

NHRS Board of Trustees

Minutes – September 12, 2023

Note: These minutes from the September 12, 2023, Public Session are subject were approved and executed at the October 10, 2023, Board of Trustees meeting.

Board of Trustees

September 12, 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, Don Roy, and Joshua Quigley.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Raynald Leveque, Chief Investment Officer; John Laferriere, Director of IT; Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Tracy Knight, Project Manager; Greg Richard, Senior Investment Officer; Shana Bilech, Investment Officer; Diana Crichton, Hearings Examiner; and Christine McKenney, Communications Specialist.*

Chair Tim Lesko called the September 12, 2023, regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. and after establishing a quorum, he called for a vote to approve the meeting minutes of the August 8, 2023, Board meeting. On a motion by Trustee Maloney, seconded by Trustee Henry, the Board voted unanimously to approve the meeting minutes.

At 10:33 a.m., Trustee Quigley joined the meeting.

Trustee Mezzapelle presented the report of the Audit Committee, which met earlier this morning. The Committee reviewed the outstanding items in Internal Audit, which are on hold through January due to PGV3 preparation. She referred to the Fiscal Year (FY) 2024 Audit Plan, noting that Internal Audit has begun two new audits: one on Benefits Administration, and the other on Right-to-Know Requests. She reported the GASB Census Data Audits have been completed and submitted to Plante Moran for review. Finance provided a brief update to the Committee on External Audit items, which are on schedule. In closing, Trustee Mezzapelle mentioned the Committee finalized the review of its Audit Policy and Charter and voted to recommend to the Board that it approve a revision in the Charter regarding meetings under RSA 100-A:14-a.

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

Trustee Roy gave an update on the Governance Committee, which met on August 23, and voted on several items to recommend for Board approval. Trustee Roy presented the four items: the Committee's revised charter with regard to meetings; minor grammatical and clarifying edits to

the Office of Foreign Asset Control (OFAC) Policy, noting there were no violations in this year's review; an increase to the dollar amount limit under the Executive Director's discretion in the Procurement Policy; and, the 2024 Board meeting calendar, as discussed at the August Board meeting, to meet bi-monthly.

On a motion by Trustee Martins, seconded by Trustee Frederick, the Board voted unanimously to approve the recommendation of the Governance Committee to accept the revised Governance Committee Charter, as presented.

On a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Governance Committee that the Board approve the revisions to the OFAC Policy, as presented.

On a motion by Trustee Mezzapelle, seconded by Trustee Martins, the Board voted unanimously to accept the recommendation of the Governance Committee to approve the revisions to the Procurement Policy, as presented.

There was a robust discussion on the proposed 2024 NHRS meeting schedule, in reference to the meeting day and the delegation of action items to Board subcommittees. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously to approve the 2024 Board Meeting Calendar to meet bimonthly beginning in February, on the second Tuesday of those months.

Trustee Kelliher reported on the August 8 Independent Investment Committee (IIC, Committee) meeting. Chief Investment Officer Raynald Leveque provided an update on investment returns through recent time periods, referring to Callan's June 30, 2023, report. He gave updates on holdings within the NHRS portfolio and confirmed asset allocations are within range. Mr. Leveque also gave updates on liquidity, Russian holdings, and the FY 24 Work Plan. Staff continue to work on the total plan analysis project, including a strategic asset allocation update. Trustee Kelliher reported that the Committee then heard two presentations, one from private credit manager Ares Management (Ares), and the other from fixed income manager Income Research & Management (IR+M). The Committee discussed the presentation from Ares and the opportunity to invest in its Pathfinder Fund II. The Committee voted unanimously to commit \$50 million to Ares Pathfinder Fund II, subject to contract and legal review. Trustee Kelliher mentioned the IR+M presentation was part of its five-year contract renewal, which the Committee will vote on at its meeting today, immediately following the Board meeting. She turned to Mr. Leveque for further updates on portfolio performance.

Mr. Leveque reported on the preliminary performance for NHRS as of July 31, noting the Total Fund net return for the fiscal year-to-date (FYTD) period was 1.68%, and the calendar year-to-date (CYTD) performance was 8.16%. He reported on long-term performance for three, five, and 10-year periods, which had returns of 9.06%, 7.07%, and 7.67%, respectively. Mr. Leveque gave an overview of performance in the individual asset classes. He discussed that the Alternatives still reported 1st quarter returns and noted that 2nd quarter returns would be available next month. The Plan assets are at \$11.6 billion. There was also a discussion to revise the labels of the various investment metrics.

