

NHRS Board of Trustees

Minutes – October 12, 2021

Note: These minutes from the October 12, 2021 Public Session were executed and approved at the November 9, 2021 Board of Trustees' meeting.

**Board of Trustees
October 12, 2021**

Public Minutes

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

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

**These Trustees participated remotely because they 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; Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager, Cecile Merrill, Project Manager, Tracy Knight, Senior Business Analyst; Ann Stetson, IT Administrative Assistant, and Christine Rice, Administrative Assistant.*

Chair Lesko called the October 12, 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 September 14, 2021. On a motion by Trustee Maloney, seconded by Trustee Christensen, the minutes were approved, as presented, with Trustees Hannan and Merrifield abstaining.

Next, Trustee Mezzapelle gave the Audit Committee report, noting the Committee met this morning prior to the Board meeting. She provided updates on the Audit Issues Tracker report, and noted two additional items on the Internal Audit Plan. She informed Trustees that the 23 GASB employer-census data audits submitted to Plante Moran incurred only one question, and former Internal Auditor Nancy Cone was able to resolve it prior to her retirement last month.

Trustee Mezzapelle then noted that the Plante Moran auditors are working remotely on the FY 2021 Financial Audits and the audit results would come before the Committee

and the Board in December.

Next, she updated the Board on the annual ethics survey, noting that the responses are above 90% and a final number would be available to the Committee and Board for action next month. Trustee Mezzapelle gave a status update on the PGV3 project, noting that Senior Business Analyst Tracy Knight, and Ann Stetson, IT Administrative Assistant, would be taking over the responsibilities of the PGV3 project over the next few months in light of Ms. Merrill's pending retirement. She then reported on PGV3 progress.

Following her PGV3 update, she brought the Board's attention to the recommended changes to the Audit Committee Charter (Charter) and the NHRS Actuarial Funding Policy (Policy), and turned to Director of Finance Gerard Murphy to expand on the matter. Mr. Murphy explained the System had had past actuarial audits conducted and they proved positive, which prompted the modifications to the Charter and Policy to institute performance of actuarial audits on a regular basis. On a motion by Trustee Hart, seconded by Trustee Hannan, the Board unanimously voted to approve the recommendation of the Audit Committee on the proposed revisions to its Charter and the NHRS Funding Policy.

Trustee Roy then presented the Governance Committee report, noting the Committee had not met since the last Board meeting on September 14, 2021.

Next, Trustee Kelliher gave the report of the Independent Investment Committee (IIC, Committee), which met on September 24, 2021, stating that Director of Investments Larry Johansen updated the Committee on investment returns through recent time-periods, and gave an update on asset allocation, which he noted fixed income was slightly below the lower end of the range, without adding cash. He proposed transferring \$55 million from cash to fixed income manager IR+M to move the fixed income allocation into range. She then mentioned Director Johansen went over the Work Plan, and in reference to the core non-U.S., small-cap equity search, he noted the Committee would hear presentations from the two finalists at its October meeting.

Trustee Kelliher said the Committee next heard a presentation from Top Tier, a private equity manager, who NHRS had committed monies to its Funds I, II, & III in previous years, and this year, the Committee voted to commit \$25 million to Top Tier's Venture Velocity Fund IV.

Following Top Tier's presentation, the Committee heard from IR+M in conjunction with the two-year contract renewal process. Trustee Kelliher noted that the fixed income manager handles approximately \$800 million on behalf of the System. Next, Callan presented a fiscal year review of the NHRS Marketable Investments Portfolio. Lastly, she reported that the Committee reviewed and discussed the revised Quarterly Investment Fee Report, which includes the net and gross investment fees.

Next, Mr. Johansen updated the Board on the total fund performance over multiple time-periods ending on August 31, 2021, noting that performance continues to be strong with 10.6% at three years; 10.6% at five years; 9.8% at 10 years. He referred to the \$55 million transaction of cash to IR+M, as mentioned by Trustee Kelliher, occurred on October 1, 2021, and reported that asset allocations are within range and close to target. He updated the Board on cash flow, noting the System has \$140 million in cash, and mentioned the positive cash flow of the private debt and private

equity portfolios.

