

Note: These minutes from the September 10, 2019 Public Session were approved and executed at the October 8, 2019 Board of Trustees meeting.

**Board of Trustees
September 10, 2019
Public Minutes**

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

Trustees: Richard Gustafson, Chairman; Christopher Coates, Bill Dwyer, Melvin Friese, Bill Hart, Benjamin Jean, Maureen Kelliher, Tim Lesko, Bob Maloney, Scott Myers, Don Roy, and George Walker. *Absent:* Trustee Sue Hannan.

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 Miller, *Director of Member Services*; Marty Karlton, *Public Information Officer*; Nancy Cone, *Internal Auditor*; Nina Calkins, *Process Improvement Manager*; Rosamond Cain, *Human Resources Manager*; Cecile Merrill, *Project Manager*; and Margaret Astles, *Executive Assistant*. *Absent:* Frank Clough

Chair Gustafson called the September 10, 2019 annual meeting of the NHRS Board of Trustees to order at 10:00 a.m. Having established a quorum, Chair Gustafson called for a motion to approve the August 13, 2019 public Board of Trustees meeting minutes, as amended. On a motion by Trustee Roy, seconded by Trustee Hart, the Board voted to approve the August 13, 2019 minutes, as amended. *Abstaining:* Trustee Dwyer.

Trustee Dwyer presented the Audit Committee update, recapping that morning's meeting. He began with the Audit Tracker, noting that there are several new items related to the finance vendor payroll audit and remediation efforts. The Internal Auditor has just completed a Member Services vendor payroll report audit, which will be shown on next month's Tracker.

Mr. Dwyer noted that the Audit Committee continues to track what is left of the data security remediation measures, as well as internal control opportunities with Plante Moran. He then reported that Finance Director Gerard Murphy advised that Plante Moran had been on site recently to begin test work on the FY 2019 CAFR audit.

The Audit Committee approved a minor change to be recommended to the Board, after action by the Governance Committee, to revise the Actuarial Funding Policy to require that the actuarial consultant meets the Qualification Standards of the American Academy of Actuaries.

Lastly, Mr. Dwyer noted that the Finance Director has developed an actuarial calendar covering the next couple of years to assure that all requirements are addressed such as the GASB reports, CAFR schedules, valuations, analysis of proposed legislation, and the upcoming five-year experience study.

Trustee Roy reported that a draft Banking RFP will be reviewed by the Governance Committee today, with Board action expected in October. He then presented the proposed 2020 Board Meeting Schedule and on a motion by Trustee Roy, seconded by Trustee Dwyer, the Board voted unanimously to approve the 2020 Board Meeting Schedule, as presented.

Trustee Kelliher, reporting for the Independent Investment Committee (IIC), noted that the Committee did not convene in August. The next IIC meeting is scheduled for Friday, September 20, 2019. Director of Investments Larry Johansen reported that the preliminary performance has not changed since last month. He advised that the FY 2019 books remain open as we currently have two-thirds of the net asset values reported for approximately 160 partnerships. Mr. Johansen noted that we expect to have the remaining net asset values in by late September, and issue the final June 30, 2019 investment performance report in early October. He noted that on a preliminary basis, it appears that the three and five-year performance will be in excess of 70% of the peers in the universe.

Mr. Johansen reported that at the next IIC meeting there will be a review of fixed income manager, IR&M and NEPC will present its annual review of all of the public market managers. The transition of the fixed income allocation is partially complete with all assets moved from GAM and the Doubleline assets having been moved to Fidelity. The first transfer of the \$90 million from Loomis Sayles has moved to IR&M, the second transfer will move late September or early October, and a third transfer of \$90 million from Brandywine will occur in December. The next meeting the IIC will review guideline compliance of the public securities market.

Trustee Myers reported that the Legislative Committee last met on August 29 to consider revisions to the Legislative Charter, which clarify that the Committee's authority to recommend positions on legislation is limited to bills with fiduciary or administrative implications.

