

NHRS Board of Trustees  
Minutes-March 10, 2020

**Note:** These minutes from the March 10, 2020 Public Session were approved and executed at the April 14, 2020 Board of Trustees Meeting.

**Board of Trustees  
March 10, 2020  
Public Minutes**

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

*Present:* Trustees Richard Gustafson, Chairman; Christopher Coates, Bill Dwyer, Melvin Friese, Sue Hannan, Bill Hart, Benjamin Jean, Robert Maloney, Scott Myers, and Don Roy.

*Absent:* Trustees, Maureen Kelliher, Tim Lesko, and George Walker.

*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*; Diana Crichton, Esq., *Hearings Examiner*; Nancy Cone, *Internal Auditor*; Nancy Miller, *Director of Member Services*; Marty Karlon, *Public Information Officer*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; and Margaret Astles, *Executive Assistant*.

Chair Gustafson called the March 10, 2020 regular meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, Chair Gustafson called for a motion on the February 11, 2020 meeting minutes. On a motion by Trustee Dwyer, seconded by Trustee Hart, the Board voted to approve the February 11, 2020 minutes, as presented. Abstentions: Trustees Jean and Roy

Trustee Dwyer presented the Audit Committee report, recapping that morning's meeting. He reviewed the status of the Audit Tracker, noting that of the six audit issues remaining at the beginning of March, two had been completed and four remain outstanding.

Mr. Dwyer reported that we are now in the final stages of the data security remediation project and all medium level priorities are complete. As a result of the CAFR audit, work continues on a series of action plans to address issues that were identified by Plante Moran. An onsite meeting is scheduled just before the May Board meeting between LRS and GRS staff to discuss data extract requirements and specification, to improve efficiencies, and to strengthen internal controls.

Trustee Dwyer, then introduced Monica Mezzapelle, Deputy Treasurer at the NH State Treasury, who is expected to be nominated by Governor Sununu to serve as Commissioner of the Treasury to finish Trustee Dwyer's term. Once nominated, the Executive Council will likely confirm her nomination on March 25, 2020. Trustee Dwyer noted that Ms. Mezzapelle would be a valuable addition to the NHRS Board of Trustees.

Trustee Roy provided the Governance Committee report, noting the Committee met on February 11, 2020 to discuss proposed modifications to the Actuarial Funding Policy, and

unanimously voted to recommend that the Board adopt the proposed revision, which would require actuarial experience studies to be conducted every four years.

On a motion by Trustee Dwyer, seconded by Trustee Hannan, the Board unanimously voted to accept the recommendation of the Audit and Governance Committees to adopt the revisions to the Actuarial Funding Policy, as presented.

Trustee Roy then reported that staff proposed a draft policy to restrict firearms in the workplace due to the close proximity that staff has with the public and members, who may be carrying a weapon, with an exception for on-duty police officers. Lastly, Trustee Roy thanked Trustee Hannan for acting as chair at the last Governance Committee meeting.

Director of Investments Larry Johansen reported that the market is experiencing very volatile times with the unknown implications of the coronavirus and the oil price war between Saudi Arabia and Russia. It is not known whether or not there will be any economic stimulus coming from Washington, DC to mitigate any long-term effects of the virus. He noted that the IIC will not be making any changes to the portfolio at this time.

Mr. Johansen reported that the IIC continues to focus on the assumed rate of return, with three asset managers presenting their capital market assumptions in February. Alliance Bernstein, whose assumptions are close to NEPC's, will be presenting to the Board later this meeting. In April, the IIC will review all of the data points received and make a non-binding recommendation to the Board for the assumed rate of return. Currently, GRS is reviewing the demographic assumptions and is looking at approximately 13 US consulting firms and their capital market assumptions to establish a reasonableness range for establishing an updated assumed rate of return.

