

NHRS Board of Trustees

Minutes – November 14, 2023

Note: These minutes from the November 14, 2023 Public Session were approved and executed at the December 12, 2023 Board of Trustees meeting.

Board of Trustees

November 14, 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, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Joshua Quigley, and Don Roy.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources; John Laferriere, Director of IT; Raynald Leveque, Chief Investment Officer; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Guests: Heidi Barry and Jeffrey Tebeau of Gabriel, Roeder, Smith & Co. (GRS), and Attorney David Levine of Groom Law Group.

Chair Tim Lesko called the November 14, 2023, regular meeting of the NHRS Board of Trustees to order at 9:30 a.m. and after establishing a quorum, he called for a vote to approve the October 10, 2023, Board meeting minutes. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted to approve the meeting minutes, with Trustee Frederick abstaining.

Trustee Quigley arrived at 9:31 a.m.

Trustee Mezzapelle gave the report of the Audit Committee, which met this morning prior to the Board meeting. The Committee heard an update on the Benefit Administration Audit. The NHRS external audit is under way, and the system's external auditor, Plante Moran, is expected to attend next month's Audit Committee meeting to present the results. The Committee reviewed the Annual Ethics Survey Report and will bring the report before the Board at its December meeting. Lastly, Trustee Mezzapelle presented the amended Fraud Policy, with minor edits that the Committee voted to approve and recommend to the Board last month.

During the Audit Committee report, at approximately 9:34 a.m. and 9:40 a.m., Trustees Martins, and Hannan, respectively, joined the meeting.

On a motion by Trustee Frederick, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Audit Committee to approve the revisions to the Fraud Policy, as presented.

Trustee Roy provided an update on the Governance Committee, which met on October 31, 2023. In response to the Board's recommendation at its October meeting on the initial delegation of the disability retirement applications to the Benefits Committee, the Committee reviewed the Benefits Committee Charter. Following that review, the Committee unanimously voted to recommend to the Board that it approve the Benefits Committee Charter revisions relative to this delegation.

On a motion by Trustee Provost, seconded by Trustee Roy, the Board voted to accept the recommendation of the Governance Committee to approve the revisions to the Benefits Committee Charter authorizing the delegation of initial disability applications to the Benefits Committee, as presented, with Trustee Merrifield opposing.

Trustee Roy continued his Committee report, which reviewed the delegation of the annual renewal of the fiduciary and cyber insurance policies. Because of the anticipated timing to receive quotes for these policy renewals in light of the Board's 2024 bi-monthly meeting schedule, the Committee voted to recommend that the Board delegate the Governance Committee to authorize the annual fiduciary and cyber security insurance policy renewals and approve the relative revisions to the Committee charter.

A brief discussion followed regarding the Board's ability to call for a special meeting outside the 2024 meeting calendar to address single issues.

On a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted to accept the recommendation of the Governance Committee to approve the revisions to the Governance Committee Charter authorizing the delegation of the annual renewals of fiduciary and cyber insurance to the Governance Committee, as presented. Trustee Merrifield opposed.

Trustee Kelliher reported on the October 10, 2023, Independent Investment Committee (IIC, Committee) meeting, noting Chief Investment Officer Raynald Leveque gave an update on investment returns through recent time periods, referring to Callan's August 31, 2023, report. He provided updates on holdings within the NHRS portfolio and confirmed asset allocations are within range. Mr. Leveque also reviewed plan liquidity, Russian holdings, and the Work Plan, and the Committee voted unanimously to approve the Work Plan, as presented. Mr. Leveque presented the 2024 IIC meeting schedule, proposing a reduced number of annual meetings from 12 to eight, coinciding primarily with the Board's bi-monthly meetings. The Committee heard an overview from private debt manager Strategic Value Partners (SVP) on its Capital Solutions Fund II, to which the IIC voted unanimously to commit \$50 million, subject to contract and legal review.

In closing, Trustee Kelliher mentioned that Mr. Leveque presented the Draft NHRS Transmittal Letter; Draft Callan Letter; and the Draft GRS Letter for the FY 2023 Comprehensive Annual Investment Report (CAIR) and requested the IIC review the report and provide feedback at its November meeting.

Mr. Leveque reported on performance for NHRS as of September 30, 2023 for various time periods. In closing, he referred to Callan's annual review, noting the June 30, 2023 returns, the total Plan value of \$11.1 billion, and an overview of various asset classes.

Trustee Merrifield opened his update of the Legislative Committee by commending Director of Communications and Legislative Affairs Marty Karlon for his dedication to updating him on legislative activity for reporting to the Board each month. The Legislative Committee did not meet in the past month but plans to meet in January. The Retirement Benefits Commission (RBC) met last

week, and reviewed the actuarial analysis that GRS provided. On an 8-6 vote, the RBC recommended that the Legislature pass a bill that increases the multiplier for Group II Tier B and C members (and future hires) to 2.5% for all years worked in excess of 10 years. The House and Senate LSR filing periods are over and there are 13 titles that are NHRS-related. The House ED&A Committee met November 8, and acted on three 2023 bills held in committee and these bills will be on the consent calendar when the House meets in January. The House deadline to report retained bills is Friday, November 17.

