

NHRS Board of Trustees
Minutes-April 14, 2020

Note: These minutes from the April 14, 2020 Public Session were approved and executed at the May 12, 2020 meeting of the Board of Trustees.

**Board of Trustees
April 14, 2020
Public Minutes**

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

Telephonically present: Trustees Maureen Kelliher, Chairman; Scott Christensen, Christopher Coates, Sue Hannan, Bill Hart, Benjamin Jean, Tim Lesko, Robert Maloney, Monica Mezzapelle, Scott Myers, Donald Roy and George Walker.

Absent: Trustee Melvin Friese

Staff: George Lagos, *Executive Director*; Tim Crutchfield, Esq., *Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Mark Cavanaugh, Esq., *Associate Counsel & Compliance Officer*; Frank Clough, *Director of Information Technology*; Nancy Miller, *Director of Member Services*; Marty Karlon, *Public Information Officer*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; and Margaret Astles, *Executive Assistant*.

Acting Chair Kelliher called the April 14, 2020 regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. She then introduced and welcomed NHRS' new Trustees Monica Mezzapelle and Scott Christensen. Having established a quorum, Chair Kelliher called for a motion on the March 10, 2020 meeting minutes. On a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted to approve the March 10, 2020 minutes, as presented, by roll call vote. *Abstentions:* Scott Christensen, Maureen Kelliher, Monica Mezzapelle

Trustee Lesko reporting for the Audit Committee, noted that besides the Audit Tracker in the Board's materials, there was nothing new to present as there was no meeting in March.

Trustee Roy provided the Governance Committee report noting that the Committee last met on March 10, 2020. He then reported that at the last Governance Committee meeting, the draft Weapons Policy was provided and Trustee comments were solicited. Following that meeting, two Trustees responded with comments and suggested edits that have been incorporated in the version provided at today's meeting, and for the Committee's consideration and action, either at its 4/14/20 meeting or a future meeting.

Trustee Roy then reported on the staff's recommendation to have the Board approve the RFP for the 1099-R and Vendor 1099-MISC Processing Services. On a motion by Trustee Hannan, seconded by Trustee Hart, the Board voted to accept the recommendation of the Governance Committee to approve the 1099 RFP, as presented, by roll call vote.

Acting Chair Kelliher gave a recap of the Independent Investment Committee's meeting of March 20, 2020. The IIC heard a presentation from private equity manager Collier Capital and unanimously agreed to commit \$75 million to Collier International Partners VIII, subject to contract and legal review. The Committee also heard a presentation from private equity manager HarbourVest and unanimously agreed to commit \$75 million to HIPEP IX, subject to contract and legal review. Lastly, the Committee heard a presentation from non-U.S. equity manager Neuberger Berman in conjunction with the two-year contract extension process. She then reported on the current economy, noting that we are experiencing the most challenging investment market that we have ever faced. Despite those challenges, she stated that the IIC continues to stay the course, and will adhere to its long-term plan.

Director of Investments Larry Johansen updated the Board on the IIC's current activities during the COVID-19 situation, noting that the week of March 23, all four staff members began working remotely and it is working out extremely well, thanks to the NHRS IT department. He explained that staff is in constant contact with each other, asset managers, as well as our custodian and investment consultant.

Mr. Johansen continued reporting on performance, noting that as of February 29, 2020, our marketable assets were marginally above water. He added that the March 31, 2020 numbers will be available before the next IIC meeting. He then reported that long-term investments are holding their own, noting that normally we look at cash flow on a monthly basis, but now we are working with Finance and Member Services to determine a longer term forecast, by looking to see what the cash needs will be through the end of the fiscal year, because of the severe market volatility. He noted that the IIC is looking at the July member payroll, which increases due to teachers retiring July 1st, and the IIC is working with Member Services to see what cash NHRS would need at the beginning of the first quarter of FY 2021.

Mr. Johansen reported that it is time to issue an RFP for investment consulting services and the draft RFP will be reviewed by the IIC at its next meeting with a recommendation to the Board for approval to issue the RFP at the May 12, 2020 Trustee's meeting.

Lastly, Mr. Johansen noted that the April IIC meeting will utilize video conferencing. Two asset managers, LSV Domestic and LSV Non-US are expected as part of their two-year contract renewal. Also expected is ComVest, a senior loan private debt manager. He then noted that the most important discussion of the April IIC meeting will be on the assumed rate of return, at which time, the IIC will make a recommendation to the Board for the Trustee's May meeting.

