

NHRS Board of Trustees
Minutes-August 13, 2019

Note: These minutes from the August 13, 2019 Public Session were approved and executed at the September 10, 2019 meeting of the Board of Trustees.

**Board of Trustees
August 13, 2019
Public Minutes**

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

Present: Trustees Richard Gustafson, Chairman, Melvin Friese, Sue Hannan, Bill Hart, Benjamin Jean, Maureen Kelliher, Tim Lesko, Bob Maloney, Scott Myers, George Walker, and Christopher Coates (via telephone as it was not practicable for him to attend due to work commitments.)

Absent: Trustees Bill Dwyer, Don Roy.

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

Chair Gustafson called the August 13, 2019 regular meeting of the NHRS Board of Trustees to order at 10:30 a.m. Chair Gustafson began by welcoming the Board's newest member, Benjamin R. Jean, Assistant Commissioner to the NH Dept. of Corrections. He further noted that Trustee Don Roy was recently re-appointed for a 3-year term to the Board. Having established a quorum, Chair Gustafson called for a motion to approve the public minutes from the July 9, 2019 Board meeting.

On a motion by Trustee Myers, seconded by Trustee Lesko, the Board voted to approve the minutes, as presented, on a roll call vote and with Trustee Jean abstaining.

The Audit Committee did not meet this month but Trustee Dwyer is expected to present his report at the September meeting.

Chair Gustafson, reporting for Trustee Roy, noted that the Governance Committee last met on July 29, 2019 and approved a recommendation to the full Board to approve the issuance of an RFP for Investment Counsel. In answer to questions, Director of Investments Larry Johansen noted that NHRS has had a very good relationship with our current Counsel, Foster Pepper, PLLC. Their legal work involves the review of all of NHRS' investment management agreements and limited partnership agreements. He also noted that NHRS has budgeted \$450,000 annually for these services for the past four years and has been under budget for three of the last four years.

Chief Legal Counsel Crutchfield noted that the draft RFP would be amended to revise the due dates for accepting proposals and submitting questions, and indicated that the RFP would be issued this week.

On a motion by Trustee Hannan, seconded by Trustee Hart, the Board unanimously voted to accept the recommendation of the Governance Committee to approve the issuance of the RFP for Investment Counsel, as amended, on a roll call vote.

Trustee Kelliher reported that the IIC met on July 19, 2019. The Committee reviewed preliminary returns for fiscal year end, noting that final results would not be available until all of the alternative returns are in, usually in late September or October. The Committee reviewed the status of the fixed income rebalancing and the GAM liquidation, then unanimously voted to approve the work plan for the second quarter of FY 2020. Then, the Committee entertained macro-economic presentations regarding outlooks for the economy and interest rates from three investment management firms: AllianceBernstein, Neuberger Berman, and Fidelity.

Mr. Johansen then reported that preliminary performance for the fiscal year is 5.1%, not including results for approximately 25% of assets in the 4th quarter. He estimated that the final performance is expected to fall between 5.6 or 5.7%. He then updated the Board on the fixed income transition, noting that the GAM assets have all been received, and NHRS received 101.44 cents on the dollar. The transition from GAM and Doubleline into Fidelity is now complete, and asset transfers into IR&M from Loomis Sayles are partially completed with the remainder of the transition from Loomis Sayles anticipated in September, and from Brandywine in the 4th quarter of CY 2019. Mr. Johansen noted that all asset allocations are very close to target. Lastly, the August IIC meeting was canceled with the next meeting to be held on September 20.

Trustee Myers reported that the Legislative Committee has not met since the last Board meeting. He commented on the passage of HB 675, regarding cost calculations for the purchase of service credit in NHRS for active service in the armed forces prior to NHRS membership, and in cases of employer enrollment oversight. He and Public Information Officer Marty Karlon have concurred that the Committee will schedule a Committee meeting before the October Board meeting, at which time legislative service requests from the House will be available. Mr. Karlon added that HB 468, the earnable compensation bill, was signed by the Governor and will take effect in early September. Staff is working on earnable compensation informational materials for employers.

Trustee Walker reported that the Benefits Committee met on August 7, 2019. He noted that the Committee discussed a number of items, beginning with the annual review of the Committee charter. Staff suggested a revision relating to recoupments, and the Committee voted unanimously to recommend the revision to the full Board in September.

The Benefits Committee was briefed on the current review of the administration of multiple beneficiaries and survivor benefits, which arose as part of the PGV3 implementation project.

The next agenda topic was a brief legislative update on HB 116, which changes the reclassification process for certain positions in the State's Department of Corrections, if the positions meet the "correctional line personnel" Group II criteria. The new process authorizes the Board to approve such reclassification requests. As such, staff anticipates a number of position requests soon after the August 30 effective date. A second bill, HB 468, adds two new types of earnable compensation for retirement calculation purposes. The first type is an attendance stipend or bonus offered to employees through collective bargaining agreements or policies. The second type is extra-curricular compensation for community college full-time faculty, geared primarily toward summer wages. Lastly, in non-public

session, the Committee received updates on two disability re-exam situations, a medical subsidy matter, and a return-to-work situation.

Trustee Jean, as Assistant Commissioner to the NH Department of Corrections gave a brief background on what lead to the development of HB 116 and the rationale for seeking reclassification for a number of the DOC staff from Group I to Group II.

