

NHRS Board of Trustees
Minutes – August 10, 2021

Note: These minutes from the August 10, 2021, Public Session were executed and approved at the September 14, 2021, Board of Trustees meeting.

**Board of Trustees
August 10, 2021**

Public Minutes

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

Participating: *Trustees Tim Lesko, Chair; Scott Christensen*, Sue Hannan, Bill Hart, Maureen Kelliher, Robert Maloney, Andrew Martineau, Ken Merrifield, Monica Mezzapelle, Scott Myers, and Donald Roy*.*

**These Trustees participated remotely because they had meeting conflicts, as permitted under RSA 91-A:2. As a result, all votes were by roll call.*

Absent: *Trustees Christopher Coates, Melvin Friese.*

Staff: Jan Goodwin, Executive Director; Tim Crutchfield, Deputy Director and Chief Legal Counsel; Larry Johansen, Director of Investments; Gerard Murphy, Director of Finance; Frank Clough, Director of Information Technology; Nancy Miller, Director of Member Services; Marty Karlon, Director of Communications & Legislative Affairs; Rosamond Cain, Director of Human Resources; Mark Cavanaugh, Esq., Associate Counsel & Regulatory Compliance Officer; Diana Crichton, Esq., Hearings Examiner; Nancy Cone, Internal Auditor; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager, Cecile Merrill, Project Manager; David Hill, Information Technology Support Specialist; and Christine Rice, Administrative Assistant.

Chair Lesko called the August 10, 2021 regular meeting of the NHRS Board of Trustees to order at 10:01 a.m. Having established a quorum, Chair Lesko called for a vote to approve the public minutes of the Board of Trustees meeting on July 13, 2021.

On a motion by Trustee Myers, seconded by Trustee Hart, the Board approved the minutes as presented, with Trustees Martineau and Merrifield abstaining.

Next, Trustee Mezzapelle gave the Audit Committee report, noting the Committee did not have a meeting this month and would meet in September. She welcomed Heather Hoffacker, the newly hired Internal Auditor for NHRS. Trustee Mezzapelle noted that part-time Internal Auditor Nancy Cone would continue to serve NHRS through September during the transition, and thanked her for her ongoing help.

Trustee Mezzapelle announced the completion of all 23 GASB audits, which are now

with Plante Moran. She noted there would be an update of the FY22 Audit Plan when the Audit Committee meets next month. She then turned to Project Manager Cecile Merrill for the status of PGV3. Ms. Merrill reported that the overall project is 45% complete, with Deliverable 3 (D3) on benefit calculations at 84% complete. She shared that LRS would be on site later this month for training for the User Acceptance Testing, with the expectation that it would last through October. NHRS is reviewing the requirements for Deliverable 4 (D4), which focuses on benefit maintenance, insurance, and QDROs, and LRS will return in mid-September to work with staff on that deliverable. She noted there are five Data Conversion issues that involve extensive work on numerous records. NHRS will meet in September with its Employer Working Group for the employer reporting rollout to help employers with the transition from V2 to V3.

Trustee Roy presented the Governance Committee report, noting the Committee had not met since last month, but would meet following today's Board meeting to talk about the annual review of the Committee charter and the System's OFAC Policy.

Next, Trustee Kelliher reported on the Independent Investment Committee (IIC, Committee), which met on July 23, 2021. Next, Larry Johansen, Director of Investments, gave a review of investment returns over recent time-periods, the Work Plan, and the effects of COVID-19 on cash flow and asset allocation. He mentioned the Callan Monthly Review through June 30, 2021, and noted that the numbers are preliminary and the final fiscal year numbers would be available in late September, early October. Mr. Johansen gave an update on the search for a core non-U.S. equity manager and reported that Callan and staff would present final candidates in early fall. He reported that the Committee approved the Work Plan for the second quarter of FY22 and unanimously voted on the System's recommended changes to the new asset class guidelines. In addition, it discussed Callan's "Fiscal Year 2020 Annual Comparative Fee Analysis," and the Committee agreed to disclose capitalized Alternative Investment fees going forward and would report quarterly in compliance with HB 173. This expanded fee report will be presented at the September Board meeting. Lastly, the Committee heard global macroeconomic presentations from Fidelity, Alliance Bernstein, and BlackRock.

