

NHRS Board of Trustees  
Minutes – May 11, 2021

**Note:** These minutes from the May 11, 2021 Public Session were approved and executed at the June 8, 2021 Board of Trustees meeting.

**Board of Trustees  
May 11, 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, Kenneth Merrifield, Monica Mezzapelle, Scott Myers, and Donald Roy.*

*Staff: Jan Goodwin, Executive Director; Tim Crutchfield, Deputy Director and Chief Legal Counsel; 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; Nancy Cone, Internal Auditor; and Christine Rice, Administrative Assistant.*

Chair Lesko called the May 11, 2021 regular meeting of the NHRS Board of Trustees to order at 10:01 a.m. Having established a quorum, Chair Lesko called for a vote to approve the public minutes of the Board of Trustees meeting on April 13, 2021. On a motion by Trustee Hart, seconded by Trustee Roy, the Board voted to approve the minutes, as presented. Trustee Friese abstained.

Trustee Mezzapelle opened with the Audit Committee report of its morning meeting today. The Committee reviewed the Internal Audit Tracking Report, which contained the same open items as last month. Trustee Mezzapelle stated that, under the FY21 Internal Audit Plan, the Pension Gold User Access Rights Audit for Member Services is suspended but the GASB Employer Reporting Census Data Audits are in process. To date, the NHRS employer compliance auditors have completed 10 of the 23 GASB audits, and Internal Auditor Nancy Cone has reviewed and submitted four of them to Plante Moran. Trustee Mezzapelle shared that the Committee would take up the FY22 Data Risk Assessment and the FY 22 Audit Plan at its June meeting. Lastly, Trustee Mezzapelle reported on the PGMV3 project, which is overall 40% complete, with Deliverable 3 at 57% complete. There are 10 open data conversion issues, and staff has finalized workflows for Deliverable 3 and forwarded them to LRS. NHRS staff are

also working with a project consultant to finalize an employer rollout plan, and once finalized, it will move to the PGV3 implementation team for review.

Trustee Roy gave the Governance Committee report, noting the Committee had not met since the last Board meeting, but would meet in June to discuss the annual review of cyber insurance coverage, including quotes from several carriers.

Trustee Kelliher presented the report on the Independent Investment Committee (IIC, Committee), which met on April 23, 2021. At that meeting, 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. The Committee unanimously voted to approve the first quarter of the FY 2022 Work Plan.

Next, the IIC voted to extend the System's contract with Walter Scott, a \$450 million Global Equity Investment Manager, who presented at its March meeting, as part of the two-year contract renewal process. Ms. Kelliher reported that Wellington Management, who manages a \$206 million emerging markets equity portfolio on behalf of NHRS, gave a presentation as part of its two-year contract renewal process, and the IIC will vote on the renewal at its May 21, 2021 meeting.

Following Wellington's presentation, the System's investment consultant, Callan, gave a Portfolio Structure Review, providing a range of alternative structures for each of the public asset classes held in the portfolio. Callan determined that NHRS' fixed income portfolio was sufficient and did not recommend any changes. The Committee will further discuss the System's US equity and non-US equity portfolios, and the portfolios' current benchmarks, at its May meeting.

Mr. Johansen updated the Board on the System's total fund performance, noting the ongoing, dramatic improvement since June 30, 2020. NHRS was up 19%, for fiscal year-to-date, as of March 31, 2021; 30.3% over the last 12 months; 8.9%, at three years; and 10%, at five years. Peer results will be available later this month, but as of December 31, 2020, for 3, 5, and 10 years, NHRS was in the second quartile. He reported that all asset classes are close to target and well within range. As of March 31, 2021, assets are at \$10.6 billion.

Trustee Myers provided the Legislative Committee report, stating the Governor signed House Bill 173 in April, and the bill, which requires that the IIC list the investment fees in its quarterly report and post it on the NHRS website, goes into effect in June. Staff are working on a template for this report. He reported on House Bill 130, which clarifies how NHRS applies the state retiree insurance premium, as determined by the Department of Administrative Services (DAS), for eligible retirees and beneficiaries of the medical subsidy. This NHRS-requested bill passed the House and is now with the Senate, where action on it is required by early June. The Senate tabled House Bill 141, a bill that would allow counties to exempt its county administrators from mandatory membership in the System. The Senate also tabled Senate Bill 72, which would have had the state contribute 15% toward the retirement benefit for municipal teachers, fire, and police. In closing, Trustee Myers noted that the Committee would continue to monitor any amendments to bills.

Trustee Coates provided the Benefits Committee report, stating it had met on April 19, 2021, mostly in non-public, to review recoupment and appeal matters. No voting occurred during the non-public session, and the Committee took no action during its

public session. The Committee expects to meet prior to the June Board meeting.

Trustee Hart gave an update on the PPCC, stating it had not met since last month, but plans to meet prior to the June Board meeting, to discuss FY22 non-union compensation and staffing levels.

Trustee Christensen gave the Ad Hoc Real Estate Committee report, noting it met on April 15, 2021, to review the proposal for NHRS to purchase property at Granite Place, and briefly met again on May 10, 2021. After having engaged the System's Real Estate Investment Manager, Townsend, and requesting more information from the property owner in March and not receiving it, the Committee voted at its April meeting to reject the proposal. Chair Lesko thanked the Committee members for their service.

