

NHRS Board of Trustees

Minutes – November 9, 2021

**Note:** These minutes from the November 9, 2021 Public Session were approved and executed at the December 14, 2021 Board of Trustees' meeting.

**Board of Trustees  
November 9, 2021**

**Public Minutes**

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

Participating: *Trustees Tim Lesko, Chair; Scott Christensen, Sue Hannan, Bill Hart, Maureen Kelliher, Robert Maloney, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Scott Myers, and Donald Roy\*.*

*Absent: Trustee Christopher Coates.*

*\*This Trustee participated remotely because he had meeting conflicts, as permitted under RSA 91-A:2. As a result, all votes were by roll call.*

*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; Diana Crichton, Esq., Hearings Examiner; Mark Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager, Deanna Higgins, Contact Center Supervisor; Cecile Merrill, Project Manager, Tracy Knight, Senior Business Analyst; Ann Stetson, IT Administrative Assistant, and Christine Rice, Administrative Assistant.*

*Guest speakers from GRS: David Kausch, Heidi Barry, and Casey Ahlbrandt-Rains.*

Chair Lesko called the November 9, 2021 regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and the Chair called for a vote to approve the public minutes of the Board meeting on October 12, 2021. On a motion by Trustee Myers, seconded by Trustee Hannan, the Board voted unanimously to approve the minutes, as presented.

Next, Trustee Mezzapelle gave the Audit Committee report, noting the Committee met this morning prior to the Board meeting. She provided a status update on internal audit activities, as well as on the two additional items on the Internal Audit tracker.

Trustee Mezzapelle then shared the progress on the FY21 Financial Audits, noting that there are presently no concerns, and that the audit results would come before the

Committee and the Board in December.

At its meeting, the Committee also heard from Deputy Director and Chief Legal Counsel Tim Crutchfield on the Annual Ethics Survey results, and Trustee Mezzapelle noted that the percentage of survey responses were as expected, and that everyone was in compliance. On a motion by Trustee Hart, seconded by Trustee Maloney, the Board voted unanimously to approve the Annual Ethics Survey scorecard, as recommended by the Audit Committee and as presented today.

Next, she updated the Board on the PGV3 project, which is 47% complete, with Deliverable 3 (D3), benefit calculations, at 93% complete; and D4, benefit maintenance, QDRO, and insurance, at 12% complete. She reported that D3 User Acceptance Testing (UAT) is at 86% complete. Lastly, she reported on several items relative to PGV3 that are in progress, including D4 QDRO design document reviews, open data conversion issues, and the logistics involving the employer reporting rollout.

Trustee Roy then presented the Governance Committee report, noting the Committee had not met since the last Board meeting. He said the Committee plans to meet in December to review the annual update to the Governance Manual, and to discuss the annual renewal of fiduciary insurance coverage. He noted the Committee expects to present both items to the full Board at its January meeting.

Next, Trustee Kelliher gave the report of the Independent Investment Committee (IIC, Committee), which met on October 22, 2021, stating that Director of Investments Larry Johansen updated the Committee on investment returns through recent time-periods. Trustee Kelliher reported that investment returns as of June 30, 2021 were at 29.4% net of fees, and that the portfolio outperformed its benchmark by 5.1%. Mr. Johansen then gave an update on asset allocation and liquidity, and referenced the \$55 million transfer from cash to IR+M, to move the fixed income allocation into range. IR+M is a core fixed income manager who invests approximately \$800 million on behalf of NHRS. Director Johansen then reviewed the Work Plan with the Committee and it voted to approve the plan for the third quarter of FY22. The Committee then voted unanimously to renew the Investment Management Agreement with IR+M through October 31, 2023.

Following that vote, the Committee heard presentations from the two finalists, Fidelity and Wellington, as part of the System's search for a core non-U.S., small-cap equity manager. After deliberation, the Committee voted unanimously to terminate NHRS's investment in Segall, Bryant & Hamill (SBH) International Small Cap Strategy and voted unanimously to invest the terminated assets from SBH in Wellington International Small Cap Research Equity Strategy, subject to contract and legal review. SBH manages about \$144 million on behalf of the System. Lastly, Trustee Kelliher noted the market returns in September were unfavorable to the portfolio, but in October, market returns were more positive, resulting in a healthy portfolio.

