

NHRS Board of Trustees

Minutes – September 13, 2022

Note: These minutes from the September 13, 2022, Public Session were approved and executed at the October 11, 2022, Board of Trustees meeting.

Board of Trustees

September 13, 2022

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

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

Absent: *Don Roy.*

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

Staff: *Jan Goodwin, Executive Director; Mark F. Cavanaugh, Esq., Interim Chief Legal Counsel; Frank Clough, Director of Information Technology; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Diana Crichton, Esq., Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Chris Murphy, IT System Administrator; and Christine Rice, Administrative Assistant.*

Guest: *Joshua Quigley, New Hampshire State Police Trooper*

Chair Lesko called the September 13, 2022, regular meeting of the NHRS Board of Trustees to order at 10:02 a.m.

A quorum was established and Chair Lesko called for a vote to approve the minutes of the August 9, 2022, Board meeting. On a motion by Trustee Maloney, seconded by Trustee Martineau, the Board voted to approve the August 9, 2022, meeting minutes, with Trustees Hannan and Mezzapelle abstaining.

Trustee Mezzapelle opened the meeting with the Audit Committee report, noting the Committee met this morning prior to today's Board meeting and heard status updates on internal audit activities and Audit Tracker items, including the GASB Census Audit, which is 95% complete, with one outstanding audit in progress. She mentioned the Committee reviewed its charter and policy and reported it did not have any revisions.

On behalf of Trustee Roy, Mark Cavanaugh, Interim Chief Legal Counsel, gave the Governance Committee report, noting it met on August 30, 2022, to review its charter.

The Committee had no recommended changes. It then heard from Mr. Cavanaugh on the Office of Foreign Assets Controls (OFAC) Policy, giving a brief overview to the Board, and noted there were no actual or potential violations. He reported staff revised the Policy to reflect updates to position titles, as well as typographical corrections. The Committee voted unanimously to recommend these revisions to the Board.

At this time, approximately 10:11 a.m., Trustee Coates joined the meeting remotely, and from this point onward, Chair Lesko conducted the votes by roll call.

On a motion by Trustee Hannan, seconded by Trustee Martins, the Board voted unanimously to adopt the revisions to the OFAC Compliance Policy, as presented. Mr. Cavanaugh next reported that the Committee reviewed the 2023 Board of Trustees meeting schedule and voted to recommend it to the Board. On a motion by Trustee Merrifield, seconded by Trustee Hannan, the Board voted unanimously to adopt the 2023 NHRS Annual Meeting Calendar, as presented.

Trustee Kelliher presented her report on the Independent Investment Committee (IIC, Committee), noting it had not met in August and proceeded to inform the Board that the Committee would meet immediately following today's Board meeting, inviting Trustees to attend. She then noted she would provide more on investments on behalf of retired Director of Investments Larry Johansen during the presentation of operating reports.

Marty Karlon, Director of Communications and Legislative Affairs, delivered the report of the Legislative Committee, which has been working with staff on the implementation of bills passed in 2022. He gave a synopsis of the implemented bills, including House Bill 1587 and Senate Bill 363, relative to compensation over base pay and nonqualified service purchases for certain Group II members, adding that the programming for Pension Gold is complete and staff is conducting testing. Mr. Karlon proceeded to give an overview of the status of other bills yet to be implemented, such as the one-time payment to retirees, which he reported will go out at the end of October.

The 2023 filing period for Legislative Service Requests (LSRs), or bill requests, for the House began last week, and Mr. Karlon informed the Board of upcoming, possible legislation relative to NHRS. He noted that there is a second filing period, which runs post-election from November 9-22, adding that the Senate does not have a formal filing period and can file LSRs prior to December 31. Lastly, Mr. Karlon provided a status update on the search for a sponsor of NHRS' proposed legislation that encompasses technical correction amendments to RSA 100-A, which the Board approved last month. In closing, he noted that NHRS would present next Thursday to the House ED & A Committee on SB 363 and to the Joint Legislative Committee on teacher recruitment and retention.