Trustee Merrifield gave an update on the Legislative Committee, which did not meet in August. He mentioned the House filing period for Legislative Service Requests began Monday, September 11, and the Committee plans to monitor any titles relative to NHRS. He noted the House filing period ends Friday, September 15. He mentioned the Senate filing period will occur in the fall. Trustee Merrifield reported on the Retirement Benefits Commission, which plans to meet this Thursday and is expected to discuss the actuarial analysis of two amendments impacting the benefit calculations for Group II, Tier B members. He noted staff

continues to work with LRS on the HB 2 programming for Group I benefits recalculation.

Trustee Merrifield then referred to the Legislative Charter, which the Committee voted to recommend the same revision as other Committees for Board approval.

On a motion by Trustee Hannan, seconded by Trustee Mezzapelle, the Board voted unanimously to accept the recommendation of the Legislative Committee to approve the revision to the Legislative Committee Charter, as presented.

Trustee Merrifield concluded his report by turning to Marty Karlon, Director of Communications and Legislative Affairs, who had nothing more to add but welcomed any questions, but there were none.

Trustee Martins reported on the Benefits Committee, which met August 29, to conduct the annual review of the Independent Medical Examiners (IMEs) that the retirement system uses per the IME Policy. Staff reported there were no disciplinary actions against the three IMEs in the states where they practice. Trustee Martins reported staff are working to increase the number of qualified IMEs to serve the System. He noted staff would present the annual Gainful Occupation report for Committee review prior to the Board's October meeting. Lastly, he referred to the Benefits Committee Charter, which the Committee voted to recommend the same revision to the Board for approval.

On a motion by Trustee Merrifield, seconded by Trustee Roy, the Board voted to accept the recommendation of the Benefits Committee to approve the revision to the Benefit Committee Charter, as presented.

Trustee Hannan reported on the PPCC, which met August 28, and heard staffing updates from Human Resources (HR) Director Rosamond Cain, noting NHRS is recruiting for two open positions in IT and one in Investments. The Committee then discussed Succession Planning, for which an update would ordinarily occur this month. Because of PGV3, Ms. Cain recommended to delay the 2023 update until February 2024 and the Committee agreed with her recommendation. The PPCC performed the annual review of its Charter and voted unanimously to recommend that the Board accept the same revision as to all Committee charters.

On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the PPCC to approve the revision to the PPCC Charter, as presented.

Chair Lesko turned to Executive Director Goodwin for her operating report. She began by noting the KPMs were at 98.63% for the month, well above the 95% benchmark, noting the 12-month rolling average was 97.53%. One KPM was missed agency-wide for the month. She provided the latest update on PGV3, which is 84% complete, with Deliverable 7 (My Account-Member Direct) at 100% complete. Ms. Goodwin reported on the Data Reporting System (DRS), which is what employers use to report to NHRS, noting the availability of a "sandbox," or testing area, for employers to get acquainted with the new system. Ms. Goodwin reported staff are preparing for parallel processing, which begins October 9, and an increased effort to obtain XML test files from employers is underway, as well as verification of those files.

Ms. Goodwin announced the plan to add an artificial intelligence (AI) chat bot to the NHRS website to assist stakeholders with questions. She reported that Director of IT John Laferriere is building the bot in-house. A brief question-and-answer session occurred regarding the chat bot's features, availability, and expected cost.

She then discussed federal legislation that prohibits public pension entities from accessing the

Social Security master death file. As a result, NHRS uses research services such as PBI and LexisNexis to verify death benefits. Ms. Goodwin shared with Trustees of her efforts to change the current legislation and allow public pensions access to the Social Security master death file, noting she has garnered support from several public pension groups, including the National Council of Public Employee Retirement Systems (NCPERS), which will take the lead on the proposed federal legislation.

She reported on the status of the retirement system's statutory obligation of providing account statements in September, noting staff are completing the statements, which will be available later this month. She provided an update on the Contact Center and her monthly calls to employers, members, and recent retirees on NHRS' customer service, which continues to receive positive feedback. Lastly, she noted her action plan, and presented the Dashboard report, on behalf of Finance Director Marie Mullen.