He stated that preliminary performance numbers at June 30, 2021 across all time-periods are strong and BNY Mellon would have final June 30 market value numbers this Friday. Mr. Johansen said he expects the net return to be just above 27% at June 30. He then explained the recently revised Investment Committee Quarterly Report to the Board, and lastly, provided an overview of the upcoming IIC meeting.

Trustee Myers provided the Legislative Committee update, noting that the Committee had not met since its last meeting in August. He said the House filing period for Legislative Services Requests (LSRs) had passed and that over the next two weeks the Senate would have the opportunity to file LSRs. He stated 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 added that the Committee would meet in December to review the titles prior to the start of the Legislative session in January.

Next, Trustee Coates presented the report of the Benefits Committee, which had not met since its meeting prior to last month's Board meeting. He stated that this month's Board materials contained the annual Gainful Occupation (GO) Report, which summarizes employment activity of those receiving disability benefits during calendar year 2020. On a motion by Trustee Myers, seconded by Trustee Hart, the Board voted unanimously to approve the annual Gainful Occupation Report, as presented.

Trustee Hart then gave the PPCC report, noting the Committee last met on September 27, 2021. At the meeting, Ms. Cain provided a staffing and recruitment update, including the recently hired Information Systems Security Officer (ISSO). The Committee also discussed the annual succession planning exercise, and Ms. Cain would present it at the Committee's next meeting. He noted that the Committee agreed to institute succession planning as a regular agenda item.

The Committee also went into non-public session, under RSA 91-A:3, II(c), to address staffing and personnel issues, and the six-month review of the Executive Director. He closed by stating that the Committee would plan to meet later this week.

Next, Executive Director Jan Goodwin gave her report, stating that NHRS moved into Phase 1.5 of the COVID-19 Transition Plan on Monday and reduced the amount of staff in the building from 75% to 25%. She noted everyone in the building must wear a mask except when in one's workspace. NHRS would continue to welcome walk-ins for part of the day, and wearing masks would be required. She noted that Board meetings would continue to be in person, barring any executive orders from the Governor allowing remote meetings.

Ms. Goodwin then noted the improvement of KPMs, which were within range of the 95% benchmark. She also reviewed with the Board a technological issue involving My Account, the online portal for members and beneficiaries, which occurred late last month. She explained the issue was with caching, and noted that IT resolved the problem. In reference to the KPM 12-Month Rolling Report, Ms. Goodwin said five of the 93 KPMs were missed; two were one-offs, two in IT, and another was in the Contact Center. She continued her report on the Contact Center, noting its ongoing success rate of answering calls within 2 minutes, with a 5% abandon rate. She concluded by reviewing her Action Plan, noting that all goals were in process.

Following Ms. Goodwin, Director of IT Frank Clough gave his report, beginning with the monthly Security Awareness training statistics, noting there were 13 failures on the September test and that IT provided additional training for staff. He then gave an update on several projects, including Cisco SocialMiner, in-person Security Awareness training, as well as finalizing a contract on penetrating testing and a firewall review.

Next, he provided an overview on an initiative to improve the process of securely providing new PINs to members who need to access My Account, and that IT is working with LRS on the process, which would generate a new PIN within 24 hours of a request.

Mr. Clough then explained one KPM that IT missed, which had to do with two unrelated server outages. The first, he said was because of a Microsoft update that resulted in the System having to fall back on its secondary server at its COLO site until IT could resolve the issue with Microsoft, and the second outage had to do with the My Account caching, of which IT worked with LRS and Akamai to fix the problem permanently.

In closing, he summarized upcoming projects, and the necessary recruitment for a help desk-ticket technician because of the demand with supporting remote workers, and finally, noted that the items on his Action Plan were in process.

