

NHRS Board of Trustees

Minutes – January 10, 2023

Note: These minutes from the January 10, 2023, Public Session were approved and executed at the February 14, 2023, Board of Trustees meeting.

Board of Trustees

January 10, 2023

Public Minutes

New Hampshire Retirement System

54 Regional Drive

Concord, New Hampshire 03301

Participating: *Maureen Kelliher, Presiding Chair; Jon Frederick, Sue Hannan, Robert Maloney, Andrew Martineau, Germano Martins, Ken Merrifield, Monica Mezzapelle, Paul Provost, Joshua Quigley, and Don Roy.*

Absent: *Trustees Christopher Coates, and Tim Lesko, Chair.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Frank Clough, Director of Information Technology; Raynald Leveque, Chief Investment Officer; Marie Mullen, Director of Finance; Nancy Miller, Director of Member Services; Rosamond Cain, Director of Human Resources, Marty Karlon, Director of Communications and Legislative Affairs; Mark F. Cavanaugh, Associate Counsel and Compliance Officer; Diana Crichton, Hearings Examiner; Heather Hoffacker, Internal Auditor; Nina Calkins, Administrative and Contact Center Manager; Deanna Higgins, Contact Center Supervisor; Tracy Knight, Project Manager; Ann Stetson, Senior Business Analyst; Chris Murphy, System Administrator, and Christine McKenney, Administrative Assistant.*

Presiding Chair Maureen Kelliher called the January 10, 2023, regular meeting of the NHRS Board of Trustees to order at 10:02 a.m.

A quorum was established and Presiding Chair Kelliher called for a vote to approve the minutes of the December 13, 2022, Board meeting. On a motion by Trustee Roy, seconded by Trustee Maloney, the Board voted unanimously to approve the meeting minutes.

Trustee Roy opened the Committee reports, providing an update on the Governance Committee Report, noting it met on December 30, 2022, and discussed the annual Governance Manual review, and the System's Fiduciary Insurance renewal. Trustee Roy provided a review of the insurance renewal process, concluding that the Committee voted unanimously to recommend to the Board to renew its current coverage with the incumbent carrier, Hudson Insurance, at a modest 3% premium increase. Trustee Roy noted other carriers offered lesser coverage at higher rates and that the System has had a positive experience with the incumbent. He then explained the changes to the Governance Manual, which involved the yearly updates to the appendices and exhibits.

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted unanimously

to accept the recommendation of the Governance Committee to approve the annual revisions to the Governance Manual, as presented.

On a motion by Trustee Maloney, seconded by Trustee Frederick, the Board voted unanimously to accept the recommendation of the Governance Committee to renew the annual fiduciary insurance coverage with Hudson Insurance Company, as presented.

Trustee Mezzapelle provided her report of the Audit Committee, which met earlier this morning, noting it heard internal audit updates and that all items on the Audit Tracker are in progress. She stated a new audit was added, alternative investments monitoring, which is in process, and the results are expected in March. The Committee received a status update from Finance on the FY 22 GASB 68 and 75 report from GRS, the System's actuary, and the report will be provided to NHRS's external auditor, Plante Moran. She noted that Plante Moran provided the FY 22 recommendation letter, which will be presented with the staff responses at the February Audit Committee meeting. She noted the RFP responses for an external auditor have been received and staff's recommendation would also be presented next month. In closing, Trustee Mezzapelle noted that the Audit Committee voted unanimously to approve and recommend to the Board the certification of employer payments relative to House Bill (HB) 1221, and that Director of Finance, Marie Mullen, would expand on that during her operating report.

Trustee Kelliher gave her report on the December 13, 2022, Independent Investment Committee (IIC, Committee) meeting. The Committee heard from Chief Investment Officer Raynald Leveque, who provided an update on investment returns through recent time-periods, referring to Callan's October 31 review. He proceeded to report on cash flows, liquidity, and discussed the non-U.S. equity rebalancing plan that staff recently implemented. He gave a status report on Russian assets held in the NHRS portfolio, noting staff continue to monitor these positions to keep the Committee informed of any changes. Mr. Leveque then provided a brief overview of the Work Plan, noting the macroeconomic update would take place in February. Trustee Kelliher reported that the Committee voted unanimously to terminate NHRS's investment in the Neuberger Berman Emerging Markets Equity Fund, and move those assets to BlackRock All Country World Index (ACWI) ex-U.S., CTF. The Committee heard a presentation from Callan on the Equity Structure Portfolio Review and a robust discussion followed on the rebalancing plan. The Committee also voted unanimously to renew the agreements with AllianceBernstein, and Thompson, Siegel & Walmsley (TSW), each through November 30, 2024, and to renew two other agreements with Aristotle and Lazard through December 31, 2024. The Committee then heard from Townsend Group representatives on the System's Real Estate Portfolio. Townsend presented a performance overview fiscal year-to-date, the portfolio performance, and current positioning. Following Townsend's presentation, the Committee voted unanimously to approve the Calendar Year (CY) 23 Real Estate Investment Plan. Next, Callan presented a review of the Private Equity and Private Debt Portfolio, providing an expected pacing schedule, with a net positive cash flow expected by 2029. Following Callan's presentation, the Committee unanimously voted to approve the CY 23 Private Equity and Private Debt Strategic Investment Plan.

