

NHRS Board of Trustees

DRAFT Minutes – December 10, 2024

Note: These **draft** minutes from the December 10, 2024, Public Session are subject for approval at a subsequent Board of Trustees meeting.

Board of Trustees

December 10, 2024

DRAFT Public Minutes

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

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

Absent: *Trustees Jon Frederick and Paul Provost.*

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources (HR); 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: *John Weaver, Brianna Burns: McLane Middleton Law; Angel Haddad: Callan; David Levine: Groom Law.*

Chair Maureen Kelliher called the December 10, 2024, regular meeting of the NHRS Board of Trustees to order at 9:32 a.m.

A quorum was established and Chair Kelliher called for a vote to approve the minutes of the October 8, 2024, Board meeting. On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted unanimously to approve the meeting minutes.

Trustee Quigley, the ad hoc Real Estate Committee Chair, recommended the Board enter a non-public session to discuss office space options. On a roll call vote, motioned by Trustee Hannan and seconded by Trustee Henry, 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 NHRS staff: Jan Goodwin, Timothy Crutchfield, Rosamond Cain, John Laferriere, Raynald Leveque, Nancy Miller, and Marie Mullen. Non-NHRS staff participating included Brianna Burns and John Weaver of McLane Middleton.

On a motion by Trustee Henry, seconded by Trustee Maloney, the Board voted unanimously

to conclude the non-public session and seal the non-public minutes.

Trustee Mezzapelle provided the Audit Committee report, noting the Committee met this morning prior to the Board meeting, during which the Committee heard updates from Internal Audit and received staff's presentation of the annual ethics survey report. This year's responses revealed no ethical concerns, and the percentage of responses was in line with expectations. On a motion by Trustee Roy, seconded by Trustee Martineau, the Board voted unanimously to accept the recommendation of the Audit Committee to approve the annual ethics survey scorecard as presented.

Next, the Board heard from Finance Director Marie Mullen who presented a summary of the unaudited draft of the Annual Comprehensive Financial Report (ACFR). On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted to accept the recommendation of the Audit Committee, contingent upon its receipt and acceptance of the ACFR for FY 24 and Plante Moran's final audit opinion letter.

Trustee Mezzapelle concluded her report with the Committee's recommendation to authorize staff to issue an RFP for an actuarial audit. On a motion by Trustee Roy, seconded by Trustee Henry, the Board accepted the Audit Committee's recommendation as presented.

Trustee Roy reported that the Governance Committee met on November 26, 2024, to review staff recommendations on the proposals received for Investment Counsel and Securities Litigation services from the RFP issued in August. It voted to recommend engaging with four firms: Foster Garvey, and Nossaman for Investment Counsel, and Labaton, Keller, and Sucharow, and Berman Tobacco for Securities Litigation. The Committee requested the Board authorize staff to proceed with these engagements. On a motion by Trustee Mezzapelle, seconded by Trustee Henry, the Board accepted the recommendation, as proposed, allowing staff to engage with the recommended law firms for legal counsel services, subject to contract and legal review.

Next, in Trustee Provost's absence, Board Chair Kelliher reported on the October 8, 2024, Independent Investment Committee (IIC) meeting, with four of the five members participating and one position vacant. The IIC heard from CIO Raynald Leveque, who reviewed investment returns and holdings and reported on the team's investment activities and work plan. The Committee then reviewed and discussed the proposed new Strategic Asset Allocation (SAA) rebalancing ranges, and guidelines for the Infrastructure Investment Asset Class. The IIC unanimously approved and recommended to the Board the adoption of the MSCI All Country World Index benchmark for the Global Equity Asset Class, rebalancing ranges for Global Equity, Global Fixed Income, Cash Equivalents and Private Credit, and the Infrastructure Guidelines.

Chair Kelliher invited Mr. Leveque to report on NHRS' recent portfolio performance. He highlighted strong absolute returns despite some underperformance against benchmarks due to concentrated market gains. Senior Investment Officer Gregory Richard reported that as a part of prudent risk management, the portfolio was rebalanced to reduce the overweight position in Global Equity and address the underweight position in public Fixed Income. Mr. Leveque concluded by discussing strategies to address inflationary risks, allocate capital to infrastructure, and maintain focus on long-term performance metrics and peer comparisons. As of September 30, 2024, the Plan's assets totaled \$12.76 billion.

