

NHRS Board of Trustees

DRAFT Minutes – October 8, 2024

Note: These **draft** minutes from the October 8, 2024, Public Session are subject for approval at a subsequent Board of Trustees meeting.

Board of Trustees

October 8, 2024

DRAFT 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, Ken Merrifield, Monica Mezzapelle, Paul Provost, Joshua Quigley, and Don Roy.*

* Participating remotely. Because a Trustee was participating remotely, all votes were by roll call.

Staff: *Jan Goodwin, Executive Director; Timothy Crutchfield, Deputy Director and Chief Legal Counsel; Rosamond Cain, Director of Human Resources (HR); Marty Karlon, 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: *Tony Pietro: The Townsend Group.*

Chair Maureen Kelliher called the October 8, 2024, regular meeting of the NHRS Board of Trustees to order at 9:30 a.m.

A quorum was established and Chair Kelliher called for a vote to approve the minutes of the August 13, 2024, Board meeting. On a motion by Trustee Roy, seconded by Trustee Hannan, the Board voted unanimously to approve the meeting minutes.

Trustee Mezzapelle provided the Audit Committee report, which met immediately prior to the Board meeting. The Committee heard updates from Internal Audit and proposed minor revisions to the Committee's Policy and Charter to reflect updated audit standards for internal auditing. On a motion by Trustee Maloney, seconded by Trustee Roy, the Board voted unanimously to accept the recommendation of the Audit Committee to approve the proposed revisions to the Audit Policy and Charter as presented.

Trustee Roy reported that the Governance Committee has not met since August but will

convene before the December Board meeting to review staff recommendations on the proposals received for investment counsel from the RFP issued in August.

Next, Trustee Provost reported on the August 13, 2024, Independent Investment Committee (IIC) meeting, with four of the five members participating and one position vacant. He reported that the IIC heard from CIO Raynald Leveque, who reviewed investment returns, holdings, and reported on the team's investment activities and work plan.

Trustee Provost turned to Mr. Leveque, who reported on NHRS' portfolio performance as of August 31, 2024. He noted the Plan's 12-month return and discussed the impact of mid- and small-cap equity underperformance, while emphasizing a focus on long-term diversified strategies, as well as positive returns across equities and fixed income for August. Mr. Leveque discussed the team's active implementation of the Board-approved strategic asset allocation, which merges U.S. and non-U.S. equities into a global equity asset class, as well as upcoming plans to rebalance the portfolio by reducing the global equity allocation, increasing fixed income, and introducing infrastructure as a new asset class were also discussed, with a focus on private core and core-plus investments for 2025. A brief discussion ensued regarding the infrastructure allocation, focusing on whether it would involve private or publicly traded investments and touched on the guidelines for infrastructure, the level of risk involved, and the source of funds to be used for investments. As of August 31, 2024, the Plan's assets totaled \$12.6 billion and continue to grow.

Executive Director Goodwin then responded to a Trustee's question about the unfunded actuarially accrued liability (UAAL), noting that NHRS is still waiting for the newest actuarial report from our external actuary, but that as of June 30, 2023, the UAAL \$5.5 billion. The retirement plan is paying down the UAAL as anticipated within the statutory 30-year amortization established in 2009, and it has stopped growing.

Trustee Merrifield gave an update on the Legislative Committee, which met on September 30, 2024, and completed its annual charter review, with no changes proposed. The Committee also heard from Director of Communications & Legislative Affairs Marty Karlon, who reviewed the four legislative service requests (LSRs) received-to-date that may impact NHRS, with more LSRs expected after the November election. Trustee Merrifield then requested Board certification of \$400,000, determined by GRS under House Bill (HB) 1307, for reimbursement to NHRS from the State's General Fund for the \$500 payment to eligible retirees and beneficiaries. On a motion by Trustee Frederick, seconded by Trustee Hannan, the Board unanimously approved the certification to the Governor for reimbursement.

Trustee Frederick provided the Benefits Committee report, noting it met on September 3, 2024, and October 1, 2024, approving a total of 12 disability applications and reviewing staff-proposed revisions to the IME Review Policy, which reflects the opportunity to engage with companies that perform independent medical exams (IMEs) in addition to contracting with individual physicians. On a motion by Trustee Roy, seconded by Trustee Mezzapelle, the Board voted unanimously to accept the recommendation of the Benefits Committee to adopt the proposed revisions to the IME Review Policy as presented.

Trustee Frederick next introduced a motion coming out of the IME RFP review process to increase the number of individual physicians performing IMEs as well as the opportunity to engage with two companies for the first time. On a motion by Trustee Quigley, seconded by Trustee Merrifield, the Board voted unanimously to accept the recommendation of the

Benefits Committee to authorize staff to negotiate contracts with the providers noted in the Board materials.

Trustee Hannan provided the PPCC report, which met on September 18, 2024. The Committee received a staffing update from HR Director Rosamond Cain, and reviewed the 2024 succession planning process, approving related documents.

Next, Trustee Quigley, the ad hoc Real Estate Committee Chair, reported that the Committee met on September 13, 2024, to discuss office space options and recommended the Board enter a non-public session to discuss the topic further. On a roll call vote motioned by Trustee Hannan and seconded by Trustee Mezzapelle, 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, Marty Karlon, John Laferriere, Raynald Leveque, Nancy Miller, and Marie Mullen. Non-NHRS staff participating included Tony Pietro of The Townsend Group.

