

NHRS Board of Trustees

Minutes – December 12, 2023

Note: These minutes from the December 12, 2023 Public Session were approved and executed at the February 13, 2024 Board of Trustees meeting.

Board of Trustees

December 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, Joshua Quigley, and Don Roy.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources; Marty Karlon, Director of Communications & Legislative Affairs; John Laferriere, Director of IT; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Mark 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; Diana Crichton, Hearings Examiner; Jonathan Diaz, Investment Officer; Jesse Pasierb, Investment Operations Analyst; Mariel Holdredge, Executive Assistant; Christine McKenney, Communications Specialist.*

Guests: Angel Haddad, Senior Vice President, Callan; Jay Kloepfer, Executive Vice President, Callan.

Chair Lesko called the December 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 November 14, 2023, Board meeting minutes. On a motion by Trustee Jason Henry, seconded by Trustee Sue Hannan, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting, during which the Committee heard a presentation from the system's external auditor, Plante Moran, on the results of the Fiscal Year (FY) 2023 audit. She noted there were no significant issues and that Plante Moran planned to issue an unmodified opinion letter on December 15, 2023. She reported that the Committee approved and accepted the Annual Comprehensive Financial Report (ACFR) for FY 23. Trustee Mezzapelle turned the floor over to Director of Finance, Marie Mullen, who gave the Board a high-level overview of the ACFR, providing details and pointing out specific areas of interest in the ACFR. On a motion by Trustee Hannan, seconded by Trustee Maloney, the Board voted unanimously to conditionally accept the recommendation of the Audit Committee to approve and accept the ACFR for FY 23, contingent upon receipt of Plante Moran's audit opinion.

Trustee Mezzapelle reviewed the results of the annual ethics survey report. This year's responses revealed no concerns, and the percentage of responses were in line with expectations. On a motion by Trustee Roy, seconded by Trustee Henry, the Board voted unanimously to accept the recommendation of the Audit Committee to approve the FY 23 ethics survey scorecard. Trustee Mezzapelle closed the Audit Committee report with the results of the audit of the process NHRS follows in regard to right-to-know requests.

Trustee Roy provided the report of the Governance Committee, which had not met since the Board's November meeting, but would meet next month to review and act upon the renewal of NHRS's fiduciary insurance coverage, as delegated by the Board last month.

Trustee Kelliher gave her report on the November 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 recent monthly reviews. He proceeded to report on cash flows, liquidity, and the status of illiquid Russian assets. The Committee voted unanimously to approve the 2024 IIC meeting schedule. The Committee also voted unanimously to approve the Investment Management Agreement with Wellington Management for a five-year term. Mr. Leveque presented the 2023 NHRS Strategic Asset Allocation (SAA) review dated November 2023. He then discussed the goals of the SAA review, which was conducted over nine months by NHRS staff in conjunction with Callan, the retirement system's investment consultant. He outlined and presented the evaluation of three potential policy portfolios: A, B, and C, for the NHRS long-term policy portfolio and presented his recommendation, Portfolio B. He discussed potential staffing changes to accommodate the recommendation and mentioned staff is finalizing the strategic plan for investments, to be presented in 2024. The Committee then heard from representatives of Callan on the three potential portfolios and recommendations. The Committee then voted unanimously to recommend the development and eventual implementation of portfolio B to the Board of Trustees. Lastly, the IIC reviewed the FY 23 Comprehensive Annual Investment Report (CAIR), which it conditionally voted to approve, subject to the addition of materials from the ACFR.

Trustee Kelliher then turned the floor over to Mr. Leveque who reported on the investment performance as of October 31, 2023.

Next, Mr. Leveque then discussed the memorandum from the IIC, Investment Team, and Callan (fund's investment consultant) to the Board recommending a new strategic asset allocation policy for the NHRS. Mr. Leveque reviewed the proposed changes to the current long-term policy portfolio, reducing public equities from the current 50% to 40%, with a corresponding 10% increase in alternative investments (Private Credit and a new asset class, Infrastructure) from the current 15% to 25%. Mr. Leveque discussed the several months of work led internally by the NHRS Investment Team, with support on the analytical tools, data, and optimizations from Callan.

The proposed policy portfolio is expected to generate a similar return to our current asset allocation but with a lower expected risk (volatility) or standard deviation. The new asset allocation will have a five-year horizon to be implemented at the start of the next fiscal year on June 30, 2024. Mr. Leveque and the Investment Team will next develop an implementation plan for the IIC that will outline the pacing of investments, specifications of the Infrastructure asset class, benchmarking, and other portfolio construction considerations. A robust discussion ensued on the proposal by the Board.

On a motion by Trustee Provost, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the IIC to adopt the proposed strategic asset allocation policy targets.