Chair Kelliher then entertained a motion to conditionally approve and accept the

Comprehensive Annual Investment Report (CAIR) for FY 24, contingent on the recommendation of the IIC, scheduled to act on the CAIR immediately following the Board meeting. On a motion by Trustee Mezzapelle, seconded by Trustee Maloney, the Board conditionally approved the CAIR.

Angel Haddad of Callan LLC, NHRS' general investment consultant, provided an investment performance refresher, focusing on performance evaluation of the total plan. The presentation emphasized the importance of combining qualitative and quantitative tools, using consistent and relevant benchmarks, and evaluating risk-adjusted returns across public and private investments. Mr. Haddad highlighted challenges in interpreting short-term results, especially for Private Equity, due to market cycles and data nuances, while affirming the fund's long-term strength and alignment with Plan objectives.

On a vote motioned by Trustee Hannan, seconded by Trustee Maloney, the Board accepted the recommendation of the IIC to approve the SAA Ranges and Benchmarks as presented.

Before concluding his Committee report, CIO Leveque announced a new investment dashboard using Microsoft Business Intelligence will launch on the website in the new year, enhancing public transparency by dynamically displaying the fund's quarterly market values and investment managers by asset class.

Trustee Merrifield gave an update on the Legislative Committee, which has not met since the last Board meeting, but plans to meet in January once new legislative titles have been completed with text. As of December 6, 2024, 12 legislative service requests (LSRs) have been filed that may impact NHRS.

In Trustee Frederick's absence, Trustee Andrew Martineau provided the Benefits Committee report, noting it met on November 5, 2024, and December 3, 2024, approving a total of 11 disability applications and reviewing the CY 23 Gainful Occupation (GO) Compliance Report and recommended Board approval, and implement the related excess earnings offsets and noncompliance offsets. On a motion by Trustee Henry, seconded by Trustee Roy, the Board voted to accept the recommendation of the Benefits Committee to approve the 2023 GO Compliance Report as presented.

Trustee Hannan provided the PPCC report, which met earlier in the morning prior to the Board meeting. The Committee reviewed proposals from executive search firms for the new Head of Private Markets position and unanimously recommended Wilbanks Partners based on their strong approach to diversity, clear timeline, guarantees, and enhancements to the job description.

Deputy Director and Chief Legal Counsel Tim Crutchfield introduced David Levine of Groom Law, NHRS' external fiduciary counsel. The Board heard a presentation from Attorney Levine, a best practice presented annually, giving an overview of Trustees' fiduciary duties.

Trustee Don Roy excused himself from the meeting at the conclusion of the Fiduciary presentation at 11:20 a.m. and was subsequently absent for the remainder of the session.

Executive Director Goodwin gave her executive report, highlighting key performance measure (KPM) scores for October and November at 94.2% and 95.1%, respectively. The PensionGold Version 3 (PGV3) project is 99% completed. We will be extending the PGV3 software warranty through December 3, 2025, to allow for further testing and verification, with the transition

from the implementation team to ongoing support now complete. Additional efforts have focused on year-end preparations and refining customer service feedback processes for the upcoming year.

Executive Director Goodwin then invited IT Director John Laferriere to report on post-implementation challenges with the PGV3 system upgrade, including data accuracy concerns, manual processing, and difficulties adapting to new features, which have impacted operational efficiency and stakeholder support. To address these issues, Mr. Laferriere presented a proposal to engage a vendor for a comprehensive system review of PGV3 to validate its alignment with design requirements and recommend improvements, prioritizing actionable solutions within the remaining warranty period.

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

On a roll call vote motioned by Trustee Maloney, seconded by Trustee Hannan, the Board entered into a non-public session. Non-trustees participating in this non-public session included NHRS staff: Jan Goodwin, Timothy Crutchfield, Rosamond Cain, John Laferriere, Raynald Leveque, Nancy Miller, and Marie Mullen.

On a motion by Trustee Henry, seconded by Trustee Hannan, the Board voted unanimously to conclude the non-public session and seal the non-public minutes. No action was taken during the non-public session.

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

Director of Member Services Nancy Miller reported progress on key projects, including testing and issuance of the one-time temporary supplemental allowance (TSA) to retirees in November and again in December for one outstanding population and preparation of annual member statements, which faced challenges and delays stemming from adapting processes to the new pension administration system. Efforts to reduce backlogged refund issuance and benefit finalizations were highlighted, alongside reliance on LRS to deliver critical system updates supporting new benefit calculations.

CIO Raynald Leveque reviewed the Investments operating report, providing updates on investment performance and operations, noting that recent market conditions contributed to the three- and five-year total fund underperformance to benchmarks. He highlighted key initiatives, including completing a global equity and fixed income rebalancing, preparing for upcoming private equity and private credit mandates, and advancing the strategic goals for the Investments department.

Finance Director Marie Mullen reported that the Finance team has been heavily focused on completing the FY 24 financial statements, the ACFR, and the annual audit while maintaining efforts to improve Employer Reporting and cash receipt processes. Additional highlights include the hiring of a new Employer Reporting Manager and continued progress on the project to automate posting of cash payments. She noted upcoming priorities such as audit improvements, Form 1099-R distribution and reporting for CY 24, and GASB 68/75 reporting.

Director of HR Rosamond Cain reported on recent staffing updates, including the successful hiring of three positions and ongoing recruitment for several others. The Communications Taskforce continues its initiative following a well-received staff presentation in October, and progress has been made on the salary benchmarking phase of the all-position salary survey. Upcoming priorities include preparing for collective bargaining agreement (CBA) negotiations as well as updating position descriptions and training manuals to reflect changes resulting from PGV3.

Deputy Director and Chief Legal Counsel Timothy Crutchfield reported that the Legal department met all seven KPMs for October and November, successfully managing appeals and completing 20 standard audits and all 23 GASB audits for 2024. Efforts are ongoing to implement recent legislative changes, including the violent accidental disability benefit application process in coordination with the Department of Safety. Legal is also working with Groom Law to contest a \$4.8 million IRS penalty, asserting timely tax payments were made. Additionally, the annual ethics survey report was finalized, and the annual Statement of Financial Interests form will be distributed to Trustees and IIC members.

Executive Director Jan Goodwin provided the Legislative Affairs and Communications operating report, highlighting progress on implementing three NHRS-related bills, with one completed and two now in the programming phase. The team hosted or participated in 12 member education events and collaborated on employer and retiree messaging while preparing for the 2025 legislative session and planning additional educational events.

Director of IT John Laferriere reported on the department's key achievements, including completing all remediation from penetration re-tests and implementing measures to limit security exposure with the State of NH. The department achieved a 62% cost reduction through cloud optimization, successfully migrated the Board document system, and is piloting an electronic signature program for improved member and stakeholder experience.

Chair Kelliher presented the Consent Agenda which included modification participation requests and an administrative recommendation reconsideration request. On a motion by Trustee Henry, seconded by Trustee Mezzapelle, the Board voted to approve the Consent Agenda, as presented.

There were no travel reports or requests.

Executive Director Goodwin provided an update on Action Items from the October 8, 2024, Board meeting, noting all action items except for number six, which is ongoing, will be completed at the end of today's meeting.

Chair Kelliher requested that the Board enter into a non-public session under RSA 91-A:3 II(c) to discuss the Board's self-evaluation. On a roll call vote motioned by Trustee Hannan, seconded by Trustee Henry, the Board entered into a non-public session.

On a motion by Trustee Hannan, seconded by Trustee Henry, the Board voted to conclude the non-public session and seal the minutes for the non-public session as well as seal the non-public minutes for the Executive Director's non-public session.

With no further business to discuss, on a motion by Trustee Henry, seconded by Trustee Maloney, the Board voted unanimously to adjourn the meeting at 12:13 p.m.

Respectfully submitted,

Mariel Holdrege
Executive Assistant

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