Trustee Kelliher asked Mr. Leveque to report on the NHRS performance as of November 30, 2022. Mr. Leveque noted the Total Fund return for November was 3.9% versus the policy benchmark of 4.5%. He directed the Board's attention to the calendar year-to-date performance, noting the fund had losses of -7.0% compared to the policy benchmark of -8.9%, in a difficult year for the markets. Mr. Leveque commented on the

long-term performance of the Total Fund for 3, 5, and 10 years, noting it continues to do well, where the Plan is currently at \$10.6 billion. In closing, he gave a quarterly review, focusing on the importance of rebalancing the non-U.S. equity and global fixed income asset classes, noting Staff's deliberate approach while considering the volatility of the markets. Inquiries from Trustees prompted a discussion on net and gross performance, asset allocations associated with the rebalancing plan, and investment expenses by asset class.

Trustee Merrifield began the Legislative Committee report, referring to the Legislative Services Requests (LSRs), included in the Board materials, noting there are 20 LSRs relative to the System and provided an overview of them. He then mentioned that Executive Director Jan Goodwin and the Director of Communications and Legislative Affairs Marty Karlon gave a presentation on NHRS to the House Executive Departments and Administration (ED&A) on Monday, January 9, 2023, adding that they would provide the same presentation to the Senate ED&A on Wednesday, January 11. In closing, Trustee Merrifield announced there would be a public hearing on Thursday, January 12, at the House ED&A on the System's legislative clean-up bill.

On behalf of Trustee Coates, Tim Crutchfield, Deputy Director and Chief Legal Counsel, stated that the Benefits Committee had not met since the January Board meeting.

Trustee Hannan gave the PPCC report, which has not met since its last meeting in December and plans to meet later this month, when the Committee will welcome Trustee Quigley to the PPCC.

Presiding Chair Kelliher invited Ms. Goodwin to begin the operating reports. Ms. Goodwin opened her Executive Report with the KPMs, which were at 98.86% for the month, explaining that the one missed KPM was in the Contact Center due to not meeting the goal of transferring less than 10% of calls to subject matter experts (SMEs). She noted that upon further review of the statistics, the instances of calls transferred were subsequently under the 10% and therefore the KPM was met.

Ms. Goodwin gave an update on the PGV3 project, and she noted NHRS and Levi, Ray, and Shoup, Inc., (LRS), the Pension Gold (PGV3) software provider, are working together on an orientation plan for parallel processing, which is set to begin in October. Ms. Goodwin continued her report with the 12-month rolling KPMs, noting the System continues to perform well above the 95% benchmark. She then announced that the NHRS Contact Center celebrated its two-year anniversary in December and turned the floor to Contact Center and Administrative Manager Nina Calkins to share the Contact Center metrics. Ms. Calkins stated that in 2022, the Contact Center answered 92% of calls coming into the System, remarking that the number of calls transferred to SMEs also reflected calls escalated to management. She noted the Contact Center is now fully staffed and trained. She proceeded to give statistics on emails, explaining that the Contact Center forwards most of the incoming emails to SMEs because they usually contain documents that require departments to process them. Lastly, she provided the Board with the Contact Center's process enhancements with the help of the PIO staff to provide "lunch and learns" and its contributions to the Now You Know brochures. There was a brief discussion about incoming emails and how they are managed. Ms. Goodwin noted the importance of offering various avenues for members, employers, and retirees to contact NHRS. She concluded her operating report with her monthly calls to members, employers, and retirees, noting continued positive feedback. She then turned the Board's attention to a contract she approved for IT to proceed with contracting K logix to perform penetration and vulnerability testing.

Mr. Crutchfield presented his Legal report, beginning with the CY 23 Board calendar and internal regulatory compliance calendar, acknowledging Attorney Mark Cavanaugh for his work in preparing them. He mentioned the recent influx of LSRs and bills over the past week, noting the collaborative work with GRS to obtain valuations to provide Fiscal Note Worksheets promptly to the Legislative Budget Office. He noted that Legal met its eight KPMs and proceeded to give an overview of upcoming projects and plans. He thanked the Trustees who provided their statements of financial interests forms considering the January 20 deadline to provide these forms to the Secretary of State's Office. Mr. Crutchfield briefly discussed the disability appeals and closed with his Legal action plan, noting that 3 of 7 items would be completed following this meeting, and that the rest are in process.