Next, as requested at last month's Board meeting, Executive Director Jan Goodwin, and Marty Karlon, Director of Communications and Legislative Affairs, presented to the Board, "NHRS: Past, Present & Future," a chronology of significant developments impacting the pension system over the years and an update on recent developments, followed by a brief question-and-answer period with the Trustees.

Then, Ms. Goodwin provided her operating report, noting that KPM performance over the past few months had fallen below the 95% benchmark. In April, the KPMs landed at 90.48%. She reported that a re-assessment of the KPMs is under way to determine whether revisions are necessary to account for seasonal workloads, or for other reasons, such as staff vacancies. She then noted that staff continue to make progress on items on the Executive Action Plan.

Next, Ms. Goodwin gave a review of the customer satisfaction surveys, and addressed the first iteration of a dashboard report on Contact Center activities.

Trustee Christensen asked about the Legislative Performance Audit and Oversight Committee (LPAOC, Committee) approaching NHRS last month about a potential investment performance audit. Ms. Goodwin responded that staff met with the Committee and presented follow-up information, as requested, adding that the System has not received any follow-up questions to date and the LPAOC has not scheduled its next meeting.

Chair Lesko commented that, as a member of the Audit Committee, and Board Chair, he appreciated Executive Director Goodwin for informing him of LPAOC's interest, and for her transparency.

Next, Mr. Crutchfield presented his Legal report, noting that Legal has been working with Finance as part of the annual retiree reporting process, with regard to the participating employers who have NHRS retirees working for them. These employers are statutorily required to provide the total hours and earnings of their employed retirees for the prior calendar year, by February 15, or face possible fines. There are three noncompliant employers, who staff have repeatedly reached out to via phone and emails, but to no avail. Therefore, staff will issue a letter to these employers regarding possible fines, as required by statute. He concluded his report on the aforementioned GASB Audit Reports, noting that Nancy Cone foresees audit completion and submission occurring by mid-July.

Following the Legal report, Mr. Murphy gave a brief overview of the NHRS spending

management process, and directed the Board's attention to the preliminary FY 22 Trust Fund Budget. He presented a comprehensive explanation, including a description of, and a schedule for, the four components of the NHRS Trust Fund Budget, an outline of the proposed incremental changes from the FY 21 budget, and the interplay with the FY 22-23 Statutory Budget, which the Board had approved last September. A final version of the FY 22 Trust Fund Budget will come before the Board for action, at its June meeting.

Director of IT Frank Clough gave his report, updating the Board on various IT projects, including the firewall project, which he expects will be complete by month's end; a Web Application Firewall upgrade, to enhance protection for the System's information; the Microsoft Dynamics upgrade, to assist Finance with its reporting; and the monthly staff security trainings. In closing Mr. Clough noted that NHRS is looking into a product called Social Miner, which is a pop-up box used on websites to answer questions 24/7.

Director of Member Services Nancy Miller presented her report, noting an update to staffing of an added Member Accounts Specialists position, which would primarily focus on Employer Audit correction work. She noted that Member Services continues to devote significant time to various PGV3 items, including, working on Deliverable 3 (D3) User Acceptance Testing (UAT) planned for mid-August, and the related challenges with the upcoming Phase 2 of the COVID transition plan, and coordinating with LRS to be potentially on site for the UAT. Member Services is also working with HR and the Contact Center in preparing safety protocols for Phase 2 and limited in-person meetings with staff and stakeholders.

On an administrative note, Ms. Miller informed the Board of the Judicial Retirement Plan's (JRP) upcoming meeting, during which she expects there will be a vote to change from NHRS, its current third-party administrator, to another entity, likely prompting work for Member Services, LRS, and IT to coordinate moving data files to the new vendor.

Mr. Karlon gave his PIO report, noting that his department was about to send out a promotional email to inform service-retirement-eligible members of the pre-selection option, which allows them to designate a better benefit for their beneficiaries should they die while still working. This is an effort to expand on the existing information provided in NHRS's educational materials on the subject, and in response to unsuccessful legislation proposed earlier this year to modify the pre-retirement death benefits available to married members. He noted it would be an annual mailing to keep members regularly informed of the benefit. PIO also plans to develop additional stand-alone notices, separate from its quarterly newsletters, to create more awareness of particular information that is available for members, retirees, and employers on the NHRS website. He reported that the System has nearly 60,000 subscribers to NHRS emails, up from 7,000 in 2010.

Next, Rosamond Cain, Director of Human Resources, presented her report, noting she is currently working on filling three positions, one in Member Services, the internal auditor, and one on the PGV3 team, respectively. Ms. Cain added that NHRS is waiting for a report from Fusion Cell, following its recent walk-through to assist NHRS with its COVID transition plan. Lastly, she noted that she expects to have an updated NHRS handbook to present for the June Board meeting.

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

There were no travel requests.

Ms. Goodwin reported on the May 2021 Action Items, noting that they are all complete, following today's Board presentation.

Chair Lesko then called for the Checkpoint Discussion, which he opened with a report on Trustee engagement. He stated he is working with Ms. Goodwin relative to transitioning from virtual meetings, and Trustee Committee membership. He encouraged Trustees to consider their current Committee involvement and whether they have continued interest, or if they would rather serve on a different one.

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 11:37 a.m.

Respectfully submitted,

Christine Rice,

Administrative Assistant