

NHRS Board of Trustees
Minutes - March 9, 2021

Note: These minutes from the March 9, 2021, Public Session were approved and executed at the April 13, 2021 Board of Trustees meeting.

**Board of Trustees
March 9, 2021**

Public Minutes

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

The NHRS office was closed to the public as a result of COVID-19, and the meeting was held via video conferencing, as authorized under Executive Order 2020-04. Pursuant to RSA 91-A, all votes were by roll call.

Participating: Trustees Tim Lesko, Chair; Scott Christensen, Christopher Coates, Melvin Friese, Sue Hannan, Bill Hart, Maureen Kelliher, Robert Maloney, Andrew Martineau, Monica Mezzapelle, Scott Myers, and Donald Roy.

Staff: Tim Crutchfield, Interim Executive Director; 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; Mark Cavanaugh, Esq., Associate Counsel & Compliance Officer; Diana Crichton, Esq., Hearings Examiner; Jay LaClair, Internal Auditor; Nancy Cone, Internal Auditor; Cecile Merrill, Project Manager; Nina Calkins, Contact Center and Administrative Manager; and Christine Rice, Administrative Assistant.

Guest: Jan Goodwin, incoming Executive Director.

Chair Lesko called the March 9, 2021, regular meeting of the NHRS Board of Trustees to order at 10:32 a.m. Having established a quorum, Chair Lesko called for a vote to approve the public minutes of the February 9, 2021, Board meeting. On a motion by Trustee Roy, seconded by Trustee Hart, the Board voted to approve the minutes, as presented. Trustee Christensen abstained.

Chair Lesko welcomed Jan Goodwin, incoming NHRS Executive Director, who will begin with the System on April 1, 2021.

Trustee Mezzapelle opened with the Audit Committee report, noting that the Committee met preceding today's Board meeting. In reviewing the pending Audit Issues, she noted that staff closed two Employer Audit-related issues and that staff are progressing on the five outstanding audit issues that remain.

Trustee Mezzapelle shared that the Committee received an update on the Data Risk

Reassessment Report issued last month, reporting that NHRS has completed 35 of the 43 recommendations in the Report, with some of the remaining items requiring ongoing work.

The Committee also received an update from Mr. Murphy, Director of Finance, regarding this year's letter from the System's auditor Plante Moran, with suggestions to strengthen internal controls and create operating efficiencies. Lastly, it heard an update from PGV3 Project Manager Cecile Merrill, who stated that PGV3 is 36% complete, and that Deliverable 3 is 43% complete.

Trustee Roy gave the Governance Committee report, noting that it will meet following the Board meeting today. Topics on the agenda include the annual reviews of the VCP Policy and the fee schedule for copies of public records.

Trustee Kelliher presented the report on the Independent Investment Committee (IIC), which met on February 19. Mr. Johansen, Director of Investments, gave a review on investment returns over various time periods; discussed the Work Plan; and updated the Committee on asset allocations and liquidity, with an emphasis on funding requirements for benefit payments over the next 30 to 90 days.

At the February 19 meeting, the IIC voted to extend its contract with Fidelity, a global, multi-sector fixed income manager, through January 2023. The Committee also voted to extend its two-year contract with Segall, Bryant & Hamill, a non-U.S. small cap equity manager. The IIC then heard a presentation from Abel Noser, which provided a cost analysis on the System's equity trading for calendar year 2020. The Committee then heard from Crescent, a private equity firm, on its Direct Lending Fund III. Previously, NHRS made a \$50 million commitment to Crescent's Fund I, in 2014, and a \$50 million commitment, in 2017, to Crescent's Fund II. Following the presentation, the IIC voted to approve a \$50 million commitment to Crescent's Fund III. The IIC also heard a presentation from fixed income manager Manulife, as part of the two-year contract renewal process, and lastly, NHRS' new consulting firm, Callan, presented its 2021 Capital Market Assumptions.

Mr. Johansen updated the Board on the System's total fund performance, noting the dramatic improvement since June 30, 2020. The System was up 14% for fiscal year to date, as of January 31, 2021; 10.4% over the last 12 months; 6.6% at three years; and 10.2%, at five years. All asset classes are close to target and well within range, and as of January 31, 2021, assets are at \$10.2 billion.