Trustee Hart reported that the Personnel, Performance and Compensation Committee (PPCC) did not meet this past month, but he updated the Board on the CBA negotiations, noting that a tentative agreement was reached for the appointment of a mediator for the CBA negotiations. Mr. Hart further reported that a PPCC meeting would be scheduled to discuss the annual review of the Committee Charter in accordance with the Board's Governance Policy.

Executive Director Lagos highlighted areas of his operating report, beginning with key performance measures, noting a score of 95.51% this month. He then commented that August is the first month of the FY 2020 Action Plan and therefore, limited progress is shown. Mr. Lagos reported that the Data Security Risk Assessment (DRAPP) remediation project is progressing and that discussions are under way to determine the best management approach to addressing results from internal phishing tests.

Mr. Lagos turned the Board's attention to two IT contracts which were recently approved. The first is a \$20,000 engagement with Rhino Labs for penetration testing of internal and external networks, and the second is an \$18,000 contract for the replacement of SE EventWatch monitoring services with Tyler Detect services.

Project Manager Cecile Merrill reported that the PGV3 conversion project is 4% complete. All of the in-scope requirements have been approved and there are a number of out-of-scope requirements that are being assessed by getting cost estimates and potential project timeline changes for each change request per deliverable. She noted that numerous design documents are being reviewed with nine finalized, nine revised and eight to be reviewed. In addition, the team is looking at the number of correspondence letters that will be generated from PGV3, as well as identifying workflows for Deliverable 1. Ms. Merrill reported that LRS has started the data conversion and they are reviewing the initial results.

Chief Legal Counsel Tim Crutchfield updated the Board on Legal Team activities, noting that the annual review of Committee Charters is in progress. He noted that the annual Ethics surveys are now due from staff, Trustees and vendors, and thanked those that have complied. Lastly, he reported that Legal is currently involved with the PIO Team on a comprehensive review of the NHRS website for legal compliance.

Director of Finance Gerard Murphy reported that NHRS was invited to appear at a House and Senate Finance ad hoc budget committee hearing that was taking place that morning. NHRS reached out to the House and Senate Finance Chairs to let them know that because NHRS is not an executive branch agency and does not rely on general funds, the budget veto has not had a financial impact on NHRS. The House and Finance Chairs agreed that NHRS' participation at the hearing would not be necessary.

Mr. Murphy reported on employer reporting training webinars, which were held on July 17 and 23, both of which went very well. He then reported on the Finance package, noting that most of the June 2019 figures indicated in the report are preliminary and that Finance is in the process of closing the books and preparing the financial statements for FY 2019. He

mentioned that the Plante Moran auditors were onsite recently to begin the interim test work for the audit, and all went well. Mr. Murphy turned the Board's attention to the PGV3 Upgrade Project Lifecycle report, noting that it was revised for easier reading and it will be a regular part of Finance reporting. Mr. Murphy noted that two Finance KPMs were not met this month. One was due to the failure of an employer to return a payment voucher in a timely manner and the second was a failure to timely generate employer penalty notifications due to training of a new Finance employee.

Mr. Lagos added that the financials reflect a net position balance as \$9.072 billion with total administrative expense under budget by \$5,791,213. He then highlighted the NHRS Dashboard for the 4th quarter of FY 2019, which showed a steady progression of asset growth and funded ratio improvement over the past ten years.

Mr. Lagos, reporting for the Director of IT, stated that IT is in the midst of testing Multi-Factor Authentication (MFA) for desk-top PC's and it is expected that this security feature will be rolled out soon.

Director of Member Services Nancy Miller reported that all July retirees that had properly completed the application process were placed on payroll. She then reported on the recruiting for three open positions in Member Services, noting that one position has been filled and another candidate has accepted a position. Ms. Miller updated the Board on a significant project carried out annually regarding medical subsidy questionnaires, of which 4,000 are back in house and that staff is processing. Lastly, Ms. Miller noted that one KPMs was not met in July due to retirement processing volume, but noted she expects the KPM standard would be met moving forward.

Chair Gustafson introduced the Consent Agenda. On a motion by Trustee Hart, seconded by Trustee Walker, the Board unanimously approved the Consent Agenda, as presented, on a roll call vote.

Mr. Lagos reported on Action Items from the July 9, 2019 meeting, noting that staff met in late July with Plante Moran and discussed their recommendations on the medical subsidy administration. Mr. Lagos also reported that GRS has responded to recommendations made following the recent actuarial audit and the implementation relating to those recommendations will take place with the FY 2019 valuation and the next experience study.

Chair Gustafson introduced the Board Checkpoint discussions, reminding the Board that September is the Trustees' Annual Meeting. The Board will be considering Committee Charter reviews and recommendations. He then noted that the Board is also expecting to schedule a Trustee Education Session featuring a speaker from NASRA who deals with federal legislative matters relating to public pensions. Chair Gustafson noted that an inquiry had been made with respect to obtaining access to NHRS retirees in connection with charitable contributions, and that there may be further communications on this subject.

With no further business to discuss, on a motion by Trustee Walker, seconded by Trustee Hart, the Board unanimously voted to adjourn the meeting on a roll call vote.

Respectfully submitted,

Margaret M. Astles
Executive Assistant