Chair Lesko called for a motion to approve the CAIR, and on a motion by Trustee Hannan, seconded by Trustee Frederick, the Board voted unanimously to accept the recommendation of the IIC to approve and accept the CAIR for Fiscal Year 2023.

Trustee Merrifield then gave the Legislative Committee report, stating it had not met since the November Board meeting but plans to meet next month.

Trustee Martins presented the report of the Benefits Committee, stating that it had not met since the November Board meeting, but will meet next month to review that month's Consent Agenda items per the Board's delegation in November.

Trustee Hannan gave the PCC report, stating it had not met since the November Board meeting but plans to meet in the next couple of weeks.

Chair Lesko turned to Executive Director Jan Goodwin for her operating report. Ms. Goodwin commenced by introducing the new NHRS Executive Assistant Mariel Holdredge, and commended Christine McKenney, who served for many years as Board liaison and transitions to her new position as an NHRS Communications Specialist.

The Executive Director then reported the monthly Key Performance Measures (KPMs) monthly score was 98.5%, noting there were two KPMs missed, both due to the same issue regarding a refund. She proceeded to provide an update on Pension Gold Version 3 (PGV3), noting the project is 89% completed and is now NHRS's official system of record. Ms. Goodwin added that as part of going live with PGV3, NHRS will be transitioning from the PGV2 version of MyAccount to the PGV3 version this month. Ms. Goodwin went on to report that the Executive Team is in the preliminary stages of assessing space options for NHRS in advance of the expiration of NHRS's five-year lease in March 2026. Next, Ms. Goodwin reviewed the 12-month KPM average, which is 97.84%, above the 95% benchmark. She then reported that all three of the Executive Director KPMs were achieved this month and provided an update on her monthly calls to members, employers, and retirees, commenting on the continued positive feedback she receives.

She apprised the Trustees of a contract addendum for Board consideration, recapping the expected vs. actual trajectory of PGV3 expenses regarding Change Requests (CRs). CRs are any changes that impact the cost and/or schedule from the original timeline and/or service and have been an expected and budgeted expense throughout the upgrade. In accordance with the Procurement Policy, she requested that staff be authorized to amend the PGV3 contract regarding CRs with funds that have already been budgeted to reflect a "not-to-exceed" amount. On a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously to approve the procurement of services as presented in the Board materials, subject to contract and legal review.

Deputy Director and Chief Legal Counsel Tim Crutchfield opened his Legal report by updating the Board that Legal achieved six of its KPMs last month. One was missed due to a late refund and the other KPM is on hold due to the PGV3 conversion. He then reported on upcoming plans and projects, as well as a summary of Legal's action plan. In closing, Mr. Crutchfield reminded the Board that he will be sending out the annual request for the Trustees to complete the Statement of Financial Interests as required by statute.

Director of Communications and Legislative Affairs Marty Karlon provided his report on Legislative Affairs and PIO, giving an overview of upcoming projects, including the soft launch of the new My Account portal. A discussion ensued regarding the specifics of information available to retirees on My Account and inquiries about proposed 2024 bills.

Director of Information Technology (IT) John Laferriere opened his operating report with an update on cybersecurity awareness, noting an uptick of phishing attacks in general and the vigilance of IT staff to protect the retirement system. The Managed Security Service Provider (MSSP) is fully onboarded with NHRS and identified no new security issues in November. IT achieved 99% customer service satisfaction and met all its KPMs. Mr. Laferriere 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 six of the 10 KPMs, with the remaining four not applicable last month. Mr. Leveque proceeded to give an overview of the agenda for the IIC meeting, which immediately follows today's Board meeting. He closed out his report with an overview and update on his action plan.

Rosamond Cain, Director of Human Resources (HR), presented her operating report, noting the filling of the Executive Assistant and Investment Officer roles and the ongoing recruitment of an Employer Reporting Specialist. She provided an overview of monthly highlights and developments, including HR's use of ADP to produce 1095-C forms, previously produced manually. Ms. Cain closed by reporting upcoming plans and projects, mentioning the return of leadership coaching for middle managers, and two upcoming all-staff training sessions scheduled for spring of 2024.

Chair Lesko presented the Consent Agenda. On a motion by Trustee Quigley, seconded by Trustee Roy, the Board voted unanimously to approve the Consent Agenda, as presented.

There were no travel reports or requests.

Ms. Goodwin gave the status of the Action Items from the November Board meeting, noting everything had already been completed or will be by the end of today's meeting.

During the Board Checkpoint Discussion, Chair Lesko presented the need to conduct a Board self-assessment as a best practice in 2024.

With no further business to discuss, on a motion by Trustee Maloney, seconded by Trustee Martins, the Board voted unanimously to adjourn the meeting at 11:59 a.m.

Respectfully submitted,

Mariel Holdredge
Executive Assistant