Mr. Laferriere opened his report with cyber security awareness, noting IT regularly conducts phishing tests and stated no extra training for staff was necessary in August. He commented on the onboarding of the new Managed Security Service Provider (MSSP), Green Pages, noting the implementation and monitoring of infrastructure security monitors and management of patch deployment. He reported the MSSP has not found new vulnerabilities or threats.

He mentioned IT scored 100% on customer satisfaction and met all eight of its KPMs. He also gave an update on several projects. He noted the recruitment of a temporary project manager to track various IT projects. Mr. Laferriere reported that the AI chat bot has been built and the NHRS Contact Center is developing benefit-related questions and testing the bot to ensure it is providing accurate data only from the NHRS website. A healthy discussion occurred about the chat bot's limitations and capabilities for NHRS. In closing, Mr. Laferriere gave an overview of upcoming projects, and referred to his action plan.

Mr. Leveque gave a brief update on the Investment team, reporting that it achieved seven of the 10 KPMs, adding that three KPMs were not applicable this month. He provided an overview of the agenda for today's IIC meeting, and he referred to his action plan, which is on track, noting that Item 8 is on hold while staff researches the best options.

Ms. Cain gave an update on HR activities, including the recruitment for the open positions in IT and Investments, noting second interviews are scheduled for next week. She reported of another open position for an Administrative Assistant, which is on hold to figure out the details of the position description. She mentioned HR is building a performance appraisal management system through ADP to relieve HR of manually tracking the performance appraisal process. Lastly, she noted HR is training on the compensation module in ADP that will help with the changes in the CBA.

Mr. Crutchfield presented his legal report, beginning with the recent increase in calls from retirees who received notification letters from PBI. He noted Associate Counsel Mark Cavanaugh has handled many escalated calls. He updated the Trustees on the LexisNexis contract negotiations in reference to providing online member authorization to the MyAccount portal, as part of the PGV3 project. He mentioned the annual ethics survey, thanking the Trustees for their responses, noting that a report on the survey results would come before the Audit Committee and the Board in October or November. He noted that Legal achieved all seven of its applicable KPMs for the month. He gave a brief update on the Private Letter Ruling (PLR), which was requested as part of HB 2 in 2021, on the Medical Subsidy payment process, confirming that the PLR has been submitted to the IRS and he expects NHRS would hear from the IRS in the next few months. He also provided an update on his action plan.

Mr. Karlson opened his report with the messaging PIO has been working on to keep employers,

members, and retirees aware of potential delayed processes because of PGV3 and the new My Account. He stated much of the communication on PGV3 will be repeated multiple times through several channels to keep stakeholders abreast of the data system transition. He discussed employer reporting, and the work PIO is doing with Finance and LRS to educate employers on reporting in the new system for active members. PIO and Member Services are collaborating to produce instructional slides on insurance procedures in the DRS and PIO is assisting with scheduling employer training on that, along with one-on-one training with the large health insurance vendors. Lastly, he noted the annual retiree reporting in the new DRS, which isn't due until January. He said PIO will provide education sessions on that in December and January.

He next commented on the Retirement Benefits Commission, noting the proposed amendments that are under review this week are at the expense of the legislature and not NHRS. He listed several other items the Commission is charged to consider before the end of November, including funding for future cost-of-living adjustments (COLAs) and recruitment issues. In closing, he reported on upcoming PGV3 employer education events and an overview of the legislative landscape in anticipation of the 2024 session beginning in January.

Chair Lesko next presented the Consent Agenda. On a motion by Trustee Maloney, seconded by Trustee Martins, the Board voted to approve the Consent Agenda, with Trustee Hannan abstaining from Item 2, and Trustee Quigley abstaining from Item 5.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the August 8, 2023, Board meeting, noting everything will be completed at the conclusion of today's meeting.

During the Board checkpoint, Chair Lesko noted the Committees are fully represented and reminded Trustees to contact him if they have interest in joining an additional Committee or the desire to switch from one Committee to another.

With no further business to discuss, on a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously to adjourn the meeting at 11:48 a.m.

Respectfully submitted,

Christine McKenney
Communications Specialist