Trustee Myers presented the Legislative Committee report noting, the Legislature is on hiatus due to the Coronavirus outbreak. He reported on HB 1205, the recalculation of Group I retiree's annuity to full retirement age under the federal social security system. This bill would have a large impact to the unfunded liability, and it was voted ITL, with an executive session to be held at a later date.

Trustee Hart reported that the PPCC last met on April 9, primarily discussing the successful adaptability of the NHRS staff in dealing with the Coronavirus. He then updated the Board on the CBA negotiations, noting that the SEA advised that they had voted to accept the Fact-finders report.

Executive Director Lagos began his Operating Report by noting that the KPMs exceeded the 95% benchmark again. He then turned the Board's attention to the COVID-19 responses

from the Executive Director and Executive Team members and he gave the Board a summary of how NHRS handled the COVID-19 to date.

Mr. Lagos then reported on the Strategic Plan, noting that this annual process focuses on issues that staff has identified and that NHRS may want to pursue in the next 12 to 36 months. The Strategic Plan also contains issues that the Board of Trustees raised during the last annual evaluation process of the Executive Director. Then, Mr. Lagos highlighted areas of particular importance such as the PG V3 project, the Contact Center evaluation and implementation, and lastly, the Experience Study and review of the actuarial assumptions and rate settings.

On a motion by Trustee Lesko, seconded by Trustee Roy, the Board unanimously voted to accept the FY 2021 three-year Strategic Plan, as presented, by roll call vote.

Project Manager Cecile Merrill gave the Board an update on the PG V3 project noting that Deliverables 2 currently has two design documents in progress out of the 39 design documents still pending. As of today, the data conversion has had a total of 79 issues reported to us, with 75 of those issues have been closed, 4 remain open, and there is 1 new issue. Three issues are being worked on with the PG V2 team to write scripts to fix the data. All correspondences for deliverable 2 have been identified and we are in the process of providing samples to the LRS V3 Team. Work flows have been identified and we are now working on the steps within the workflows. The LRS Team has been working remotely PG V3 with no impact to the project. Development is underway with 9 design documents out of 39 completed and LRS has begun testing the completed design documents. HR Manager Rosamond Cain and Ms. Merrill are working together on a plan for the D2 User Acceptance testing which will begin in mid-August. She noted that we will be working with managers to identify testers on a scenario basis versus a test case. We will also be implementing recommendations that staff provided on streamlining the testing.

Chief Legal Counsel Tim Crutchfield reported on the steps taken by the Legal Team to cope with the COVID-19 outbreak. Staff is primarily working off-site, such as the employer auditors who have already been conducting desk audits making the transition seamless to working remotely. Attorney Crichton is currently conducting her hearings by phone, and in the near future, by video. Attorney Cavanaugh and Mr. Crutchfield are communicating well by exchanging information with stakeholders, and employers.

We are expecting the Alexander Scott Supreme Court petition to be filed Thursday, April 16, although the Legal Team is somewhat surprised that a request for an automatic 30-day extension has not been filed to date. The NHRS response brief window is 30 days after the filing.

Currently, we only have two employer auditors, and challenges faced at this time with training, the Legal Team will wait to advertise for a third employer auditor.

Finance Director Gerard Murphy reported on how the Finance team is handling the COVID-19 issue, noting that the majority of the staff has been able to work remotely aside from having to come in to attend to the mail and other paperwork. Payroll has been processed off-site, as is accounts payable, and working with participating employers, to ensure their reporting and payments continue. He noted that we have been able to keep the 1099 reprints moving, as well as the electronic deposit change forms.

Mr. Murphy then presented the three most important aspects of the monthly financial picture for the Board and new members. The first, is the net position, now under \$9.2 billion at the end of February, the cash flows based on contribution and benefit payments, and the fiscal 2020 budget versus actual showing how NHRS is doing on an expense basis. Mr. Murphy pointed out a new addition to the finance packet, which are the actuarial milestones or actuarial decisions to be made in the year to come. Lastly, he pointed out the quarterly dashboard that is also posted on the website.

With no further business to be discussed, on a motion by Trustee Myers, seconded by Trustee Hannan, the Board unanimously voted to adjourn the meeting, by roll call vote.

Respectfully submitted,

Margaret M. Astles, Executive Assistant