

NHRS Board of Trustees

Minutes – October 11, 2022

**Note:** These minutes from the October 11, 2022, Public Session were approved and executed at the November 8, 2022, Board of Trustees meeting.

**Board of Trustees**

**October 11, 2022**

**Public Minutes**

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

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

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

*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; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst, Chris Murphy, IT System Administrator; Matthew Dahl, IT Help Desk Technician, and Christine (Rice) McKenney, Administrative Assistant.*

Chair Lesko called the October 11, 2022, regular meeting of the NHRS Board of Trustees to order at 10:01 a.m. He welcomed new Trustee Jon Frederick, Chief Investment Officer (CIO) Raynald Leveque, and Director of Finance Marie Mullen.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the September 13, 2022, Board meeting. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted to approve the September 13, 2022, meeting minutes, with Trustees Frederick and Roy abstaining.

Trustee Mezzapelle opened the meeting with 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. She reported on items in progress on the Audit Plan, noting the Committee heard an update from Finance on the 2022 Financial Audit: and that NHRS's external auditor Plante Moran would be on site during the weeks of October 17 and 31. Trustee Mezzapelle then discussed the 2022 Ethics Report on the annual process of requiring all current and former staff, trustees and IIC members, as well as all vendors, to acknowledge their understanding of and compliance

with the NHRS Ethics Rules. The Report will be presented for Board approval at its November meeting. She then discussed the certification of amounts payable to employers pursuant to HB 1221 (2022), which provides that the state makes payments equal to 7.5 percent of employer contributions made by employers for teachers, police, and firefighters in FY 2022. Trustee Mezzapelle noted these amounts have been reconciled for 330 employers and the Committee voted unanimously to recommend to the full Board that these amounts be certified. There are 59 additional employers that are undergoing reconciliation and will be certified in the future. On a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted to approve the recommendation of the Audit Committee to certify to the State Treasurer 330 employer contributions pursuant to HB 1221, with Trustee Mezzapelle abstaining.

Trustee Roy gave the report of the Governance Committee, noting it had not met since its last meeting on September 13, 2022, and its next meeting has not yet been scheduled.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC, Committee), noting it met on September 13, 2022, immediately following the Board meeting. The Committee heard from U.S. small and mid-cap (“SMid”) equity managers, AllianceBernstein (AB) and Thompson, Siegel & Walmsley (TSW) as part of the two-year contract renewal process. AB manages \$369 million on behalf of NHRS, while TSW manages \$239 million. Trustee Kelliher reported that Neuberger Berman, which manages \$166 million in an active, emerging markets equity portfolio on behalf of the System, also presented on its performance. She noted that the Committee voted to table the decision to extend Neuberger Berman’s contract until the IIC reviews the System’s public market equity portfolio structure in the coming months.

Lastly, she reported that Callan gave the Committee an overview of the NHRS Marketable Investments Portfolio for Fiscal Year 2022. Trustee Kelliher commented on the volatility of the markets. She then turned to the newly appointed Chief Investment Officer, Raynald Leveque, who provided an overview of Callan’s monthly review as of August 31, 2022, noting the market value of total fund assets was \$10.8 billion, slightly higher than the June 30 fiscal year end of \$10.6 billion. As of Sept. 30, 2022, the Plan was at \$10.4 billion. He proceeded to report on asset class performance for the public markets (equities, fixed income, including cash).

Mr. Leveque gave insight on total plan investment returns in August, noting they were down -2.19% for the month but outperformed the benchmark return, which was -2.31%, yielding an excess return for the month of +12 basis points. He reviewed the long-term total plan performance of three-, five-, and 10-years, noting outperformance of the policy benchmark by 88 basis points for the three-year period, 44 basis points for the five-year period, and flat to the policy for the 10-year period. He then provided an overview of U.S. equity and non-U.S. equity performance for the month, which both underperformed. In closing, Mr. Leveque highlighted the positive returns from small caps over the long term, and for fixed income, which makes up 19% of the total plan, had positive return across the three-, five- and 10-year time-periods.

