

NHRS Board of Trustees

November 8, 2022

**Note:** These minutes from the November 8, 2022, Public Session were approved and executed at the December 13, 2022, Board of Trustees meeting.

**Board of Trustees**

**November 8, 2022**

**Public Minutes**

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

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

Absent: *Trustee Christopher Coates.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Frank Clough, Director of Information Technology; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Diana Crichton, Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Ann Stetson; Matthew Dahl, IT Help Desk Technician, Deanna Higgins, Contact Center Supervisor; and Christine (Rice) McKenney, Administrative Assistant.*

Guests: *Heidi Barry, and Jeffrey Tebeau of Gabriel, Roeder, Smith & Company (GRS).*

Chair Lesko called the November 8, 2022, regular meeting of the NHRS Board of Trustees to order at 10:02 a.m. He welcomed two new trustees, Paul Provost, and Joshua Quigley.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the October 11, 2022, Board meeting. On a motion by Trustee Roy, seconded by Trustee Frederick, the Board voted unanimously to approve the October 11, 2022, meeting minutes, as amended.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting and heard status updates on internal audit activities and Audit Tracker items, which continue to make progress. She reported there were no new audits, but the Committee expects to hear on the Investment Portfolio Reconciliation Audit at its next meeting. The Committee heard an update on the Financial Audit, noting its progress and the expectation of receiving the audit results at the December meeting. Trustee Mezzapelle then mentioned that the external auditor contract expires upon completion of the Fiscal Year (FY) 2022 Audit, and that staff recommended the Audit Committee issue an RFP for a proposal of a five-year contract for an external auditor, of which the Committee voted unanimously to pursue. Lastly, she reported that the

Committee reviewed the results of the 2022 ethics survey at its meeting last month and voted unanimously to recommend to the Board for its approval. On a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to approve the annual ethics survey scorecard, as presented today, with abstentions by Trustees Provost and Quigley.

Trustee Roy gave the report of the Governance Committee, noting it had not met since its last meeting, but that it would meet next month to discuss the annual review of the Governance Manual and the fiduciary insurance coverage renewal. The Committee expects to present both items for action at the Board's January 2023 meeting.

Trustee Kelliher gave her report on the October 11, 2022, 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, mentioning that the final performance for FY 22 as of June 30 would be available soon. He proceeded to report on cash flows, liquidity, and the status of Russian Assets, which continue to be on hold in the NHRS portfolio. Mr. Leveque then addressed the current Work Plan, noting he would review it and recommend any potential changes. The Committee heard two presentations, one from Aristotle Capital Management ("Aristotle") and the other from BlackRock. Aristotle manages \$127 million in an active, international equity strategy on behalf of the System. BlackRock manages \$242 million in a strategic income opportunity on NHRS's behalf. The Committee then heard from Mr. Leveque on the draft NHRS transmittal letter, draft Callan letter, and the draft GRS letter for the FY 22 Comprehensive Annual Investment Report (CAIR), which he requested the IIC review and provide feedback prior to the November meeting for a vote to recommend to the Board of Trustees for approval at its December meeting. He then noted the FY 22 Total Fund performance of -6.06%, which outperformed the benchmark of -9.34% for the year. The FY 22 Fund balance was \$10.8 billion.

Trustee Kelliher then turned the floor over to Chief Investment Officer Mr. Leveque who reported on the NHRS performance as of September 30, 2022. Referring to the Callan Monthly Review for September, he addressed the positive outlook of the Plan's long-term performance for 3, 5, and 10 years in relation to the policy benchmarks, noting the one-month total fund return was at -4.94% relative to the benchmark return of -6.73%. He concluded his report with an update on asset classes, a review of private credit and private equity, and the ongoing success of fixed income for the short- and long-term periods. He turned the floor back to Trustee Kelliher for final comments. She responded to a couple of questions from Trustees regarding the Real Estate portfolio, and the excess returns fiscal year-to-date in Callan's September 30, 2022, monthly review.

Trustee Merrifield began the Legislative Committee report, stating it had not met since its October meeting, then referred to the Legislative Service Requests (LSRs), noting that following today, Election Day, the House filing period would begin and run through November 22, 2022. He commented that the Senate does not publish a designated filing period. He reported that Director of Communication and Legislative Affairs Marty Karlon would approach the Governor's Office this month on the funding for the Call Fire Fighter issue that the Board approved at its meeting last month, and NHRS hopes to have it included in the Budget Trailer bill, House Bill (HB) 2.