Mr. Karlon provided his report on Legislative Affairs and PIO, commenting on the LSRs, stating many already have public hearings scheduled, and noted his department's focus on those while simultaneously working on educational seminars for this year, as well as preparing the NHRS 101 presentations for February to present to members, retirees, and employers, and legislators who are not on committees.

Mr. Leveque presented his report on Investments, noting his department met all 10 of its KPMs last month and provided an overview of the agenda for the IIC meeting, which immediately follows today's Board meeting. He mentioned the securities litigation discussed at the December Board meeting and noted the description at the top of the operating report, commenting on the firms the System contracts with for helping with such litigation. In closing, he noted his updated action plan.

Director of Member Services Nancy Miller gave her report, commenting on her department's continued work on PGV3 and primary focus on Deliverable 6 (D6), preparing for upcoming testing and meetings with LRS in February. She reported that Member Services met all 21 KPMs and provided a preview of upcoming projects, including the rollout of 1099-Rs later this month. Lastly, she noted updates to her action plan.

Ms. Mullen gave her Finance report, opening with Finance's ongoing involvement with PGV3, working on general ledger reporting, reviewing design documents for D6, and preparing for D6 testing in early February. She gave a status update on employer reporting as part of the PGV3 project, and the progress of surveys to school districts about teacher contracts. Finance met all applicable KPMs. Finance is working on the FY 22 GASB 68 and 75 reports and Ms. Mullen noted she expects to present the material at the February Board meeting. She reported that cash flows for November 30, 2022, and fiscal year-to-date were within range; the FY 23 administrative expenses for the first five months of the fiscal year are below budget overall; and the PGV3 project, inception-to-date, is below budget. Lastly, she noted that she expects that NHRS would be making an offer to a candidate for the Controller position in the upcoming week or two.

In closing, Ms. Mullen gave a recap on HB 1221, noting Finance had reconciled 55 of the remaining 59 employers eligible for the 7.5% state contribution through the State Treasurer's Office, and the remaining four employers were expected to be reconciled soon. On a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted to certify to the State Treasurer the remaining employer contributions pursuant to HB 1221 of 2022, as presented, with one abstention.

Ms. Cain gave her Human Resources report, providing updates on the recruitment of the Director of IT, and Controller positions. She reported HR is working on securing a new

payroll provider, with the expectation of making changes after the first quarter of the calendar year. She mentioned the staff engagement survey is due at the end of this week. In closing, she noted her department is working on staff W2s and that the 1095 forms for staff are completed and available electronically.

Director of Information Technology (IT) Frank Clough provided his operating report, with an update on cybersecurity awareness, noting IT conducted its monthly phishing test, adding that IT gave additional training to the staff who failed. He then updated the Board on the recent power outage, noting the generator was inoperable and, because of the age of the generator, the parts are not available. He reported IT resolved to find alternative, affordable options to replacing it. He gave an update on a new security application to protect the System's network, stating he expects the installation to be completed by the end of January. He reported on the fax migration project, noting faxes have partly moved to the Cloud and testing is underway. He mentioned the System's migration from using WebEx to Microsoft Teams for meetings, adding it was a cost-free move for NHRS. Mr. Clough reported that, with the recent approval of the K logix contract, IT is preparing for the penetration and vulnerability assessment, and that the hardware and software has been purchased for the PGV3 kickoff. IT met all KPMs this month. In closing, he gave a brief overview of upcoming projects and noted his action plan is up to date.

Presiding Chair Kelliher thanked Mr. Clough for his final report to the Board, followed by a round of applause from Trustees. Mr. Clough expressed his gratitude for his time serving NHRS, a little over nine years. Executive Director Goodwin presented him a plaque and commended his work for keeping NHRS secure over the years, and especially during the move into a remote-working capacity at the start of the pandemic to keep NHRS serving its employers, members, and retirees. Lastly, she commended his dedication to building a good team in IT.

Presiding Chair Kelliher next presented the Consent Agenda, and on a motion by Trustee Martins, seconded by Trustee Hannan, the Board voted unanimously to approve the Consent Agenda, as presented.

There were no travel reports or requests.

Ms. Goodwin provided an update on Action Items from the December 13, 2022, Board meeting, commenting that all items except for one would be completed by the end of today's meeting. The one incomplete item involved seeking legislative appropriation for funding the call firefighter benefits and is in progress. The funding is expected to be included in this year's budget bill.

During the Board checkpoint, presiding Chair Kelliher announced new Trustee committee appointments, and again thanked Mr. Clough, whose last day at NHRS is February 10.

With no further business to discuss, on a motion by Trustee Roy, seconded by Trustee Maloney, the Board voted unanimously to adjourn the meeting at 11:19 a.m.

Respectfully submitted,

Christine McKenney,
Administrative Assistant