For the quarter ending December 31, NHRS was in the top quartile, fiscal year to date; and at one year, it was in the third quartile; and for three, five, seven, and 10 years, it was in the second quartile. Mr. Johansen stated that, in absolute and relative terms, performance has been going well since June 30, 2020. He noted the numbers are not in for February, but he expects them to be positive. The System continues to monitor cash flow on a 90-day basis to ensure sufficient funds to make monthly payments.

In closing, Mr. Johansen gave an overview of the Committee's agenda for its March meeting, including a presentation from Walter Scott, as part of the two-year contract renewal process, and Callan's presentation of its results of the Asset/Liability Study and Asset Allocation review.

Mr. Myers provided the Legislative Committee report, noting that April 1 is crossover

day, when bills move from the Senate to the House, followed by April 8, when bills move from the House to the Senate. The House Executive Departments and Administration (ED&A) Committee voted 19-0 on HB 130, a bill the System sought to clarify the medical subsidy process for state retirees or beneficiaries. The bill will go to a full House vote in the near future. The House adopted HB 173, which requires a quarterly report from the IIC, detailing investment fees, and the availability of reports on the System's website, and the bill has been referred to the Senate ED&A Committee.

Two other bills impacting employer contribution rates, HB 274, requesting the state pay 5% of employer contributions, and HB 390, extending amortization period of the retirement system's unfunded liability by five years, were both voted Inexpedient To Legislate. In addition, SB 72, which requests that the state pay 15% of employer contributions, is still with the Senate Finance Committee. Finally, the House ED&A Committee voted to retain HB 619, which sought to reclassify police and fire dispatchers from Group I to Group II, and no further action is expected this session.

Next, Mr. Karlon, Director of Communications and Legislative Affairs, added to the report, noting last week's release of HB 2, the budget trailer bill, and that only two sections relate to the System in the 155-page bill. The first is relative to the Department of Administrative Services' (DAS) preference with the wording to clarify the medical subsidy issue, which NHRS is seeking to address in HB 130. The second pertains to positions at the Department of Corrections (DOC), and would allow members with 10 or more years of service in Group II to remain in that group if they took certain positions with the DOC that are currently classified as Group I.

Trustee Coates provided the Benefits Committee report, stating it met on March 2, with the majority of the meeting held in non-public session to discuss pending recoupment and appeal matters, on which the Committee took no action.

Trustee Hart opened the PPCC report, stating it met on February 11 and 23. Those meetings focused on the recruiting process, transition matters, and the culmination of hiring Ms. Goodwin as the next Executive Director. On a motion by Trustee, Hart, seconded by Trustee Friese, the Board voted to unseal the non-public meeting minutes of the February 9, 2021, Board of Trustees meeting, as presented.

Next, Chair Lesko mentioned the real estate opportunity regarding office space in Concord. He thanked Trustees Christensen, Hannan, and Hart for agreeing to participate in the Ad Hoc Real Estate Committee, noting that it will review the available information, and that it expects to hear a presentation from the property owner in the near future.

Interim Executive Director Tim Crutchfield presented the operating report, which he said that former Executive Director George Lagos had primarily prepared, prior to his recent retirement. Mr. Crutchfield reported the System has met its 95% benchmark for KPMs five out of six months. He then noted the PGV3 project progress, stating the original completion date has been extended from December 2023 to June 2024, due to customizations, which were expected.

Next, Mr. Crutchfield updated the Board on the Executive Director transition, stating that things are going well and that he and Ms. Goodwin have been communicating regularly, in advance of her April 1 start date.

He then presented the FY 22 Strategic Plan, which is updated annually on a three-year rolling basis. This plan serves as the basis for the Executive Team's individual action plans. He shared the Preserve, Achieve, and Avoid (PAA) document, which Mr. Lagos used in preparation of the FY 22 Strategic Plan.

Chair Lesko stated that Mr. Lagos' Strategic Plan serves as a baseline, in keeping with continuity during the transition, and that it would come before the Board again at the April Board of Trustees meeting.