Trustee Kelliher turned to Mr. Johansen, who updated the Board on the total fund performance over multiple time-periods and noted that performance was down .4% for the fiscal year-to-date, up 10.6% at three years; 10.5% at five years; 10.5% at 10 years, and reported that asset allocations were close to target and well within range. He mentioned the draft Comprehensive Annual Investment Report (CAIR), which he said the Committee would review at its meeting next week, and expects that the IIC would recommend it for Board approval at the December meeting.

He stated that final performance at June 30, 2021 was up 29.4% for the fiscal year, 11.4% at three years; 11.3% at five years; and 9.3% at 10 years. At one year and 10 years, NHRS's performance is in the top quintile and at three and five years, the System is in the top 30% of its peers. In closing, Mr. Johansen provided an overview of the agenda for the November IIC meeting.

Trustee Myers provided the Legislative Committee update, noting that the Committee had not met since the last Board meeting, but plans to meet in December. He presented the list of Legislative Services Requests (LSRs), stating that the House and Senate filing periods have passed, although the Senate is able to hold titles in confidence so there may be additional, filed legislation, of which NHRS is not yet aware. He stated there are about 12 LSRs that relate to the System. Trustee Myers said that the Committee and staff would continue to monitor the titles and details, as more information becomes available. He then turned to Director of Communications and Legislative Affairs Marty Karlon, who noted that there are published details on several LSRs that already have assigned bill numbers and appear on the General Court website.

Next, on behalf of Trustee Coates, Mr. Crutchfield gave a brief report of the Benefits Committee, which had not met since last month's Board meeting.

Trustee Hart then gave the PPCC report, noting the Committee met twice since the last Board meeting, once on October 15, 2021 and again on November 4, 2021. At the November meeting, Director of Human Resources Rosamond Cain provided a staffing and recruitment update, noting that NHRS filled the Employer Reporting Manager position internally, and hired someone to fill the Imaging Specialist position. HR and IT are working together on interviewing for the Help Desk Technician, which is a new position, and Finance is interviewing for a Finance Accountant.

Trustee Hart informed the Board of transition efforts concerning the PGV3 project, with the upcoming retirement of Project Manager Cecile Merrill. He said the Committee also discussed succession planning, which has become a permanent agenda item, noting that the Management Development Program has effectively shaped internal candidates for potential successorship of various key management positions. Lastly, he reported that the Committee acknowledged the CBA, which expires June 30, 2022, and said that NHRS has begun preparations for negotiations, which will likely start January 2022.

Chair Lesko then introduced guest speakers David Kausch, Heidi Barry, and Casey Alhbrandt-Rains from GRS, the System's Consulting Actuary, who presented an overview of actuarial services to familiarize Trustees, particularly the newer Board members, with the actuarial process and its importance in calculating and reporting the Plan funding progress for NHRS. GRS discussed the actuarial information it provides for the Annual Comprehensive Financial Report (ACFR), which includes GASB 67 and other pension disclosures, and GASB 74 and other medical subsidy disclosures. GRS also discussed its assistance with the CAIR.

Next, Executive Director Jan Goodwin gave her report, noting the improvement of KPMs, which were at 96.3%, above the 95% benchmark, and added that the Executive Team (E-Team) members would address their respective missed KPMs, of which there were three. She also informed the Board that she and the E-Team have been evaluating the KPMs, especially relative to the perennial hindrances contributing to meeting the KPMs. She then described a process to assist staff in meeting the KPMs in the future.

She then shared the customer satisfaction results from the Contact Center and noted a possible discrepancy with how the System presents the survey to its members, and that a further review of the survey itself would be prudent to more accurately reflect the results. She then went over the Quarterly Member Satisfaction report, which covers the first quarter of FY22, and noted the high score, commenting on the importance of maintaining customer satisfaction and rectifying any reported member dissatisfaction.

Ms. Goodwin updated the Board on the monthly metrics for the Contact Center, which will mark its one-year anniversary next month, and noted that it continues to meet its two goals of answering calls within two minutes, and having an abandon rate of less than 5%. Lastly, she went over her Action Plan, noting that the transparency of the investment fees relating to HB 173 is complete.