Mr. Johansen next updated the Board on the preliminary total fund performance, commenting on the dramatic improvement from last fiscal year. Mr. Johansen gave the preliminary total fund performance with FY '21 up 26.8%; 10.7% at three years; 10.9% at five years; 9% at 10 years, and 7.8% at 25 years. He reported that all asset classes are within range. He shared that the System's liquidity would carry through August and into the fall.

Mr. Johansen also responded to a question regarding certain asset declines among the small mid-cap, core non-U.S., and international small cap at June 30 versus May 31. Mr. Johansen explained that market volatility causes changes month to month and the System focuses on long-term performance for that reason.

Next, Trustee Myers gave his report on the Legislative Committee, which had met this morning prior to today's Board meeting. The Committee reviewed its charter and had no changes, and then discussed legislation proposed by staff pertaining to implementing a penalty to employers who do not provide requested member data in a timely manner, such as termination forms and audit adjustment corrections. The Committee voted unanimously to approve and recommend the legislation to the Board.

On a motion by Trustee Hart, seconded by Trustee Kelliher, the Board voted to accept the Legislative Committee's recommendation that the Board support draft legislation prepared by staff establishing a penalty for employers who do not provide requested member or retiree information in a timely fashion. Trustee Mezzapelle abstained.

Trustee Myers then asked Marty Karlon, Director of Communications and Legislative Affairs, if he had anything to add. Mr. Karlon said he would reach out for a sponsor in advance of the filing period for House bills, which opens on September 13.

Next, on behalf of Trustee Coates, Deputy Director and Chief Legal Counsel Tim Crutchfield presented the report on the Benefits Committee, which had not met since the last Board meeting, and is expected meet prior to the September Board meeting.

Trustee Hart then gave the PPCC report, noting the Committee met on August 5, and performed its annual charter review. The Committee then discussed action on the possibility of a six-month evaluation of the Executive Director, and the Committee agreed it would propose it to the Board next month.

Next, Executive Director Jan Goodwin gave her report, commenting that since the Phase 2 COVID-19 transition began on July 1 opening for limited hours to the public, NHRS has not seen a high number of walk-ins and attributed that to information provided by the Contact Center, and the NHRS website.

She then imparted the KPM score of 90.4%, which is below the 95% benchmark, and noted the missed KPMs in July were due to staff training and the shortage of staff. Ms. Goodwin next informed the Board that NHRS had attended the Legislative Performance Audit and Oversight Committee (LPAOC) meeting on July 26, noting it had not made a final decision to move forward with an audit on the System's investment performance, but that it appeared unlikely any such audit would commence in 2022.

She then shared that NHRS mailed the COLA letters to the impacted 2014 July retirees to inform them that they would begin receiving their monthly COLA payments in August 2021, with retroactive amounts included.

Ms. Goodwin commented on the Member Satisfaction Survey, which reflects a high number of satisfied members, and attributed that to the work of the Contact Center, which the System implemented last December.

Next, she went over her Action Plan, noting it allows for opportunities that may arise, and mentioned the focus is largely on PGV3 and continued IT security.

Lastly, she noted the Contact Center's ongoing success rate with answering calls.

Following Ms. Goodwin, Mr. Crutchfield gave his Legal report, and began with appreciation for Nancy Cone and the work of the three employer auditors on completing the 23 GASB audits. He noted two of the three auditors were new to the process, having only started working for the department a few months ago. He stated that the Annual Ethics Surveys would go out before the September Board meeting. In closing, Mr. Crutchfield applauded the efficient management of Attorney Diana Crichton, NHRS Hearings Examiner, noting that there are zero pending disability appeals at this time.

Director of Finance Gerard Murphy opened his Finance report with the System's

Preliminary net position as of June 30, 2021 of \$11.13 billion, an increase of about \$2 billion from the net position from June 2020. He stated that Finance would present the final, audited net position for FY21 in the Annual Comprehensive Financial Report (ACFR) at the December Board meeting. He then shared that cash flows are as expected for the month and the fiscal year.

Next, Mr. Murphy reported on the budget vs. actual, noting the System is about \$400,000 over budget in total due to the negative variance of \$2.7 million within the external investment category, caused by better than expected investment returns. All other budget categories had a positive variance of \$2.4 million.