Trustee Merrifield then gave the Legislative Committee report, noting that Marty Karlon, Director of Communications and Legislative Affairs, had heard from a member of the House ED&A Committee, who confirmed that he would sponsor NHRS’s proposed technical corrections to RSA 100-A that the Board approved in August. The next filing period for Legislative Service Requests (LSRs) is November 9 through 22. Trustee Merrifield proceeded to give a summary of System-related LSRs.

He then described the Call Firefighter Benefit funding, explaining that NHRS funds the benefits for two persons who qualified under former RSA 100-A:19, which provided death and disability benefits to call firefighters or their beneficiaries. He presented the FY 22 expenditures relative to the repealed law, referring to the Director of Finance, Marie Mullen's Call Fire Report as of June 30, 2022. The Legislative Committee met October 5 and voted unanimously to recommend to the full Board that it authorize staff to seek legislative appropriation of \$40,000 to fund the expected future benefits beyond the life expectancies of the two beneficiaries, and that any remaining funds upon death of the beneficiaries would lapse to the State's general fund. Trustee Merrifield turned to Mr. Karlon for further comments. A Trustee asked whether the call fire item would be included as part of the budget or as a separate request to the legislature, and Mr. Karlon confirmed that it would not be a part of the operating budget, but rather a separate request. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously to accept the recommendation of the Legislative Committee to authorize staff to seek a legislative appropriation to fund the expected future Call Firefighter Benefits.

Chair Lesko called on Associate Counsel Cavanaugh to provide hard copies of the Gainful Occupation report prior to Board vote on the matter. In the interim, Chair Lesko called for a brief recess.

Upon reconvening the meeting, Trustee Coates presented the report of the Benefits Committee, which met on October 5, 2022, during which the Committee heard from Mr. Cavanaugh on the annual Gainful Occupation Compliance Report and voted unanimously to recommend to the Board approval of the annual report and to authorize staff to implement the pension offsets and non-compliance withholding. Trustee Coates then reported that following the adjournment of its public meeting, the Committee held a non-public session under RSA 91-A, to discuss disability matters with legal counsel. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted unanimously to approve the Calendar Year 2021 Gainful Occupation Compliance Report.

Trustee Hannan gave the report of the September 22, 2022, PPCC meeting, during which the Committee reviewed the updated annual Succession Plan. She gave a staffing update as provided to the Committee by Director of Human Resources Rosamond Cain, noting all management positions have been filled, welcoming Ms. Mullen and Mr. Leveque, then proceeded to list the departments where active recruiting is underway.

At 10:40 a.m., Trustee Hannan requested to go into non-public session to discuss personnel matters. On a motion by Trustee Maloney, seconded by Trustee Hannan, the Board voted unanimously to enter non-public 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 itself. At 11 a.m., on a motion by Trustee Hannan, seconded by Trustee Roy, the Board unanimously voted to conclude the non-public session.

Chair Lesko commenced the return to the Board's public session with the operating reports, beginning with the Executive Director. Ms. Goodwin opened her report with the Key Performance Measures (KPMs), which came in at 98.80% this month. Ms. Goodwin also provided the 12-Month KPM rolling average, which came in at 96.60%, above the 95% benchmark. She then gave a status report on the PGV3 project, which is 64% complete overall, with Deliverable 5 (D5), benefit payroll, at 69%, D6, year-end process,

audit, and security at 3%. She mentioned that NHRS staff continue to work on D5 testing. Lastly, she noted that on October 5, 2023, NHRS expects to begin conducting parallel processing of PGV2 and PGV3.

She apprised Trustees of a sole-source contract with Monadnock Services that she approved for \$3,496.00, which is under her discretionary limit of \$10,000, for the installation of two security cameras. Ms. Goodwin reported that all Executive KPMs were met this month. She gave an update on the Contact Center, noting its continued success with handling calls within its designated goals. She mentioned the continued success of her calls to members and beneficiaries, noting the positive feedback she receives, and in closing, noted the progress of her action plan.