Trustee Martins reported on the Benefits Committee, which had not met since the October Board meeting, and recounted his report to the Board about the Committee's non-public session at its September 27 meeting on a disability matter and its vote to recommend to the Board that it rescind its prior decision to award an Ordinary Disability Retirement (ODR). He referred the Trustees to the Board book materials and requested a non-public session to discuss the matter.

At 9:55 a.m., on a motion by Trustee Hannan, seconded by Trustee Henry, the Board voted unanimously on a roll call vote to enter into non-public session under RSA 91-A:3, II (c) to discuss a disability matter.

At 10:10 a.m., on a motion by Trustee Maloney, seconded by Trustee Frederick, the Board voted unanimously to conclude the non-public session.

Upon return to its public session, on a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Benefits Committee to rescind the Board's prior decision to award ODR to member S.D., with the consequence that the member must reapply if he seeks disability benefits in the future.

Trustee Hannan gave a brief report on the PPCC, noting it met last month and heard a staffing update from Human Resources Director Rosamond Cain regarding open positions. The Committee held a non-public session to discuss personnel matters and ended its meeting after returning to public session.

Next, Chair Lesko welcomed Heidi Barry and Jeffrey Tebeau of Gabriel, Roeder, Smith & Co. (GRS), NHRS's actuary, for an actuarial presentation. They presented a comprehensive overview of GRS, its actuarial process specific to the NHRS benefit plan, a new reporting requirement under the Actuarial Standards of Practice, layered amortization, and the total accrued liability.

Next, Attorney David Levine of Groom Law Group, the retirement system's external fiduciary counsel, presented an overview of Trustees' fiduciary duties. Attorney Levine explained the retirement system's legal requirements, the fiduciary framework, and discussed current events.

At 11:37 a.m., Trustee Roy left the meeting.

Chair Lesko turned to Executive Director Goodwin for her operating report. She began with NHRS's effort to maintain a safe and healthy environment relative to COVID-19, noting the seasonal spike in illnesses. She provided the KPM score for the month of 98.5%, noting there was one KPM missed. NHRS is in its second month of the PGV3 parallel processing and LRS is on site for support. As of December 1, PGV3 will be the system of record. Ms. Goodwin informed the Trustees of a \$14,200 contract that she approved, under the Procurement Policy, for climate control in the data center.

Next, Ms. Goodwin reviewed the 12-month KPM average, which is 98%, well above the 95% benchmark. The Contact Center continues to achieve its monthly goal of answering calls within five minutes, with less than a 2% abandon rate. She commented on the useful process of obtaining

feedback from her monthly calls to employers, members, retirees, and beneficiaries on NHRS' customer service. Next, she gave a synopsis of the quarterly results from the FY24 Member Satisfaction Survey. Lastly, she referred to her action plan, which is progressing, and closed by presenting the NHRS Dashboard on behalf of the Director of Finance Marie Mullen.

Ms. Cain presented the Human Resources operating report, commenting on recent hires and her KPMs, noting one missed hiring deadline. HR is using ADP for the Affordable Care Act forms and planning is under way for the NHRS staff holiday party.

Mr. Crutchfield presented the Legal report, beginning with a status update on the NH Supreme Court (Court) case relative to retired Keene school teachers, noting the Court's request for the certified record of proceedings and related transcripts. Following the submission of the certified record and transcripts, the Court will provide a schedule for submitting briefs and oral arguments. Legal met seven of its applicable KPMs. Mr. Crutchfield mentioned that the 2024 Board Action Calendar would be presented at the Board's December meeting. Lastly, he cited an example letter regarding the right to appeal a disability denial in the Board materials.

On behalf of Mr. Karlon, Ms. Goodwin gave the PIO report, beginning with the Finance Insurance Training, which has been completed. Staff are working on a soft launch of the new member account portal, My Account 2.0. Lastly, PIO continues to monitor the potential 2024 legislation relative to the retirement system.

Mr. Laferriere opened his IT report with cyber security awareness, noting an uptick of phishing attacks in general and the vigilance of IT staff to protect the system. The Managed Security Service Provider (MSSP) is fully onboarded with NHRS. IT achieved 100% customer service satisfaction and met all of its KPMs. He provided a status update on several projects and an overview of upcoming plans. In closing, he referred to his action plan, which is on schedule.

Mr. Leveque gave his report on Investments, noting his team achieved eight of the 10 KPMs, two of which were not applicable for the month. He then summarized the agenda for today's IIC meeting, which immediately follows the Board meeting.

Chair Lesko presented the Consent Agenda and on a motion by Trustee Henry, seconded by Trustee Quigley, the Board voted to approve the Consent Agenda as presented, with Trustee Merrifield abstaining from Item 7.

There were no travel reports or requests.

Ms. Goodwin gave the status of the Action Items from the October 12 Board meeting, noting everything will be completed after today's meeting except for Item 1.

During the Board Checkpoint Discussion, Chair Lesko discussed the pacing of the 2024 Board meetings and the delegated matters, and a robust discussion ensued on the new schedule and fiduciary responsibilities.

With no further business to discuss, on a motion by Trustee Maloney, seconded by Trustee Frederick, the Board voted unanimously to adjourn the meeting at 11:54 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist