

NHRS Board of Trustees

Minutes – August 13, 2024

Note: These minutes from the August 13, 2024, Public Session were approved and executed at the October 8, 2024, Board of Trustees meeting.

Board of Trustees

August 13, 2024

Public Minutes

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

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

* Participated remotely for a portion of the meeting.

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources (HR); Marty Karlton, Director of Communications & Legislative Affairs; John Laferriere, Director of Information Technology (IT); Raynald Leveque, Chief Investment Officer (CIO); Nancy Miller, Director of Member Services; Marie Mullen, Director of Finance; Shana Bilech, Investment Officer; Nina Calkins, Administrative and Contact Center Manager; Mark Cavanaugh, Deputy Counsel and Compliance Officer; Diana Crichton, Hearings Examiner; Jonathan Diaz, Investment Officer; Deanna Higgins, Contact Center Supervisor; Heather Hoffacker, Internal Auditor; Mariel Holdredge, Executive Assistant; Jesse Pasierb, Investment Operations Analyst; and Gregory Richard, Senior Investment Officer.*

Guests: *Casey Ahlbrandt-Rains, Heidi Barry, and Jeff Tebeau: Gabriel, Roeder, Smith & Company (GRS); Christine Clinton: NHRS Independent Investment Committee (IIC) Chair; Michael Gold, Susan Lau, Randall Miller: Funston Advisory Services.*

Chair Maureen Kelliher called the August 13, 2024, regular meeting of the NHRS Board of Trustees to order at 9:30 a.m. and after establishing a quorum, she called for a vote to approve the June 11, 2024, Board meeting minutes. On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to approve the meeting minutes, with Trustee Maloney not present.

Trustee Mezzapelle gave a report on the Audit Committee, which met earlier this morning prior to the Board meeting. The Committee heard updates from Internal Audit, including the status of items on the Fiscal Year (FY) 25 Audit Plan. Updates were provided on the GASB Census Data Audits, with a few employers still non-compliant. The annual audit by Plante Moran is on schedule and ahead of last year's progress. The Committee also reviewed and recommended updates to the Audit Policy and its Charter for the Board's consideration at the October Board meeting.

Trustee Roy gave an update on the Governance Committee, which met three times since the

June Board meeting. Over the course of those meetings, the Committee reviewed its charter, determining no changes where needed, renewed the Board's cyber insurance coverage, and voted to recommend the following three items for Board approval: minor edits to the Office of Foreign Asset Control (OFAC) Policy; the issuance of an RFP for Investment Counsel services; and, adoption of the revised Statement of Beliefs and Guiding Principles.

On a motion by Trustee Provost, seconded by Trustee Henry, the Board voted unanimously to accept the recommendation of the Governance Committee to approve the proposed revisions to the OFAC Policy, as presented.

On a motion by Trustee Quigley, seconded by Trustee Hannan, the Board voted unanimously to accept the recommendation of the Governance Committee to authorize staff to issue an RFP for Investment Counsel, as amended by the Board. Trustee Maloney was not present for the vote but phoned into the meeting shortly thereafter, joining at 9:42 a.m.

On a motion by Trustee Henry, seconded by Trustee Hannan, the Board voted unanimously on a roll call vote to accept the recommendation of the Governance Committee that the Board adopt the revised NHRS Statement of Beliefs and Guiding Principles as presented. Chair Kelliher tabled the two items for which no consensus has been reached.

Next, Trustee Provost reported on the July 9, 2024, IIC meeting, with four of the five members participating with one position vacant. He reported that the Committee heard from CIO Raynald Leveque, who reviewed investment returns, holdings, and reported on the team's investment activities. The Committee then endorsed the NHRS Investment Office Strategic Plan, with third-party validation, for presentation to the Board at the next meeting.

Trustee Provost turned to Mr. Leveque who reported on the NHRS performance as of June 30, 2024. Mr. Leveque remarked on the performance of the Total Fund for 3, 5, and 10 years. The investment portfolio experienced mixed monthly performance, with large-cap and growth stocks outperforming small-cap and value stocks, while the total fund underperformed its benchmark due to a concentrated set of technology stocks driving the market. The fund's preliminary returns exceeded the actuarial rate of return for the fiscal year-to-date period. As of June 30, 2024, the Plan's assets total \$12.2 billion.

Trustee Merrifield reported on the Legislative Committee, which had not met since the last Board meeting. He updated the Board that there were three NHRS-related bills that were signed into law by the Governor: HB 1307, HB 1559, and HB 1647. He provided a high-level summary of those bills. The Director of Communications and Legislative Affairs Marty Karlon outlined the System's multi-phase process for implementing newly signed legislation, starting with a detailed legal interpretation and consensus-building among subject matter experts, followed by programming and testing PensionGold, and updating educational materials, as needed.

After receiving congratulations for his new appointment as Benefits Committee Chair, Trustee Frederick delivered the Committee update, noting it met twice since the June Board meeting, approving a total of nine disability applications. The Committee also conducted its annual review of its Charter, determining no revisions were necessary, and also reviewed the Independent Medical Examiners (IMEs) used by NHRS, confirming no disciplinary actions since 2010. The Committee recommended revisions to the IME Policy, which will be presented to the Board in October.

Trustee Hannan gave the PPCC report, which met on July 23 and reviewed its Charter with

no content changes. Trustee Hannan asked to enter into a non-public session to discuss employee compensation under RSA 91-A:3, II(a).

On a motion by Trustee Henry, seconded by Trustee Hannan, the Board voted by roll call to enter into a non-public session. HR Director Rosamond Cain participated in this non-public session.

On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted by roll call to conclude the non-public session. No action was taken in the non-public session.

On a motion by Trustee Hannan, seconded by Trustee Roy, the Board voted by roll call to unanimously accept the recommendation of the PPCC regarding the Executive Director's compensation.

Trustee Quigley, the ad hoc Real Estate Committee Chair, reported the Committee met on July 29 to discuss office space options.

On a roll call vote motioned by Trustee Quigley and seconded by Trustee Frederick, the Board entered into a non-public session to discuss the possible lease or acquisition of real property under RSA 91-A:3, II(d). Non-trustees participating in this non-public session included Jan Goodwin, Timothy Crutchfield, Rosamond Cain, Marty Karlon, John Laferriere, Raynald Leveque, Nancy Miller, and Marie Mullen.

On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to conclude the non-public session.

On a motion by Trustee Hannan, seconded by Trustee Quigley, the Board voted unanimously to seal the minutes of the non-public session.

Trustee Maloney then disconnected from the call and was subsequently absent for the remainder of the meeting.

Chair Kelliher turned to Executive Director Goodwin, who introduced Heidi Barry of GRS to review the FY 23 valuation report and the FYs 26 and 27 employer rates for the Board's consideration. The valuation, conducted every two years, determines employer contribution rates based on actuarial assessments of the pension system's assets and liabilities. A discussion ensued following the presentation, addressing the necessity of recalculating rates, which are required by actuarial studies for the plan's long-term sustainability.

Following the presentation, on a motion by Trustee Hannan and seconded by Trustee Henry, the Board unanimously voted to adopt the FY 23 Actuarial Valuation Report as presented.

On a motion by Trustee Merrifield and seconded by Trustee Mezzapelle, the Board unanimously voted to approve and certify the Employer Contribution Rates for FYs 26 and 27 based on the FY 23 GRS Actuarial Valuation report as presented.

Executive Director Goodwin gave her executive report, including these highlights: key performance measure (KPM) scores for June and July were 97.10% and 92.31%, respectively. The PGV3 project is at 89% completion, at the eight-month mark of the 12-month warranty period, fewer new bugs are being discovered. In addition, staff is working on the rollout of the enhanced My Account. She also reported on member satisfaction surveys, which continue to report that members and retirees are pleased with the customer service they receive from staff.

Director of Member Services Nancy Miller updated the Board on some of the activities in her department. Member Services has prioritized collaboration with the NHRS Legislative Team to implement and interpret recent legislative changes and is advancing several critical projects, including the teacher salary contract project and the transition to a cloud environment for PG Test. Additionally, Member Services processed over 600 new retiree benefits in July and are preparing for upcoming system enhancements related to academic plan members and new benefit option factors.

Raynald Leveque reviewed the Investments operating report, including KPMs, provided updates on the FY 24 and FY 25 Action Plans. Concluding the operating report, Mr. Leveque provided a summary of the recommendation of the NHRS Investment Office Strategic Plan (Strategic Plan). He then introduced Christine Clinton, Chair of the IIC, who expressed the IIC's full support of the Strategic Plan.

Mr. Leveque then turned the meeting over to Funston Advisory Services. Randall Miller, Susan Lau and Michael Gold of Funston Advisory Services presented an evaluation of the NHRS Investment Office Strategic Plan, noting that the plan is consistent with peer systems and is a prudent approach for the organization given the growing complexity of the portfolio. The Strategic Plan requires increased investment in staff, technology, and select service providers to enhance governance and oversight. It is expected to yield long-term benefits, including better investment recommendation-making, monitoring and cost efficiencies, though it will take several years to fully implement.

A discussion then ensued and Chair Kelliher entertained a motion to enter into a non-public session to discuss employee compensation under RSA 91-A:3 II(a).

On a motion by Trustee Henry, seconded by Trustee Quigley, the Board voted by roll call to enter into a non-public session. Non-trustees participating in this non-public session included NHRS staff: Jan Goodwin, Timothy Crutchfield, Rosamond Cain, Marty Karlon, John Laferriere, Raynald Leveque, Nancy Miller, and Marie Mullen. Non-NHRS staff participating included Michael Gold, Susan Lau, and Randall Miller of Funston Advisory Services. In addition, Christine Clinton, Chair of the IIC, participated.

On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted to conclude the non-public session. No action was taken in the non-public session.

Back in public session, on a motion by Trustee Mezzapelle and seconded by Trustee Henry, the Board unanimously voted to accept the recommendation of the IIC that the Board approve the Investment Office Strategic Plan as presented.

Finance Director Marie Mullen's operating report highlighted efforts to catch up on bank reconciliations impacted by the PGM3 transition, with compensating controls in place to manage cash flow and ensure security. Additionally, the FY 24 spending was within budget, resulting in a \$3.1 million savings, primarily from the Trust Fund and administrative expenses.

Executive Director Goodwin addressed the Board before the statutory administrative budget presentation. She emphasized that the Board's primary responsibility as fiduciaries is to act in the best interests of members and beneficiaries, operating under different legal obligations than state agencies, and should evaluate the budget with this fiduciary duty in mind.

Director Mullen presented the statutory administrative budget, explaining that it was

developed as part of a three-year strategic plan to address previously neglected areas due to the focus on the PGV3 software implementation over the past five years. The budget includes a proposed 41% increase for FY 26 over FY 25 and a 1% increase for FY 27 over FY 26, primarily driven by IT upgrades, modernization projects, and salary increases to support new staff positions aligned with the strategic plan. IT Director John Laferriere provided details on various IT initiatives aimed at improving efficiency, customer service, and security, including upgrading the accounting system, implementing Customer Relationship Management, and integrating Artificial Intelligence and mobile app technologies to better serve members and beneficiaries. A thorough discussion followed, clarifying that approving the budget would have minimal impact on employer contribution rates and no impact on employee contribution rates, which are fixed by statute. Staff summarized that the budget represents a necessary catch-up effort to address past operational delays and position the organization for future success.

On a motion by Trustee Mezzapelle, seconded by Trustee Provost, the Board approved the statutory administrative budget as presented, with nine in favor, and Trustees Henry and Merrifield opposing.

Ms. Mullen then presented the revised Trust Fund budget, which proposed a \$712,150 increase based on the earlier-approved NHRS Investment Office Strategic Plan. This increase will fund investment office administrative expenses.

On a vote motioned by Trustee Henry and seconded by Trustee Roy, the Board unanimously approved the revised FY 25 Trust Fund budget as presented.

At approximately 12:35 p.m. Trustee Roy excused himself from the meeting and was absent for the remainder of the session.

Director of HR Rosamond Cain briefly highlighted that her department completed all items on its FY 24 Action Plan and is now focused on the FY 25 Action Plan, which emphasizes enhanced training, cross-training programs, and updating organizational structures and position descriptions. An audit of position descriptions, professional development, and performance appraisals is underway.

Deputy Director and Chief Legal Counsel Timothy Crutchfield gave his Legal report, highlighting the completion of the department's FY 24 Action Plan and KPM achievements, requested the Trustees to complete the annual ethics survey if they hadn't done so already, and introduced Attorney Mark Cavanaugh to review the annual summary of retirees working after retirement, noting key trends and potential penalties for those exceeding work-hour limits. Mr. Cavanaugh reported a shift in retiree groups, a reduction in grandfathered employees, and discussed a few cases involving penalties for exceeding work-hour limits.

Mr. Karlon provided his report on Legislative Affairs and Communications, which included the reintroduction of new hire welcome emails, the successful use of MailChimp to send over 1.1 million emails with a 50% open rate, and a 109% month-over-month increase in My Account 2.0 sign-ups following a targeted email campaign in July. Additionally, the Communications team participated in over 100 events in FY 24, mainly related to employer training and focus groups in addition to the regular member education programming.

Director of IT John Laferriere reported no impact from a recent CrowdStrike incident, noted ongoing completion of penetration testing with no significant findings, and highlighted the continued rollout of multi-factor authentication and a new helpdesk ticketing system.

Additionally, IT met all KPMs, is managing 32 active projects, and is progressing on the PG roadmap and other operational Action Plans.

Trustee Henry moved and Trustee Frederick seconded a motion to approve the Consent Agenda that was unanimously approved, as presented.

There were no travel reports.

Executive Director Goodwin provided an update on Action Items from the June 11, 2024, Board meeting, noting all but one of the six items have been completed and expressed gratitude for the Board's support on the budget.

During the Board Checkpoint discussion, Chair Kelliher announced that the Board will be asked to conduct a self-evaluation at the October meeting as a best practice and good governance.

With no further business to discuss, on a motion by Trustee Henry, seconded by Trustee Frederick, the Board voted unanimously to adjourn the meeting at 12:49 p.m.

Respectfully submitted,

Mariel Holdrege
Executive Assistant