Director of Finance Marie Mullen provided her Finance report, updating the Board on Finance's involvement with PGV3, noting the completion of testing for D5, Phase I, and its expected completion of work this week on D5, Phase II testing. She mentioned the Financial Audit, which is underway, adding that Plante Moran would be at NHRS during the weeks of October 17 and 31. She reported that Finance missed one of its KPMs this month relative to bank reconciliation, commenting that she expects to meet the KPM in the future by filling a vacant position and adding a temporary employee to support the Finance Team. She concluded her report with financials, noting NHRS is below budget for the first two months of the fiscal year, and that cash flows for August and fiscal year-to-date are within the expected range.

Ms. Cain began her Human Resources (HR) report with a staffing update, mentioning that the Finance Accountant and Senior Contact Center Representative positions have been filled, but as these were internal recruitments, it left vacancies in Member Services for a Benefit Coordinator and a Member Accounts Specialist. Recruitment continues for a Member Services Administrative Assistant. HR also seeks to fill a third Employer Reporting Specialist position in Finance. Ms. Cain announced some upcoming events for NHRS staff, noting information on open enrollment should be available next week, and that NHRS would be hosting a flu clinic next week, as well. She mentioned the completion of a salary survey on management positions that she would present to the PPCC at its next meeting and noted that she would be conducting a survey on staff salaries over the next several months.

Chair Lesko relieved Mr. Clough from providing his IT operating report this month while he and his team were remedying an IT matter.

Attorney Cavanaugh provided the Legal report on behalf of Timothy Crutchfield, Deputy Director, and Chief Legal Counsel, updating the Board on the Lafasciano appeal, still pending in the Supreme Court. He gave a status report on GASB and employer audits and noted that NHRS sent out the Gainful Occupation reminder letters last week to those who are non-compliant. He updated the Board on the status of the Private Letter Ruling request to the IRS on the medical subsidy changes passed in the summer of 2021 under HB2. Lastly, he mentioned that Legal met all eight of its KPMs and gave an overview of upcoming plans and projects.

Mr. Leveque presented the Investments operating report, as prepared by NHRS Consulting Director of Investments Larry Johansen, noting that Investments met all seven of its KPMs this month. In closing, he provided an overview of the IIC agenda for its meeting this afternoon and noted that the action plan is in line.

Mr. Karlson provided his report on PIO, updating the Board of his department's work on the

employer reporting changes relative to the PGV3 project, noting that PIO would begin scheduling employer reporting training sessions in summer 2023. He also informed the Board of the implementation of a recent initiative of mailing welcome flyers to those newly hired members who do not provide their emails to NHRS upon enrollment.

Director of Member Services Nancy Miller opened her report with a progress update of her department's involvement in PGV3, noting the finalizing of D5, Phase II testing this week, and working with LRS on teacher contracts and developing designs for the calculation of teachers' average salaries. Ms. Miller announced that staff issued member statements late last month, and the one-time \$500 payment under HB 1535 is in process. In closing, Ms. Miller reported that Member Services met all 21 of its KPMs this month and that the action plan is progressing.

Chair Lesko next presented the Consent Agenda, and on a motion by Trustee Martins, seconded by Trustee Kelliher, the Board voted to approve the Consent Agenda, with Trustee Hannan abstaining from Item 5 and Trustee Merrifield abstaining from Item 9.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the September 13, 2022, Board meeting, noting that Items 1 through 4 were completed and Item 5, as discussed in the Legislative Committee report earlier today, was now completed. Ms. Goodwin participated remotely while attending the Annual Conference of the National Council on Teacher Retirement (NCTR). She shared with the Board that Mr. Johansen was honored at the conference for his longtime service as a Director of Investments and that he spoke on a panel at the conference.

During the Checkpoint Discussion, Chair Lesko welcomed the new faces in NHRS management, and Trustee Jon Frederick, who represents the Municipal Association, and added that next month there should be another new Trustee.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:22 a.m.

Respectfully submitted,

Christine (Rice) McKenney,  
Administrative Assistant