On behalf of Trustee Coates, Tim Crutchfield, Deputy Director and Chief Legal Counsel, presented the report of the Benefits Committee, stating that it had not met since the

October 11, 2022, Board meeting.

Trustee Hannan gave the report of October 20, 2022, PPCC meeting, noting that Director of Human Resources Rosamond Cain provided a staffing update, with NHRS recruiting for open positions in Finance, the Contact Center, and Member Services. Following Trustee Hannan's brief report, she requested a non-public session. On a motion by Trustee Martins, seconded by Trustee Maloney, the Board voted unanimously by roll call to enter non-public session under RSA 91-A:3, II(c) to discuss matters which, if discussed in public, would likely adversely affect the reputation of a person other than a member of the public body. On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to conclude the non-public session. No action was taken in the non-public session.

Back in public session, on a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board unanimously accepted the recommendation of the PPCC to approve the Executive Leadership Coaching as presented in the Board materials, subject to contract and legal review.

Next, Chair Lesko welcomed representatives Heidi Barry and Jeff Tebeau from the System's actuary, GRS, who provided to the Board an Actuarial 101 presentation. GRS also included an overview of the unaudited NHRS FY 22 Annual Comprehensive Financial Report in its presentation. Mr. Tebeau described who GRS is and what it does for the System, explaining actuarial valuations, funding a member's pension, and calculating future costs via their assumptions. Ms. Barry followed with an in-depth analysis of the draft FY 22 Financial Report, highlighting the Actuarial Accrued Liability (AAL), GRS's methodologies, and future expectations. She noted the GASB 67 accounting results for June 30, 2022 and mentioned the expected presentation of GASB 68 and 75 reports to the Board at its January 2023 meeting, for potential adoption in February. At the conclusion of the presentation, Chair Lesko opened the floor to the Trustees for discussion, and a brief question-and-answer session followed.

Chair Lesko then moved on to the operating reports, turning to Executive Director Jan Goodwin who began her report with Key Performance Measures (KPMs), which came in at 92.94%. She proceeded to give updated numbers on the PGV3 project status, noting that the total project is 66% complete, with Deliverable 5 (D5), benefit payroll, at 98%, and D6, year-end process, audit, and security at 19%. She mentioned the ongoing design review for D6, and noted that of 36 open data conversions, 34 are closed, and staff continues to work on the remaining two. Ms. Goodwin provided a status report on the employer reporting rollout and announced that the PGV3 Change Management group is planning an all staff meeting for the first quarter of 2023. She apprised Trustees of the implementation of all seven bills from 2022 affecting NHRS and noted the one-time payment of \$500 to qualifying retirees and beneficiaries at the end of October. Ms. Goodwin reported on the KPMs' rolling average for the year, which came in at 96.3%, above the 95% benchmark. She commented on the continued success of the Contact Center, which is fully staffed, and last week, representatives took the most calls in one day since its inception in December 2019, because of the recent \$500 payment. Lastly, Ms. Goodwin noted the ongoing positive feedback she receives from her monthly calls to members, employers, retirees, and beneficiaries on the customer service NHRS provides, and in closing, mentioned that her action plan is in progress.

Ms. Cain provided a brief update on her Human Resources report, noting that the System plans to present a job offer this week for one of the open positions, and that last

week, the controller had given her notice, initiating recruitment for that position. NHRS received a quote for the New Hampshire Paid Family Medical Leave that came in higher than expected and HR will review the information provided. Ms. Cain concluded with her action plan, noting that the System will put all staff training on hold so that staff can focus on the progress of PGV3 and training new staff.

Director of Information Technology (IT) Frank Clough provided his operating report, with an update on cybersecurity, noting there was no testing in October, but IT conducted all staff monthly training, adding that testing would return in November. He then updated the Board on existing projects, including migrating Office 365 to the cloud, a storage upgrade, proposal reviews for a Managed Detection and Response (MDR) application, a fax migration to the cloud, and migration from WebEx meetings to Microsoft Teams. He concluded with his department's achievement of 100% customer satisfaction, and that IT missed one KPM when a misconfiguration caused a failure to the email server during patching, noting the issue was quickly remedied. Lastly, Mr. Clough reported his action plan is progressing.