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

Executive Director Goodwin gave her executive report, highlighting key performance measure (KPM) scores for August and September at 96.92% and 94.91%, respectively. The PGV3 project is at 89% completion, at the 10-month mark of the 12-month warranty period with the transition from implementation support to regular support from LRS under way. Results of the most recent cyber security reviews are being examined and NHRS plans to benchmark with ERISA standards for best practices. The need for new registration to access *My Account 2.0* has led to longer tech support call times for the Contact Center, prompting a review of staffing and self-service options. The annual Call Fire Fund report confirmed sufficient assets for the remaining beneficiary, with surplus funds to be returned to the general fund. Additionally, contract renewals with Citizens Bank and GRS were noted.

Director of IT John Laferriere reported on the department's completion of a thorough cyber security review, including extensive penetration testing, with strong results. The IT Team continues to advance security efforts by implementing cloud-based services, monitoring risks, and ensuring compliance with best practices to improve NHRS' cyber security score. He provided updates on several key projects, including the rollout of *My Account 2.0*, OneDrive for document management, and a new project management office (PMO) to track IT and organization-wide initiatives. Most recently, the team implemented cost-saving cloud optimizations and system patching, with plans in place to handle increased call center volume due to new systems.

Director of Member Services Nancy Miller updated the Board on the department's key efforts, focusing on legislative changes, particularly the Group II violent accidental disability retirement (VADR) benefit and Group II multiplier, with testing planned in the coming months. The team is progressing with member statements and benefit option factor testing, having established a plan for testing in a single environment starting at the end of the month. Recruiting for one open Benefit Specialist position continues.

CIO Raynald Leveque reviewed the Investments operating report, providing updates in July and August performance reports, noting that in September, four KPMs were achieved, while one related to rebalancing was not. A rebalancing plan for global equities and fixed income

will be presented at the October IIC meeting. Asset class strategy discussions are ongoing, focusing on global equity and fixed income asset classes, with use of more analytical systems being utilized by the Investment Team. Upcoming priorities include reviewing investment policy revisions, setting new benchmarks, and rebalancing ranges, reviewing Infrastructure guidelines for the Investment Manual, and improving usage of portfolio analytics.

Finance Director Marie Mullen's operating report highlighted continued progress in Employer Reporting, the review of both the preliminary unaudited net position and cash flow for FY 24, and year-to-date administrative expenses as compared to budget for FY 25. Ms. Mullen announced the completion of a five-year contract extension with Citizens Bank and the submission of the FYs 26 and 27 Statutory Administrative Budget to the state. The Finance department is also working with NHRS' external auditor, Plante Moran, with the audit continuing through October and November.

Director of HR Rosamond Cain began her operating report with positive hiring and recruiting updates and noted that the communications task force is working on a comprehensive plan to centralize internal staff communications. The all-position salary survey has begun and feedback from Korn Ferry is being analyzed and compared to current assessments. Professional development highlights include Director Cain's recent attendance of the NCPERS HR Summit and an all-staff training on unconscious bias scheduled for mid-October.

Deputy Director and Chief Legal Counsel Timothy Crutchfield began his Legal report by expressing his appreciation for the Board's approval of the IME Review Policy revisions and IME RFP recommendations. He then reported on staff's ongoing review of the 18 investment counsel proposals, which is expected to yield recommendations for the Governance Committee by December. Upcoming initiatives include enhancing employer audit capabilities and preparing for the implications of a recent New Hampshire Supreme Court decision affecting early retirement stipends for certain Keene School District retirees. He then proposed the CY 25 Board meeting schedule, continuing with bimonthly meetings on the second Tuesday of even-numbered months. On a motion by Trustee Roy, seconded by Trustee Maloney, the Board voted unanimously to approve the 2025 Board Meeting Calendar as presented.

Mr. Karlon provided his Legislative Affairs and Communications operating report, highlighting efforts to build the user base for *My Account 2.0*, with a 340% spike in sign-ups following recent targeted email campaigns. The department is preparing for higher engagement in the coming months, driven by member statements and tax forms. A new internal communications style guide will be rolled out to staff and the team is actively participating in numerous presentations and events. Legislative activity remains quiet for now, but preparations are under way for expected future developments.

Hearings Examiner Diana Crichton then provided a summary to the Board of an administrative appeal on the Consent Agenda regarding the denial of a school district's appeal of payment of contributions due to erroneous reporting and the related interest penalty. Trustee Quigley moved and Trustee Provost seconded a motion to approve the Consent Agenda that was unanimously approved, as presented.

Trustees Mezzapelle and Quigley presented travel reports, both with positive comments on CAPP.

Executive Director Goodwin provided an update on Action Items from the August 13, 2024,

Board meeting, noting all action items except for numbers six, seven, eight and 11, have been completed.

Following up on her instructions from the August 13, 2024, Board Checkpoint discussion, Chair Kelliher requested that the Board members complete Board evaluations as part of best practices and good governance. These evaluations will be discussed at the December meeting.

With no further business to discuss, on a motion by Trustee Frederick, seconded by Trustee Hannan, the Board voted unanimously to adjourn the meeting at 11:11 a.m.

Respectfully submitted,

Mariel Holdrege
Executive Assistant

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