Mr. Murphy shared that Finance continues to work with employers to establish their electronic payments, since it discontinued use of the lockbox on July 1 and has encouraged employers to make payments through the NHRS Quick-Pay website, or make ACH payments through their own banks. He also reported that Finance continues to prepare documentation for the PGV3 meetings with the Employer Working Group and a group of external payroll providers to help with the transition to use PGV3.

Next, Mr. Murphy presented to the Board an overview of actual monthly cash flows and cash balances for FY21 and expected cash flows for FY22, noting the FY21 cash balances were sufficient to fulfill obligations. A brief question-and-answer session followed the presentation and a discussion ensued on the variables associated with funded contributions.

Mr. Clough next provided his IT report, updating the Board on topics including the completion of the Enterprise Firewall project, ongoing monthly security awareness training, and the status of the Social Miner project. He stated IT completed the annual Plante Moran audit, as well as an internal audit on office permission of staff access to data appropriate for their respective positions. He also noted that IT met its KPMs, and had a 99% customer satisfaction rate this month. In closing, he went over his Action Plan, noting the focus on security.

Next, Director of Member Services Nancy Miller gave her report, stating that her department completed processing 775 July retirements, a higher amount than in past years. Ms. Miller noted her department has two openings for Member Account Specialists, and a Service Purchase Technician, which once filled, Ms. Miller expects it will correlate with meeting KPMs.

She then updated the Board on the JRP's efforts to select a new, third-party administrator, BPAS & Community Bank Trust (CBT), and that NHRS would meet with BPS representatives next week, to go over administrative duties and possibilities for transferring data.

Ms. Miller announced that two temporary workers joined Member Services last week to assist with the employer audit corrections, noting that an evaluation would occur after one and two months to gauge productivity. Lastly, she noted Member Services missed some KPMs due to staff training and ability, which she expects would adjust with new hires. She reported that staff fulfilled 90% of requested estimates in July, but missed timely completing 11 estimates to meet the KPM.

Next, Mr. Karlon opened his PIO report by acknowledging the increased submissions of pre-selection forms, resulting from the stand-alone email sent to members in early spring.

He noted the stand-alone email initiative was to expand on creating more awareness of what retirement benefits are readily available to members that they may not know about. His department is also working on an email regarding recorded member educational materials on the NHRS website and its YouTube page that would catalog the types of information available for members and retirees.

Relative to education, he announced that PIO is working on a new employee presentation tailored to HR and Personnel staff, and would add a trial educational presentation for members on how to fill out the application and other forms in the NHRS retirement packets, with the first trial set to launch in September. Lastly, Mr. Karlon noted that PIO met all of its KPMs.

Human Resources Director Rosamond Cain next presented her HR report, providing updates on recruiting, announcing the internal hire for the Contact Center Representative position, which subsequently left another open position in Member Accounts. She noted there are two candidates in consideration for those two Member Account Specialist positions. Recruitment continues for the vacant Information Systems Security Officer and a Member Accounts Technician. HR is working with Finance on a new position for a manager to oversee member and employer reporting in preparation of the PGV3 rollout. She informed the Board that interviews are underway for a new payroll company. Lastly, Ms. Cain noted that NHRS is monitoring the COVID-19 pandemic, and would make any recommended adjustments accordingly for staff and stakeholders.

Chair Lesko presented the Consent Agenda, and on a motion by Trustee Hannan, seconded by Trustee Maloney, the Board voted unanimously to accept the Consent Agenda, as presented.

Next, the Board considered a travel request for Trustee Maloney to attend the International Foundation of Employee Benefit Plans (IFEBP) conference in October. On a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted to approve the travel request. Trustee Maloney abstained.

Ms. Goodwin then updated the Board on Action Items from July, noting they are complete, with the exception of the awaited responses from Connecticut and Vermont on the number of retirees that remain in their respective states.

Chair Lesko opened the Checkpoint discussion by acknowledging Trustee Frieese for his commitment to serving on the Board and Committees, noting that this would be his last Board meeting. He then encouraged the Board to engage in educational opportunities. In closing, he noted there would be openings on Committees and asked that interested Trustees contact him.

With no further business to discuss, on a motion by Trustee Hart seconded by Trustee Myers, the Board voted unanimously to adjourn the meeting at 11:07 a.m.

Respectfully submitted,

Christine Rice,
Administrative Assistant