Mr. Crutchfield then informed the Board of a contract renewal request for security operations, for the protection against malicious online threats.

Trustee Hannan made a motion to accept the recommendation of the Interim Executive Director that the Board approve the renewal of IT services, as presented in the Board materials, subject to contract and legal review. Trustee Hart seconded the motion, and it carried unanimously.

Following the Executive Operating Report, Mr. Crutchfield gave his Legal report, noting that the department is two months ahead of schedule with the Employer Audit and Process Improvement Plan. He thanked Attorney Cavanaugh for his extensive work on reviewing and revising the procedures, along with input from Internal Auditor Nancy Cone, and Employer Audit Manager Tamre McCrea and her staff.

He noted that Comprehensive Contract Administration Procedures are in place to help the System with identifying and selecting vendors, as well as approving contracts, renewals, and amendments. This month, Legal met all of its KPMs, and Attorney Crichton continues to monitor the appeals process very well.

Next, Director of Finance Gerard Murphy presented his report, stating that the System is at \$10.266 billion fiscal year to date. He noted that cash flow is as expected, and NHRS is under budget for FY 21 as of January 31. Finance missed a few KPMs this month because of employers undergoing turnover and having trouble with timely reporting. On February 11, Finance and PIO staff met with the Employer Working Group, which consists of six employers to discuss changes in employer reporting that will come about with the implementation of the PGM3 project. Lastly, he noted that the House Finance Committee Division I accepted the NHRS Fiscal Year 22-23 statutory administrative budget, as presented, and it will now go to the Senate.

Director of IT Frank Clough gave his report, noting that there will be a month's delay with the Enterprise Firewall project because the Cisco product will not be available until the end of March. IT is working on implementing the PGM2 virtualization product, which will allow staff who are working remotely to more efficiently access the Pension Gold database. The CloudFlare project is under way to increase security to the System's website, preventing malicious activity. IT continues deploying monthly security tests to staff, as part of its six-month Security Awareness training. In addition, IT is implementing an upgraded antivirus software for better protection against malware.

In closing, IT is working with Calabrio on setting up phone-recording capability in the cloud for the Contact Center, and the project is set for completion in early April. For customer satisfaction this month, IT scored 96 percent, and met all of its KPMs.

Director of Member Services Nancy Miller presented her report, noting her department seeks to fill one position for a retirement generalist. Last week, the department filled the two open benefit coordinator positions.

Ms. Miller shared that staff is working to meet its goal of finalizing 90% of July retirements by the end of March. Her team also continues to work on the PGV3 project with Deliverable 3 designs. In March, Member Services will issue the JRP annual statements, and it is working with LRS and Cecile Merrill, Project Manager, on possible JRP upgrades in PGV3. Lastly, it was noted that Member Services missed one KPM, in relation to the outstanding July retiree benefit finalizations.

Mr. Karlon updated the Board on the legislative session, which is fully remote, stating that the defeat of HB 390 was a priority for the Board and the System. PIO held a number of webinars last month. With regard to presentations, PIO has set its summer and fall calendar for member events and it is solidifying fall dates for its employer events. PIO met all of its KPMs this month. Lastly, PIO made a number of additions to the System's website regarding COVID-related guidance.

Next, Director of Human Resources Rosamond Cain gave her report, sharing that NHRS staff are currently participating in civility training offered through the state. Next week, all staff will begin a two-part training course on increasing diversity and decreasing bias. Lastly, Ms. Cain noted that HR met all four of its KPMs this month.

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

There were no travel reports or requests.

Mr. Crutchfield reported on the February 2021 Action Items, noting that they are completed, or in progress, as expected.

Chair Lesko then called for the Checkpoint Discussion, asking Ms. Goodwin for any remarks.

Ms. Goodwin stated she will arrive in New Hampshire at the end of this month, and added that, by working with staff now to get up to speed, she would be ready to hit the ground running on April 1.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Hart, the Board voted unanimously to adjourn the meeting at 11:24 a.m.

Respectfully submitted,

Christine Rice,

Administrative Assistant