Trustee Myers then gave the Board an update on the Legislative Tracker, noting that the Governor has signed into law HB 110, which will require the state to reimburse the retirement system for preparing statutorily required fiscal analysis of proposed legislation. In addition, the Governor signed HB 616, granting a 1.5% cost of living adjustment (COLA) beginning July 1, 2020. Mr. Myers explained that staff has been busy getting information out to answer member and retiree questions regarding the COLA bill. Public Information Officer Marty Karlon added that of the 81 titles filed so far in the 2020 legislative filing period, there do not seem to be any that are related to NHRS.

On a motion by Trustee Maloney, seconded by Trustee Hart, the Board unanimously voted to accept the recommendation of the Legislative Committee to approve the proposed revisions to its Charter, as presented.

In answer to questions, Mr. Karlon explained, the mixed reactions and types of questioning received by members and retirees concerning the COLA bill. He noted that he and staff have put together an email reply that thanks members and retirees for their feedback, and explains that NHRS, as plan administrator and not the plan sponsor, does not have any authority to grant a COLA. Director of Member Services Nancy Miller added that she is monitoring the phone and walk-in volume related to the COLA, and that her staff has not encountered problems to date.

Trustee Walker reported that the Benefits Committee met on August 29 with its primary focus on the annual Independent Medical Examiners (IME) review. He noted that there are four IMEs, two physical and two psychiatric, and that there are no disciplinary actions

against any of the IMEs utilized by NHRS. Mr. Walker noted that it has been difficult to find certified IMEs in close proximity to members and retirees located in the northern half of the state.

Mr. Walker then reported that at the August 7 Benefits Committee meeting, the Committee unanimously recommended a revision to its Charter with respect to the authority delegated to the Committee by the Board under the Recoupment Policy. On a motion by Trustee Walker, seconded by Trustee Myers, the Board unanimously accepted the recommendation of the Benefits Committee to approve the proposed revisions to its Charter, as presented.

Trustee Hart reported on the August 19 meeting of the Personnel, Performance and Compensation Committee (PPCC) to discuss its Charter. The Committee determined that no revisions are necessary at this time. The PPCC also discussed a consulting agreement for coaching and training assistance to a newly promoted manager, noting that updates be provided periodically to the PPCC, as appropriate. After the meeting's adjournment, the PPCC was given a brief update on CBA negotiations. A mediator has been chosen with the mediation session scheduled for October 3.

Executive Director George Lagos began his Executive report, noting that Key Performance Measures (KPMs) scored 95.51% this month and the FY20 action plans are in place. He explained that the KPM rolling 12-month score is 96.75% and the 95% target had been met for ten consecutive months. Mr. Lagos then reported on his Member Satisfaction Call Survey, noting that he has made 1,146 calls to date with 1,050 calls confirming that the member or retiree was satisfied with the service received from NHRS.

Mr. Lagos then highlighted areas of the NHRS Fiscal Year 2019 Customer Satisfaction Report, noting that satisfaction with NHRS' interpersonal interactions are very positive and that overall, including telephone and email communications, the scoring is in the 95% range. Efforts are underway to evaluate and improve how the system manages telephone communications.

He briefly commented on achievements for the last fiscal year, citing the initiation of the PGV3 contract, the audit transition to Plante Moran, and the actuarial audit of GRS. He also commented that the System's funded ratio had improved to 63.6% from 61.8%, and following the last actuarial valuation, the employer contribution rates decreased for three of the four groups for the first time in years. Lastly, IT has made many more improvements to our systems, with particular focus on security measures and cybersecurity education and training.

The Board took a brief recess.

At 10:40 am, Ms. Jeannine Raymond, Director of Federal Relations at NASRA, joined the meeting by telephone to conduct a webinar for the Board on federal legislation and regulations related to public and private pension funds. Upon conclusion, Chair Gustafson thanked Ms. Raymond for her comprehensive presentation and for the work done by NASRA on behalf of NHRS and all public pension plans.

Mr. Lagos resumed his Executive report and provided a real estate update with respect to NHRS' current lease situation and previous due diligence that was undertaken to evaluate whether or not there may be alternative options for the location of the NHRS offices. Based on current economic conditions, the favorable lease terms on the 54 Regional Drive office, and the lack of suitable alternatives, he indicated that it would likely be advisable for NHRS

to exercise the five-year extension it has under its current lease agreement, extending the lease to March 31, 2026, prior to the expiration of the current lease term.