Trustee Coates presented the report of the Benefits Committee, which met on September 7, 2022. The Committee reviewed its charter and had no recommended changes. The Committee then heard from Mr. Cavanaugh and Hearings Examiner Diana Crichton on the search for Independent Medical Examiners, (IMEs), noting there were no disciplinary actions against the current IMEs. Trustee Coates turned to Mr. Cavanaugh for a status report on recruitment of more IMEs, and after Mr. Cavanaugh's brief progress update, Trustee Coates concluded the Benefits Committee report.

Trustee Hannan gave the report of the PPCC, which met on August 11, 2022, during which the Committee reviewed its charter and had no revisions. It then heard from Director of Human Resources Rosamond Cain, who provided a staffing update. Ms. Cain

provided the Committee with the annual update of the Succession Planning Process, and Trustee Hannan stated the PPCC anticipates a final report on the process at the end of September.

Chair Lesko then turned to Ms. Goodwin to commence the operating reports. She began her Executive Report with the KPMs, which came in at 94.94% this month. Ms. Goodwin also provided the 12-Month KPM rolling average, which came in at 96%. She then gave a status report on the PGV3 project, noting the numbers were recently updated last week. The overall project is at 63% complete, with Deliverable 5 (D5), benefit payroll, at 55%, D6, year-end process, audit, and security at 2%. She mentioned that NHRS held user acceptance training (UAT) for D5, Phase I two weeks ago and that testing is underway. She noted there would be a PGV3 quarterly staff meeting this week. Ms. Goodwin concluded that despite changes in personnel at NHRS and at LRS, and dealing with the pandemic, the PGV3 project holds to its original timeline. She announced that parallel processing, during which staff would enter all data simultaneously into each system PGV2 and PGV3, is expected to begin October 5, 2023.

She provided an update on the Contact Center, noting its metrics are on target. She then gave an overview of her calls to members and informed Trustees of the continued positive feedback she receives. In closing, she noted that posters showcasing some of the positive comments from member surveys would be on display at NHRS.

Director of Member Services Nancy Miller opened her report with the progress of her department's involvement in PGV3 and the implementation of legislation. She noted Member Services and Finance are working together on UAT, testing benefit payroll, refunds, and lump sum activity, and holding daily meetings with LRS. Member Services seeks to fill its Administrative Assistant position, and the new Benefits Specialist has begun training. She announced Member Services met all 21 of its KPMs this month. Lastly, she noted that Member Services continues to work on designs for D5 and D6 in PGV3.

Ms. Goodwin presented the Finance operating report, noting that the new Director of Finance Marie Mullen would start at NHRS on Monday, September 19, adding that there would be a pre-fieldwork planning meeting with the System's external auditor Plante Moran on the same day, and that Plante Moran would be on location in October. She gave an overview of Finance's involvement with PGV3, noting its significant work on D5 UAT testing, the designing of D6 and Employer Reporting elements. She reported that Finance missed two KPMs due to staff vacancies and expects to get back on track next month.

She noted that cash flows for July were as expected and spending through the first month of Fiscal Year 2023 is below budget. She reported that NHRS continues to rely on two contractors to assist in the Finance department for the interim until the onboarding of the new director, noting one of the contractors is former Director of Finance Gerard Murphy. Ms. Goodwin provided an overview of the reporting package, noting the numbers are as expected with a lower number for internal staff expenses because of staff vacancies. She referred to the quarterly Dashboard, noting the increase in contribution rates took effect in FY 22 and 23.

Ms. Goodwin presented the Statutory Administrative Budget for FY 24 and FY 25, and explained the three items that changed since the draft last month: First, an increase for temporary positions at \$25,000 for each of FY24 and FY 25 (discussed at the August Board meeting); second, a decrease of \$8,900 for both FY 24 and FY25 for dental coverage because of a calculation error, and third, NHRS received final numbers from DHHS and DAS for

indirect costs, resulting in a net increase of \$6,811 in FY 24 and \$7,964 in FY 25. A brief discussion followed about PGV3 expenses. On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to adopt the FY 24-FY 25 Statutory Administrative Budget.