Following the Executive Report, Mr. Crutchfield gave his report of the Legal department, noting its involvement with the PGV3 testing of D4, with the legal staff's particular attention to the QDRO design to upgrade to an automated process. With regard to HB2 on the medical subsidy process for state retirees, he said that he and Director of Finance Gerard Murphy, and Ms. Goodwin met on November 1, 2021 with the assigned auditor from the Office of Legislative Budget Assistant, (LBA), and noted positive progress.

Mr. Johansen then gave his Investment report, noting that his department met the seven of seven KPMs, and that his Action Plan is in progress and on schedule.

Next, Mr. Karlon gave his PIO and legislative report, stating that preparation for the legislative session in January is underway, and that PIO is working on year-end updates to publications with new data, and scheduling the 2022 educational events, as well as recording the "NHRS: Past, Present, and Future" presentation for online access. He mentioned that staff are working on employer reporting instructions for the PGV3 data reporting system. Lastly, he noted that his department met all of its KPMs and his Action Plan is on track.

Following Mr. Karlon, Nancy Miller, Director of Member Services, gave her report, updating the Board on the JRP data transfer to BPAS, the new, third-party administrator. On the PGV3 project, she gave an overview of staff activities with D3 testing and the process of automating the QDRO system in D4. She reported on staffing changes, noting that Member Services seeks to fill two Retirement Generalist positions.

With regard to KPMs, the department continues to work toward fulfilling them and had cross-trained internal staff to compensate for a four-month leave of another staff member. She also commented on the ongoing efforts of the temporary staff who have made significant progress on reducing the amount of Employer Audit corrections. In closing, she stated her Action Plan is in process and on target.

Director of Finance Gerard Murphy opened his report stating that this month's packet is without the net position box and the FY 22 financial statements. He explained that there was a delay with closing the books for FY21, due to awaiting the numbers for alternative investments, some technical difficulties, and a staff vacancy. He said the FY22 monthly financial statements would be available at the December meeting.

Next, he stated that cash flows for September 2021 were as expected and FY22 spending for the first three months of the year was on track, with positive variances in each category. Mr. Murphy reported that Finance missed one KPM with regard to bank reconciliation

because of a vacant accountant position, for which Finance is in the process of interviewing candidates. In closing, he went over his Action Plan, which he noted is on schedule.

Ms. Cain delivered her HR report, and updated the Board on staffing, noting that the process for recruiting for a Retirement Generalist position is underway, and announced that NHRS has hired a candidate for an Imaging Specialist in IT. She went over the status of the COVID Transition Plan Phase 1.5, limiting the amount of staff in the building to 25%.

She then commented on open enrollment, during which employees can update paperwork surrounding health insurance coverage and other benefits. She noted there were no changes to the overall benefit plans this year. She added that NHRS held a flu shot clinic last month for its employees, noting that 20 staff received their flu shots thanks to the state program. Lastly, she noted that HR has two candidates for a new payroll provider, and they are under consideration.

Next, Director of IT Frank Clough presented his report, providing updates on the monthly Security Awareness Training, the chat bot project, which he noted was on hold due to cost, and the status of the annual staff Cyber Security Training, noting there are three proposals that are under review.

Next, Mr. Clough announced project kick-offs for the firewall audit, and the vulnerability and penetration audit. He also noted progress in improving the process of providing Member PINs for *My Account* by enabling the Contact Center to assign PINs over the phone through the LexisNexis identity authentication application.

He then described an initiative to add features to its secure information portal, Zix Encryption, to encrypt incoming member information. He concluded his report with IT's KPM performance and customer satisfaction score, which were each at 100%, and stated that his Action Plan is on schedule.

Chair Lesko next presented the Consent Agenda, and on a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted unanimously to accept the Consent Agenda as presented, with Trustee Merrifield abstaining from Item 1.

Chair Lesko then turned to Trustee Maloney for his travel report. Trustee Maloney gave the Board an overview of his experience at the annual conference of the International Foundation of Employee Benefit Plans that he attended in Denver, Colorado last month, highlighting some key takeaways.

Next, Ms. Goodwin updated the Board on Action Items from October 12, 2021, which she stated all would be complete at the close of this meeting.

Chair Lesko noted the Checkpoint discussion occurred with Trustee Maloney's travel report.

With no further business to discuss, on a motion by Trustee Hart seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:42 a.m.

Respectfully submitted,

Christine Rice, Administrative Assistant