Lastly, Mr. Lagos reviewed the FY 17, '18, '19, and '20 contract activity summary which tracks contract activity in accordance with the Board's Procurement Policy.

Project Manager Cecile Merrill gave the Board an update on the PGV3 project, noting that it is now 5% complete. Currently there are 26 design documents, of which 24 have been finalized, and two are with LRS to update and provide a cost estimate for out of scope requirements. LRS has started the data conversion, currently reviewing results and have proposed a second conversion. Ms. Merrill noted that we are currently preparing the hardware and software for the test environment. Lastly, she and three other staff members are attending the LRS Conference next week, and will also be meeting with the LRS Version 3 Team.

Chief Legal Counsel Tim Crutchfield gave his Legal report, noting that in late August, the Employer Audit Team joined the Finance and PIO Teams to conduct an on-site employer education session for municipal employers that was very well attended. Another employer education session is planned for school employers in late October. He commented that our Hearings Examiner continues to manage administrative appeals very well and our two new field auditors are continuing their training and we are pleased with their work. Mr. Crutchfield added to the previous IME discussion, commenting that it is sometimes difficult for disability applicants in northern NH to travel to certified IMEs in the southern part of the state. He noted that one of the IMEs is located in Portland, ME, which is more accessible for those in the north country. Mr. Crutchfield stated that staff will continue to be diligent in identifying IMEs in more northern locations but there are presently no delays in the medical reviews for disability cases.

Director of Finance Gerard Murphy reported that the FY19 books are still open, awaiting receipt of June 30 Alternative Investment statements. The first FY20 monthly financial statements are expected to be produced for the November Board meeting. He then turned the Board's attention to the total cash flow, which showed a positive balance for the month, due to increased July contributions related to annual balloon payments from school districts. Lastly, Mr. Murphy reported that we have signed off on the test environment for the online payment service that will soon be made available to participating employers.

Mr. Lagos, reporting for Director of IT, Frank Clough, began by noting that we had 100% success with last month's phishing test for the first time since inception. On October 28, we have an onsite cyber-security presentation planned. October 31 is the effective date of our termination of our COLO agreement through SE, to be replaced with Sitefinity, the owner of the COLO facility. Testing continues on our proposed Multi-Factor Authentication (MFA) solution.

Director of Member Services Nancy Miller reported that the annual member statements have been finalized, with over 62,000 statements being provided electronically. We are now coordinating with PIO to publicize the annual messaging on the website and email to all those that have signed up and the usual Support Team is set up, ready to answer questions. Ms. Miller thanked everyone involved in this effort.

In other areas of progress, Ms. Miller noted that Member Services is in the second round of interviews in recruiting to fill the Benefit Technician position. With the signing of the COLA bill, staff will be working with LRS to address the administration and payment of the COLA.

Chair Gustafson entertained a motion to approve the Consent Agenda. On a motion by Trustee Roy, seconded by Trustee Hart, the Board voted to approve the Consent Agenda, as presented. *Abstentions:* Trustee Jean abstained from voting on Consent Agenda Item #3-H.D.

Mr. Lagos noted that the Action Items from the August 13, 2019 meeting are all set. He added that Paperless Board meetings will continue to roll forward for the time being.

Under Board Checkpoint Discussion, Chair Gustafson noted that we have multiple Trustees in holdover status and the next Governor and Council meeting is scheduled for September 18.

Chair Gustafson advised that as a result of the passage of HB 116, the Department of Corrections (DOC) will be submitting a number of Group I employees to the Board for reclassification from Group I to Group II. Trustee Jean explained that there were inequities between the DOC Group I and Group II employees and noted that HB 116 created a unique process for DOC to address this situation by presenting the proposed changes to the State's Director of Personnel for consideration, and then to the Board of Trustees for action. Chair Gustafson indicated that upon receipt, the DOC submission would be referred to the Benefits Committee for review and recommendation.

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

Respectfully submitted,

Margaret M. Astles
Executive Assistant