Ms. Cain opened her Human Resources report beginning with an update on staffing, announcing the start dates of several new hires, September 19 for the new Director of Finance; October 1 for the Chief Investment Officer; and October 3 for the Information Security Administrator. The IT Systems Support Specialist and Employer Reporting Specialist recently began in their positions. She reported that HR is making an offer for the vacant Senior Accountant position in Finance due to the advancement of Kelly Brown to Controller, noting Ms. Brown's integral work on the budget. Ms. Cain stated HR is also recruiting for a third Employer Reporting position and an Administrative Assistant position in Member Services. HR met all four of its KPMs this month. She mentioned HR has moved its recruiting process online through Paycor, its payroll software. Lastly, she noted she was working on Succession Planning documents to go to the Management Team (M-Team) and would provide a report to the PPCC next week.

Director of IT Frank Clough provided Trustees with his most current operating report, giving updates on the monthly Cyber Security training, the Office 365 migration of email to the cloud, and the Dell storage upgrade. IT is reviewing proposals for a Migration to a Managed Detection and Response (MDR) application, which is designed to further protect the integrity of the System's secured data. Mr. Clough noted that IT recently filled its open position of an Information Security Administrator. He closed his report with a brief description of the missed KPM this month, explaining it was due to software issues. He noted that IT achieved 100% customer satisfaction in August. Lastly, he gave a brief overview of upcoming projects and noted his Action Plan.

Mr. Cavanaugh provided the Legal report, updating the Board on the progress of employer audits, the implementation of SB 363 and the COB Rules. He referred to the revised letter NHRS sent to the IRS, regarding a request for a ruling on the medical subsidy changes passed in the summer of 2021, under HB2. The IRS requested supporting materials and he noted he would be consulting with Groom Law next week to help further this process. NHRS renewed its property insurance and received a lower rate, about \$1,200 less, with an approximate \$5,000 premium. Lastly, Mr. Cavanaugh gave an update on the received responses, about 86%, to the 2022 NHRS Ethics Survey, which Legal conducts annually as part of compliance with its Code of Ethics Policy.

Trustee Kelliher presented the Investments operating report, updating the Board on performance as of July 31, 2022, Fiscal Year to Date, noting NHRS is above benchmark for three-, five-, and 10-years. She reported Asset Allocations were within ranges for all asset classes except for non-U.S. equities, which she stated the Investment Committee would address at its meeting today. Trustee Kelliher noted that Assets Under Management, as of July 31, 2022, are at \$11.1 billion. She reported that Investments met all six of its KPMs this month. In closing, she provided an overview of the IIC agenda for its meeting this afternoon.

Mr. Karlon provided his report on PIO, updating the Board of his department's work with Finance on the employer reporting changes relative to the PGV3 project, noting that PIO would schedule employer reporting training sessions in summer 2023 to prepare for the parallel processing that fall. He provided upcoming plans for PIO and concluded his report with the KPMs, all of which were met.

Chair Lesko next presented the Consent Agenda, then turned to Mr. Cavanaugh for an explanation on Item 7, R.O., noting that he recommends the withdrawal of R.O.'s disability application because of the recent knowledge that the applicant returned to work full time, noting that he would verify that information. Trustee Martins requested to discuss Item 3, C.D., on the Consent Agenda, and at 11:00 a.m., Chair Lesko called for a motion to enter into non-public session, under RSA 91-A:3 II(c). On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to enter into non-public session.

At 11:28 a.m., on a motion by Trustee Hannan, seconded by Trustee Martins, the Board voted unanimously to return to public session.

On a motion by Trustee Hannan, seconded by Trustee Martineau, the Board voted to approve the Consent Agenda, Trustee Martins voted no, and Trustee Merrifield recused himself from Item 6.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the August 9, 2022, Board meeting, noting that items 1, 2, and 5 are completed, and Item 3, the search for sponsorship for Legislative Recommendations is in process, and Item 4, regarding obtaining preliminary health insurance premiums for Calendar Year 2023 is incomplete because NHRS is not on the state payroll system. She noted the final rates would be available in October, and that NHRS would adjust the budget accordingly.

During the Checkpoint Discussion, Chair Lesko reminded Trustees of the IIC meeting immediately following today's Board meeting and encouraged them to participate.

With no further business to discuss, on a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to adjourn the meeting at 11:33 a.m.

Respectfully submitted,

Christine Rice,

Administrative Assistant