Trustee Myers reported on the Legislative Committee, noting that House Bill 1205 (linking the recalculation of Group I retiree annuity to full retirement age under Social Security), which would have a potential financial impact of adding \$30-40 million to the unfunded actuarially accrued liability (UAAL), was recommended Inexpedient to Legislate (ITL). He then highlighted House Bill 1341 (to change the application of 2011 amendments to certain Group II NHRS provisions for Group II members in vested status prior to 7/1/2021), noting that the associated UAAL cost is approximately \$140 million. The bill was tabled and no further action is expected this session. Trustee Myers reported on SB 543 (allowing members with at least 10 years of Group II service hired for certain management positions with the DOC to continue to be classified as Group II) was passed by the Senate and is currently in the House.

Trustee Myers asked Public Information Officer Marty Karlon to update the Board on other recent developments. Mr. Karlon reported on SB 637 (amending NHRS statutory provisions regarding protection against fraud and error in its records), noting that the Senate ED&A Committee voted to recommend it as ITL. Mr. Karlon indicated that the House Finance Committee Division I met on HB 1205 last week and is recommending the age 65-adjustment change bill as ITL. The feeling of Division I is that this bill should be presented during a future budget year. He then reported that the proposed study commission in HB 1235 on workforce maintenance is recommended as ought to pass by House Finance Division I, but, as amended, to reduce the commission's appropriation from \$100,000 to \$10,000. Lastly, Mr. Karlon reported on HB 1326 to require quarterly reports on investment fee descriptions, recommended as ought to pass, and will be coming before the full House this week.

Chair Gustafson noted that the Benefits Committee did not meet this month.

Trustee Hart, reporting for the Personnel Performance and Compensation Committee, noted that it met on February 21, 2020 and discussions took place regarding Member Services staffing. After the meeting adjourned, the Committee discussed CBA negotiations and the recently received fact finder's report.

On a motion by Trustee Hart, seconded by Trustee Roy, the Board unanimously voted to temporarily adjourn the meeting for the purpose of discussing collective bargaining strategy or negotiations under RSA 91-A:2, I(a).

On a motion by Trustee Hart, seconded by Trustee Hannan, the Board unanimously voted to reconvene the Board meeting.

Based on the Board's discussion of the fact finder's report Chair Gustafson, entertained a motion to reject the fact finder's report pursuant to RSA 273-A:12, II. The motion was moved by Trustee Hart, seconded by Trustee Hannan. After asking for any further discussion, he noted that the Board had reviewed the report and concluded that there were significant shortcomings, noting that the Board wishes to continue working with our employees to reach an agreement. After calling for the vote, the Board unanimously voted to reject the fact finder's recommendations.

Chair Gustafson introduced Liz Smith, Senior Managing Director-Public Funds, and Nelson Yu, Portfolio Manager and Head of Blend Strategies, for Alliance Bernstein, who gave their presentation on NHRS and Capital Market Assumptions. The Alliance Bernstein forecasts were in the middle of three capital market assumptions presented to the IIC recently. Based on the current allocations of the NHRS portfolio, their 10-year forecast is 5.9% with the norm at 7.0%, their 20-year forecast is 6.3% with a norm of 7.2%, and their 30-year forecast is 6.6% with a norm of 7.2%.

Executive Director Lagos gave his Executive Report, noting that Key Performance Measures this month again exceeded the 95% benchmark. Mr. Lagos turned the Board's attention to the Three Year Strategic Plan for 2021 through 2023 per the Board's Governance Manual. This plan, updated annually, is the basis for creating action plans for each operating area with the retirement system and developing the trust fund budget. He then reviewed supporting documentation and the specific objectives identified by the Trustees as a part of the annual evaluation of the Executive Director's performance. Lastly, he briefly reviewed the preliminary draft of the NHRS Three Year Strategic Plan, which will be submitted to the Board in either April or May for approval.

Mr. Lagos then reviewed staff recommendations for approval of three IT-related contracts and a consulting agreement in accordance with Board's Procurement Policy.

Mr. Lagos also informed the Board of the unusual circumstances leading to a decision to shift the contractual responsibility for printing and mailing 1099s from a company used for a number of years to two local vendors. This was due to an unexpected mid-term notice of a fee increase that more than doubled the agreed contractual price for the services provided. After due diligence, a negotiated agreement with the two local vendors, one for printing, and one for mailing, resulted in a substantial savings. Mr. Lagos noted that NHRS will be issuing an RFP for 1099 services in the next 30 to 60 days.