In his Legal Report, Mr. Crutchfield updated the Board on employer audits, the Legal Team's participation in GO testing for D3, and work on D4 regarding statutory compliance. He noted that the Legal Team met all eight of its KPMs last month. He thanked the Trustees for returning their ethics surveys, and noted the annual ethics survey results would come before the Audit Committee and the full Board next month. Lastly, he added that all items on his Action Plan were in process.

Next, Mr. Johansen gave his Investments report, noting that Investments met all six of the applicable KPMs for last month. In closing, he said all items on the Action Plan were in process and ahead of schedule.

Mr. Karlon began his report by noting that PIO hosted two new educational webinars last month. In November, he said PIO has scheduled webinars on how to fill out filing applications, for each of the Group I and Group II filing application processes. He then reported that PIO would be working with the Division of Personnel to create custom handouts on retirement benefits and potentially provide them to new employees across state agencies, and then gave an overview of upcoming presentations. In closing, he noted PIO met all of its KPMs and the items on his Action Plan were on track.

Next, Director of Member Services Nancy Miller gave her report and said the System is working with LRS to prepare transferring files and data securely to BPAS, the newly appointed third-party provider to the JRP. Ms. Miller next reported that Member Services completed the annual member statements on time for rollout last month. She then updated the Board on Member Services ongoing work on PGV3, with the D3 UAT on benefit calculations, honing in on the core aspects of the process. Ms. Miller also noted the D4 design work that Member Services is carrying out while D3 testing is still in process. The D4 work is in the area of QDRO's and insurance reporting.

Lastly, she reported that Member Services missed two KPMs, which she attributed to staffing challenges involving an extended leave and the need for interim staffing arrangements. The expectation is that processing would return to KPM standards with the

end of the extended-leave situation.

Mr. Murphy began his Finance report by noting that the Finance packet was again without net position information and interim monthly financial statements, because, as was the case last month, it was awaiting the final June 30 numbers for alternative investments. He reported that Finance would be compiling the information to close the FY21 books over the next two weeks, and said he expected that the final FY21 financial statements would be presented to the Board in December. He stated he also anticipates that the FY22 interim monthly statements would resume at the November Board meeting.

He then provided the budget update, noting that cash flows were as expected through August 31, 2021; that spending was on track; and explained the negative variance in internal investments, but noted he expects it would reverse over the rest of the fiscal year.

Next, he addressed KPMs for the month, stating that a position turnover in his department resulted in missing the bank reconciliation KPM, and Finance is actively seeking to fill that position. He concluded by presenting the FY21 Call Fire Report, which showed the activity and balance as of June 30, 2021 for the benefit program that was repealed in 2014. He explained that the two remaining beneficiaries would continue to receive a benefit until their deaths, as set forth in the legislation that repealed the program.

On behalf of Human Resources Director Rosamond Cain, Ms. Goodwin presented her report beginning with the recently filled positions: the ISSO in IT, and a Member Accounts Technician. She mentioned recruitment efforts would continue because of the positions left open by the internal hiring of an Employer Reporting Manager and a Contact Center Representative. Lastly, Ms. Goodwin went over Ms. Cain's Action Plan, stating all items were in process.

Chair Lesko presented the Consent Agenda, and on a motion by Trustee Hart, seconded by Trustee Hannan, the Board unanimously voted to accept the Consent Agenda as presented, with Trustee Myers abstaining from Item 3.

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

Chair Lesko opened the Checkpoint discussion and directed the Board's attention to the Committee Membership List, which showed that all Committees had returned to full capacity. Ms. Goodwin announced that the System's actuary, GRS, would be presenting "Actuarial 101" at the November Board meeting and encouraged the Trustees to email her with any questions that they would like addressed during the presentation.

With no further business to discuss, on a motion by Trustee Hart seconded by Trustee Maloney, the Board voted unanimously to adjourn the meeting at 11:00 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant