

NHRS Board of Trustees

Minutes – April 12, 2022

Note: These minutes from the April 12, 2022 Public Session were approved and executed at the May 10, 2022 Board of Trustees' meeting.

**Board of Trustees
April 12, 2022**

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, Germano Martins, Ken Merrifield, Scott Myers, and Don Roy.*

Absent: *Trustees Christopher Coates, and Monica Mezzapelle.*

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; Marty Karlon, Director of Communications & Legislative Affairs; Rosamond Cain, Director of Human Resources; Diana Crichton, Esq., Hearings Examiner; Mark Cavanaugh, Associate Counsel and Compliance Officer; 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; Dave Hill, IT Support Specialist; and Christine Rice, Administrative Assistant.*

Chair Lesko called the April 12, 2022, regular meeting of the NHRS Board of Trustees to order at 10:00 a.m.

A quorum was established and Chair Lesko called for a vote to approve the public minutes of the March 8, 2022, Board meeting. On a motion by Trustee Myers, seconded by Trustee Hannan, the Board voted unanimously to approve the minutes.

Chair Lesko commenced the meeting with the Committee reports, turning to Executive Director Jan Goodwin, who presented the Audit Committee report on behalf of Trustee Mezzapelle. The Audit Committee met prior to today's Board meeting, during which it discussed internal audit activities, including the report on the Cash Management and Cash Flow Projections Audit. She proceeded to inform the Board of several items in process on the Internal Audit Tracker and referenced items on the Audit Plan, such as the FY23 Risk Assessment. The Committee heard from Director of Finance Gerard Murphy on the development of a plan with LRS for Check Security, and that discussions with Plante Moran are underway on the implementation of GASB 87 regarding leases. Lastly, she noted the Committee would vote on the FY 2023 Audit Plan at its meeting on May 10.

Trustee Roy gave the report of the Governance Committee, which met March 8 following

the Board meeting, noting that the Committee discussed the annual review of the fee schedule for copies of NHRS public. After comparison of those costs with that of other state agencies, the Committee determined NHRS' costs are reasonable, and staff had not recommended making a change to the fees for the coming year. The Committee also discussed the annual review of the Voluntary Correction Program Policy. Attorney Mark Cavanaugh confirmed NHRS was compliant with the Policy and Groom Law had reviewed it and affirmed that revisions were not required.

Trustee Kelliher presented her report of the Independent Investment Committee (IIC), which met on March 18, at which time the Committee voted for its investment managers to sell NHRS' three Russian holdings, as soon as practical and prudent, and instructed them not to purchase any Russian assets. During the meeting, Director of Investments Larry Johansen updated the Committee on investment returns through recent time-periods, and referred to Callan's Monthly Review of periods ending February 28, 2022, as well as asset allocations, liquidity, and the Work Plan.

Trustee Kelliher reported the Committee then heard presentations from private debt manager Comvest, private equity manager Warburg Pincus, and non-U.S. equity manager Neuberger Berman. After Comvest's presentation, the IIC considered and voted unanimously, to commit \$50 million to its Fund VI, subject to contract and legal review. The Committee then heard from Warburg Pincus, and following a discussion of its presentation, the IIC voted unanimously to commit \$50 million to the Warburg Pincus Global Growth Fund 14, subject to contract and legal review. Lastly, the Committee heard from Neuberger Berman, who manages the System's active emerging markets equity portfolio, as part of its two-year contract renewal. In closing, she stated Callan gave its review of private equity, private debt, and potential asset allocations. Trustee Kelliher commented on the current value of the portfolio, noting the fluctuation alongside world events, and that markets remain volatile.

She then turned to Mr. Johansen, who updated the Board on the Total Fund Performance through February 28, 2022, noting that NHRS was up in March, but down in April to date, and proceeded to give the long-term performance summary: 10.8% at three years, 9.6% at five years, and 9.0% at 10 years. He noted that asset allocations were within range. Mr. Johansen then updated the Board on where NHRS ranks relative to its peers, noting it is in the top 49% at three years, 39% at five years, 20% at 10 years, and 41% and 45% at 20 and 25 years, respectively. He closed his report by outlining the agenda of the IIC's April meeting.

Trustee Myers provided the Legislative Committee update, noting that the Committee had not met since the last Board meeting, but would meet immediately following today's meeting. He then proceeded to update the Board on Legislative activity, including House Bill (HB) 1417, regarding the state subsidizing 7.5% of local employer contributions for teacher, police, and fire members; HB 1535, a cost-of-living adjustment (COLA) bill to provide a one-time payment to eligible retirees rather than a COLA; HB 1587, which modifies the compensation over base pay calculation for Group II employees; HB 363, allowing eligible Group II members to purchase non-qualified service; and HB 1318, the NHRS-sponsored bill to charge a late fee to non-compliant employers who do not report on time or provide requested data. He noted two other bills, HB 1497, election of a survivorship option, and HB 536, worker's compensation offset for Group I accidental death benefits, are with Senate Finance.

Deputy Director and Chief Legal Counsel Tim Crutchfield presented the Benefits

Committee report on behalf of Trustee Coates, noting the Committee met April 7 to review the policy on disability re-examinations, and the Committee and staff had no suggested edits to the policy. The Committee heard from Attorney Cavanaugh, who gave a review of the re-exam process, which has been in place since 2016. Since that time, staff has completed 74 re-exams, with six in process, and 21 slated for the future. To date, the Independent Medical Examiner has concluded in all completed cases that the retirees are still disabled. The Committee then temporarily adjourned the meeting to discuss with counsel of some ongoing disability re-exam and gainful occupation cases. Following the discussion, the Committee re-entered its regular public meeting, and adjourned.

Next, Trustee Hart gave the PPCC report, noting that the PPCC met April 1 and April 8, and heard a staffing update from Director of Human Resources Rosamond Cain at both meetings, noting recruitment continues for open positions in IT and the Contact Center. He then updated the Board on the search for a replacement for Mr. Johansen, who is retiring September 1. NHRS heard from its executive search firm, EFL, which has 29 applicants for the Director of Investment position and it is in the vetting process. Trustee Hart mentioned the Committee's discussion about the Executive Director's annual evaluation, which was an electronic, 360-evaluation, and thanked the Board and staff for their respective reviews.

Chair Lesko called for a motion that the Board enter into a non-public session under RSA 91-A:3, II(c) to discuss a matter that would likely adversely affect the reputation of a person other than a member of this public body. On a motion by Trustee Hart, seconded by Trustee Christensen, the Board voted unanimously via roll call to go into non-public session. No staff participated in the non-public session.

On a motion by Trustee Myers, seconded by Trustee Hart, the Board voted unanimously to conclude the non-public session. There was no action taken in the non-public session.

Immediately upon returning to public session, on a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted to temporarily adjourn the meeting for the purpose of discussing collective bargaining under RSA 91-A:2, I(a).

On a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted to reconvene at which time Chair Lesko opened the floor for operating reports, starting with Ms. Goodwin, who began her Executive Report with a COVID update, noting that NHRS is no longer requiring masks for those in the office who have been vaccinated. Staff occupancy in the building at NHRS is at 75%. She then discussed the KPMs, noting they finished the month above the 95% benchmark, at 96.43%. She gave an update of the PGV3 project, which is 55% complete, with Deliverable 3 (D3) (Benefit Calculations) at 99% complete, and D4 (QDRO, Insurance, and Benefit Maintenance) at 84% complete. Staff completed Phase 1 User Acceptance Testing re-testing, finishing 11 problem-incident report (PIR) fixes, and LRS will be presenting virtual training next week on D4 Phase 2, followed by UAT testing, April 20 through May 6. She then gave an overview of the progress on the Employer Reporting rollout and planned testing on PGV3. Ms. Goodwin next mentioned PIO's six upcoming webinar trainings to assist teachers and other Group I members retiring July 1 with filling out retirement applications. She also noted Finance emailed surveys to employers on their training preferences for the PGV3 rollout of the Employer Data Reporting System.

Next, she referred the Board to the Contact Center information for March, and noted the phone survey results exemplify the favorable feedback from members, retirees, and

employers on NHRS's customer service. In closing, she announced that her action plan is nearly complete, aside from item 4, which is incomplete because of budgetary reasons.

Ms. Goodwin then presented a contract request from IT to upgrade the System's storage hardware, which houses important infrastructure items for NHRS, such as email, Pension Gold, and Finance and Investment data. The contract would be with a state-approved vendor and would include a five-year warranty. On a motion by Trustee Hart, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Executive Director that the Board approve the contract, as presented in the Board materials, subject to contract and legal review.

Ms. Goodwin next discussed the Preserve, Achieve, and Avoid document, noting the proposed edits from last month, and commented that she would update her draft Strategic Plan with the feedback upon completion of the Executive Director evaluation.

Ms. Cain presented her Human Resources report, by beginning with the new payroll vendor, Paycor, which NHRS instituted on April 8. She then updated the Board on recruitment efforts, noting her department missed one KPM last month because of the inability to fill a position within the stated timeframe, however, she added that the position has since been filled, and HR continues to work toward meeting applicable key performance measures.

Director of IT Frank Clough began his report, providing an update on the monthly Cyber Security Awareness for staff, and noted IT has setup training and testing for the remainder of the year. IT plans to update its Security Awareness poster boards in the office and ensure that staff read mandatory IT security policies. He then reported on the status of the recent Vulnerability and Penetration Audit, which IT has reviewed to verify all issues are completed. Mr. Clough mentioned IT's progress on strengthening the process of securing passwords, an issue resulting from that audit. He then noted that IT is installing the newest software on all Trustee iPads. Mr. Clough reported that IT achieved 99% customer satisfaction. Lastly, he provided the Board with a synopsis of several upcoming projects.

Mr. Crutchfield opened his Legal report with an update on the Lafasciano appeal, regarding whether the Petitioner could remove his former spouse as beneficiary. Next, he provided the status on NHRS's solicitation of the Attorney General (AG) to provide an interpretation to the IRS on the medical subsidy changes passed last summer under HB2, noting that the AG inquired to whom the legal interpretation memo be addressed. NHRS determined that the appropriate executive branch agency would be the Department of Administrative Services (DAS) and contacted DAS Commissioner Charles Arlinghaus about the matter. He then reported that notification letters went out last week to the non-compliant employers who did not meet the filing deadline of the annual reporting of retirees' work hours. He commended the work of Attorney Diana Crichton, NHRS Hearings Examiner, on significantly reducing the number of administrative appeals over the past year, noting there are no disability appeals pending. Lastly, he noted that his action plan is in progress, as expected.

Mr. Johansen gave his report on Investments, noting that it achieved all of its applicable KPMs, and that all projects are on, or ahead, of schedule.

Mr. Karlon presented his operating report, providing an update on the member education presentations, noting an increase in interest from Group II members, attributing it to the pending legislation relative to that group. He commented on retirement application webinars, noting their ongoing popularity, with over 225 attendees in February, and over 200 registrants for the April sessions. PIO plans to continue to offer these webinars. Next, he

mentioned that the online Past, Present, and Future presentation reached 2400 views and ranks in the Top 5 of viewed NHRS presentations on YouTube.

Member Services Director Nancy Miller opened her operating report, commenting on Member Services' heavy involvement in D4 and D5 work on PGV3, the July filing period, and training of a new Benefit Specialist. The department is also coordinating and participating in the Judicial Retirement Plan Audit and focused on a retiree insurance deduction holiday that DAS has requested NHRS administer for the months of May and June. Ms. Miller reported that Member Services missed one KPM relative to July '21 benefit finalizations, because of the higher volume created with that month's filings. In closing, she noted that her action plan is in progress, with the item regarding July benefit finalizations facing a delay due to the 800 retirement applications received in that one month. A brief discussion followed her report, regarding the state retiree insurance deduction holiday, which NHRS facilitates on behalf of DAS.

Mr. Murphy gave his Finance report, noting the February 28, 2022 net position of \$11.4 billion, a decrease of \$158 million year to date. He reported that cash flows were as expected and total spending through the first eight months of FY22 was below budget. He then explained the negative variance in the non-external investment category, noting it was mostly because of timing, but also some charges for fiduciary and cyber insurance that came in slightly higher than expected. He mentioned that, over the rest of the year, the expectation is that these timing issues would reverse.

Mr. Murphy explained that his department missed one of its 15 applicable KPMs this month: employer reconciliation, and attributed it to the delayed payment that Finance is awaiting from one employer, noting they expect that payment this week. He commented on the 33 penalty letters to the non-compliant employers relative to the annual reporting retirees' work hours, and compensation, noting that since the mailing last week, Finance has already received some of the outstanding reports and he would update the Board next month. Mr. Murphy noted a delay with the action plan for the creation of a welcome packet for new staff at NHRS employers.

Chair Lesko next presented the Consent Agenda, and on a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted to approve the Consent Agenda, with Trustee Myers abstaining on D.M.

There were no travel reports. Chair Lesko mentioned the upcoming Certificate of Achievement on Public Plan Policy in June, and encouraged interested Trustees to register early to secure travel arrangements.

Next, Ms. Goodwin provided an update on Action Items from the March 8, 2022 meeting, noting that with the exception of Item 1, the Action Items are completed.

There was no Checkpoint discussion.

With no further business to discuss, on a motion by Trustee Hart, seconded by Trustee Hannan, the Board voted unanimously to adjourn the meeting at 12:12 p.m.

Respectfully submitted,

Christine Rice, Administrative Assistant