On a motion by Trustee Myers, seconded by Trustee Roy, the Board unanimously voted to accept the recommendation of the Executive Director that the Board approve the procurement of goods and services as presented in the Board materials, subject to contract and legal review, as presented.

Mr. Lagos noted that management was actively monitoring the coronavirus situation daily and utilizing its business continuity plan for planning, should the need arise. A Covid-19 memorandum would be circulated today to all staff.

Lastly, Mr. Lagos gave the Board a brief update on the PGV3 status, noting that all Deliverable 2 design documents have been finalized and returned to LRS. He noted that there would be a lull in on-site activity while LRS writes the code for the Deliverable 2 requirements.

Chief Legal Counsel Tim Crutchfield gave his legal report beginning with an update on the pending Supreme Court Case of Alexander Scott. Mr. Crutchfield noted that Hearing Examiner Diana Crichton has been working with counsel for both NHRS and the Petitioner to provide an agreed-upon copy of the record to the Court, in advance of the March 16 submission deadline.

Mr. Crutchfield then updated the Board that one of the employer auditors hired last summer has accepted an internal position as a Benefit Specialist. We will be posting and hiring a new auditor to fill the vacancy.

Director of Finance Gerard Murphy reported that the net position at the end of January 2020 was \$9.498 billion, down slightly from December 2019. He then noted cash flow is in line with expectations, as is the 2020 budget vs. actual.

Mr. Murphy reported that an on-site meeting with NHRS staff, GRS, and LRS to review the actuarial extract reports has been targeted for the afternoon of Monday, May 11, to address issues raised by Plante Moran during their last audit.

Mr. Murphy noted that an online survey was recently issued to all participating employers as part of our PGV3 effort, in anticipation of future changes to the data reporting system.

Lastly, Mr. Murphy reviewed the Actuarial Calendar, noting that it would be updated monthly. Development and implementation of actuarial option factor calculations will be added to the calendar as an action item.

Mr. Lagos gave the IT report for the Director of IT Frank Clough. He noted that multi-factor authentication was recently deployed to the desktops and laptops, and seems to be working very well. The telephone system upgrade is still being scheduled with the vendor of the project, and it is expected that the project will be underway in the next 60 days.

Member Services Director Nancy Miller reported on staffing, noting that after a lengthy review of workloads and the expectations of PGV3, Member Services has added two new positions, a Benefits Specialist and a Benefits Coordinator. The Judicial Retirement Plan is the focus in March, with the issuance of annual statements and preparation for their annual audit.

On a motion by Trustee Roy, seconded by Trustee Dwyer, the Board approved the consent agenda, as presented. Abstention: Trustee Hart on consent agenda item R.H.

Trustee Hart has requested to attend the NCPERS 2020 Program for Advanced Studies. On a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted to approve the travel request for Trustee Hart, as presented. Abstention: Trustee Hart.

Chair Gustafson recognized Trustee Bill Dwyer, who is leaving the Board of Trustees after six years as a result of his resignation as State Treasurer effective at the end of the month. He noted that as Chair of the Audit Committee, Trustee Dwyer's leadership has been exemplary, considering the many and varied issues encountered. He also commented that internal auditing has become more organized and detailed under Trustee Dwyer's tenure. On behalf of the Board, Chair Gustafson wished Trustee Dwyer well and thanked him for his service, and presented him with a token of the Board's appreciation. Trustee Dwyer responded that his time as a Trustee has been an honor as was his collaboration with his fellow Trustees, staff and management. Trustee Dwyer noted that two words come to mind when he thinks about the work of the NHRS: the integrity and discipline within the institution are exemplary, and it has made him a better State Treasurer. Trustee Dwyer was applauded by his fellow Board members and staff.

On a motion by Trustee Roy, seconded by Trustee Hannan, the Board unanimously voted to adjourn the meeting.

Respectfully submitted,

Margaret M. Astles, Executive Assistant

