meeting has been accounted for in the cash flows. She remarked on the FY 22 balance forward of \$2 million from the Statutory Administrative Budget and noted the balance forwards for different budget categories. Ms. Mullen reported that the PGV3 expenses are within budget for the year. Lastly, she presented her action plan and several upcoming plans and projects.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Martins, seconded by Trustee Roy, the Board voted to approve the Consent Agenda, with Trustee Quigley abstaining on Item 4.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the May 9, 2023, Board meeting: the FY 24 Strategic Plan and Trust Fund Budget had been completed during this meeting. Item 1 is in process with only one employer left to complete its reconciliation and she anticipates it would be done by the end of June; Item 6, regarding the call firefighter benefit appropriation, would be completed after the Governor signs the budget.

During the Board checkpoint, Chair Lesko encouraged Trustees to attend upcoming educational opportunities, noting some will be in Boston.

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

Respectfully submitted,

Christine McKenney
Administrative Assistant