Mr. Crutchfield opened his Legal operating report by thanking Attorney Cavanaugh and Ms. McKenney for their efforts in this year's ethics surveys. He commented on the Lafasciano appeal, which is still pending in the Supreme Court. He noted the recently passed non-compliance employer penalty legislation, stating that staff has implemented associated procedures for those employers who do not provide the needed data to NHRS by the designated deadlines. He concluded his report with the Legal department's missed KPM regarding employer audits and expects it will take the next few months for the department to meet that KPM. In closing, he noted the action plan is on schedule.

Mr. Karlon provided his report on Legislative Affairs and PIO, updating the Board on the legislative cleanup items, which it approved at its August meeting, noting the sponsor plans to submit a request to draft a bill this week. He stated his department continues to update the NHRS website and materials for FY 22 and that it would be working with other departments to implement a new mandatory W-4P withholding form as of January 2023. He gave an overview of upcoming projects with multiple departments relative to PGV3, including renaming of the member group tiers for easier reference. Lastly, he noted PIO met all its KPMs.

Mr. Leveque gave a brief update on Investments, noting it met nine of the 10 KPMs, missing one because of the rebalancing of the portfolio pertaining to non-U.S. equities, which he would review with the IIC later today. He closed his report with an overview of the agenda for the IIC meeting, which immediately follows the Board meeting, and noted two new items on his action plan.

Next, Director of Member Services Nancy Miller gave her report, emphasizing her department's ongoing involvement with PGV3, its work on D5 and D6, and teacher calculations for Final Average Salary. She mentioned the completion of processing the one-time \$500 payments made to retirees and beneficiaries last month. She provided an update on staffing, noting she is recruiting for two open positions in Member Accounts, and that two new staff members joined her team. Ms. Miller concluded her report, noting that Member Services met all 21 of its KPMs this month, provided a preview of upcoming projects, and stated her action plan is in progress. A brief discussion followed regarding lump sum payments.

Director of Finance Marie Mullen provided her Finance report, beginning with the status of the Employer Audit reconciliation process relative to HB 1221 in which the state provides

7.5% reimbursement to the employers for their FY 22 contributions on behalf of teachers, police, and fire members. Last month, the Board certified the reimbursement to 330 employers, which will be paid through the general fund. Ms. Mullen reported that her department has since completed 15 of the remaining 59 employer reconciliations, with the 44 remaining expected to be completed by the end of December to present to the Board at its January meeting for certification. Finance missed two KPMs last month, the first related to an October 31 deadline for the Annual Comprehensive Financial Report (ACFR). She explained the missed October deadline was due to department transitions and vacancies. The second missed KPM had to do with LSRs, there was one request the Legislature changed the due date from 10 days to five days, and Finance was unable to meet the deadline because of the need for an actuarial assessment. She proceeded to note that Finance does not have the initial financial results for FY 23, due to the delay in completing those for FY 22, but that Finance was working to have them done in the next couple of months. She attributed the delay to limited staff and the recent resignation of the System's controller. She reported that cash flows, the budget vs. actual, and administrative expenses year to date, through September 30, 2022, are all below budget. She commented on the penalty statistics, regarding reporting and payment penalties for employer groups, which Finance will continue to monitor and review monthly. Lastly, she provided an update on the PGV3 project budget vs. actual, noting that it is well underbudget through FY 22 and the first quarter of FY 23. In closing, Ms. Mullen noted that she completed Item 10 on her action plan, having attended a financial conference last month, and mentioned the addition of Item 11, to submit an RFP for an external auditor.

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

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the October 11, 2022, Board meeting, noting that three items would be completed by the end of today's meeting, and the fourth item relative to seeking funding for the Call Firefighter benefits is in progress.

During the Checkpoint Discussion, Chair Lesko again welcomed the two new Trustees, and mentioned the need for membership on several Committees, adding that Trustees traditionally serve on at least two. Ms. Goodwin pointed out specifically which Committees need members, and Chair Lesko encouraged Trustees to contact him if anyone would be interested in changing their committee membership to serve on a different one.

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 11:54 a.m.

Respectfully submitted,

Christine (Rice) McKenney,  
Administrative Assistant